

REPORT TO: SCRUTINY COMMITTEE - 25 SEPTEMBER 2024
REPORT ON: NATIONAL FRAUD INITIATIVE
REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES
REPORT NO: 256-2024

1. PURPOSE OF REPORT

This report is to inform Elected Members of the completion of 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 and an update on the forthcoming mandatory NFI 2024/25 exercise.

2. RECOMMENDATIONS

It is recommended that Members of the Committee note:

- (i) the completion of the work on investigating the 2022/23 NFI exercises at Appendix 1;
- (ii) the content of the Audit Scotland Report 2024 on the NFI 2022/23 Exercise Appendix 2; and
- (iii) the completed NFI Self-Appraisal Checklist Part A for those charged with governance at Appendix 3.

3. FINANCIAL IMPLICATIONS

There are no direct implications arising from this report. Details of the overpayments identified by the NFI exercise are detailed in paragraph 5 and Appendix 1 to this report.

4. BACKGROUND

- 4.1. 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.
- 4.2. 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.

5. NFI 2022/23 UPDATE

- 5.1. The 2022/23 NFI exercise is now complete. A total of 2782 matches have been investigated with errors identified in 183 of them. These errors have resulted in overpayments of £91,282, which have either been recovered or a formal recovery arrangement is in place. There were no frauds reported in this exercise.
- 5.2. The NFI also records estimated figures (notional savings) 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 notional savings figure of £565,476, has been calculated. This estimated figure combined with actual overpayments gives a total value of £656,758. (See Appendix 1).
- 5.3. 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 was carried out by the Customer Services & Benefit Delivery team. They processed 1366 matches and cancelled Council Tax Single Persons Discount on 551 cases. The value of discount awarded incorrectly was £263,400 of which recovery is in progress for £250,307 from 549 cases.

6. NFI 2024/25 UPDATE

- 6.1. The next National Fraud Initiative Exercise will take place this year. The Council has received instructions from the Cabinet Office, via the NFI Team, surrounding how it should prepare for the 2024/25 NFI Exercise and steps have already been taken to plan for the extraction of required data sets.
- 6.2. Following an internal quality control process, the data sets will be uploaded to the NFI Website in line with the Instructions for Participants and Cabinet Office timetable, commencing October 2024. It is anticipated by the Cabinet Office that the data matches will be made available to the Council for investigation by the end of 2024.
- 6.3. Training on how to deal with the data matches along with responsibilities, investigation procedures and how to record outcomes on the NFI Website will be delivered in December 2024, by the CFT Supervisor, to all participating staff from the services detailed in Table 1 below.

Table 1 - Services where Participating Staff will be trained

Strategic Service / Client	Service Area
Corporate Services	<ul style="list-style-type: none">• Corporate Fraud• Corporate Procurement• Council Tax• Pensions• People Service including Business Support• Payroll• Welfare Rights• Non-Domestic Rates
Neighbourhood Services	<ul style="list-style-type: none">• Housing & Communities
Dundee Health and Social Care Partnership	<ul style="list-style-type: none">• Finance Admin• Blue Badge Admin

- 6.4. The NFI Team at the UK Cabinet Office have issued instructions, a timetable and the data sets required to be uploaded for the forthcoming national mandatory exercise. The required data that must be uploaded is detailed below:

Table 2 - Mandatory Data Required

Service Area	Data Required
Corporate Services	<ul style="list-style-type: none"> • Council Tax Annual data submission • Council Tax reduction scheme • Electoral Register Annual data submission • Payroll • Pensions • Taxi driver licences • Trade creditors' - payment history • Trade creditors' - standing creditors
Neighbourhood Services	<ul style="list-style-type: none"> • Housing tenants • Housing waiting list • Right to buy (Housing)
Dundee Health and Social Care Partnership	<ul style="list-style-type: none"> • Blue Badges
Chief Executive Services	<ul style="list-style-type: none"> • Concessionary travel permits (NEC Data)
City Development	<ul style="list-style-type: none"> • Resident parking permits

6.5. The outcomes arising from the 2024/25 NFI Exercise will be reported to the Scrutiny Committee in due course.

7. AUDIT SCOTLAND NFI REPORT AND SELF APPRAISAL

7.1. Audit Scotland have published their National Fraud Initiative in Scotland 2024 Report. This is included at Appendix 2. The key messages from the report are as follows:

- NFI savings and outcomes have increased from £14.9 million in 2020/21 to £21.5 million in 2022/23, with increases across most data match areas.
- However, savings from council tax single person discounts are slightly reduced and additional outcomes in some areas are attributable to changes in estimation methodologies. Overall, it is not clear whether underlying levels of fraud have increased since 2020/21.
- NFI governance and follow-up arrangements remained sound for most participating bodies over the period covered by the 2022/23 exercise.
- However, when compared to previous exercises, fewer bodies have been assessed by their auditors as having fully satisfactory arrangements, and there remains scope for some bodies to follow up on data matches more effectively.

7.2. Audit Scotland have also published the latest NFI Self-Appraisal Checklist. It is recommended that Audit Committees, or equivalent, and staff leading the NFI should review and complete the NFI Self-Appraisal Checklist to ensure that they are fully informed of their organisation's NFI arrangements including planning and reviewing progress with the NFI exercise.

7.3. Part A of the Self-Appraisal Checklist is for review by Audit Committee Members and has been completed by Council Officers to give assurance over the effectiveness of the Council's participation in the NFI. There are no actions that are required to be completed following the completion of the Self-Appraisal checklist. The checklist is included at Appendix 3.

8. 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.

9. CONSULTATIONS

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

10. BACKGROUND PAPERS

None.

**ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

3 SEPTEMBER 2024

NFI ERRORS AND RESULTS FOR 2022/23 EXERCISES**TABLE 1 - 2022/23 NFI DATA MATCH - OUTCOMES (Exercise Completed)**

REPORT CONTENT	NO. OF ERRORS	ACTUAL £	NOTIONAL £	TOTAL VALUE £
Deceased Pension Investigations	9	18,151	461,032	479,183
Blue Badges	148	-	96,200	96,200
Council Tax Reduction Scheme	15	10,602	8,243	18,845
Creditors	4	62,528	-	62,528
TOTAL	176	91,281	565,475	656,756

TABLE 2 - 2022/23 NFI DATA MATCH COUNCIL TAX SINGLE PERSON DISCOUNT TO ELECTORAL ROLL (Exercise Completed)

REPORT CONTENT	No. of cases where SPD Cancelled	No. of cases where recovery is in progress	Value of Overpayments where recovery is in progress (full or partial) £	Total discount incorrectly awarded/claimed £
Council Tax Single Person Discount (SPD)	443	441	227,131	240,224
Council Tax to Electoral Roll (rising 18's)	108	108	23,176	23,176
TOTAL	551	549	250,307	263,400

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The National Fraud Initiative in Scotland 2024



Prepared by Audit Scotland
August 2024

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Audit team

The core audit team consisted of:
Tim Bridle, under the direction of Cornelius Chikwama.

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Key messages

- 1** Fraud against the public sector costs the taxpayer money and can undermine both confidence in government and the delivery of public services. The proactive detection and prevention of fraud using the National Fraud Initiative (NFI) remains vitally important to public sector financial management as public bodies continue to recover from Covid-19 and to deal with the impact of the cost-of-living crisis.
 - 2** NFI savings and outcomes have increased from £14.9 million in 2020/21 to £21.5 million in 2022/23, with increases across most data match areas. However, savings from council tax single person discounts are slightly reduced and additional outcomes in some areas are attributable to changes in estimation methodologies. Overall, it is not clear whether underlying levels of fraud have increased since 2020/21.
 - 3** NFI governance and follow-up arrangements remained sound for most participating bodies over the period covered by the 2022/23 exercise. However, when compared to previous exercises, fewer bodies have been assessed by their auditors as having fully satisfactory arrangements, and there remains scope for some bodies to follow up on data matches more effectively.
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Recommendations

Participating bodies should:

- Ensure that an appropriate level of resource is available to deliver NFI follow-up activities in an efficient and effective manner, in line with local priorities.
- Use the NFI Self-Appraisal Checklist as part of planning for the 2024/25 exercise.
- Put in place arrangements for monitoring follow-up activity, and where it is necessary seek to understand reasons for low or nil outcomes.

1. Introduction

The proactive detection and prevention of fraud using the National Fraud Initiative (NFI) remains vitally important to public sector financial management as public bodies continue to recover from the Covid-19 pandemic and to deal with the impact of the cost-of-living crisis.

1. Fraud against the public sector costs the taxpayer and can undermine both confidence in government and the delivery of public services. The National Fraud Initiative (NFI) is a proactive data matching exercise designed to identify and prevent fraud. It remains vitally important during a time of ongoing financial pressure as public bodies continue to recover from the Covid-19 pandemic and to deal with the impact of the cost-of-living crisis.

