

REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 7 October 2020
SUBJECT:	Anti-Fraud Update Report 1st April 2020 – 31 August 2020
LEAD OFFICER:	David Hogan, Head of Anti-Fraud
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>The work of the Anti-Fraud service helps the Council to improve its value for money by strengthening financial management and further embedding risk management. Improving value for money ensures that the Council delivers effective services contributing to the achievement of the Council's vision and priorities. The detection of fraud and better anti-fraud awareness contribute to the perception of a law-abiding Borough.</p>	
FINANCIAL SUMMARY:	
<p>The budget provision for the Anti-Fraud service for 2020/21 is £328,107 and the service is on target to be delivered within budget.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

For general release

<p>1. RECOMMENDATIONS</p> <p>1.1 The Committee is asked to:</p> <ul style="list-style-type: none"> • Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2020 – 31 August 2020

2. EXECUTIVE SUMMARY

- 2.1 This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments during the period 1 April 2020 – 31 August 2020.

3. DETAIL

Performance 1 April 2020 to 31 August 2020

- 3.1 The CAFT comprises 10 staff (9.2 FTEs), including tenancy and corporate investigators, an Intelligence Officer, financial investigators and an Investigation Manager. The CAFT investigates allegations of fraud or corruption which affect the Council's business. In addition the team generates an income by providing a service to the London Borough of Lambeth, as well as providing Financial Investigation services to the Merton/Kingston/Sutton Trading Standards partnership as well as the LB Bexley, LB Wandsworth and the LB Newham. Statistics related to the other councils that CAFT supports are not included in the figures below.
- 3.2 The team are, at the time of writing this report just starting to get back into two of the key components of their work, visiting residents and business and face to face interviewing. Both had ceased out of necessity due to lockdown and then the time it has taken to agree safe working practices in these areas. This has impacted on the team's ability to conclude investigations and we find ourselves in a position of backlog in terms of cases that require direct public contact. Our priority is to work on this backlog during September and October.
- 3.3 There are local performance indicators that relate to the Council's anti-fraud work. The two indicators shown in table 1 below reflect the focus of the team. Table 2 shows a breakdown of these figures.

Table 1 – Key performance indicators

	YEAR END 19/20	ANNUAL TARGET 20/21	20/21 YTD PERFORMANCE
Successful Outcomes	181	130	40
Identified Overpayments & Savings	£1,414,384	£1,000,000	£277,814

Table 2 - Breakdown of Outcomes from 1 April 2020 – 31 August 2020 compared to the same period in 2019/20

2019/20		2020/21	
Area	Value £	Area	Value £
Housing - 33	226,800	Housing - 6 1 Recovered Properties	£32,400

7 Recovered Properties 2 Removed from housing list 6 Right to Buy stopped 5 Possession order 11 Legal notices issued* 1 Nomination Rights gained 1 – Other	**4,000 £658,000 £32,400	2 Removed from housing list 1 Right to Buy stopped 1 Legal notices issued* 1 Nomination Rights gained	**£4,000 £112,300 £32,400
Other - 125 30 Formal Cautions 7 Dismissal/Resignation & Other Disciplinary Action 7 Council Tax Discounts 6 Council Tax reduction removed 1 Council tax liability order 50 Blue Badge Abuse 13 Other	£238,901	Other - 35 4 Formal Cautions 1 Grant Rejected 2 Dismissal/Resignation & other Disciplinary Action 3 Council Tax Discount 4 Council Tax Reduction Removed 13 Blue Badge abuse 4 Covid Business grants 3 Other	£227,650
Total	£1,160,101	Total	£277,814

*Includes: Notice Seeking Possession and Notice to Quit

** Non-cashable saving, as cost to the council only arises when someone moves from the list to a tenancy.

3.4 Covid Business Grants

In April the council received funding of £60.3 million to administer stimulus payments to local businesses. These have taken the form of either Small Business (SBGF), Retail Hospitality and Leisure (RHLGF) and Discretionary (LADGF) payments. With the exception of the LADGF scheme all the other have closed as at the time of this report

There was always a considerable fraud risk in this scheme, mainly through organised fraud but also resulting from the fact that unlike council tax, there is no legal requirement for a business to notify their local authority that they are trading in the area. Unsurprisingly, the bulk of the cases being referred for fraud investigation relate to the person(s) previously using the premises to operate a business taking a chance that the new occupant may not have registered their business. We have also identified a number of cases where historically Small

Business rate relief (SBRR) had been granted and it has since become clear through the business grant process that SBRR had been claimed fraudulently as the business owner has a chain of businesses.

