

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 28 September 2022
Report for: Information
Report of: Counter Fraud & Litigation Manager

Report Title

Counter Fraud & Enforcement Team (CFT) : 2021/22 Annual Report

Summary

The report:

- outlines the Council's fraud prevention and detection performance and activities in 2021/22 and
- outlines the team's plans for 2022/23

Recommendation

The Committee is asked to note the content of the report.

Contact person for access to background papers and further information:

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Background Papers:

None

1.0 Introduction

- 1.1 Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs.
- 1.2 The Council operates a Counter Fraud and Litigation Team to ensure a continued commitment to the authorities' zero tolerance towards fraud as well as ensuring that appropriate action is taken to recover monies owed to the authority

2.0 Counter Fraud and Litigation Team

- 2.1 The team is based within Exchequer Services located at Sale Waterside – whose main remit is to investigate Revenues related matters such as Council Tax Support, Council Tax discounts & exemptions, Non Domestic rates liability avoidance and Social Care Fraud. In the last 2 years it has also been heavily involved with the administration of, and subsequent investigation into, potential abuses of the various Business Support Grants which were introduced to support businesses affected by Covid related restrictions. It is also required to carry out formal recovery action in relation to certain debts owed to the authority.
- 2.2 Over the 2021/22 financial year some members of the team were largely tasked with a project being led by Exchequer Services involved with paying Business Support Grants in respect of the various grant schemes made available to businesses across the borough affected by restrictions put in place to help to reduce the spread of Covid. This project began in March 2020 and continued throughout the year as different schemes were announced during the various stages of restrictions that had been in place, and then as a result of an upsurge of positive Covid tests during the winter months of 2021/22. In addition to the verification and payment of the grants to appropriate businesses, one of the roles the team has been continued to be tasked with relates to the identification and investigation of a number of fraudulent applications made to the authority during these periods. This is covered further later in this report. However it was also still able to spend time and resources continuing to support a rolling Council Tax Single Person discount review that has been undertaken on behalf of the authority by a 3rd party company. The review targeted householders claiming the discount where credit based data had highlighted that there may be additional person(s) residing in the property. In addition to cases identified whereby the discounts had been removed following admission by the tax payer that they were no longer eligible for the discount, or simply failed to respond to the review (leading to the discount to be removed automatically there were a number of accounts identified where the taxpayer had responded to the review confirming no longer eligible but giving false information regarding when the additional person(s) had moved into the property as evidence indicated that an earlier removal date should have been applied than we had previously been given. This led to investigations being set up by the team

which resulted in additional council tax liability being created than would otherwise have been the case.

- 2.3. In addition to the Council Tax discount exercise, the team has also been continuing to work with the Non Domestic Rates team, regarding issues surrounding Small Business Rates Relief (SBRR) This project involved using software which identified businesses who were incorrectly claiming Small Business rates relief to reduce their Business Rate liability due to the fact that they also had businesses in other Local Authorities which we would otherwise have been unaware of. There has also been a number of investigations conducted as a result of data matching undertaken highlighting businesses who have been claiming SBRR on the basis they have only one business premises yet have received multiple business support grants – mostly from different local authorities. This has not only helped prevent relief being awarded incorrectly (and then subsequently being made liable for Non Domestic rates payments) but also uncovered abuses of the Business Support Grants schemes that we would otherwise have been unaware of. This in turn has increased the value of business liability due to the authority. An example of such a case is shown in **Case Study 1**

2.4

Case Study 1

An investigation was undertaken after a data matching exercise had highlighted that a business had received 2 Small Business Fund Grants totaling £20k in respect of 2 separate premises in 2020. The grants had been awarded based on the fact that they were receiving small business rates relief (SBRR) which would normally only be awarded where a business is only occupying 1 property in England. Our records showed that 2 different names had been used to register for business rates (1 in the name of the business and 1 in the name of one of the directors) but an inspection undertaken showed that it was the same business occupying both premises which would mean they were not eligible for the SBRR or the grants they had previously claimed. The business owner was subsequently interviewed and accepted responsibility for the relief and grants which had been incorrectly claimed and as a result of the findings of the investigation, the Council were able to recover the £20k grants which had been claimed and also remove the SBRR back to 2017 resulting in the business having to pay £38k in additional business rates to the authority.

Table 2 below shows the value of fraud or irregularity identified by the investigations element of the team during the 2021/22 financial year:

Table 2 – Counter Fraud & Litigation Team Investigations

	Amount (£)
Council Tax Discount Cancellations	39k
Council Tax Support/ Council Tax Benefit Overpayments	20.5k
Council Tax Liability Irregularities	21k
Non-Domestic-Rate-Liability Irregularities (net)	36.5k
Business Support Grant Irregularities	125k
Total Income Identified	242k