2. The Public Sector Fraud Authority (PSFA) oversees the NFI across the UK, and Audit Scotland leads the exercise in Scotland, working with a range of Scottish public bodies and their external auditors. The NFI takes place every two years, and this report considers the outcomes from the 2022/23 exercise.

Statutory basis for NFI

3. We carry out the NFI under powers introduced by the Criminal Justice and Licensing (Scotland) Act 2010 and incorporated in [Part 2A of the Public Finance and Accountability \(Scotland\) Act 2000](#). It is important for all parties involved that this exercise is properly controlled, and that data is handled in accordance with the law. The Audit Scotland [Code of Data Matching Practice](#) includes a summary of the key legislation and controls governing the NFI data matching exercise.

Participating bodies

4. In 2022/23, 110 public sector bodies in Scotland participated in the NFI, submitting data and following up on matches. The Scottish Government also submitted data for another 17 central government bodies who share their systems for payroll and/or creditors. Many councils also submit payroll data for their Arm's-Length External Organisations (ALEOs). Across the UK there are over 1,100 participating bodies and data matching takes place across them all.

Main data match areas in 2022/23

5. The main data match areas for the 2022/23 NFI exercise were:

- Payroll
- Creditor payments
- Council Tax (Single Person Discounts and Reduction Scheme reliefs)
- Pensions
- Housing Benefit
- Housing Tenancy and waiting lists
- Blue Badges (disabled parking)
- Adult concessionary bus travel (new in 2022/23 exercise).

6. The 2022/23 NFI exercise matched new data from His Majesty's Revenue and Customs (HMRC) using powers under the Digital Economy Act (2017).

7. Non-Domestic Rates Small Business Bonus Scheme (NDR SBBS) matching was postponed for the 2022/23 exercise due to the national NDR revaluation exercise in 2023. Results will be reported as part of the 2024/25 exercise.

Basis for reported outcomes

8. All monetary outcomes included in this report are on a cash basis, prior year totals have not been adjusted to reflect inflation or changes in estimation methodologies since amounts were originally reported. Details of estimate methodologies used can be found at [Appendix](#).

2. Overall outcomes

Overall outcomes from the NFI have increased from £14.9 million in 2020/21 to £21.5 million in 2022/23.

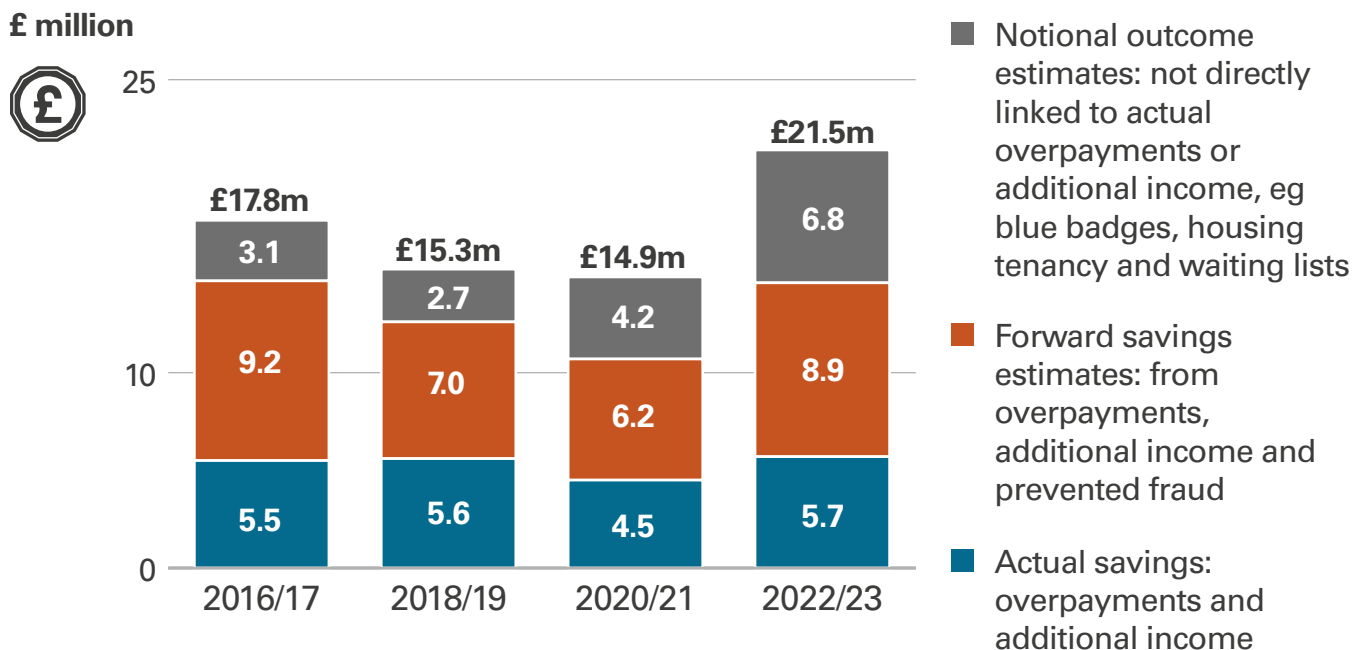
Overall outcomes by type

9. The value of outcomes from the NFI, recorded since our last report, total £21.5 million (up from the £14.9 million in 2022). The cumulative value of outcomes from the NFI in Scotland since participation started in 2006/07 now stands at around £180 million. [Exhibit 1](#) shows NFI outcomes by type for 2022/23 and the previous three exercises.

Exhibit 1.

NFI outcomes by exercise and type, 2016/17 to 2022/23

Reported outcomes have increased to £21.5 million in 2022/23.



Source: Audit Scotland analysis of NFI outcomes

10. Increased outcomes reported in 2022/23 partly reflect improvement in recording of results as bodies continue to recover from Covid-19. There have also been changes to estimation methodologies which contribute to higher outcomes in some areas (details of methodologies can be found in the [Appendix](#)). It is not possible to extrapolate from these figures that underlying levels of fraud have increased.

Outcomes by data match area

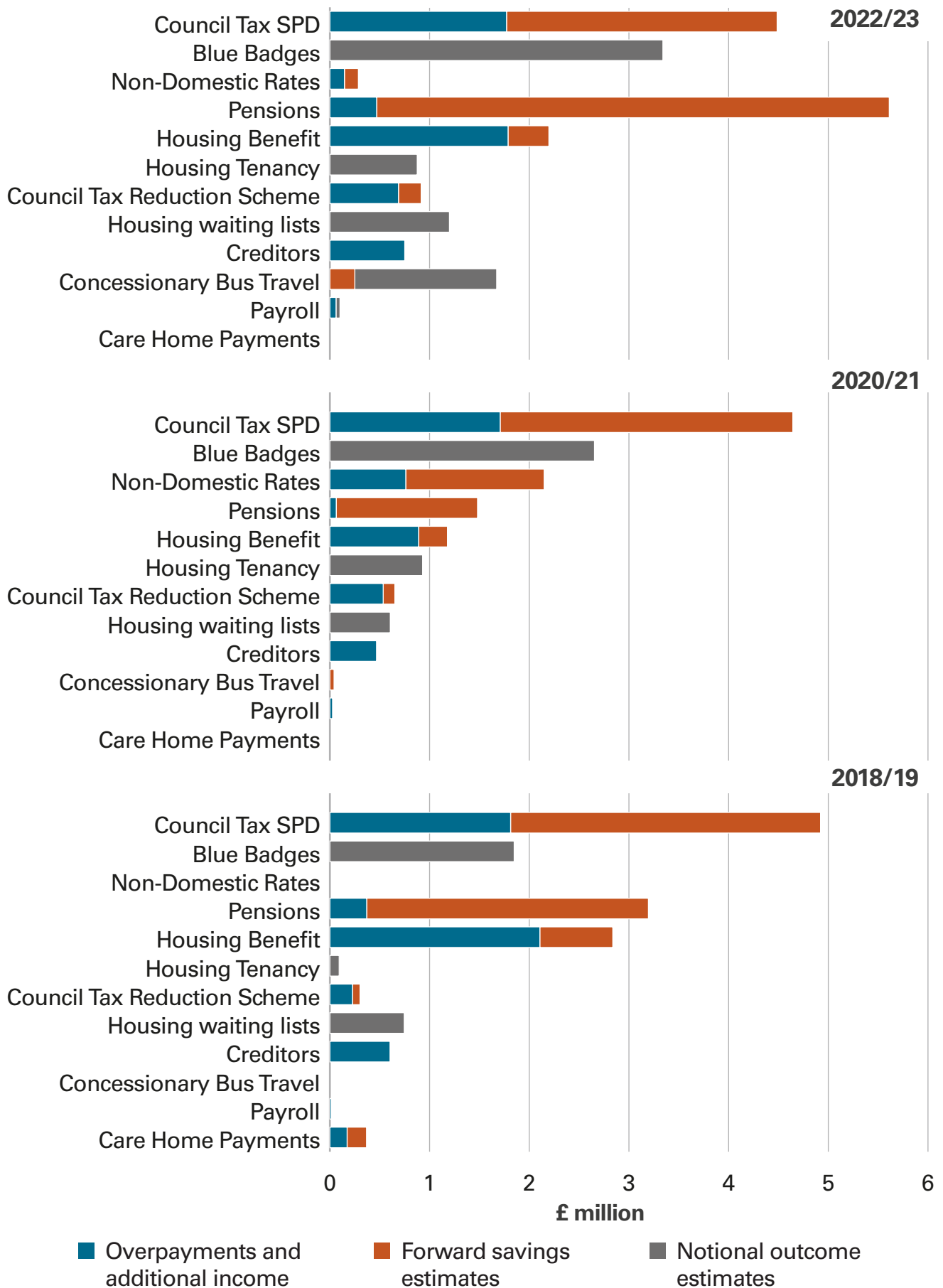
11. Most monetary outcomes from the NFI accrue to councils, the Scottish Public Pensions Agency and the Department for Work and Pensions (DWP) in the form of savings arising from council tax, pensions and housing benefits matches.

