

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE26 September 2023Report by Director of Business Operations & PartnershipsNATIONAL FRAUD INITIATIVE - UPDATE**PURPOSE OF REPORT**

1. To provide an update on the National Fraud Initiative (NFI) in Scotland and the work carried out by East Renfrewshire Council in 2022/23.

RECOMMENDATION

2. It is recommended that the Committee considers the report and notes the action taken in respect of the National Fraud Initiative (NFI) in East Renfrewshire Council for 2022/23.

BACKGROUND

3. Audit Scotland, working closely with public bodies, external auditors and the Cabinet Office, has completed another major data sharing and matching exercise – the National Fraud Initiative (NFI). These exercises make a significant contribution to the security and transparency of public sector finances by confirming that services are provided to the correct people and by reducing fraud and error.

4. These exercises are undertaken every two years and are linked to the statutory audits of the participating bodies.

5. Further work in this area is being highlighted to the Committee through the report on “Managing the risk of Fraud and Corruption – Fraud Response Statement 2022/2023”.

REPORT

6. The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. Data matching is an effective and efficient way to identify areas for further investigation by connecting discrepancies between different data sets, which include the Electoral Register, HMRC information on pensions and income, Student Loans, immigration and Department of Work and Pensions (DWP) records.

7. The success of the NFI comes primarily from the public bodies who:

- Investigate the NFI data matches
- Identify and stop fraud and errors
- Recover overpayments
- Hold fraudsters accountable
- Improve their systems

8. East Renfrewshire has a single point of contact for NFI and a well-established internal network of departmental contacts, covering areas such as Housing Benefit; Council Tax Reduction; Council Tax Single Persons Discount; Blue Badges; Housing waiting lists; Payroll, Accounts Payable (Creditors) and Business Rates. Each area takes responsibility for comparing their own data sets and for subsequent recovery or follow up action as appropriate.

9. Within the Council 2,810 matches were reported in the 2022/23 NFI exercise (2020/21 3,026). The decrease in matches of 216 is due to reductions in Accounts Payable (Creditors) and Council Tax Reduction, being offset by increases in Housing and Payroll. As previously reported the Integra Purchase to Pay system has a robust control environment, with the NFI matching exercise confirming that. Increases in Housing matches are due to administration errors, less customer contact during the Covid-19 pandemic and staff turnover. Increases in Payroll matches are due to casual/supply staff who are employed with ERC and other local authorities at the same time. This is due to the nature of these roles and the lack of guaranteed working hours with one employer. The other match reason is leavers who have left ERC and joined another Local Authority on the same date. Every high risk match (239) and all Single Person Discounts (SPD) (1,010) were investigated – see Table 1. The remaining cases were categorised as medium or low risk and a sample of these cases were also investigated.

Table 1

Category	High	Medium	Low	Total
Council Tax Reduction	20	34	79	133
Blue Badges	6	11	266	283
Housing Benefit	10	7	5	22
Housing	142	191	-	333
Payroll	61	57		118
Accounts Payable (Creditors)			911	911
Business Rates	tbc	tbc	tbc	tbc
Total	239	300	1,261	1,800
Single Person Discount (SPD)				1,010
				2,810

10. The majority of high risk matches relate to Housing and Payroll. Housing are reviewing how the administration errors reported at paragraph 9 can be resolved. Payroll matches had reduced during the Covid pandemic and are in line with pre-pandemic levels due to the reasons highlighted above. No significant issues were identified within these matches and all relevant updates have been processed.

11. The data for Business Rates has not yet been received, and will be carried out during autumn 2023. Data matches will be investigated by Renfrewshire Council (who administer Business Rates/ Non Domestic Rates on behalf of ERC).

12. Concessionary travel is being added to the data matching exercise. Transport Scotland, the National Entitlement Card (NEC) Programme Office, Audit Scotland and the UK Public Sector Fraud Authority are taking action this summer to identify where NEC holders have not been marked as deceased. A data processing agreement has been signed by ERC to allow data extracts to be completed and support this change.

