

## Slough Borough Council

<b>Report To:</b>	Audit and Corporate Governance Committee
<b>Date:</b>	30 <sup>th</sup> September 2024
<b>Subject:</b>	Corporate Fraud Update 2023/24
<b>Chief Officer:</b>	Annabel Scholes
<b>Contact Officer:</b>	Lyn Davies, Corporate Fraud Manager
<b>Ward(s):</b>	All
<b>Exempt:</b>	NO
<b>Appendices:</b>	Appendix 1: Annual Outcomes Appendix 2: Corporate Fraud Team Enquiries Report Appendix 3: Aris Report 2023/24 Appendix 4 - CIPFA Counter Fraud Review Appendix 5 - Action Plan

### **1. Summary and Recommendations**

1.1 This report provides the members of the Audit and Corporate Governance Committee with an update of the work of the CFT towards preventing, detecting, and investigating fraud against the Council during the operational year 2023/2024.

#### **Recommendation:**

The Audit and Governance Committee is recommended to note this report.

#### **Commissioner Review**

Commissioners are content with the report but note that future reports should include details in relation to the performance information data setting out performance against the agreed measures and criteria

### **2. Corporate Fraud Team Overview**

2.1 The Corporate Fraud Team (CFT) supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the CFT underpins the Council's commitment to a zero-tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.

2.2 The CFT works closely with other Council department and the Council's partners to prevent, detect, and investigate allegations of fraud and corruption occurring within and/or against the authority. An Anti-Fraud and Corruption Response Plan has been developed to ensure that members and employees know what action to take should they become aware of or suspect fraud or corruption.

2.3 The team works on a range of high-risk areas that include, but are not limited to:

- Social Housing Fraud
- Right to Buy Fraud
- Council Tax Fraud
- Housing Tenancy Fraud
- Corporate and Internal Fraud
- Financial Investigations; Proceeds of Crime (POCA)
- Social Care

2.4 Key highlights from 2023/24 include:

- Continued partnership with Suffolk and Oxford Councils to carry out financial investigations (POCA).
- Successful prosecution in fraudulent Direct Payments case now with Financial Investigator to recoup the £169,453.00 overpayment.
- Participation in New Homes Bonus initiative added £266,743.05 (after costs) to the amount paid in the grant received from Central Government
- The CFT closed a total of 123 cases for period 1 April 2023 to 31 March 2024.
- Successful prosecution of a case started in 2001.

### 3. Summary of Activity

#### 3.1 Counter Fraud Activity

3.1.1 The CFT is responsible for undertaking proactive anti-fraud work and investigating fraud committed against the Council by members of the public, Council officers, members, suppliers or contractors.

3.1.2 Prevention of fraud is the key part of our strategy, and we strive to prevent fraud from being committed at the outset. We seek to prosecute and take action to recover any proceeds of crime. We want our residents, suppliers, and the public to know that fraud perpetrated against Slough Borough Council does not pay.

3.1.3 The CFT is continuing to move from reacting to fraud by investigating cases as referred, to taking a proactive stance to prevent fraud from occurring in the first place. The team aims to build further on this with a view to embedding this ethos to become part of business-as-usual processes across the council.

3.1.4 The CFT has established three key areas of work:

- **Reactive** – work which focuses on investigating and pursuing those who commit fraud against the council. An essential part of the investigation, this work will continue, but increasingly we will work to try to prevent fraud.
- **Proactive** – work which focuses on the identification, deterrence, and prevention of fraud, by further increasing our work with management to build tools into existing processes, develop services to help them undertake checks, increase risk-based monitoring to focus on fraud risks, and to make sure they know where and how to report fraud.

- **Redress** – work which focuses on the maximum recovery of loss including through the proceeds of crime.

3.1.5 The combined work of these areas helps protect the Council's resources for those with a genuine need.

3.1.6 The CFT are currently conducting investigations into 49 cases covering a range of Fraud category types including:

- Social Care
- Right to Buy (RTB)
- Corporate and Internal
- Council Tax Reduction Scheme (CTRS)

## **3.2 Social Housing Fraud**

3.2.1 In the second quarter of 2024/2025 2 permanent Housing Tenancy Investigation Officers will join the team to work closely with our Housing Services Teams and to provide advice and guidance in the areas of fraud awareness prevention and the management of situations where fraud is suspected.

