



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL

# Governance and Audit Committee

8 June 2022

Report of: Councillor Adam Stokes  
Deputy Leader of the Council



## Counter Fraud Annual Report 2021/22

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:    |
|---------------------------|----------------|-----------|
| A High Performing Council | Administrative | All Wards |

|                |  |             |
|----------------|--|-------------|
| Reviewed by:   | Alison Hall-Wright, Assistant Director of Finance    | 23 May 2022 |
| Approved by:   | Richard Wyles, Chief Finance Officer                 | 23 May 2022 |
| Signed off by: | Councillor Adam Stokes, Deputy Leader of the Council | 26 May 2022 |

### Recommendation to the decision maker

1. The Governance and Audit Committee is asked to approve the contents of this report including the proposed workplan for 2022/23.

# 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. The report being presented covers the financial year 2021/22 and details the various aspects of work delivered during the course of the year. Counter fraud is fundamental to the Council's achievement of its strategic objectives.

## 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 2021/22. 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 Counter Fraud Framework

- 3.1 Governance and Audit Committee approved a new Counter Fraud Framework on 26 January 2022. The previous Counter Fraud Strategy 2018/20 was last considered in September 2018. The new framework includes a Counter Fraud Strategy, Counter Fraud and Anti-Corruption Policy, Whistleblowing Policy, Fraud Response Plan and Anti-Money Laundering Policy – further details below:
- 3.2 **Counter Fraud Strategy** outlines the Council's stance of zero tolerance to all forms of fraud, theft and corruption and the Council's response to fraud under the five pillars of activity of Govern, Acknowledge, Prevent, Pursue and Protect.
- 3.3 **Counter Fraud and Anti-Corruption Policy** outlines the scope, aims and objectives, responsibilities, outcomes and reporting advice in countering fraud and corruption. This Policy also includes the Whistleblowing Policy and Fraud Response Plan as detailed below.
- 3.4 **Whistleblowing Policy** outlines processes that are in place to respond to whistleblowing received. It includes the scope, process, how the Council will respond and how the matter is progressed. The policy is supported by a Whistleblowing Process Flowchart that shows the various stages and decision points of a whistleblowing issue.
- 3.5 **Fraud Response Plan** outlines what the Council will do when it is alerted to a potential fraud. It includes what should be done if fraud is suspected, tips, safeguards and investigation and potential outcomes. The Plan is supported by a Fraud Response Plan Flowchart that shows the various stages of the fraud response.
- 3.6 **Anti-Money Laundering Policy** explains the Council's stance against anti-money laundering. It consists of definitions, scope, objectives and general procedures.

## 4 Whistleblowing

4.1 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 2021/22 identified that 56 referrals were received (63 in 2020/21). Of the 56 district referrals received by the Confidential Reporting Line, 20 (36%) were for South Kesteven District Council. This is a reduction of around a third from the previous year of 31.

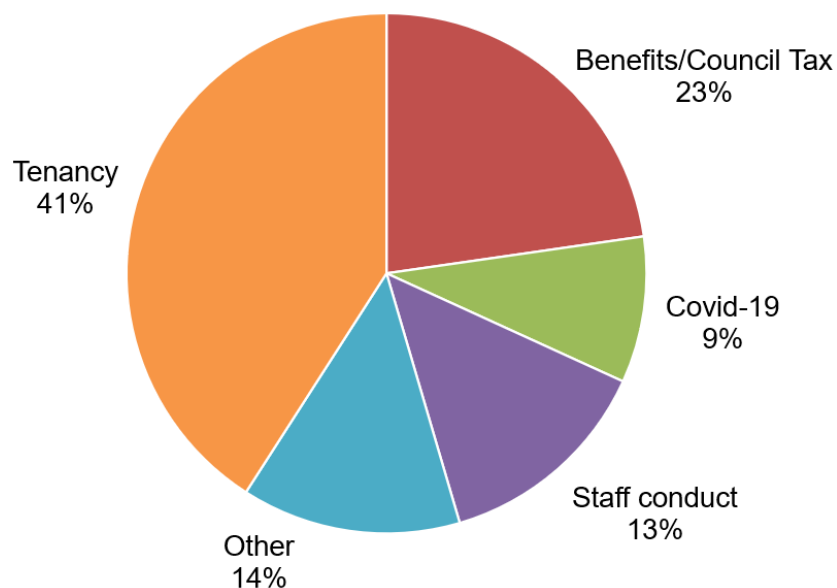
4.2 Summary of referrals by Authority:

