



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**

# Governance and Audit Committee

29 September 2021

**Report of:** Councillor Adam Stokes

Cabinet Member for Finance and  
Resources



## Counter Fraud Annual Report 2020-21

One of the key areas for Governance and Audit Committee, as part of its terms of reference, is to monitor and review the counter fraud arrangements in place and the activities that are being undertaken to mitigate those risks.

### Report Author

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Corporate Priority:	Decision type:	Wards:
<b>A High Performing Council</b>	<b>Administrative</b>	<b>All Wards</b>

<b>Reviewed by:</b>	Alison Hall-Wright, Head of Finance	13 September 2021
<b>Approved by:</b>	Richard Wyles, Interim Director of Finance	13 September 2021
<b>Signed off by:</b>	Councillor Adam Stokes, Cabinet Member for Finance and Resources	21 September 2021

### Recommendation to the decision maker

- The Governance and Audit Committee is asked to approve the contents of this report including the proposed workplan for 2021-22.**

## 1 The Background to the Report

- 1.1 In accordance with the terms of reference of the Committee it is a requirement to produce an annual report on the counter fraud arrangements in place and the activities undertaken. Counter fraud is fundamental to the Council's achievement of its strategic objectives. The report being presented covers the financial year 2020-21 and details the various aspects of work delivered during the course of the year.

## 2 Summary of position

- 2.1 The Council is committed to the highest standards of quality, probity, openness and accountability. As part of the Committee's terms of reference, counter fraud is one of the key areas of focus being an essential element of delivering good governance. In order to develop and promote greater awareness, and in line with best practice, a review of the Council's counter fraud arrangements has been undertaken, culminating in this Annual Report for 2020-21. This report sets out the key outcomes from the counter fraud work delivered during the year relating to both welfare/benefit fraud and non-welfare/benefit fraud.
- 2.2 Like any organisation South Kesteven District Council is inherently vulnerable to the risk of fraud and corruption and, with reducing Government funding and the current economic position, it is vital that robust arrangements for the prevention and detection of fraud are maintained, and best use of information and knowledge is made in order to ensure effective fraud prevention procedures are in place.

## 3 Whistleblowing

- 3.1 Assurance Lincolnshire manages the Confidential Reporting Line on behalf of the Lincolnshire Counter Fraud Partnership and acts as a central point of contact. An analysis of district related referrals made to the Reporting Line during 2020-21 identified that 63 referrals were received (80 in 2019-20). Of the 63 district referrals received by Assurance Lincolnshire, 31 (49%) were for South Kesteven District Council. This reflects the pattern in previous years and there is no obvious explanation why South Kesteven has the highest number. Following discussion with partners it may be that their service users report concerns via other means, but whistleblowers within South Kesteven wish to remain anonymous and therefore choose not to contact via the appropriate mechanism eg registering a complaint.
- 3.2 Referrals by Authority:

Authority	Number
Boston	3
City of Lincoln	20
East Lindsey	1
North Kesteven	3
South Holland	1
South Kesteven	31
West Lindsey	4
Total	63

- 3.3 The main type of district referrals in 2020-21 relate to council tax and housing tenancy.
- 3.4 In addition to the 31 whistleblowing allegations to the Reporting Line, the Council received three allegations that were reported direct – these were in relation to staff conduct. All 34 whistleblowing allegations have been investigated and action taken where appropriate.
- 3.5 Summary of whistleblowing allegations received by South Kesteven 2020-21:



- 3.6 Occasionally the Council receives whistleblowing allegations from either staff (usually anonymous), or from members of the public, in respect of staff. Of the six allegations reported above, five were investigated outside of the Whistleblowing Policy under the relevant HR policy or procedure and one, detailed below, was investigated in accordance with the Council’s Fraud Response Plan.
- 3.7 The whistleblowing that was investigated in accordance with the Fraud Response Plan was an allegation of theft. This was received via the Whistleblowing Hotline from a member of the public. The initial investigation identified that there would be basis for further investigation, and subsequently this was referred to an investigating officer external to the Council. The investigating officer found that there was enough evidence that supported the allegations as presented by the whistleblower. The matter was referred to the Police and their file is currently with the Crown Prosecution Service. The Council is unable to comment further on the police investigation, and the financial value of the case, until the criminal case has concluded. Once the criminal case has concluded Governance and Audit Committee will receive a report of the theft at a future meeting.