12. Many participating bodies only submit payroll and creditors datasets for matching, and this limits the monetary outcomes available to them. However, overpayments associated with duplicate creditor payments and payroll matches are not insignificant. NFI outcomes analysed by main data match area, are shown for the last three exercises in [Exhibit 2 \(page 9\)](#).

Exhibit 2.

NFI outcomes by area and exercise

Most savings arise from Council Tax, Pensions and Housing Benefits matches.



Notes:

1. Non-Domestic Rates Small Business Bonus Scheme data was first submitted for the 2020/21 exercise but did not form part of the 2022/23 exercise due to the revaluation exercise taking place in 2023.
2. Care home payments have not been matched since 2018/19 due to legislative constraints.
3. Adult concessionary bus travel was a pilot exercise in 2020/21 and has been mainstreamed in 2022/23.

Source: Audit Scotland analysis of NFI outcomes

Wider benefits of NFI

13. The NFI also delivers benefits which are more difficult to quantify. These include its fraud deterrent effect and the financial governance assurance it provides to bodies where no issues are identified ([Exhibit 3](#)).

Exhibit 3. Non-monetary benefits of NFI



Acts as a deterrent to potential fraudsters



Can provide assurance that systems are operating well



Can identify where system improvements are required

Source: Audit Scotland

3. NFI delivery

NFI governance and follow-up arrangements remain sound for most participating bodies. However, when compared to previous exercises, appointed auditors assessed fewer bodies as having fully satisfactory arrangements.

Auditor assessments

14. NFI governance and follow-up arrangements remain sound for most of the 110 bodies in Scotland that participated in the 2022/23 exercise. However, several bodies have struggled with delivery and there remains some scope for improvement.

15. We asked auditors to assess participating body NFI arrangements, and rate them as Green (satisfactory), Amber (mostly adequate) or Red (unsatisfactory). Auditor returns for 2022/23 included an increased number of amber and red ratings [Exhibit 4 \(page 12\)](#).

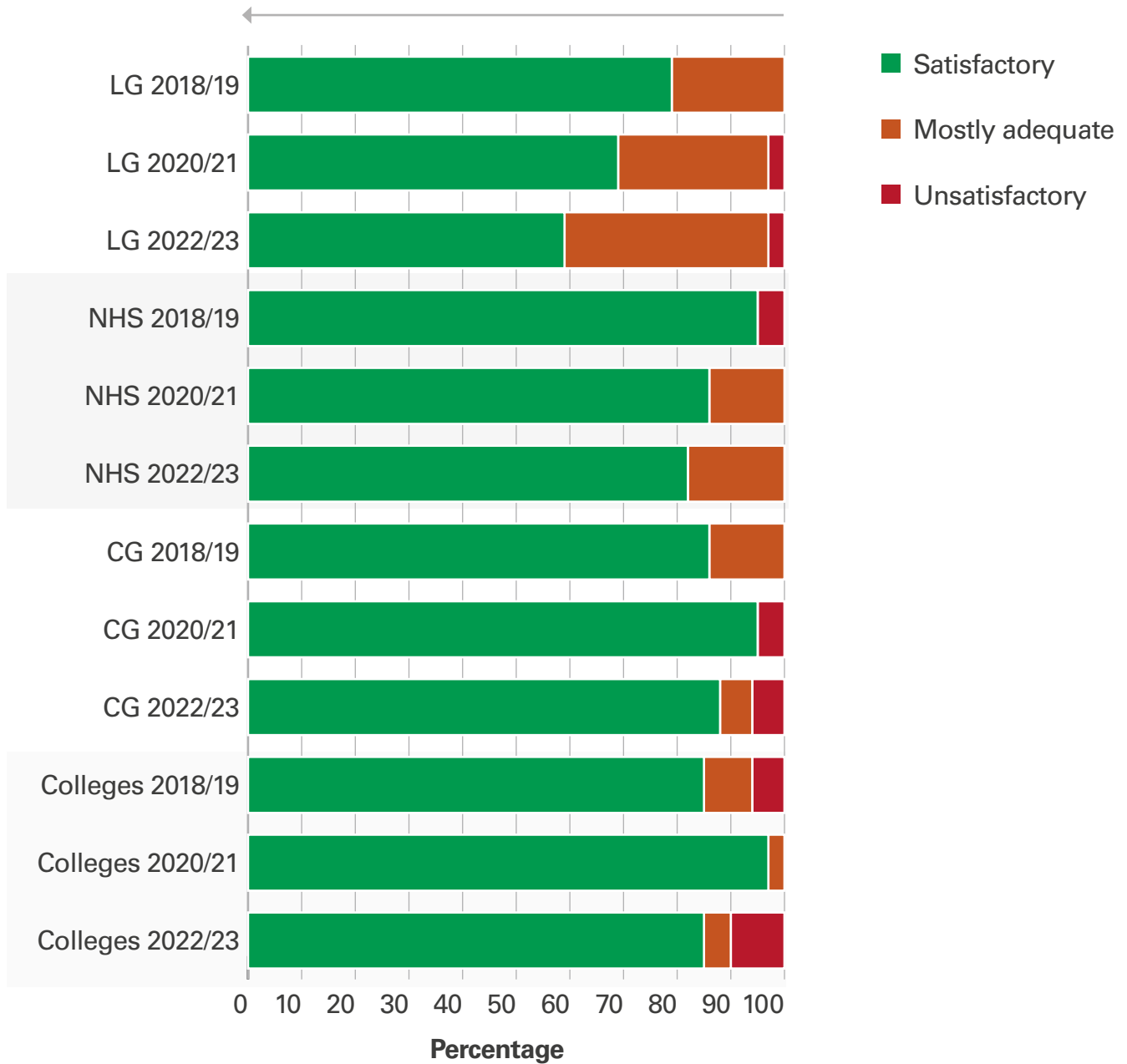
16. In most cases amber or red assessments reflect deficiencies with follow-up activity. Participating bodies routinely cited the lack of adequate resources as the main reason for delay or lack of progress with follow-up activity.

17. Our NFI Self-Appraisal Checklist includes requirements for participating bodies to consider Leadership, Commitment and Communication. The checklist also asks NFI key contacts and users to consider potential improvements to the efficiency and effectiveness of follow-up activity. The checklist can be found on our Counter Fraud [webpage](#) and has been updated for the 2024/25 exercise.

Exhibit 4.

Auditor assessments of NFI delivery arrangements

More bodies received amber and red assessments in 2022/23.



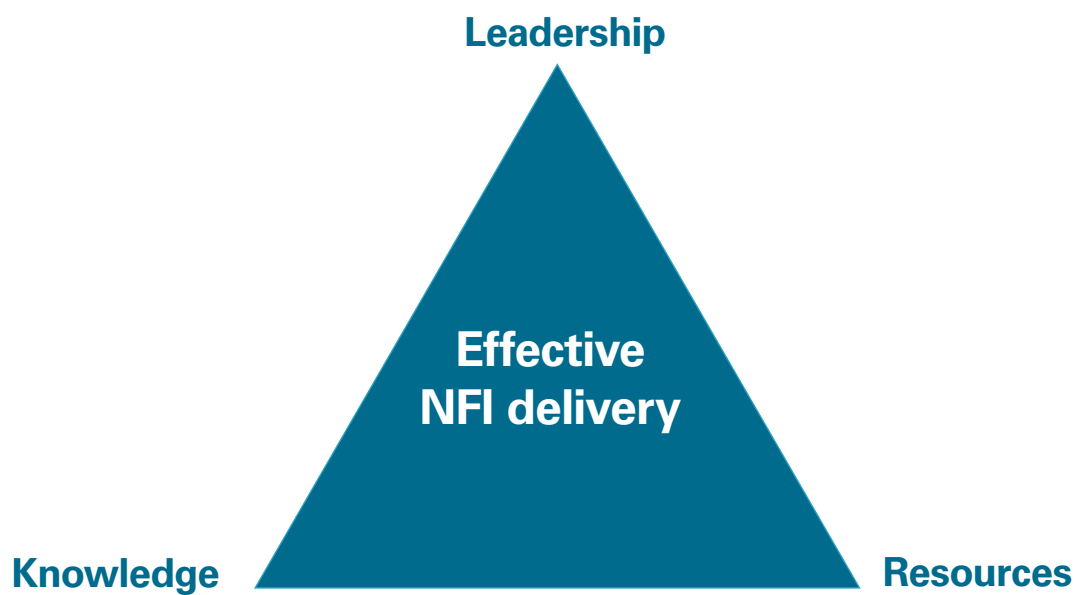
Source: Audit Scotland analysis of Auditor Returns

18. Exhibit 5 shows the main determinants of successful NFI delivery that participating bodies should be focusing on to strengthen their arrangements.

