

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **27 June 2013**

Report of: **Director of Finance and Resources**

Subject: **COUNTER FRAUD STRATEGY PROGRESS REPORT**

SUMMARY

This report updates the Committee on Counter Fraud Strategy work carried out in the last 6 months. Key pieces of work have included a) starting work on a Housing Fraud Strategy for the Council, b) updating the Councils whistle-blowing policy and c) implementing new channels for employees and members of the public to raise concerns.

RECOMMENDATION

That the progress made to date as part of the Counter Fraud Strategy be noted.

INTRODUCTION

1. Fareham Borough Council maintains an Anti Fraud and Corruption Policy which is supported by a programme of work to review and strengthen our counter fraud arrangements where necessary.
2. This report provides an update on any actions taken in the last 6 months in relation to:
 - The top fraud risks for the Council.
 - Revising counter fraud policies.
 - Raising internal and external awareness.
 - Initiatives to improve prevention and detection.
 - Any legislative changes that have occurred.
3. A separate report details the cases of fraud that have been investigated.

WORK UNDERTAKEN SINCE THE LAST REPORT

Housing Fraud

4. The National Fraud Authority cites Housing fraud as one of the top fraud risks for local authorities. This includes frauds such as false representations on homelessness, waiting list or right to buy applications, unlawful sub-letting for profit and property abandonment. They estimate that 1% of social housing outside London is being fraudulently occupied. If this is accurate, this would represent up to 37 properties from the FBC Housing and Housing Association Stock which could be freed up for households in need of social housing.
5. The Prevention of Social Housing Fraud Act 2013 has been introduced and is due to come into force in October 2013. This Act makes sub-letting a criminal offence and gives social landlords increased power to recover the proceeds made from sub-letting. It also gives investigators additional powers to obtain information which could lead to the conclusion of fraud.
6. A risk information sheet on the risk of Housing Fraud for this Council has now been compiled which indicates that this Council already carries out a number of activities aimed at tackling Housing fraud which include:
 - Membership of the new Hampshire Tenancy Fraud Forum.
 - Principles of counter fraud contained in the Allocation and Tenancy Policies.
 - Full participation in the National Fraud Initiative which includes data matching using tenancy and right to buy records.
 - Carrying out verification checks on the information supplied on new homelessness, waiting list and right to buy applications.
 - Conducting tenancy audits on all introductory and flexible tenancies and a sample of secure tenancies each year.
 - Local publicity campaign, including £200 reward scheme, carried out in 2010.
7. Over the last 6 years these processes have resulted in 11 cases of abuse being found and 4 properties being recovered.

8. There are a number of other actions that we could take which could increase these figures based on the strategies being employed by other councils. However, some of these would have a cost implication to the Council which may not be proportional to the risk we face based on the profile of the borough.
9. In February of this year, the Department of Communities and Local Government invited bids for funding from all local councils to increase their activity on housing fraud. Previously funding has been mainly targeted at London boroughs. This Council duly submitted a joint request for funding with Gosport Borough Council, Eastleigh Borough Council, First Wessex Housing Association and Radian Housing Association in allow us to implement a programme of activity to test whether there is fraud going undetected. Unfortunately no bids submitted from Councils in Hampshire were successful.
10. The Council, however, is still proposing to carry out a reduced plan of additional Housing Fraud activity this year, in partnership with Gosport Borough Council and the Hampshire Tenancy Fraud Forum. This plan is summarised in [Appendix A](#) and the main emphasis is on increasing internal and public awareness and having a sound methodology and skills in place to deal with any resulting referrals. The plan can be delivered from existing resources.