| Authority       | Number 2021/22 | Number 2020/21 |
|-----------------|----------------|----------------|
| Boston          | 2              | 3              |
| City of Lincoln | 25             | 20             |
| East Lindsey    | 0              | 1              |
| North Kesteven  | 3              | 3              |
| South Holland   | 1              | 1              |
| South Kesteven  | 20             | 31             |
| West Lindsey    | 5              | 4              |
| <b>Total</b>    | <b>56</b>      | <b>63</b>      |

4.3 The main type of district referrals in 2021/22 related to benefits/council tax and housing tenancy.

4.4 In addition to the 20 whistleblowing allegations to the Confidential Reporting Line, the Council received two allegations that were reported direct – these were in relation to staff conduct. All 22 whistleblowing allegations have been investigated and action taken where appropriate.

4.5 Breakdown by category of allegation received for South Kesteven 2021/22:



## **Theft of fuel whistleblowing**

- 4.6 Governance and Audit Committee has been provided with verbal updates throughout 2021/22 in relation to a theft of fuel whistleblowing received by the Council in May 2020. Following the conclusion of the police investigation the Council is now able to share a summary of the allegation, the investigations and actions implemented.
- 4.7 The whistleblower stated that a waste operative was stealing fuel by syphoning from his vehicle's fuel tank and selling it for financial gain and that this had been ongoing for several years. The whistleblower also subsequently advised that another operative was also implicated in the thefts and had taken fuel from the same vehicle whilst the other operative was on leave.
- 4.8 Initial analysis of evidence indicated that there would be basis for further investigation due to an apparent low miles per gallon (MPG) achieved by the specific vehicle which the operative had driven daily. It was also noted that on the occasions when other drivers had used the vehicle the MPG was notably higher.
- 4.9 In line with the Council's Fraud Response Plan an investigating officer was appointed who was independent of those involved, professionally qualified and experienced in conducting various investigations to a criminal standard. The investigating officer found that there was enough evidence that supported the whistleblower's allegations and this was subsequently reported to the Police in June 2020.
- 4.10 The Police investigation concluded in July 2021 – there were significant delays due to the impact of Covid – with the Police sending their file to the Crown Prosecution Service (CPS). The CPS provided authority to charge, and the summons file was prepared.
- 4.11 The driver appeared in Court in October, November and December 2021 – at the last hearing he was sentenced to 8 months, suspended for 18 months, plus 200 hours unpaid work.
- 4.12 At the proceeds of crime hearing at Lincoln Crown Court in March 2022, it was stated that the defendant made a total benefit of £42,352.35 from his criminal activity. The figure was calculated on the legitimate market value of the stolen fuel plus inflation. The amount of £42,362.35 was therefore awarded as compensation to the Council to be paid within three months (by 30 June 2022).
- 4.13 As a result of the whistleblowing investigation the following actions have been implemented:
- 4.14 Action 1: Access to fuel  
Maximum limits on the frequency of refuelling have been implemented eg one refuelling per day or three per week – these are based on an informed assessment of expected fuel usage.
- 4.15 Action 2: Fuel management and monitoring – analysis  
Expected MPG range has been set for each vehicle with MPGs outside the parameters being flagged by the system. Refuelling data for any unusual pattern is checked and reported. Procedure notes have been produced to set out how the MPG monitoring is conducted.
- 4.16 Action 3: Fuel management and monitoring – data integrity  
Random spot checks to verify vehicle mileage are requested and the responses on odometer readings are then checked against system data for any anomalies. Odometer

readings continue to be verified at the time of vehicle servicing providing further assurance in this area.