Exhibit 5.

NFI participation – main determinants of success

Successful delivery of NFI requires a clear commitment to a well-thought-out approach that optimises the use of available resources to follow up matches appropriately.



Source: Audit Scotland

19. Audit Scotland will continue to work with bodies to support effective and efficient delivery of NFI through its ongoing engagement activities.

4. Specific match areas

NFI outcomes have increased in most data match areas in 2022/23. However, savings from council tax single person discounts decreased slightly, and increases in some areas are partly due to changes in estimation methodologies.

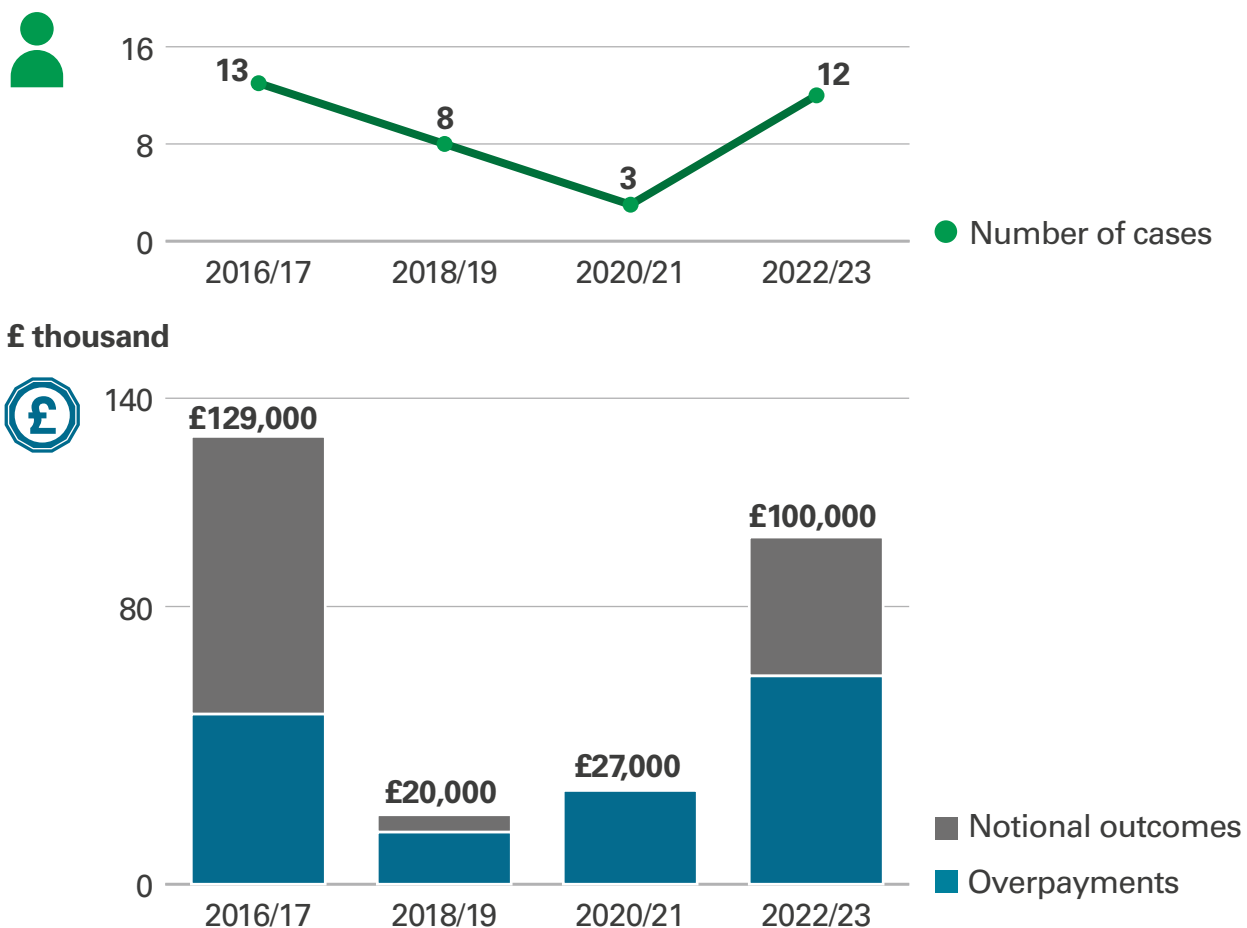
Payroll

20. The number of payroll and multi-contract working frauds identified as a result of the NFI has increased. There were 12 cases identified in 2022/23. This is the highest number since 2016/17, which is the last exercise for which immigration data was matched. Overpayments and case numbers for the 2022/23 exercise are shown alongside those for the three previous exercises at [Exhibit 6](#).

Exhibit 6.

Payroll outcomes and case numbers by NFI exercise

There has been an increase in the level of identified fraud in 2022/23.



Note. Notional outcomes of £5,685 per case are allocated where staff resign or have been dismissed ([Appendix](#)).

Source: NFI management information

Creditor payments

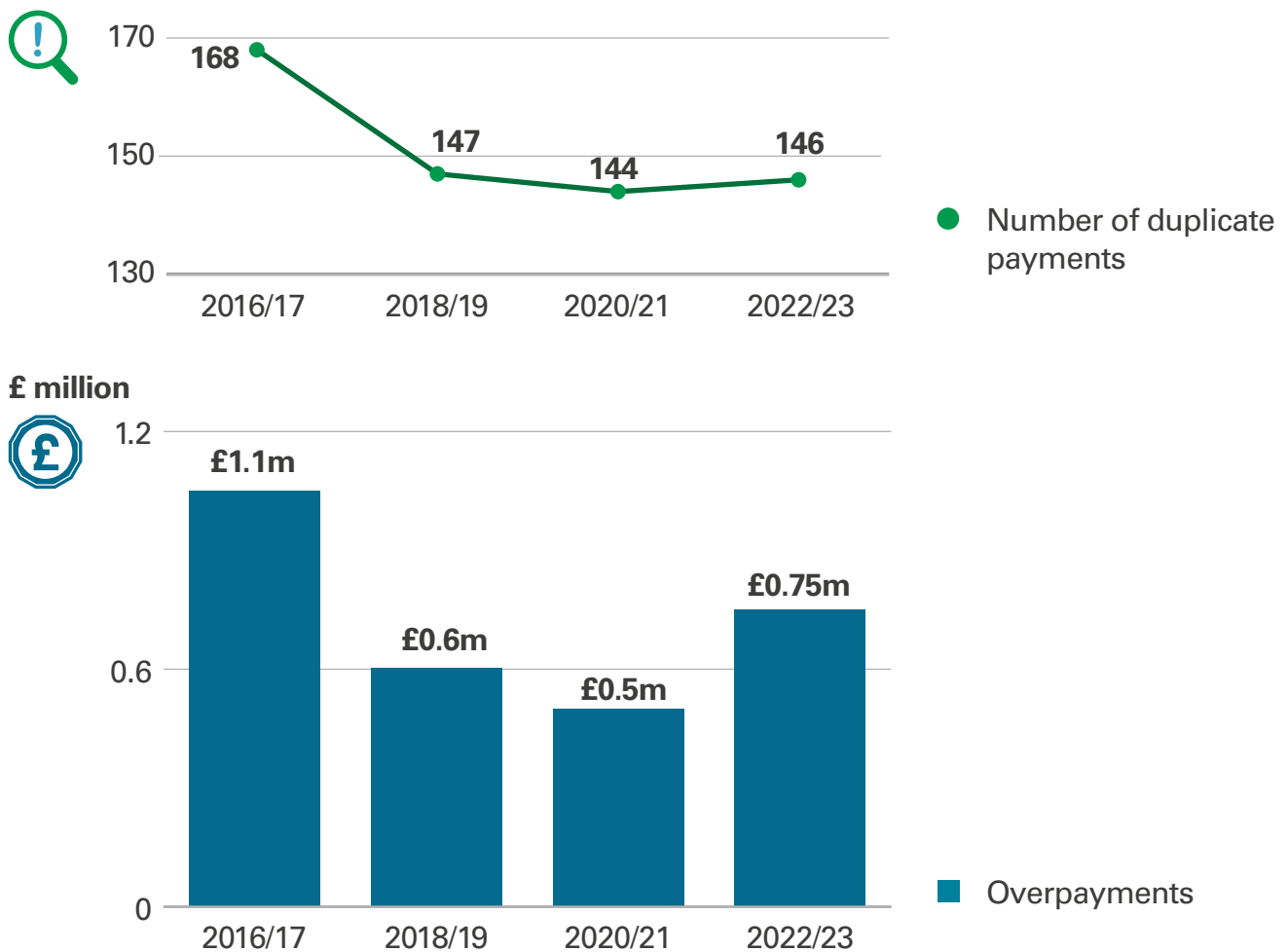
21. Participating bodies submit details of payments made to people or organisations supplying them with goods and services. Data is matched by the NFI to identify potential duplicate payments. Bodies identifying duplicate payments often refresh procedures and tighten controls to reduce future risk.