Revenues and Benefits Fraud

11. **Local Council Tax Support:** The Council has adopted a new Local Council Tax Support scheme to replace Council Tax Benefit with effect from 1st April 2013. The associated Anti-Fraud Policy has therefore been updated and is the subject of a separate report to this Committee.
12. A review is now due to be carried out of the claimants who will be in receipt of Local Council Tax Support to confirm there have been no changes in their income or circumstances that they have not declared to us, and that we can evidence that they understand their duties under the new scheme to notify us of any subsequent changes.
13. **Council Tax and NNDR Discounts, Exemptions and Reliefs:** Following amendments to the Local Government Act a number of changes to the discounts, exemptions and reliefs were approved by Full Council in January 2013. Under the Business Rate Retention Scheme, from April 2013, Local Authorities will be able to keep a portion of the business rates collected.
14. Existing legislation allows the council to exert a civil penalty of £70 for cases where “a person fails to notify the authority, without reasonable excuse, on any matter which affects entitlement a discount”. These penalties are applicable to Council Tax, not National Non-Domestic Rates (NNDR), and are payable to the Billing Authority. Prosecution under The Fraud Act 2006, The Theft Act 1968 or The Forgery and Counterfeiting Act 1981 can also be considered where there is evidence to show the discount, relief or exemption has been obtained fraudulently.
15. Therefore consideration is being given to enhancing our rolling review of discounts, exemptions and reliefs for both Council tax and NNDR to ensure awards are correct and income to the Council is maximised.

Whistle-blowing Policy and Reporting Channels

16. As reported last time, a project has been carried out to review our whistle-blowing arrangements as part of our Anti-Bribery work. This is now nearing completion as follows.
17. **Policy:** The policy has been slimmed down and updated following consultation and has been published on the staff intranet. It is attached as [Appendix C](#). The policy only relates to internal whistle-blowing and its target audience is employees who may have a concern they wish to raise. In particular it lays out our responsibility to protect the whistle-blower from reprisals following a concern being raised in good faith.
18. Under the new policy this Committee will now be receiving information on the number of concerns raised under the Council's Whistle-blowing Policy. This has been included for the first time in the accompanying investigation report.
19. **Internal Awareness:** It is intended to strengthen internal awareness of the policy as part of a multi-policy launch for the Anti-Bribery action plan. This is currently awaiting finalisation of the updated employee Gifts and Hospitality Policy and Code of Conduct.
20. **Reporting Channels:** As part of the project a wider analysis was undertaken to plot what the main types of concerns were that could be raised internally or externally and identify which team should be leading on which types of concern. This analysis is summarised in [Appendix B](#) and has been shared with the Customer Service Centre to check that enquiries are being funnelled to the right service.
21. As a result of this review a number of additional reporting channels have been set up and launched as follows:
 - Expansion of the benefits fraud hotline **01329 824667** to cover all types of fraud.
 - An internal web based form and designated secure email address for employee concerns.
 - An external web based form and designated secure email address for members of the public to raise their concerns electronically. These are published on the Council's website: http://www.fareham.gov.uk/benefits/report_a_fraud/reportafraud.aspx. There is also a link to the form from the web pages aimed at council contractors and suppliers.
22. **Victims of Fraud:** New information has been added to the Council's website to advise members of the public who may have been a victim of fraud to whom they should report this. These reports are generally co-ordinated by "Action Fraud" which is run nationally by the National Fraud Authority. If the concern is about a company trading in our area these are referred to Hampshire County Council Trading Standards. However, cases may also be investigated locally where a company is purporting to be working on behalf of Fareham Borough Council.
23. Steps are also being taken to strengthen our council tax pages in relation to the frequent council tax refund scams that members of the public may fall victim to. In addition, the intention is to use some of the news facilities of the new web site for any other specific scams that are apparent in our area.

Regulation of Investigatory Powers - Magistrates Court Procedure

24. As reported last time the measures in the Protection of Freedoms Act 2012 commenced in November 2012. In particular this requires all applications for targeted surveillance or CCTV to be authorised by a magistrate.
25. The council has made 3 applications to the Portsmouth Magistrates Court to date. The second of these was initially rejected due to a procedural issue at the Court regarding the nature of the oath to be sworn by the officer presenting the application.
26. Action has been taken to prevent this reoccurring by developing a separate signed 'witness statement' from the officer to be included in the submission. This includes a confirmation statement that "*to the best of my knowledge and belief: 1) the application discloses all the information that is material to what the Court must decide; and 2) the content of the application is true*".