**4 Lincolnshire Counter Fraud Partnership**

- 4.1 The Partnership continues to work with partners to protect the Public Purse within Lincolnshire. The Partnership, which includes all councils within Lincolnshire, works to improve fraud resilience across Lincolnshire by co-ordinating targeted fraud awareness campaigns; sharing fraud intelligence, best practice and expertise; delivering savings and making effective use of resources.

- 4.2 Extensive and varied communication channels have been used to promote fraud awareness across a wide audience and increased whistleblowing traffic is evidence that this is working well.
- 4.3 The Council continues to actively contribute to the work of the Partnership. The Partnership's key outcomes in 2020-21 include:
- Raising fraud awareness by maintaining and promoting fraud awareness e-learning and sharing pro-active fraud awareness campaigns
  - Helping partners to minimise Covid-19 Business Grant fraud by sharing fraud intelligence, alerts and best practice throughout the pandemic
  - Providing and managing the Confidential Reporting Line
  - Managing local and national intelligence sharing about emerging risks and threats. This enabled swift responses to scams and potential frauds
  - Supporting District Council arrangements to generate revenue from Council Tax fraud and error:
    - The Single Person Discount review has been delayed due to the pandemic, but work has been ongoing during 2020/21 to ensure that it can take place between April and October 2021. It is estimated to produce gross revenue of £983k with a net revenue split estimated of £704k (LCC): £122k (Police) and £113k (districts).

## **5 Fraud elearning**

- 5.1 Council officers were asked to complete fraud elearning during Autumn 2019 and will be asked to undertake training again within 2021-22. This training is an integral element of the corporate training programme. Members, as part of their training programme, will also be asked to undertake the fraud elearning. The Lincolnshire Counter Fraud Partnership are developing a bespoke elearning module and this is scheduled to be rolled out from December 2021.

## **6 National Fraud Initiative (NFI)**

- 6.1 Since 1996 the National Fraud Initiative (NFI) every two years (every year for Council Tax Single Person Discount) undertake a compulsory national data exercise. The NFI data is provided by some 1,300 participating organisations from across both public and private sectors including The Department for Work and Pensions (DWP), Home Office, Companies House and many others. It consists of 23 different data sources containing over a third of a billion records. These include police authorities, local probation boards, fire and rescue authorities as well as local councils.
- 6.2 It is a tool that is helpful in assisting local authorities to identify potential fraud in areas such as council tax, housing benefit, pensions, payroll, creditors and housing tenancy and since 1996 the programme has helped identify over £1 billion in fraud or error.
- 6.3 The data matches from the main exercise were released in January 2021 and the matches from the Council Tax Single Person Discount (SPD) matches were released in December 2020. However, due to the impact of Covid and the inevitable pressure put on available resources, the investigation of the matches has not been undertaken – the SPD matches will not be investigated due to the Council participating in alternative exercises as referred to under point 8.

## 7 Housing Benefit and Council Tax Support Fund

7.1 Fraud cases are identified in numerous different ways with referrals coming from various sources. A primary channel is through joint working with the Department of Work and Pensions (DWP). The Council is currently undertaking joint working arrangements on several cases where there has been an allegation of fraud against a claimant within the district that is claiming Housing Benefit and/or Council Tax Discount. Fraud cases can also be referred from other departments within the Council. This could include, but is not limited to, the Income Recovery Team, Visiting Officers or Housing Officers. It is also possible for referrals to come from other authorities. Whistleblowing from members of the public also plays a crucial part in combatting fraud within the Housing Benefit system. Referrals can be made online, via email and via the phone.

7.2 Summary of Housing Benefit Overpayments for 2020-21

Number of invoices raised	Amount of debt	Amount recovered
386	£329,937	£310,687

## 8 Single Person Discount (SPD)

8.1 For Council tax purposes residents can apply for Single Person Discount (SPD) should they be the sole occupier of a property. Residents who wish to apply for SPD are asked to complete a declaration confirming that they are the only adult resident in the property and that they are eligible to claim the discount.

