

**REPORT TO: SCRUTINY COMMITTEE - 27 SEPTEMBER 2023**

**REPORT ON: NATIONAL FRAUD INITIATIVE**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 271-2023**

## **1.0 PURPOSE OF REPORT**

This report is to inform Elected Members on the work for the mandatory 2022/23 National Fraud Initiative (NFI) exercise including the supplementary mandatory 2022/23 Electoral Roll / Council Tax Single Person Discount data matching exercise.

## **2.0 RECOMMENDATIONS**

It is recommended that Members of the Committee:

- i. note the progress made to date on investigating the data matches received from the Cabinet Office as part of the 2022/23 NFI exercise and the current position with the 2022/23 Electoral Roll / Council Tax Single Person Discount.

## **3.0 FINANCIAL IMPLICATIONS**

To date the 2022/23 NFI exercise has identified accrual overpayments of £13,854 of overpayments together with notional savings of £415,168 bringing the overall total to £429,022. Further details are included at Appendix 1.

The Cabinet Office have issued "Estimate Outcomes Methodologies 2022/23" which explains their calculations for their estimated values when calculating notional savings. This is included at Appendix 2.

## **4.0 BACKGROUND**

The NFI is a biennial data matching exercise, co-ordinated at a national level by the Cabinet Office, designed to help participating bodies detect fraud and error. Computerised techniques are utilised to compare electronic data held by different public and private sector bodies in Scotland, England and Wales and identify data matches, which may, following further examination, uncover the existence of fraud or error. The NFI exercise in Scotland is led by Audit Scotland and participation is mandatory for the Council. Participation also assists the Council with its Deter agenda.

The Senior Responsible Officer for the NFI exercise in the Council is the Executive Director of Corporate Services and the Key Contact is the Corporate Fraud Supervisor, who reports operationally to the Acting Senior Manager – Internal Audit. Key Contact responsibilities include:

- co-ordinating and monitoring the overall exercise
- ensuring that the specifications for data sets are adhered to
- ensuring data sets are uploaded accurately and timeously
- ensuring that key individuals required to assist with the investigation of matches are identified and adequately trained
- ensuring outcomes of the investigation of matches are recorded on the NFI Website promptly and accurately

The mandatory data sets submitted by the Council for the 2022/23 NFI exercises were:

- Payroll – Dundee City Council including Health and Social Care Partnership, Leisure & Culture Dundee, Tay Road Bridge Joint Board and Tayside Valuation Joint Board
- Pensions – Tayside Pension Fund (Current & Deferred)
- Creditors – Current and historic from 1 October 2019

- Licences – Taxis
- Resident Parking Permits - Current
- Housing Tenants - Current
- Housing Waiting List
- Housing Right to Buy – Former tenants
- Blue Badge
- Council Tax
- Electoral Roll

#### 4.1 NFI 2022/23 UPDATE

The 2022/23 NFI biennial exercise commenced in August 2022 with the Council uploading its data to the NFI Website in October 2022. In January 2023, the Council received its data matches in the form of 91 reports, containing a total of 13,323 matches. The Corporate Fraud Team (CFT) held training sessions with all participating staff to ensure that they were fully aware of their responsibilities, the investigation procedures and how to record outcomes on the NFI Website.

**Table 1 - Services where Participating Staff were trained.**

Strategic Service / Client	Service Area
Corporate Services	<ul style="list-style-type: none"> <li>• Corporate Procurement</li> <li>• Pensions</li> <li>• HR and Business Support</li> <li>• Payroll</li> <li>• Non-Domestic Rates</li> </ul>
Neighbourhood Services	<ul style="list-style-type: none"> <li>• Housing</li> </ul>
Dundee Health and Social Care Partnership	<ul style="list-style-type: none"> <li>• Finance</li> <li>• Blue Badge Admin</li> </ul>

The 2022/23 NFI exercises continues to be work in progress for some service areas. Work surrounding the data matches continue with 1,785 matches having been investigated with errors identified in 4 of them. These errors have resulted in overpayments of £13,854, which have either been recovered or a formal recovery arrangement is in place.