4.17 Action 4: Spot checks

This should be a consideration for each service area with Council vehicles as to whether such checks should take place from a health and safety perspective, in addition to verifying compliance with the controls arising from the investigation.

4.18 Action 5: Physical, preventative controls

Anti-syphoning devices have been fitted to all vehicles.

4.19 Action 6: CCTV

Additional CCTV cameras have been installed to cover the fuel tanks.

4.20 Action 7: Culture and deterrents

Communications have been issued to all staff reminding them that the Council has a zero tolerance to fraud.

## **5 Lincolnshire Counter Fraud Partnership**

5.1 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.

5.2 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.

5.3 The Council continues to actively contribute to the work of the Partnership. The Partnership's key outcomes in 2021/22 include raising fraud awareness by sharing proactive fraud awareness campaigns and managing local and national intelligence sharing about emerging risks and threats.

5.4 The Partnership also provides and manages the whistleblowing Confidential Reporting Line.

5.5 The Partnership supported the district council arrangements to generate revenue from Council Tax fraud and error:

- The Single Person Discount review was delayed due to the pandemic. Work has been ongoing during 2020/21 and 2021/22 to determine whether it can take place during 2022/23.
- The resource within the revenues teams is minimal and this has been reduced further by the introduction of the £150 Council Tax (Energy) Rebate. There has also been a change in resource at Lincolnshire County Council (LCC). There is a meeting between the districts and LCC over the coming weeks to agree a way forward.
- It is estimated to produce gross revenue of £983k with a net revenue split estimated of £704k (LCC): £122k (Police) and £113k (districts).

## **6 Fraud elearning**

- 6.1 The Lincolnshire Counter Fraud Partnership have developed a bespoke elearning module. This is currently being reviewed for districts and will hopefully be ready for rolling out in the summer but the timing has yet to be confirmed by the Partnership.

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

- 7.1 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 1,200 participating organisations from the public and private sectors including local authorities, private registered providers of social housing and pension schemes.
- 7.2 Data matching involves comparing sets of data electronically, such as the payroll or benefit records of a body, against other records held by the same or another body to see to what extent they match.
- 7.3 Fraud is the most experienced crime in the UK, accounting for around 40% of all crime. Data indicates that fraud levels are increasing. Latest data from the Crime Survey for England and Wales shows that there were 5.1 million reported instances of fraud in the year ending September 2021, a 36% increase compared to the year ending September 2019<sup>1</sup>.
- 7.4 In the public sector, the estimated cost of fraud is between £29 billion and £52 billion<sup>2</sup> per year. Fraud against the public sector can compromise public services and damage trust in government. Finding ways to help safeguard public funds through fraud prevention and detection programmes like the NFI are important for protecting vital public services.
- 7.5 Recently, the emergency response to the Covid-19 pandemic led to significant increases in government funding to support individuals and the economy through an uncertain and challenging period. The need to have in place fast and effective counter measures to minimise fraud losses further highlights the importance of tools such as the NFI to protect public funds.
- 7.6 Fraud is constantly evolving, becoming increasingly complex and digitally enabled. Over the past 25 years the NFI has and continues to respond to the ever-changing fraud risk landscape through exploiting new technologies to enhance data matching capabilities, and by broadening data sharing opportunities across the public and private sector. Cumulative detected and prevented savings identified from NFI data matching now exceed £2 billion.
- 7.7 Examples of recent NFI developments include:
- taking a leading role in Covid-19 fraud prevention work by developing Bank Verification and Active Company Check products to flag anomalies in Covid-19 grant payment data
  - working with the department for Business Energy & Industrial Strategy (BEIS) to help identify and recover fraud losses from Covid-19 grant recipient funding
  - sharing NFI data more widely across government, including with the Department for Work and Pensions (DWP) and for use within other tools and products

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<sup>1</sup> ONS Crime in England and Wales year ending September 2021