3.2.2 The remit of the CFT covers all aspects of social housing fraud, including:

- Sub-letting a property for profit.
- Providing false information in a housing application to gain a tenancy.
- Wrongful tenancy assignment and succession where the property is no longer occupied by the original tenant.
- Failing to use a social housing property as the principal home or abandoning the property (which could lead to squatting).
- Selling keys to a third party.
- Falsely claiming a RTB discount.

3.2.3 Potentially unlawful sub-let properties come from a range of different sources, including housing officers, contractors, the Council's fraud reporting hotline, the fraud referral form on the Council's website and data matching exercises, where housing data is matched electronically with data held by Slough Borough Council and other Councils and data sources. Some referrals come through pro-active exercises, in the form of residency checks undertaken by housing staff in conjunction with the CFT.

3.2.4 In addition to the unlawfully sublet properties, the work undertaken for housing includes reviewing potentially unlawful RTB applications, tenancy successions, false housing applications, and tenants that are alleged not to be using the property as their main residence.

3.2.5 Subletting is a criminal offence under the Prevention of Social Housing Fraud Act 2013 and each case is considered for criminal action.

## **3.3 Right to Buy (RTB) Fraud Anti Money Laundering (AML) checks**

3.3.1 The CFT ensure that all RTB applications are verified confirming residency eligibility and the funds used in the purchase abide by money laundering regulations. As well as

verifying the details provided to purchase the property in the application the CFT carry out un-notified visits.

### **3.3.2 Additional Monies Recovered**

3.3.2.1 During a RTB investigation, evidence may be found that an applicant has fraudulently claimed Housing Benefit, Council Tax Benefit, Council Tax Support, Discretionary Housing Payments, Single Person Discounts, or a combination of two or more of these benefits.

3.3.2.2 Nationally, the number of RTB applications over the last few years has risen dramatically, and proportionate measures are needed to avoid selling council properties to those whose funds are derived from criminal activity. There have been 39 applications received by the Council between 1 April 2023 and 31 March 2024 a reduction on the previous year due in part to increased interest rates.

3.3.3.3 The team have also been working with the RTB team to ensure that funding for property purchases is from legitimate sources. The AML checks protect the Council from receiving funds from unverified and illegitimate sources. The maximum discount on RTB purchase was £96,000 for 2023/24. This figure increases to £102,400.00 for any new RTB applications received after 05 April 2024.

### **3.4 Council Tax Fraud/Council Tax Reduction Scheme (CTRS)**

3.4.1 Slough Borough Council's Revenues and Benefits Team conduct a review of all properties in the Borough who are receiving a single person discount. They also provide data for the National Fraud Initiative. Any accounts they believe are fraudulent should be referred to CFT for further investigation and legal proceedings where appropriate. Referrals are also received through the online reporting form, and via the telephone fraud hotline which is manned during office hours.

### **3.5 Social Care Investigations**

3.5.1 Over the last 12 months the CFT started to conduct activity in Social Care where cases of funds not being used appropriately and or misrepresentation of circumstances to access funding towards care costs. As with Social Housing Fraud the current economic climate presents the opportunity for high levels of fraud within Social Care. The CFT actively encourage referrals from the Adult Social Care Teams where there are concerns over potential fraud. In June 2023 we hosted a forum attended by officers from all areas of ASC and we have subsequently received more referrals from this area of the Council. We will hope to arrange a similar meeting this year.

### **3.6 Corporate Fraud Investigations**

3.6.1 Corporate investigations cover all areas of the Council's business and include all investigations originating from within the organisation or externally from individuals, contractors, or suppliers to the Council.

3.6.2 There has been an increase in referrals received that relate to employees and therefore all enquiries have taken into consideration issues covered under Council's Code of Conduct for employees, compliance with the Council's Constitution and the Council's Financial Procedure Rules, and other associated rules and regulations, i.e. procurement and contract procedure rules, recruitment issues etc.

3.6.3 The CFT have 3 open cases which involve current or former members of staff and are still open investigations.

### **3.7 Proceeds of Crime Act**

3.7.1 Stopping fraud and corruption from happening in the first place is always our aim. However, a robust enforcement is still needed to pursue fraudsters and recovering fraud losses provides the community with the assurances that fraud will not be tolerated by SBC. Furthermore, the use of strong punishments such as prosecution and proceeds of crime contribute towards the Council's overall fraud resilience and act as a deterrent to potential fraudsters.

