

<b>REPORT TO:</b>	<b>GENERAL PURPOSES AND AUDIT COMMITTEE</b> <b>14 January 2021</b>
<b>SUBJECT:</b>	<b>Anti-Fraud Update Report 1<sup>st</sup> April 2020 – 30 November 2020</b>
<b>LEAD OFFICER:</b>	<b>David Hogan, Head of Anti-Fraud</b>
<b>CABINET MEMBER</b>	<b>Councillor Callton Young</b> <b>Cabinet Member for Resources and Financial Governance</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> 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.	
<b>FINANCIAL SUMMARY:</b> 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.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO: N/A</b>	

**For general release**

<b>1. RECOMMENDATIONS</b>  1.1 The Committee is asked to: <ul style="list-style-type: none"> <li>Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2020 – 30 November 2020</li> </ul>
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## 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 – 30 November 2020.

## 3. DETAIL

### Performance 1 April 2020 to 30 November 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 work of the team has been severely impacted by both COVID19 lockdowns and the need to balance the work they do with the need to keep people safe and this has impacted two of the key components of their work, visiting residents and business and face to face interviewing. This has impacted on the team's ability to conclude investigations and having begun to clear a backlog of casework in late summer/early autumn the November lockdown meant that the backlog of casework built up again and our priority going forward is to try and clear this backlog during the remainder of the financial year.
- 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	88
Identified Overpayments & Savings	£1,414,384	£1,000,000	£685,906

Table 2 - Breakdown of Outcomes from 1 April 2020 – 30 November 2020 compared to the same period in 2019/20

2019/20		2020/21	
Area	Value £	Area	Value £
Housing - 22		Housing - 21	

5 Recovered Properties	£162,000	5 Recovered Properties	£162,000
2 Removed from housing list	**£4,000	3 Removed from housing list	**£6,000
5 Right to Buy stopped	£550,000	2 Right to Buy stopped	£224,600
5 Possession order		6 Legal notices issued*	
9 Legal notices issued*		2 Nomination Rights gained	£64,800
1 Nomination Rights gained	£32,400	1 Temp Accommodation	£32,400
		1 Wilful damage	£5,400
		1 tenancy warning letter	
<b>Other - 103</b>	£199,147	<b>Other – 34</b>	£190,706
29 Formal Cautions		4 Formal Cautions	
7 Dismissal/Resignation & Other Disciplinary Action		1 Grant Rejected	
4 Council Tax Discounts		2 Dismissal/Resignation & other Disciplinary Action	
3 Council Tax reduction removed		3 Council Tax Discount	
1 Council tax liability order		4 Council Tax Reduction Removed	
43 Blue Badge Abuse		13 Blue Badge abuse	
16 Other		4 Covid Business grants	
		3 Other	
<b>Total</b>	£947,547	<b>Total</b>	£685,906

\*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

At a previous meeting of GPAC in October 2020 we had provided the committee with an overview of the work we had been doing on fraud emerging out of the stimulus payments to local businesses, administered by the council during lockdown. These have comprised either Small Business (SBGF), Retail Hospitality and Leisure (RHLGF) and Discretionary (LADGF) payments.

Current figures relating to referrals that are under fraud investigation:

Grant scheme	Grants paid	Referred for investigation	Fraud risk
SBGF	2,932	16	<ul style="list-style-type: none"> <li>Previous business applied as the current business</li> </ul>

			<ul style="list-style-type: none"> <li>had never registered for business rates</li> <li>• SBRR claimed falsely</li> </ul>
RHLGF	881	4	<ul style="list-style-type: none"> <li>• Company splitting</li> <li>• Previous business applied as the current business had never registered for business rates</li> </ul>
Discretionary (LADGF) Grant fund	543	3	<ul style="list-style-type: none"> <li>• Fake business</li> <li>• Multiple claims/single applicant</li> <li>• Virtual offices</li> </ul>

As a result of our previous overview, the committee asked to see a couple of case studies, to illustrate how and why the fraud had happened and to see how we it can be dealt with.

### **Case study 1**

Concerns were raised with us by a Ward Councillor regarding a small café forced to close during lockdown. The business owner was reporting he had not received a grant and had just been advised by the council the grant had already been paid to the person registered as liable for the business rates.

Investigation revealed the person who had previously run the business, before selling to the current owner in 2016, had remained as the responsible person for business rates. Taking advantage of this she then applied for and was paid the SBGF payment of £10k. This only came to light as the person currently running a business from the premises came forward to claim the SBGF.

In this case we have successfully recovered in full the funding paid to the former business owner and are in the process of re-allocating that funding to the rightful recipient but this case does highlight the main fraud risk associated with business rates and the stimulus packages put in place to support business through Covid. The majority of the fraudulently claimed grants we are investigating have arisen as there is no legal requirement for a business to register with its Local Authority. With many small businesses, such as in this case, the award of Small Business Rates Relief (SBRR) means there is nothing to pay and this further acts as a disincentive for the previous business owner telling their council they have ceased trading and means business rates records are not an accurate reflection of local businesses.

### **Case Study 2**

A business grant was claimed by a small business trading as a convenience store in Thornton Heath. We were alerted by the bank who identified the payment of £10k as a suspicious activity in their account holder's account.

An investigation revealed that the person who had claimed the grant, who was also liable for the business rates, actually worked elsewhere in the retail sector and had contacted the council to make himself liable for the business as a favour to the business owner. The owner of the business had themselves previously been investigated by the council's licencing team for alcohol sales infringements and was no longer licenced to do so. The owner had got around this by getting a friend to 'front' the business and obtain the licence to sell alcohol. They then had to continue this arrangement or miss out on the opportunity to claim a grant. Working with the bank we managed to recover all of the grant funding and have passed details on to licencing colleagues for them to deal with the licencing breach.

In both of these cases it was as a direct result of the decision to put in place an application process for these grants that we were able to successfully recover all public funds. The application process ensured we captured up to date contact details for each business and this was integral to us being able to locate individuals and their banking arrangements.

### **3.5 Staff Internal Investigations**

At the meeting of GPAC on 2<sup>nd</sup> December 2020, the committee requested details of the numbers of internal investigations, involving staff or contractors, undertaken by the team over the last 5 years and this information is provided in the table below:

<b>Status</b>	<b>Number</b>
Open/current	19
Investigated but no further action needed	42
Not investigated	11
Investigation and action taken	48

Reporting period 2015 to 2020

## **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, LB Wandsworth and Adur and Worthing Councils.

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 below are some additional areas which we are required to make public. The figures detailed below for the period from 1 April to 30 November 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*	213

\*The number of investigations that have been closed during the period April 20 to 30 November 2020.

## **6. FINANCIAL AND RISK ASSESSMENTS**

- 6.1 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.
- 6.2 There are no further risk assessment issues than those already detailed within the report.

(Approved by: Felicia Wright, Head of Finance, Resources & Place)

## **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)

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