13. Mitigating potential fraud across all areas is a matter for each service area and there are a number of roles across the Council that have specific remits to eradicate or reduce fraud taking place at source (e.g. Tenancy Enforcement Officers and Internal Audit) and all employees are encouraged through the Code of Conduct and Anti-Fraud and Bribery Strategy to report suspicions of fraud.

OUTCOMES FROM ERRORS INVESTIGATED

14. In 2022/23 the Council has 12,718 live Single Person Discounts (SPD) granted against a Council Tax base of 40,650 households (31%). In monetary terms, this discount amounts to £4.8m per annum (excluding water and waste water). The 2022/23 NFI data-matching exercise highlighted 1,010 cases where SPD had been awarded and may no longer be valid. Following further investigation with customers, this resulted in a cancellation of 270 SPDs, which equates to an annual saving in 2023/24 of a maximum of £146,095 – this figure may be revised downwards as more evidence from customers is received. (As a comparator, in 2020/21 the resulting saving was £77,499). SPD was cancelled from 1st April 2023 and retrospective Council Tax demands issued with amounts being actively recovered in line with Council Tax legislation.

15. As part of the high risk review, 1 claimant error was identified within Housing Benefit. This is valued at £1,241 with recovery action underway.

OTHER RELATED INITIATIVES

16. The Benefits Section receives information on an ongoing basis via an electronic interface with HMRC called Verify Earnings and Pensions (VEPS). Through this interface, the Council is provided with employment and pension information for Housing Benefit (HB) claimants on an ongoing basis. Any new earnings (or new pension income) for those in receipt of HB is reported to our team through the interface, as are changes to earnings or pension levels. The functionality also allows our team to notify HMRC of new HB claims and within 48 hours of the claim being notified, ERC are supplied with the earnings and /or pension levels for the claimant. This facility assists with benefit processing, as there is less reliance on claimants to provide evidence of their income.

17. Under national welfare reforms, the Department of Work and Pensions (DWP) set up a fraud and error investigation service (FES). The DWP FES team continue to protect the Council's interests and to mitigate our risk against Housing Benefit fraud. Council and FES investigations into HB fraud can result in Housing Benefit Overpayment (HBO), the imposition of an administration penalty (i.e. half of the amount of the overpayment) or the potential for prosecution for HB fraud. Since we last reported in September 2022, there have been no new referrals, and there is no further information from the DWP on the 1 previous referral. The reduced levels of fraud in this area, are partly due to a reduced Housing Benefit caseload, with the move to Universal Credit, and the effective control environment.

18. The Council is also a member of various networks which circulate and share information about potential scams and frauds. This information is shared routinely across services for learning and development purposes.

NEXT STEPS

19. The NFI website will be available until February 2024 when the majority of investigations will be completed and all outcomes will be recorded and closed off in order that the Cabinet Office can calculate the total outcomes from the 2022/23 exercise.

FINANCE AND EFFICIENCY

20. While the recovery through the NFI exercise was relatively low for 2022/23 at £147,336, the main benefit from carrying out the exercise is the reduction in ongoing fraud and the deterrent effect gained from regular data matching.

PARTNERSHIP WORKING

21. The follow up work carried out through the NFI exercise has been through partnership working with the following ERC teams; Housing Benefit & Discretionary Payments, Council Tax, Accountancy; Housing; Customer First; Payroll, Accounts Payable (Creditors). Renfrewshire Council also supported on Non Domestic rates.

CONCLUSION

22. The Council has a robust and effective approach to NFI, which is complemented by existing fraud prevention measures.

RECOMMENDATION

23. It is recommended that the Committee considers the report and notes the action taken in respect of the National Fraud Initiative (NFI) in East Renfrewshire Council for 2022/23.

REPORT AUTHOR

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BACKGROUND PAPERS

- National Fraud Initiative – Update, Audit & Scrutiny Committee, 29 September 2022