3.7.2 The CFT continues to work with partners to recover the proceeds of crime from those who gained from their unlawful activities and have been successfully prosecuted, to send out a clear message that crime does not pay. The Council has 2 accredited financial investigators (AFIs) that have recovered £340k prior to this financial year and £20k since 1<sup>st</sup> April 2023 through the Home Office Asset Recovery Incentivisation Scheme (ARIS).

3.7.3 There are currently earmarked reserves of £307k that can be specifically utilised for reducing crime (reduction, detection and prevention) initiatives, to benefit the residents of Slough (**see Appendix 3**).

3.7.4 The majority of the CFT POCA cases come from close working relationships with Trading Standards and Planning Enforcement. However, referrals of suitable cases to the AFIs have been fewer post pandemic and as a consequence, ARIS income has reduced from previous levels. This is largely due to limited resources within both the Trading Standards and Planning Enforcement Teams, both historically and currently. An amount of £53k was drawn down at year end as per an agreed business case, to fund an additional planning enforcement resource on a temporary basis. It is expected that this will generate prosecution cases, some of which will be appropriate for POCA confiscation and will therefore boost the ARIS income stream going forward.

3.7.5 In addition, the AFI's also provide their services to other Local Authorities who require assistance, on a case-by-case basis. This service is provided at an agreed hourly rate, with any ARIS payments resulting from the confiscation order obtained in these cases, going to the partner Authority.

### **3.8 Fraud Awareness**

3.8.1 As part of the CFT commitment to strengthening the counter fraud culture within the Council. The team will continue to carry out Fraud Awareness sessions to colleagues throughout the organisation where requested with the aim to raise awareness and discuss the different types of fraud that could occur within their service areas.

3.8.2 The CFT strives to assist employees to learn the importance and impact of fraud, the risks related to processes and policies which would eliminate the risk of fraud, how to recognise indicators of fraud etc.

3.8.3 The CFT has created bespoke training (counter fraud awareness) to highlight SBC's Fraud Policy and how the Counter Fraud Team works with different departments to eliminate and identify fraud and potential fraud risks. The training covers Local Authority fraud and the types of fraud that the CFT have investigated.

3.8.4 In November 2023, the CFT delivered Counter Fraud Awareness training at the Heads of Service and Group Managers meeting, which was very well received. During 2023, refresher training was provided to the Customer Services Team.

3.8.5 The CFT do not have the resources to investigate all allegations of fraud therefore it is essential that we take measures to prevent it. One important method of deterrence is publicity. We publicise successful outcomes, including case studies in articles published to all staff, resident newsletters, and local press. This reminds the Staff and Public that action will be taken if they commit fraud against the Council.

### 3.9 Proactive Exercises

3.9.1 In addition to the reactive and proactive core work detailed above, the CFT have been working on proactive projects which are aimed at both the prevention and detection of fraud through data-matching, the introduction of new technology and the review of procedures, documentation and working practices.

### 3.10 New Homes Bonus

3.10.1 This is a yearly pro-active to maximise the grant received from Central Government by identifying empty properties that are now occupied. The net number of properties brought back into occupation attracts a grant from Central Government. The CFT did not participate in 2022/23, however approval was granted for 2023/2024. The Empty Properties Review initiative is viewed as a significant success, the subsidy from this will improve the financial position of Slough Borough Council. The health-check review highlighted that SBC was in a positive position and therefore it was even more imperative to conduct the initiative as every adjusted account would count in monetary value.

3.10.2 The table below illustrates the number of property accounts updated against the overall total and the projected value to Slough Borough Council

TYPE	Number	Found Occupied	%	New Homes Bonus (gross value £)
Long term empty properties	254	149	59%	286,743.05

Gross projected financial return prior to costs **£286,743.05** (received)

59% of properties were found to be occupied. This is a significantly high proportion which indicates an ongoing need for the initiative.

### 3.11 Blue Badge Fraud

3.11.1 The CFT undertakes work to prevent, detect and investigate instances of Blue Badge fraud and misuse, taking appropriate sanction action where necessary.