There are no identified cases of organised fraud currently identified in Croydon, a result of the processes put in place to ensure governance in the applications. Current figures relating to referrals that are under fraud investigation:

Grant scheme	Number	Fraud risk
SBGf	16	<ul style="list-style-type: none"> • Previous business applied as the current business had never registered for business rates • SBRR claimed falsely
RHLGF	4	<ul style="list-style-type: none"> • Company splitting • Previous business applied as the current business had never registered for business rates
Discretionary Grant fund	3	<ul style="list-style-type: none"> • Fake business • Multiple claims/single applicant • Virtual offices

4. FINANCIAL INVESTIGATIONS

- 4.1 The Council employs two Financial Investigators to undertake work using the Proceeds of Crime Act 2002. This includes investigating and developing cases to obtain confiscation orders plus cash seizure and cash forfeiture cases.

Croydon's Financial Investigators undertake work for other councils, who do not have this capacity, on a fee basis. This year they currently are undertaking work for LB Bexley, LB Newham and LB Wandsworth

Their investigations relate to a broad section of service areas within the Councils including:

- Environmental enforcement
- Trading Standards - trademark and rogue trader cases
- Planning – enforcement case;
- Licensing
- Internal cases
- Safeguarding cases
- Business rates evasion by fraud

- 4.2 The Financial Investigators, as is the case with many other teams across the council, are experiencing significant delays in legal proceedings due to Covid. This is resulting in constant adjournments as the courts appear to try to deal with their own backlogs.

5. LOCAL GOVERNMENT TRANSPARENCY CODE

- 5.1 Members will be aware of the Local Government Transparency Code which requires Councils to publish data about various areas of their activities. Included in the 2014 code is detail on Counter Fraud work, most of this information has always been reported to committee; however there are some new areas which now need to be made public. These are detailed below for the period from 1 April to 31 January 2020:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	6
Total number of employees undertaking investigations and prosecutions relating to fraud	10
Total number of full-time equivalent employees undertaking investigations and prosecutions of fraud	9.2
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	9
Total number of full-time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	8.4
Total number of fraud cases investigated*	122

*The number of investigations that have been closed during the period April 20 to August 20.

6. FINANCIAL AND RISK ASSESSMENTS

- 6.1 The budget provision for the audit and anti-fraud service for 2020/21 is £328,107 and the service is on target to be delivered within budget.
- 6.2 There are no further risk assessment issues than those already detailed within the report.

(Approved by: Felicia Wiright, Head of Finance, Resources & Accountancy)

7. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 7.1 The Solicitor to the Council advises that there are no additional legal implications arising from this report

(Approved by Sandra Herbert, Head of Litigation and Corporate law, for and on behalf of Sean Murphy, Interim Director of Law and Governance and Deputy Monitoring Officer)

8. HUMAN RESOURCES IMPACT

- 8.1 There are no immediate human resource considerations arising from this report for LBC staff or workers.

(Approved by: Gillian Bevan, Acting Head of HR – Resources and CE Office)

9. CUSTOMER FOCUS, EQUALITIES, ENVIRONMENTAL, CRIME AND DISORDER REDUCTION & HUMAN RIGHTS IMPACTS

9.1 There are no further considerations in these areas.

10. EQUALITIES IMPACT ASSESSMENT

10.1 An initial screening equalities impact assessment has been completed for the Anti-fraud and Corruption Policy. No further action was found to be necessary.

11. DATA PROTECTION IMPLICATIONS

11.1. WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

No, this report is for information only.

11.2. HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO

No DPIA has been completed as no personal data is used in the report. Any cases studies used do not include personal identifiers such as name and address

(Approved by: Lisa Taylor, Director of Finance, Investment and Risk)

CONTACT OFFICER: David Hogan (Head of Anti-Fraud)