22. In 2022/23 outcomes worth £0.75 million were identified from 146 duplicate payments across 31 bodies. This is broadly in line with previous exercises as shown in [Exhibit 7](#).

Exhibit 7.

Duplicate creditor payment savings and case numbers by NFI exercise

£0.75 million of recoverable duplicate creditor payments was identified in 2022/23.



Source: NFI management information

Adult Concessionary Bus Travel

23. Following a successful pilot exercise in 2020/21, adult concessionary bus travel mortality screening was rolled out to councils in 2023. The National Entitlement Card Project Office, working in partnership with councils, submitted details of all live travel passes for matching.

24. The NFI identified 99,600 travel passes that belonged to holders who had died. Transport Scotland was able to check usage of these passes and identified that 1,075 had been used after the date of death.

25. The full fare value of fraudulent bus trips associated with these passes amounted to £0.31 million, with a cost to Transport Scotland of around £0.18 million, based on the applicable reimbursement rates to bus companies.

26. The cancellation of these passes will prevent future fraudulent use with an estimated value of £0.45 million (based on £420 per travel pass used fraudulently, see [Appendix \(page 26\)](#)). The resultant saving to Transport Scotland is estimated at around £0.25 million based on current reimbursement rates.¹

Council Tax Single Person Discounts

27. People living on their own, or in some cases with adults who can be 'disregarded', are eligible for a 25 per cent single person discount (SPD) on their annual council tax bill. The NFI matches SPD recipients to the electoral register and to other datasets to identify where other adult residents have not been declared on applications, have subsequently turned 18 or have moved in.

28. Councils withdrew £1.8 million worth of SPDs because of the NFI. The additional income, based on a forward projection of annual savings for two years, in line with the Cabinet Office methodology, equates to an additional £2.7 million. These amounts are shown together and alongside savings for the previous three exercises in [Exhibit 8 \(page 17\)](#).

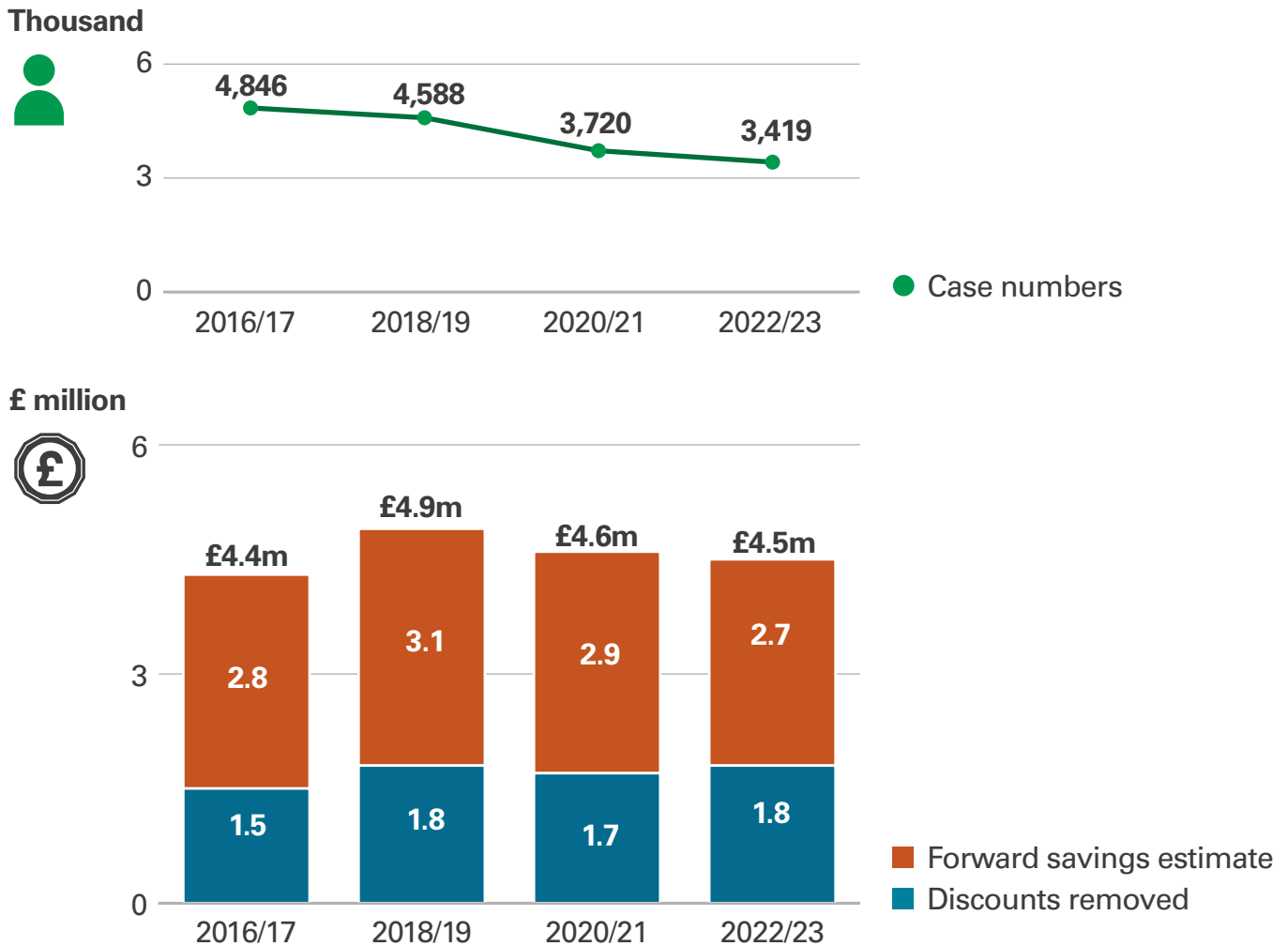
29. Only 19 councils recorded NFI activity in relation to SPDs, as more councils are now making use of third party providers for data matching and follow-up. Seven councils using third-party providers now record no NFI outcomes (an increase of two from the previous exercise).

¹ Total outcomes for this area ([Exhibit 2](#)) includes a notional amount of £0.91 million relating to the pilot exercise in 2020/21 (based on the Cabinet Office methodology at the time which applied £550 to each travel pass cancelled).

Exhibit 8.

Council Tax SPD savings and case numbers by NFI exercise

Case numbers and savings from single person discounts decreased in 2022/23.



Source: NFI management information

Council Tax Reduction Scheme (CTRS)

30. Council tax reduction is available to low-income households in Scotland. The NFI matches CTRS data to other datasets, such as payroll and pensions, for example, to identify undeclared income.