Work on the Creditors matches has been delayed by competing pressures and challenges, including improving controls for purchase to pay processes, but management recognise NFI's importance and the staff will complete this as soon as possible and report the outcome and any errors to Members and NFI in due course.

The NFI also records estimated savings figures (notional amounts) where it is reasonable to assume that incidents of fraud, overpayments and errors would have continued undetected without NFI data matching. For the 2022/23 NFI exercise, a total estimated savings figure of £415,168, has been calculated. This estimated figure combined with actual overpayments gives a total value of £429,022. (See Appendix 1).

A supplementary mandatory data matching exercise was also undertaken in December 2022 to match the Electoral Roll against those households where Council Tax Single Person Discount was being claimed.

Work on these matches has just started due to other higher priority work within the Customer Services & Benefit Delivery team. The have processed 4 matches with an outcome of £312 of savings identified. The estimated savings are £495 and combined with the actual overpayment gives a total value of £807. (See Appendix 1). The team continue to work on these matches and outcomes of the completed exercise will be reported to this Committee in 2024.

## **4.2 NFI FURTHER MATCHING**

The NFI Team at the UK Cabinet Office and Audit Scotland have decided to hold further separate data matching exercises this year. These exercises will be for data from the Council's Non-Domestic Rates system and the National Entitlement Card system. These additional exercises are mandatory and the Council will fully comply and participate. The results of these additional exercises will be reported to this Committee in 2024.

## **5.0 POLICY IMPLICATIONS**

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

## **6.0 CONSULTATIONS**

The Council Leadership Team have been consulted in the preparation of this report.

## **7.0 BACKGROUND PAPERS**

None.

**ROBERT EMMOTT**  
**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**29 August 2023**

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**NFI ERRORS AND RESULTS TO DATE****TABLE 1 – 2022/23 NFI DATA MATCH – OUTCOMES (Work in Progress)**

<b>REPORT CONTENT</b>	<b>NO. OF ERRORS</b>	<b>ACTUAL £</b>	<b>NOTIONAL £</b>	<b>TOTAL VALUE £</b>
Deceased Pension Investigations	4	13,854	318,968	332,822
Blue Badges	148	-	96,200	96,200
<b>TOTAL</b>	<b>152</b>	<b>13,854</b>	<b>415,168</b>	<b>429,022</b>

**TABLE 2 – 2022/23 NFI DATA MATCH COUNCIL TAX SINGLE PERSON DISCOUNT TO ELECTORAL ROLL (Work in Progress)**

<b>REPORT CONTENT</b>	<b>NO. OF ERRORS</b>	<b>ACTUAL £</b>	<b>NOTIONAL £</b>	<b>TOTAL VALUE £</b>
Council Tax to Electoral Roll (rising 18's)	4	312	495	807
<b>TOTAL</b>	<b>4</b>	<b>312</b>	<b>495</b>	<b>807</b>

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Cabinet Office



# National Fraud Initiative

## Estimates Outcomes

## Methodologies 2022/23



## Estimated Outcomes Methodologies 2022/23

The NFI uses the term 'outcomes' to refer to the financial value of fraud, error and overpayment that can be attributed to NFI data matching. In some cases NFI outcomes include an estimated element which seek to capture:

1. The value of loss from a fraud or error detected as a result of an NFI match, in instances where no monetary value can be recovered - such as the value of recovering a property from a tenant who has fraudulently obtained that tenancy.
2. The value of any future losses that may have been incurred without intervention as a result of an NFI match. For example, the value of future overpayments prevented through detecting and stopping a fraudulent or erroneous housing benefit claim.

Most NFI datasets have a methodology to calculate estimated outcomes. These methodologies take into account:

- data relevant to the fraud problem, including national published data and data from previous NFI cases
- the policy context relative to the fraud problem
- any regional variances that may result in the generation of estimate methodologies specific to a region or area
- alignment where possible with relevant estimated savings methodologies used in other central government departments

All methodologies are reviewed prior to the start of each new NFI exercise. Any changes are reviewed by the Cabinet Office NFI Governance Board and approved by the Cabinet Office Fraud Prevention Panel. This panel consists of cross government counter fraud experts (including representatives from DWP, HMRC, NHS, MOD, BEIS, DFID, NAO, etc.) who review and challenge, where necessary, methodologies for calculating the estimated value of fraud prevention initiatives across government departments.