8.2 The Council's primary approach for checking SPD entitlement is to participate biennially in a county wide counter fraud review alongside all Lincolnshire authorities. The process for this includes taking a data extract from the Council Tax records of accounts in receipt of SPD. This data is then put through a screening process to identify accounts which may be claiming SPD, where they are not entitled to, highlighting accounts where contact is needed. The next review was due to start in April 2020 but unfortunately, due to the impact of Coronavirus, it was delayed and started in April 2021 with a deadline for completion by 31 August 2021. The review is on track and expected to see a reduction in SPD of around £157,243 as a result of 444 SPD removals. In addition, an estimated £16,520 has been raised as a result of 236 penalties being issued due to the ratepayer not responding to the review.

8.3 Partnership resource is progressing the business case proposals for alternative approaches to the current bi-annual SPD bulk review. This is driven by opportunity for further reductions in the levels of Council Tax revenue, lost to fraud or error, when SPDs are incorrectly granted or not cancelled following a change in household circumstances. This proposed new approach was placed on hold due to the impact of Coronavirus – the tender was due to go out Summer 2020 but was deferred to Summer 2021 with a view to procure a service provider for a May 2022 start date. Moving to a continuous rolling review is expected to increase revenue collection by reducing the time between loss of entitlement to SPD and detection date of the fraud or error, ensuring incorrect SPDs are removed sooner, and this will be strongly recommended.

8.4 Under current arrangements, and with a rolling review, intelligence and experience of other local authorities, shows that some of the SPD removals will continue to be paid, or

be subsequently re-instated, following contact from claimants where it was shown they had deliberately lied, upon review, in order to maintain their discount.

- 8.5 In addition to the proposed continuous review, the business proposal will include cost/benefit analysis of further options to use a fraud referrals service to identify historic cases for revenue collection and options to pursue sanctions, including prosecution. Use of such a fraud referrals service provides all the information needed to demonstrate strong grounds to challenge those claimants who appear to have deliberately lied to maintain their discount or exemption. Local Authority information it holds about claimants is cross-matched with other data sources – highlighting anomalies (such as evidence of other adults living at the property) and pinpointing cases to be investigated further. Whilst this could increase collection rates, and sanctions would act as a future fraud deterrent, pursuing such cases does have the potential to cause reputational damage and prosecution success is not guaranteed.

## **9 Test and Trace Support Payments**

- 9.1 Since 28 September 2020, the Test and Trace Support Payment scheme has supported people on low income who are unable to work from home and will lose income if they are required to self-isolate because of COVID-19.
- 9.2 Eligible individuals receive a £500 payment. This is to help ensure people who have tested positive for COVID-19 and their close contacts self-isolate for the required period, and to encourage individuals who have symptoms to get tested. This is important to help stop the transmission of COVID-19 and avoid further economic societal restrictions. The scheme ends on 30 September 2021.
- 9.3 South Kesteven District Council has received total funding of £320,100. This is broken down as follows:
- £133,000 for mandatory scheme payments of £500
  - £92,500 for discretionary scheme payments of £500
  - £94,600 for administration of the scheme
- 9.4 The Council is responsible for post-payment checks and conducts a monthly spot check on 10% of payments made to identify whether a recipient continues to receive full pay during their self-isolation period.
- 9.5 The Council has not yet identified anyone that has continued to receive full pay while self-isolating but, if it did, the Council would have the right to recoup the money. Any money that is recovered would be put towards the cost of running the scheme. Local Authorities are not liable for any irrecoverable costs due to fraud.
- 9.6 The Council has awarded £390,500 in self-isolation payments. This is broken down into £269,500 for the mandatory scheme and £121,000 for the discretionary scheme.

## **10 Business Rates Relief – Expanded Retail Discount (Covid support)**

- 10.1 The government announced in the budget on 29 October 2018 that it would provide a Business Rates Retail Discount to apply in years 2019/20 and 2020/21.
- 10.2 In response to the Coronavirus pandemic, in the Budget on 11 March 2020, the government announced that it would increase the discount to 100% and extend it to include the leisure and hospitality sectors. Following the announcement on 23 March

2020 of further measures to limit the spread of coronavirus, the government confirmed that some of the exclusions for this relief had been removed, so that retail, leisure and hospitality properties that had to close as a result of the restriction measure would be eligible for Expanded Retail Discount (ERD).