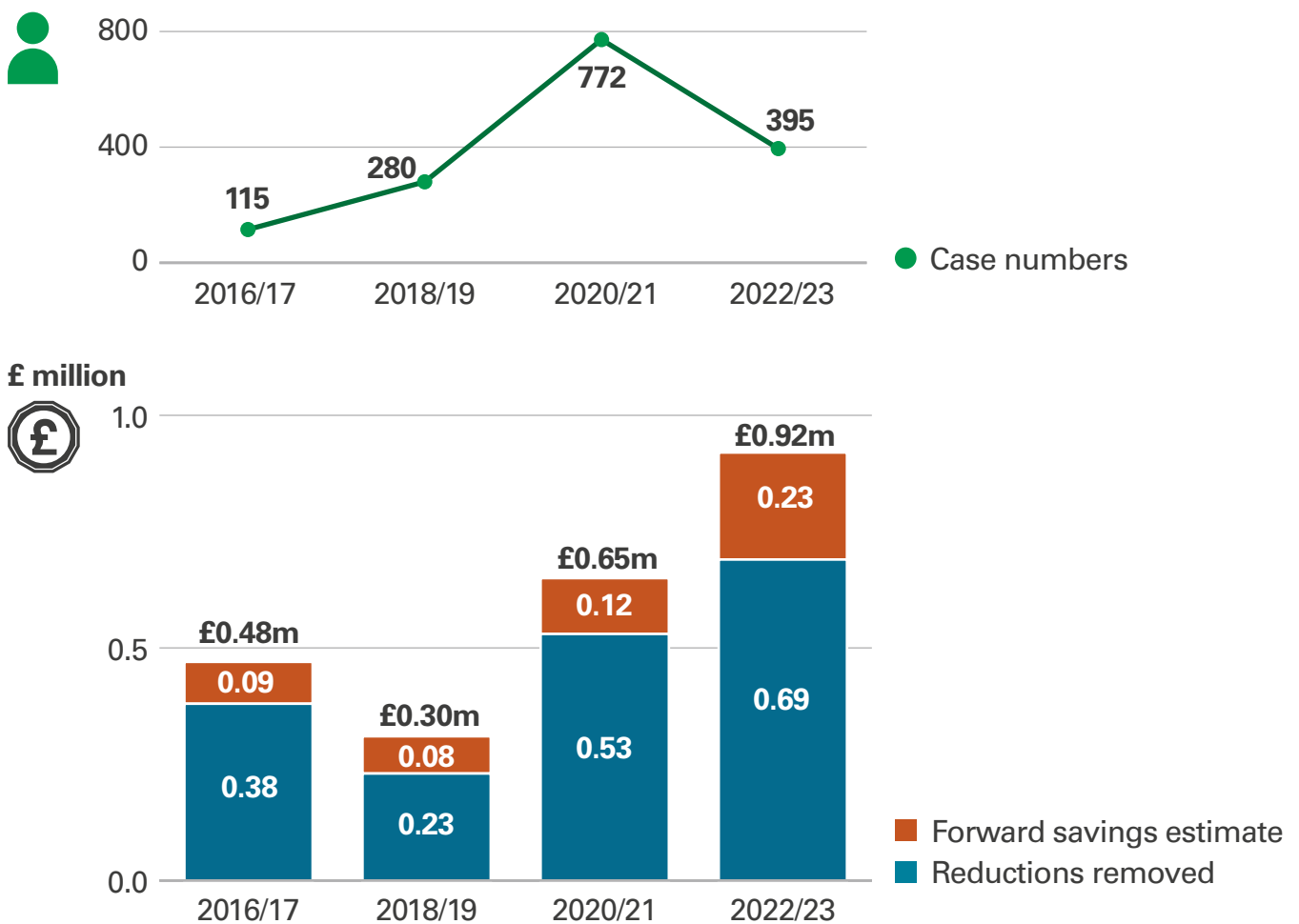
31. In 2022/23, additional council tax income of £0.92 million was identified because of follow-up on NFI matches (up from £0.65 million in 2020/21). Savings and case numbers are shown alongside those from the previous three NFI exercises in [Exhibit 9 \(page 18\)](#).

32. Actual additional income from the removal of council tax reductions has increased, as have forward savings estimates. The forward savings estimate methodology has, however, changed with savings now based on 33 weeks, compared to the 21 weeks previously used.

Exhibit 9.

Council Tax Reduction Scheme savings and case numbers by NFI exercise

Total potential savings from CTRS have increased to £0.92 million in 2022/23.



Source: NFI management information

33. Only 18 councils identified savings from CTRS, with most savings arising from matches to pensions (around 40 per cent) and payroll (around 30 per cent), where income had not been declared.

Housing Benefits

34. Housing benefits (HB) help people on low incomes pay their rent. HBs in payment continues to decrease as more benefit recipients move on to universal credit.

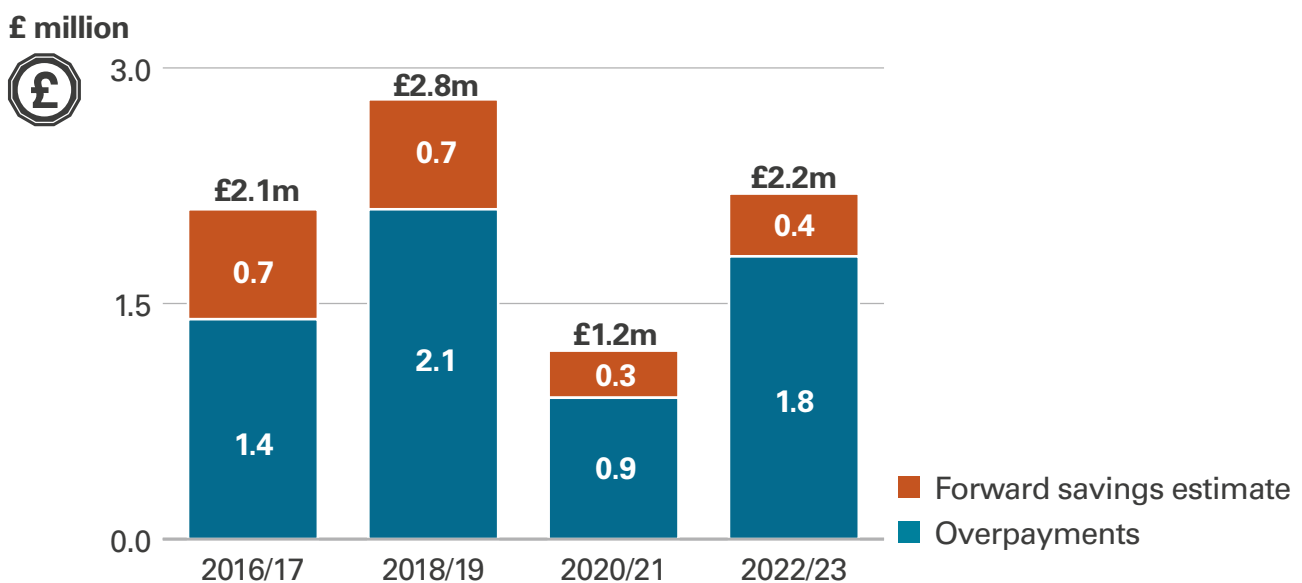
35. The DWP's Verify Earnings and Pensions alerts service has also impacted HB savings from NFI as alerts are sent directly to councils for investigation, allowing them to follow up outside the NFI process. We no longer match HB to payroll and pension as part of the NFI.

36. There has, however, been an increase in reported savings in 2022/23 due to the inclusion of late DWP savings from the 2020/21 exercise which was affected by Covid-19. [Exhibit 10](#) shows the HB overpayments and forward savings reported for the current and previous three NFI exercises.

Exhibit 10.

Housing Benefit savings by NFI exercise

2022/23 includes significant late DWP savings from the 2020/21 exercise.



Source: NFI management information

37. HB matches involving suspected fraud are referred to the DWP for investigation and resultant savings are not attributed back to councils. In 2022/23 almost £2 million of savings arose from these referrals. £0.2 million of savings was identified locally by 17 councils, largely from the follow-up of matches to student loans.

Pensions

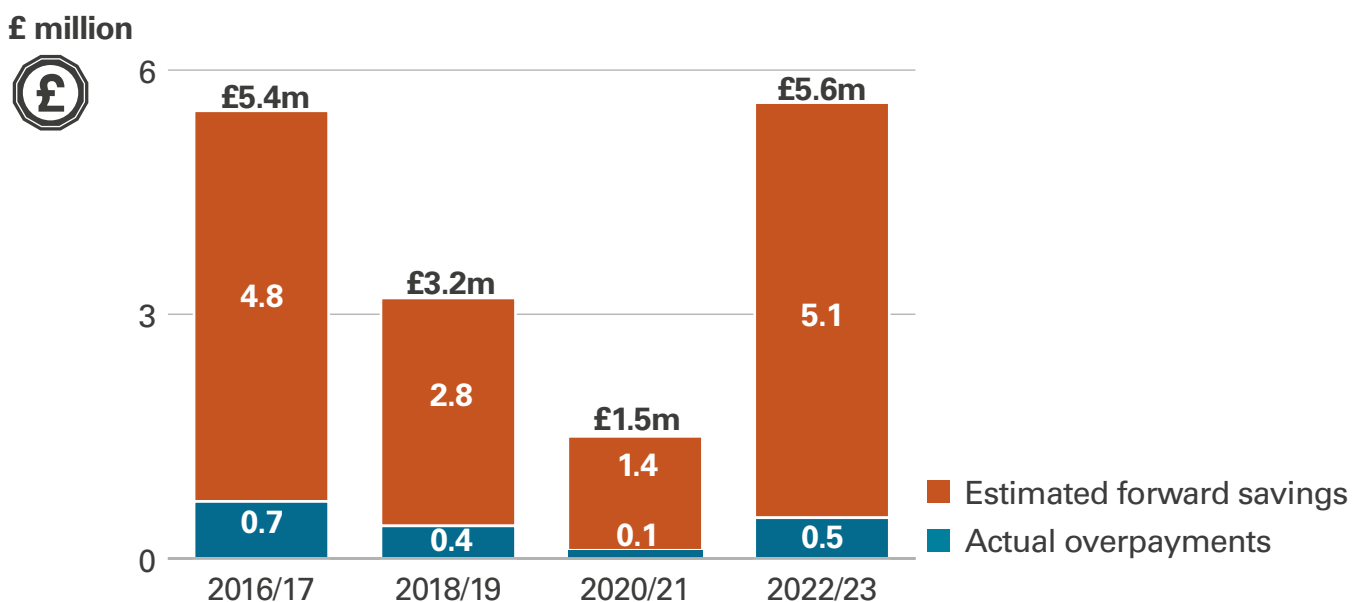
38. The NFI is an efficient and effective way for the Scottish Public Pensions Agency (SPPA) and councils that administer pensions to check that they are only paying pensions to people who are alive.