Once approved, these methodologies are built into the NFI web application to enable the estimated outcomes element to be automatically generated.

A summary of the outcomes methodology calculations applied to NFI datasets is set out in the following table.



Data Match	Estimated Savings Methodology
<b>Welfare Benefits</b>	<p>Weekly benefit reduction multiplied by 19 weeks</p> <p>Aligned with the DWP 'Future Overpayments Prevented' (FOP) methodology which utilises data from previous cases to calculate the average period of time an overpayment may continue undetected</p>
<b>Pensions</b>	<p><b>Deceased Pensioners:</b></p> <p>Annual pension multiplied by the number of years until the pensioner would have reached the age of 85 (ONS life expectancy for an individual over 65). If the pensioner is 85, a one year multiplier is applied</p>
<b>Blue Badges</b>	<p>£650 per blue badge cancelled to reflect lost parking and congestion charge revenue.</p> <p><b>Estimate considers:</b></p> <ul style="list-style-type: none"> <li>● the average reported cost per badge per year due to badge misuse</li> <li>● the prevalence of fraud - proportion of blue badges that are likely to be misused</li> <li>● the duration for which fraudulent use of the blue badge may continue undetected</li> </ul>
<b>Concessionary Travel</b>	<p>£31 per concessionary pass cancelled, based on the cost of reimbursement to bus operators for journeys made under the concessionary pass scheme.</p> <p><b>Estimate considers:</b></p> <ul style="list-style-type: none"> <li>● the cost of concessionary journeys made</li> <li>● costs associated with card administration</li> <li>● the duration for which fraudulent use of the pass may continue undetected</li> <li>● the prevalence of fraud - proportion of passes that are likely to be misused</li> </ul>
<b>Housing Tenancy</b>	<p>£78,300 per property recovered £51,460 per property recovered in Northern Ireland</p> <p><b>Estimate considers:</b></p> <ul style="list-style-type: none"> <li>● annual cost of temporary accommodation £12,000 (£7,670 for Northern Ireland)</li> <li>● duration for which fraudulent tenancy may continue undetected - 6 years; this constitutes the fraud occurring for 3 years at point of detection and a further 3 years forward savings for the expected time it would have continued</li> <li>● other non-recoverable costs including legal costs to recover property; re-let cost</li> </ul>

<p><b>Right to Buy</b></p>	<p><b>This estimate has the following regional variations:</b></p> <ul style="list-style-type: none"> <li>● England (excluding London) £87,200 per application withdrawn to reflect average house prices and the maximum value of Right to Buy discount available for properties in England.</li> <li>● London: £116,200 per application withdrawn to reflect average house prices and the maximum value of Right to Buy discount available for London properties</li> <li>● Northern Ireland: £24,000 per application withdrawn based on average house prices and Right to Buy discounts in Northern Ireland</li> </ul>
<p><b>Council Tax Reduction</b></p>	<p>Weekly value of Council Tax discount cancelled multiplied by 33 weeks</p> <p>Aligned with the DWP ‘Future Overpayments Prevented’ (FOP) methodology which utilises data from previous cases to calculate the average period of time an overpayment may continue undetected.</p>
<p><b>Housing Waiting Lists</b></p>	<p>£4,283 per individual removed from the Housing Waiting List</p> <p><b>Estimate Considers:</b></p> <ul style="list-style-type: none"> <li>● the annual cost of housing a family in temporary accommodation (12.1K)</li> <li>● the likelihood a waiting list case would have been provided a property</li> <li>● the duration for which a fraudulent case may continue undetected</li> </ul>
<p><b>Council Tax Single Person Discount</b></p>	<p>Annual Council Tax discount multiplied by 2 years</p>
<p><b>Payroll</b></p>	<p>£5,685 per standard case</p> <p><b>Estimates consider:</b></p> <ul style="list-style-type: none"> <li>● cost of individuals working at a different body while in receipt of sick pay from primary employer</li> <li>● failure for an individual to meet contractual obligations at one body due to multiple employment and conflicting obligations</li> </ul>