<sup>2</sup> Fraud Landscape Bulletin 2019-20

## 8 Housing Benefit and Council Tax Support Fund

- 8.1 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.
- 8.2 Summary of Housing Benefit Overpayments for 2021/22:

|         | Number of invoices raised | Amount of debt | Amount recovered |
|---------|---------------------------|----------------|------------------|
| 2021/22 | 313                       | £272,797       | £340,409         |
| 2020/21 | 386                       | £329,937       | £310,687         |

## 9 Single Person Discount (SPD)

- 9.1 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.
- 9.2 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 £284,607 as a result of 671 SPD removals. In addition, an estimated £27,090 has been raised as a result of 387 penalties being issued due to the ratepayer not responding to the review.
- 9.3 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. Unfortunately, the introduction of the £150 Council Tax (Energy) Rebate has absorbed the district SPD resource. In addition LCC have had changes to their personnel with the procurement and lead officer no longer being part of the

project. There is a meeting between Districts and LCC over the coming weeks to agree a way forward.

9.4 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.

9.5 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.

## **10 Test and Trace Support Payments**

10.1 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.

10.2 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 ended on 6 April 2022.

10.3 South Kesteven District Council received a total funding of £520,534 broken down below:

- £279,500 for mandatory scheme payments of £500
- £135,200 for discretionary scheme payments of £500
- £105,772 for administration of the scheme

10.4 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.

10.5 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.

10.6 The Council has awarded £414,762 in self-isolation payments. This is broken down into £269,500 for the mandatory scheme and £135,200 for the discretionary scheme.

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

11.1 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.



- 11.2 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).
- 11.3 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).
- 11.4 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.
- 11.5 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.
- 11.6 Outturn data on the actual total cost for providing the relief was provided on a monthly basis.
- 11.7 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).
- 11.8 The Council has awarded additional business rates relief during 2020/21 and 2021/22 in support of businesses affected by the pandemic:

|         |             |
|---------|-------------|
| 2020/21 | £20,886,310 |
| 2021/22 | £8,186,370  |

## 12 Counter Fraud Action Plan 2022/23

| Action   | By when                    | Owner                     |
|--|----------------------------|---------------------------|
| <b>1) Fraud risk assessment</b><br>Understand the fraud risks that public bodies and other organisations face and conduct a fraud risk assessment across the Council   | Summer 2022                | Governance & Risk Officer |
| <b>2) Fraud awareness including elearning</b><br>Continue to raise awareness amongst staff, stakeholders and partners about the risk of fraud in all areas of the Council’s business.<br><br>The Partnership is working on its own fraud learning module which will be rolled out across the districts | Ongoing<br><br>Summer 2022 | Governance & Risk Officer |

|  |         |  |
|--|---------|--|
| <b>3) National Fraud Initiative (NFI)</b><br>Continue to commit to the NFI data matching exercises. Next exercise scheduled for Autumn 2022 with the matches being released in January 2023                              | Ongoing | Governance & Risk Officer<br><br>Heads of Service                                |
| <b>4) Lincolnshire Counter Fraud Partnership</b><br>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 | 2022/23 | Governance & Risk Officer<br><br>Head of Revenues, Benefits and Customer Service |
| <b>5) Housing Benefit Investigations</b><br>Continue to support DWP Housing Benefit investigations   | Ongoing | Head of Revenues, Benefits and Customer Service                                  |

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

13.1 None

### **14 Reasons for the Recommendation**

14.1 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.

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

15.1 None.

### **16 Financial Implications**

16.1 These are contained within the report where appropriate.

**Financial Implications reviewed by: Richard Wyles, Chief Finance Officer**

### **17 Legal and Governance Implications**

17.1 The report, including the action plan for 2022/23, 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, Assistant Director of Governance and Deputy Monitoring Officer**

### **18 Equality and Safeguarding Implications**

18.1 None.

## **19 Risk and Mitigation**

19.1 None.

## **20 Community Safety Implications**

20.1 None.

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

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

## **22 Other Implications (where significant)**

22.1 None.