39. The follow-up of matches has led to the identification of actual overpayments of £0.5 million as at 31 March 2024, with projected forward savings amounting to a further £5.1 million. These savings are shown along with those reported for previous exercises in [Exhibit 11](#).

Exhibit 11.

Pensions savings by NFI exercise

Follow-up activity and recording of outcomes in 2020/21 was impacted by Covid 19.



Source: NFI management information

40. Forward savings are estimated based on a potential payment period from the date overpayments are identified until the date the deceased pensioner would have reached the age of 85 (consistent with actuarial assumptions used to value public sector pension schemes).

41. In 2022/23 we have seen improved follow-up of pensions matches. However, not all overpayments identified had been recorded by 31 March 2024. Late savings will be reported as part of the 2024/25 exercise as a result.

Blue Badges

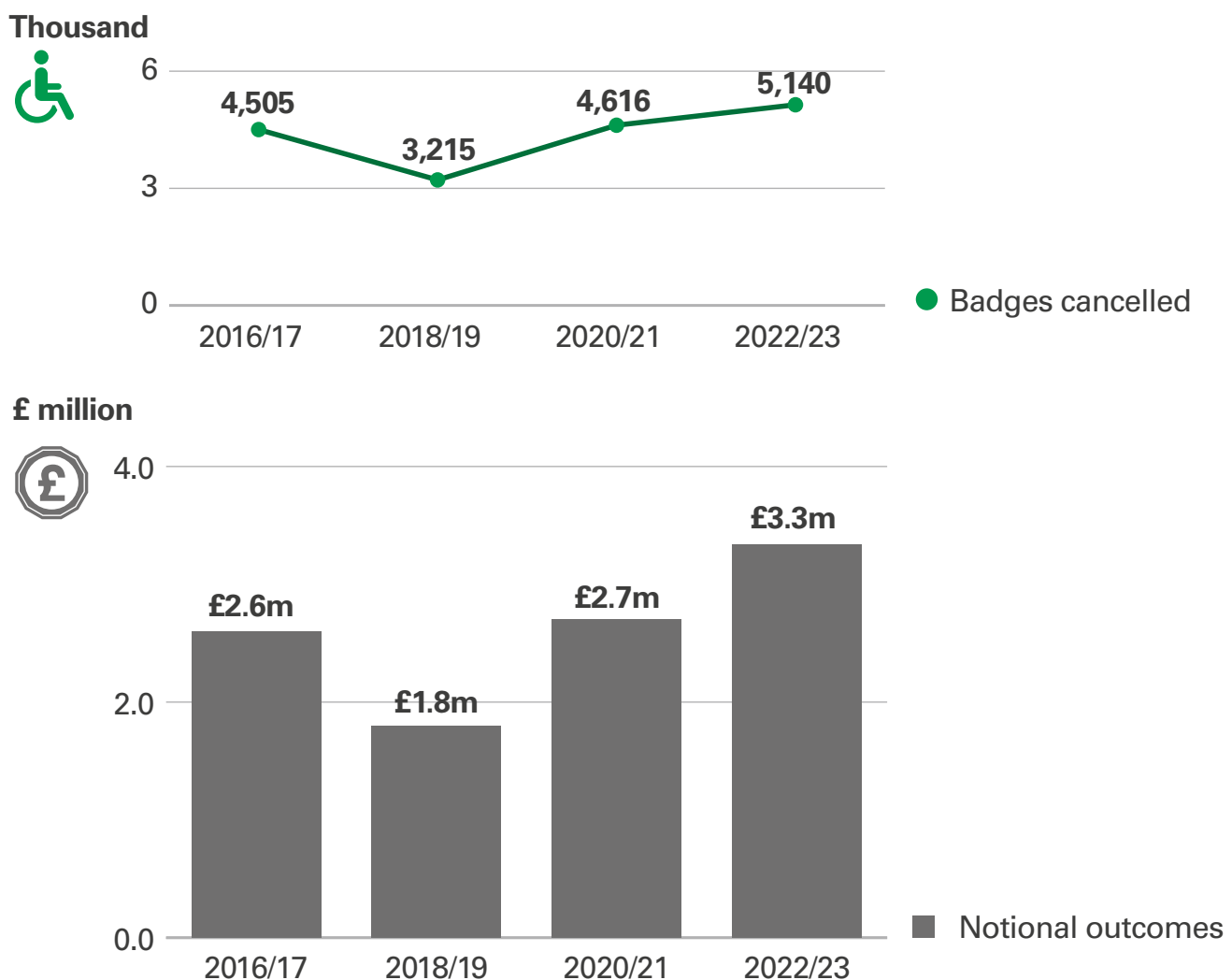
42. The Blue Badge scheme allows individuals with mobility problems to park for free at on-street parking meters, in 'pay and display' bays, in designated Blue Badge spaces, and on single or double yellow lines in certain circumstances. Badges are sometimes used by unauthorised persons after the badge holder has died. Not only is this an offence under the Disabled Persons' Parking Badges (Scotland) Act 2014, but it may also result in parking spaces being denied to people who legitimately use the Blue Badge scheme.

43. The NFI matches Blue Badges issued to records of deaths, enabling badges to be cancelled. The number of badges cancelled in 2022/23 has gone up to 5,140, as shown at [Exhibit 12](#).

Exhibit 12.

Blue Badges outcomes and case numbers by NFI exercise

There have been higher levels of recorded cancellation in 2022/23 than for recent exercises.



Source: NFI management information

44. The increased number of cancellations, together with a new estimate multiplier, has resulted in a higher notional outcome value. The Cabinet Office estimation methodology now applies £650 per badge cancelled (compared to £575 per badge in 2020/21).

Housing Tenancy

45. With reported housing shortages and high levels of homelessness, tenancy fraud is increasingly an issue for councils. Where fraudulent subletting exists, it means that properties are not available to house people who are in most need and this can be costly to councils.

46. The NFI uses council housing tenancy data to identify possible cases where tenants may have sublet their property. It also helps identify cases where the tenant has died, and the property is either empty or has other individuals living in it.

47. As a result of the 2022/23 exercise, councils were able to identify and recover ten properties. A housing association property was also identified and made available for social housing. The numbers of properties recovered along with the notional outcome estimates for the last four exercises are shown at [Exhibit 13 \(page 23\)](#).

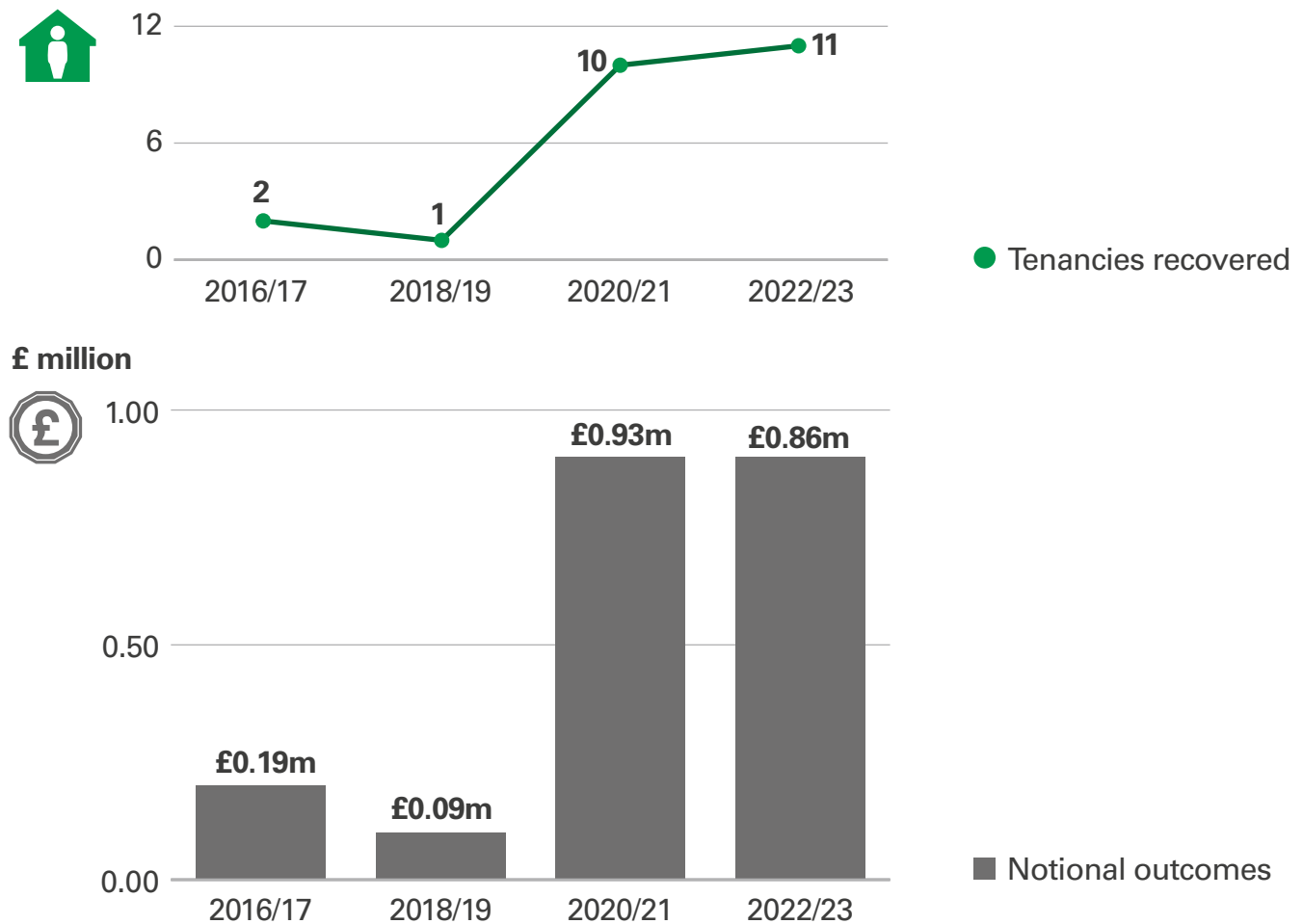
48. Notional outcomes of £78,300 are allocated per property recovered (£93,000 in 2020/21). This is based on an average four-year fraudulent tenancy and includes estimated costs of temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies.