3.0 Figures shown overleaf reveals the amount of debt recovered by the teams' litigation officers employed by the authority during the last 5 financial years since they became part of the team. The figures show that in 2021/22 the team collected just over £1million pounds of previously unrecovered debt, and is the highest figure achieved to date. Whilst this identifies the scale of the debt which the authority is having to recover, it also clearly displays how effective the team continues to be in this matter. Often, once a formal letter before civil litigation action explaining the next stage of the recovery procedure is issued, debtors will engage in mediation. However ultimately if this approach does not prove effective then civil court legal proceedings are issued which gives the recovery officers more recovery options. A large percentage of the debt which the team is dealing with, relates to adult social care costs. This can often become more difficult to collect when the person who the debt relates to is unable to manage their own affairs, and the Council is dealing with 3rd parties acting on their behalf, either in an official or unofficial capacity. An example of such a case that proved very difficult to deal with but ultimately resulted in a significant debt being recovered in full, is discussed overleaf (**see Case Study 2**)

Case Study 2

In late 2020 the team were passed a debt relating to a service user's unpaid residential care charges which were proving difficult to collect. The service user had a family member acting as their Power of Attorney but she was not making any payments towards her mothers' care charges, resulting in a debt of just under £100k being outstanding. Contact was made with her daughter who initially said that she would arrange for the debt to be covered but then stopped communicating with us, and made no attempt to make any kind of repayment despite having access to her mother's finances. Attempts were made, via their solicitor to offer a settlement amounting to only two thirds of the amount outstanding which was declined, and it was only upon the issue of a letter before action explaining the next step of taking civil enforcement action, and referring the matter for investigation to the Office of Public Guardian, that repayments were made in 2 instalments to settle the debt in full.

A further case which the team were able to clear which had been outstanding for some time is discussed below in **Case Study 3**

Case Study 3

This case relates to a debt – also relating to adult care charges – of nearly £75k which had been outstanding for a few years due to the fact that the service user had passed away leaving a significant estate but without having appointed anybody to act for him. The account was being dealt with by a firm of solicitors who had initially stated they were in the process of being able to settle the debt, having traced 2 distant family members who were eligible to receive the proceeds of the estate. However attempts to contact the solicitors were met with silence, and it was only after contact was made with one of the firms senior partners via a complaint being lodged against the solicitor that the matter was progressed. This eventually resulted in them being able to appoint administrators for the estate which had identified there were more than adequate funds to be able to settle the debt in full and payment was duly received.

Over the last few years there has been a regular increase in the amounts being successfully recovered as shown in the table below.

Table 3 – Counter Fraud & Litigation Team Recovery

Year	Amount (£)
2017/18	402.7k
2018/19	587.7k
2019/20	640.9k
2020/21	858.7k
2021/22	1.02m

4.0 Business Support Grants

4.1 When the Business Supports Grant schemes were first introduced in March 2020 the objective was to provide much needed support for businesses operating in the borough as quickly as possible. However at the same time, it was also essential that Local Authorities needed to ensure that robust checks were in place in order that the limited funds available were being paid to the business owners who were actually eligible to receive them. The processes in place undoubtedly helped to prevent a large number of false applications that were submitted from succeeding, however there were still a small amount that were paid as a result of applicants providing false documentation (most commonly false tenancy agreements) or failing to declare that they had already vacated the premises before the schemes had been introduced and were therefore not eligible to receive payment. The data matching exercises undertaken also revealed instances where businesses had falsely claimed multiple grants across different boroughs. The team has been working to identify, investigate and then recover where possible grants which had been incorrectly awarded to them. This work is still ongoing but an example of such a completed investigation is detailed below in **Case Study 4**

Case Study 4

An investigation was set up following enquiries made to a company to support an application into the Omicron Grant introduced in December 2021 which raised questions over their eligibility for payments made to them in relation to previous grant schemes which we had made to them. The company, had received payments for a number of premises that they occupied in the borough, which had been made based on declarations within the respective application forms that the properties would normally operate as retail premises which, but for the Covid restrictions in place over 2020/21, would have been open to the public. However the investigation identified that whilst that was the case in relation to some of the properties, 2 of them were buildings used for training and admin purposes and therefore were not eligible for the funding made to them. The grant recipient was contacted and subsequently confirmed the correct use of the premises in question. The resultant £54k in overpaid grants which had been incorrectly claimed is now being recovered from the business in question.

5.0 Planned activity for 2022/23

5.1 Over the current financial year the Counter Fraud and Litigation Team has continued to operate in the previously mentioned areas of investigation. Work will continue to focus on identifying and investigating persons or businesses who have sought to abuse the schemes made available

To date this year, the team has:

- **Worked closely with Internal Audit and Exchequer Services to use our joint expertise to help combat all types of fraud being perpetrated against the Council, in particular in relation to Council Tax, Non Domestic Rates & Adult Social Care**
- **Supported the National Fraud Initiative data matching exercise, which has identified issues whereby businesses have incorrectly been awarded Business Support Grants and also potentially incorrectly claimed Small Business Rate Relief**
- **Taken the lead role in an ongoing Council Tax Single Person discount review.**
- **Further increase expertise in adult social care financial abuse matters**
- **Progressed cases in a timely manner that have been referred for the consideration of civil proceedings in relation to debts owed to the authority**