NEXT PRIORITIES

27. The priorities being targeted for the next 6 months are:
 - The Revenues & Benefits Team will progress the reviews of Local Council Tax Support claimants and discounts/exemptions/reliefs applied to Council Tax and National Non Domestic Rates accounts with the aim that all reductions will be reviewed within the next 12 months.
 - Implementation of the Housing Fraud Action Plan.
 - Compilation of the next Risk Information Sheets for the Council's top fraud risks to (National Non Domestic Rates, Council Tax and Insurance).
 - Internal awareness campaign of the Anti-Bribery Policy, updated Gifts and Hospitality Policy, Employee Code of Conduct and Whistle-blowing Policies.
 - Update the Irregularity Investigation Policy for discussion at the Chief Executive's Management Team.
 - A review of the Council's approach to 'getting the money back' from investigation and enforcement cases across the council.

RISK ASSESSMENT

28. There are no significant risk considerations in relation to this report

CONCLUSION

29. Work continues to be carried out in accordance with the Council's Counter Fraud Policy.

Appendices:

Appendix A - Proposed Plan of Actions on Housing Fraud

Appendix B - Summary of how concerns are recorded and received at the Council

Appendix C - Updated Whistleblowing Policy ([separate attachment](#))

Background Papers: None

Reference Papers:

Report to the Audit Committee on 1 December 2009 on the Annual Counter Fraud Policy and Strategy Update.

Enquiries:

For further information on this report please contact Elaine Hammell. (Ext 4344)

Proposed Plan of Actions on Housing Fraud

Part of Framework	Proposed Activity
Strategy	Establish a designated central point to manage referrals and collate the outcomes of cases. Draft a short Housing Fraud Strategy / Policy for the Council which is proportionate to the risk.
Prevention	Review current processes against key counter fraud controls and implement any missing which it would be proportionate to strengthen. Review the application verification process in respect of the resources involved for the verifier and the applicant, as well as fraud prevention. Document Verification Training for Officers involved in applications.
Deterrence	Publicity of any major fraud found in tenant's newsletter/ reports.
Detection	Increase internal awareness via targeted briefings to generate referrals. Participate in the Hampshire publicity campaign including promotion of report it channels. Review adequacy of Data Protection Fair Processing Statements on our application forms to allow lawful data matching
Investigation	Develop Data Sharing Protocol to cover data matching and intelligence sharing with other Councils and Housing Associations. Investigator training on housing processes and terminology. Investigator training on powers, offences and redress options. Development of a process for handling a referral and points to prove.
Sanction and Redress	Key Officer Briefing on the Prevention of Social Housing Fraud Bill 2013
<p>Measures of Success/ Impact of Strategy</p> Trends in number of referrals, cases where abuse found, number of properties recovered % of properties recovered without incurring court costs Number of perpetrators we had duty to re-house Effects on speed of possession for arrears Value of any financial awards through the court Value of any subsequent benefit overpayments found / or removal of Council Tax discounts	

HOW COMPLAINTS & CONCERNS ARE RECEIVED AND RECORDED

Subject	Examples	Lead Team to Contact	Lead Policy	Records Available
Complaints about Member Conduct and Behaviour	Abuse of position, Corruption	Monitoring Officer democraticservices@fareham.gov.uk	Member misconduct procedure	Members Complaints Log Annual report to Audit & Governance Committee
Complaints about Employee behaviour to public / Service Delivery	Rude / unhelpful Service not delivered	Head of Service	Complaints procedure	Complaints records in service Online form database - complaints
Concern about Employee behaviour with other employees	Bullying , sexual harassment	Personnel Services personnelofficesupport@fareham.gov	Grievance or Dignity at work procedure Whistleblowing Policy Disciplinary Code	Whistle-blowing database Personnel log SID form database
Concern about Employee Fraud / Honesty	Abuse of sick leave, accepted a bribe, our workers offering to do private work	Personnel Services (and Corporate Fraud) internal_concern@fareham.gov.uk	Whistleblowing Policy Disciplinary Code Anti-Fraud and Corruption Policy	Whistle-blowing database Personnel log Corporate Fraud referral log SID form database
Benefit Claimant Fraud	Undisclosed income, living together, not living in the borough	Benefits Fraud team investigations@fareham.gov.uk	Benefits Anti Fraud Procedure	Online form database - benefits fraud Completed referral sheets / risk score in InControl Completed sheets for investigation and InCase records
Service Fraud	Council tax discount fraud Housing fraud Blue badge fraud	Corporate Fraud (who will forward to the service) corporatefraud@fareham.gov.uk	Anti-Fraud and Corruption Policy Service policies	Online form database - report it / fraud report Corporate Fraud referral Log