

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 25 November 2021
Report for: Information
Report of: Counter Fraud & Litigation Manager

Report Title

Counter Fraud & Enforcement Team (CFT) : 2020/21 Annual Report

Summary

The report:

- outlines the Council's fraud prevention and detection performance and activities in 2020/21 and
- outlines the team's plans for 2021/22

Recommendation

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

Contact person for access to background papers and further information:

Name: David Wright – Counter Fraud & Litigation Manager

Extension: 2228

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. It is also required to carry out formal recovery action in relation to certain debts owed to the authority.
- 2.2 Over the 2020/21 financial year some members of the team were largely deployed to support the processing and payment of the various Business Support Grants put in place to support businesses through the various lockdowns and restrictions in place. This deployment began in March 2020 and continued throughout the year as different schemes were announced during the various stages of restrictions. In addition to the verification and payment of the grants to appropriate businesses, one of the roles the team was tasked with related 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.
- 2.3 Despite the redistribution of the resources on the team, it was also still able to spend time using its limited 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. Using this risk based approach meant that review forms were only issued where there was doubt over entitlement. A breakdown of the outcomes of the review in relation to accounts reviewed during 2020/21 can be seen below:

Table 1

No. of Accounts Canvassed	9307
Admission of non Eligibility	547
Non responders	707
Total removed	1254
Additional Liability Generated	£239.49k

- 2.4 An additional aspect of the review was to further investigate account holders who had responded to the review by confirming that they continued to be eligible to receive the discount when the data obtained strongly indicated that this statement was false, or also where the account holder has accepted that they are no longer eligible for the discount but have given incorrect information regarding when the additional adult had moved into the property.
- 2.5. 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. This project involved using software which identified businesses who were incorrectly claiming Small Business Rates Relief (SBRR) 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. This has helped prevent SBRR being awarded incorrectly to begin with as well as checks are now able to be made at application stage. This in turn has increased the value of business liability due to the authority.
- 2.6 The team has also continued to see a rise in referrals linked to adult social care financial irregularities and expertise is now growing in this field to equip the investigators to be able to fully support these referrals. Cases are being identified from various sources such as social workers, Direct Payment Audits and from cases linked to social care debt which has identified scenarios involving financial misuse - where a person who was supposed to have been acting in the best interests of the service user (often a close family member) has not been doing so. In 2020/21 the team identified a significant overpayment in relation to such an occurrence – **see Case Study 1**.

Case Study 1

An investigation was set up following a Direct Payments Audit which had raised concerns that funds intended for the care and support for the father of the person designated to manage the budget were being retained by them and not used for the purpose they had been provided.

Further investigation identified that the monies being paid by Trafford to pay for his care by a designated personal assistant was actually being paid into their own personal bank account and used for general household expenditure.

The service user's wife had already advised that the alleged personal assistant had not provided any official care for her husband. When his daughter was interviewed she admitted that she had not acted correctly in the way she had managed the monies as she had financial difficulties. As a result of the investigation, it was identified there had been £10.9k of Direct Payments spent inappropriately. As a result of the seriousness of the offences the matter is currently with our legal services team pending criminal proceedings.

Table 2 below shows the value of fraud or irregularity identified by the investigations element of the team during the 2020/21 financial year:

Table 2 – Counter Fraud & Litigation Team Investigations

	Amount (£)
Council Tax Discount Cancellations	48.5k
Council Tax Support/ Council Tax Benefit Overpayments	31.5k
Council Tax Liability Irregularities	7.8k
Non-Domestic-Rate Liability Irregularities (net)	2.3k
Social Care Finance	10.9k
Business Support Grant Irregularities	220k
Total Income Identified	321k

3.0 Figures shown overleaf detail the amount of debt recovered by the team’s litigation officers employed by the authority during the last 4 financial years since they became part of the team. A large percentage of this relates to adult social care debt which initial recovery actions taken had been unable to collect.

3.1 Often the realisation that the Council will issue formal proceedings involving civil litigation as a last resort prompts successful mediation with the debtors and/or their representatives and ensures the Council collects the monies it is due. However, ultimately if this approach does not prove effective then legal proceedings resulting in court judgements and occasionally charging orders are pursued. An example of a case that proved very difficult but ultimately resulted in a significant debt being recovered in full is shown in **Case Study 2**.

Case Study 2

The team were passed a debt relating to a service user's residential care charges which was proving difficult to collect as a result of a number of barriers that were being placed by his family. Although the service user had initially held a property the family had attempted to claim that he did not have any assets by transferring its ownership into the name of a family member and also contesting that he should not have been made liable for the debt and that the social care charges were incorrect, and that due to his care needs he should not have to pay anything. The Council were able to contest that by taking ownership of his assets a family member (his grandson) who was acting as his Power of Attorney should be liable for the debt which, by this time had risen to just over £89k. After being advised of the decision that we would be treating the transfer of the property as deprivation of capital and that the service users grandson would be liable for the debt he eventually settled the accounts in full.

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

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 business 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.
- 4.2 By cross checking applications and payments against the services own Business Rates records, this helped prevent a large percentage of false applications that we received 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.

- 4.3 As a result of this, as many of these applications came to light, 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 in **Case Study 3**

Case Study 3

An investigation was set up after an allegation was received that a business owner who had actually applied for and received 2 grants in respect of premises she was recorded as occupying was actually sub-letting one of them and therefore not eligible for a grant amounting to £10k which had been claimed. A statement was obtained from the actual occupier of the premises who provided documentation to show they were the real tenant. The grant recipient was interviewed and after initially claiming that her business was occupying both premises, when faced with the evidence obtained, admitted that one of her applications was false and cited financial difficulties caused by the lockdown measures introduced as a reason for her actions. The £10k falsely claimed is now being recovered from her

5.0 Planned activity for 2021/22

- 5.1 Over the current financial year the Counter Fraud and Litigation Team has continued to operate in the previously mentioned areas of investigation Having already played a major part in the administration, and investigation into the different Covid-19 related business grant support schemes, 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 increased expertise in adult social care financial abuse matters

- Worked closely with the councils Internal Audit team to support being done relating to staffing issues identified where appropriate
- Progressed cases in a timely manner that have been referred for the consideration of civil proceedings in relation to debts owed to the authority