- 10.3 The Ministry of Housing, Communities and Local Government (MHCLG) issued eligibility criteria (with a number of revisions) for the Council to use their discretionary relief powers under Section 47 of the Local Government Finance Act 1988 to grant the relief. Central government will fully reimburse the Council for the local share of the discretionary relief (using a grant under Section 31 of the Local Government Act 2003).
- 10.4 The Council determined each individual case, having regard to the guidance which provided a list of properties that would benefit from the relief. These properties were identified by description of use, which was allocated by the Valuation Office Agency, using the Business Rates Revenues software system. Where it was clear an automatic award could be made, this was undertaken.
- 10.5 The list provided by MHCLG was not intended to be exhaustive but a guide for local authorities as to the types of uses the government considered for this purpose to be eligible. As a result, those businesses where their description did not fall into the “benefit from relief category” individual case decisions were undertaken and where there was a clear requirement to change the description, a request was made to the Valuation Office Agency.
- 10.6 Outturn data on the actual total cost for providing the relief was provided on a monthly basis.
- 10.7 Whilst the discount was not subject to State Aid, the award of ERD was used to form the eligibility criteria for one of the original grants – the Retail, Hospitality and Leisure Grant (RHLG).
- 10.8 The Council has awarded £20,886,310 in additional business rates relief during 2020/21 in support of businesses affected by the pandemic

## 11 Counter Fraud Action Plan 2021-22

Action	By when	Owner
<p><b>1) Counter Fraud Strategy</b></p> <p>Review of the Counter Fraud Strategy including the Whistleblowing Policy and the Anti Money Laundering Policy and Guidance</p>	December 2021	Governance & Risk Officer
<p><b>2) Fraud Awareness including elearning</b></p> <p>Continue to raise awareness amongst staff, stakeholders and partners about the risk of fraud in all areas of the Council’s business</p> <p>The Partnership is working on its own fraud learning module which will be rolled out across the districts</p>	December 2021	Governance & Risk Officer

<b>3) National Fraud Initiative (NFI)</b> Continuing the commitment to the NFI data matching exercises	January 2022 onwards	Governance & Risk Officer Heads of Service
<b>4) Lincolnshire Counter Fraud Partnership</b> Contributing to the work of the Partnership by supporting the delivery of their action plan including keeping abreast of national developments in counter fraud work	2021-22	Governance & Risk Officer Revenues & Benefits Manager
<b>5) Housing Benefit Investigations</b> Continue to support DWP Housing Benefit investigations	Ongoing	Revenues & Benefits Manager

## **12 Consultation and Feedback Received, including Overview and Scrutiny**

12.1 None

## **13 Reasons for the Recommendation**

13.1 Governance and Audit Committee, as part of its terms of reference; 11.5.4(iv) To approve the Counter Fraud, Bribery and Corruption Framework, including Whistleblowing Policy and Anti-Money Laundering Policy, should monitor and review the counter fraud arrangements currently in place and the activities that are being undertaken to mitigate those risks.

## **14 Next Steps – Communication and Implementation of the Decision**

14.1 None.

## **15 Financial Implications**

15.1 These are contained within the report where appropriate.

**Financial Implications reviewed by: Richard Wyles, Interim Director of Finance**

## **16 Legal and Governance Implications**

16.1 The report, including the action plan for 2021-22, are to be welcomed from a governance and legal perspective, as they represent effective ways of identifying and dealing with counter fraud. Members should note the performance and scrutinise any elements to assist the role of the Governance and Audit Committee.

**Legal Implications reviewed by: Graham Watts, Head of Democratic Services and Deputy Monitoring Officer**

## **17 Equality and Safeguarding Implications**

17.1 None.

## **18 Risk and Mitigation**

18.1 None.



**19 Community Safety Implications**

19.1 None.

**20 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?**

20.1 The recommendation will have a neutral effect of the Council's declaration of a climate emergency.

**21 Other Implications (where significant)**

21.1 None.