3.11.2 Results for the period 1 April 2023 to 31st March 2024;

10 Blue Badges have come into the council's possession.

7 Formal Cautions were issued.

3 Warning Letters issued.

3.11.3 We will be carrying out a Blue Badge pro-active again with the Parking Team's Parking Enforcement Officers in Slough town centre and surrounding areas. We carry this pro-active out to deter the misuse of Blue Badges. This exercise is a visual presence that provides assurance to residents that SBC takes this fraud seriously and to deter misuse across the Borough. We aim to carry out a minimum of 2 pro-actives in 2024/25 and we will liaise with our Windsor and Maidenhead colleagues as a proportion of the confiscated badges were issued to Slough Residents but misused in Windsor.

### **3.12 National Fraud Initiative**

3.12.1 The Council participates in the mandatory bi-annual National Fraud Initiative (NFI) run by the Cabinet Office.

3.12.2 In preparation for NFI 2024/2025, the CFT will be contacting all key stakeholders to confirm the data specifications required for the data to be extracted ready to be uploaded in October 2024. It is expected that Social Care data will be reintroduced for the upcoming exercise.

The CFT key NFI contact will allocate reports to the key stakeholders who have agreed to check all matches marked as high priority if the report identifies a significant number of cases, a decision will be made on whether the entire report should be checked. The matches can provide a significant contribution to savings areas including Subsidised Travel Passes Blue Badges Housing and Revenues.

### **3.13 Joint Working Cases**

3.13.1 The CFT refer cases to both internal and external partners to investigate cases that fall under their jurisdiction. Over the last year this has included the Department for Work and Pensions, The Police, Housing Association, and other Local Authorities.

3.13.2 The CFT are members of The London Borough Fraud Investigations Group (LBFIG) whose purpose is to disseminate best practice, discuss cross boundary fraud and provide valuable information and Intelligence within the fraud network.

3.13.3 One of our joint cases with Thames Valley Police was concluded in 2023. This investigation into Asylum Fraud was started in 2001 and the CTF took the lead. The defendant failed to attend Court and a warrant was issued for his arrest. When he tried to re-enter the UK, he was arrested and in April he was sentenced to 8 months imprisonment and SBC were awarded £2718.88 in compensation (received).

### **3.14 Policies**

3.14.1 The Corporate Fraud Policies are reviewed every 2 years and were submitted for approval in September 2023 which is still outstanding, pending consideration of the appropriate mechanism for approval.

## **4 Implications of the Recommendation**

### **4.1 Financial implications**

4.1.1 All fraud has a detrimental financial impact on the Council. In cases where fraud is identified, recovery action is taken to minimise the impact that such instances cause. This also includes action, where appropriate, to make improvements to the financial administration arrangements within the Council as a result of frauds identified.

## 4.2 Legal Implications

4.2.1 The Council has a duty under S151 of the Local Government Act to make arrangements for the proper administration of their financial affairs. To effectively discharge this duty, these arrangements include Council policies and procedures which protect the public purse through managing the risk of fraud and error.

4.2.2 The Council's Code of Corporate Governance sets out the principles it will comply with to ensure an effective system of governance. This includes behaving with integrity and respecting the rule of law with evidence of compliance including effective anti-fraud and corruption policies, procedures and training. The Code also requires robust internal control, which requires officers to ensure there are effective counter fraud and anti-corruption arrangements in place.

## 4.3 Risk Management Implications

4.3.1 The risk of fraud is being managed in a number of ways including:

- Through the Counter Fraud team work on fraud, which is monitored by the Audit and Corporate Governance Committee.
- Through agreed management action taken in response to fraud investigations and/or proactive reviews.

## 4.4 Environmental Implications

4.4.1 There are no direct environmental implications in this report.

## 4.5 Equality Implications

4.5.1 Section 149 of the Equality Act 2010 imposes a legal duty on the Council to have due regard to three specified matters in the exercise of their functions:

- Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Act.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

4.5.2 The 'protected characteristics' covered by section 149 are race, gender, disability, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment. The duty to have due regard to the need to eliminate discrimination also covers marriage and civil partnership.

4.5.3 The Council must be fair, independent, and objective when undertaking prevention, detection and prosecution work.

## Background Papers

None