49. In addition to recovery of properties, NFI has enabled several councils to update tenancy details where there has been legitimate succession following a bereavement.

Exhibit 13.

Housing Tenancy outcomes and case numbers by NFI exercise

Tenancies recovered as a result of NFI have remained in double figures in 2022/23.



Source: NFI management information

Housing Waiting Lists

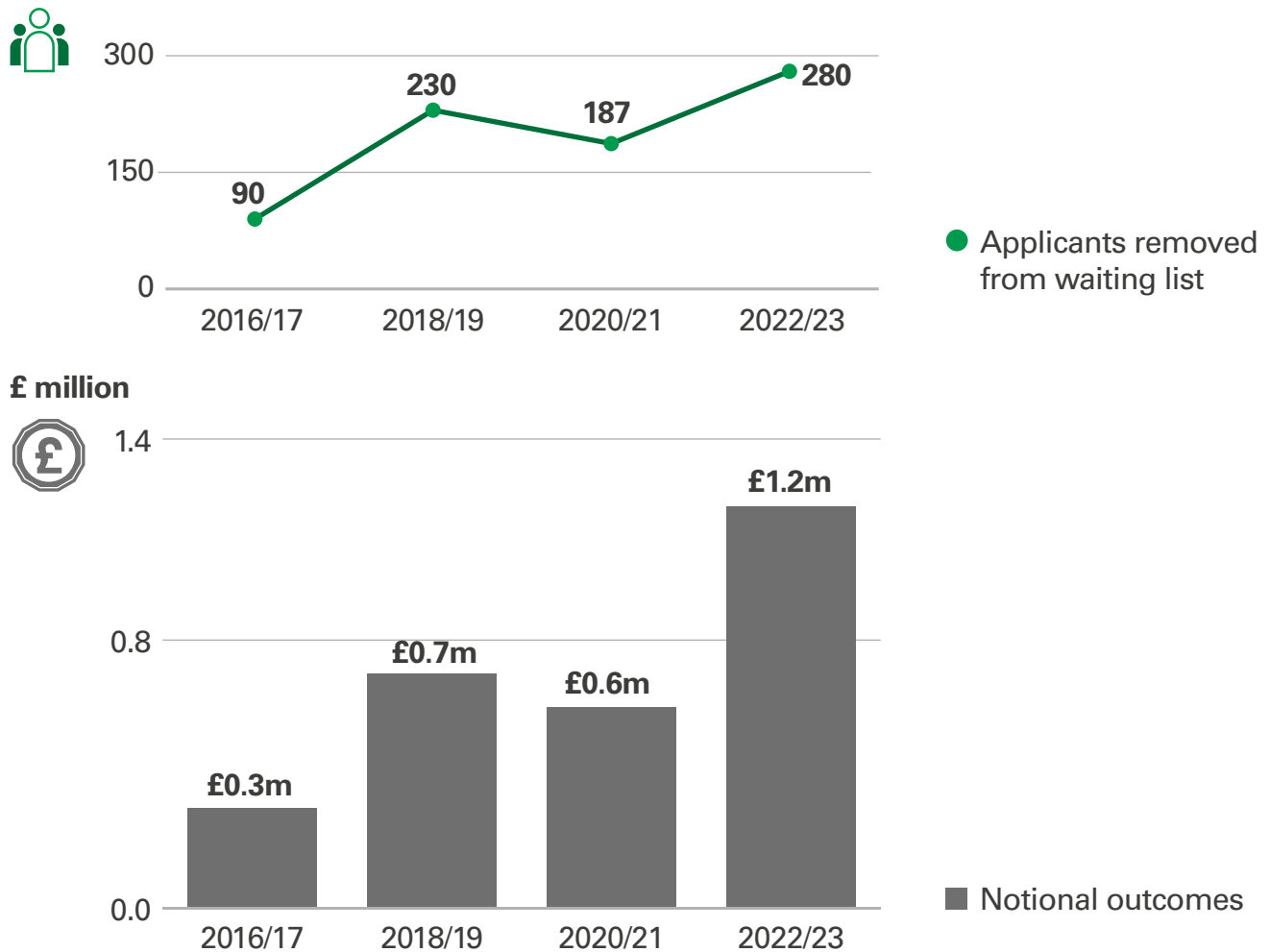
50. Councils maintain waiting lists for council housing, and in some cases for all social housing in their area. The NFI matches waiting list data to housing tenancy data and other data sets, enabling undisclosed changes in circumstances to be picked up. This enables removal of ineligible applicants from the waiting list, stops inappropriate allocations, and accelerates allocations to people in genuine need of social housing.

51. In 2022/23 we have seen an increase in the number of applicants removed from waiting lists as a result of NFI. Notional outcomes have also increased as shown in [Exhibit 14 \(page 24\)](#).

Exhibit 14.

Housing Waiting List outcomes and case numbers by NFI exercise

More applicants have been removed from the waiting list in 2022/23 than in previous exercises.



Source: NFI management information

52. Notional outcomes are attributed to applicants removed from the waiting list on the basis that social housing could have been allocated inappropriately. The estimation methodology allocates £4,283 per case removed from the waiting list (an increase from £3,240 per application in 2020/21).

5. Pilot exercises and future developments

Social Security Scotland took part in a pilot data-matching exercise which identified limited fraud and error. We are also exploring the possibility of involving wider public sector bodies in the 2024/25 NFI exercise on a voluntary basis.

Social Security Scotland – benefits pilot 2022

53. In 2022 a pilot exercise was undertaken with Social Security Scotland (SSS) to identify any instances where claimants received support but were not residing in Scotland, or where claimants appear to have claimed benefits more than once (eg, from more than one Scottish address). The pilot exercise included payments made in the three-month period from April to June 2021.

54. Around 45,000 lines of data relating to benefit payments were submitted for matching, resulting in the identification of 367 claimants who appeared to be residing outwith Scotland. Following review and corroboration of addresses by SSS there were just 17 cases where claimants were not entitled to benefits. Overpaid benefits of £16,450 were identified, a further £20,000 could have been paid out in relation to these claims, over the remaining eligibility periods.

55. Despite the identification of fraud and error, the number and value of cases was not deemed sufficient to justify the inclusion of this match type in the main biennial NFI exercise in 2022/23. The intention is to run another pilot in 2024/25 which may also include Adult Disability Payments for the first time.

Inclusion of bodies on a voluntary basis

56. There are potential benefits from expanding the NFI to include more public sector bodies in Scotland. We invited Scottish housing associations and universities to participate in the 2024/25 NFI on a voluntary pilot basis.

57. While no universities have volunteered for participation, we are working with several interested housing associations. At this time, it is unclear how many of those interested will actually participate.

Appendix

Estimated outcomes methodologies

In some cases NFI outcomes include an estimated element for forward savings or for where no monetary value can be recovered

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 seeks to capture:

- The value of loss from a fraud or error detected because 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. We have called these 'notional outcome estimates' in our report.
- 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. We have called these 'forward savings' in our report.

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

- 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	Basis of calculation of forward savings and estimated outcomes
Council tax single person discount	Forward savings – Annual value of the discount cancelled multiplied by two years.
Council tax reduction scheme	Forward savings – Weekly change in council tax discount multiplied by 33 weeks (increased from 21 weeks in 2020/21).
Housing benefit	Forward savings – Weekly benefit reduction multiplied by 21 weeks.
Pensions	Forward savings – Annual pension multiplied by the number of years until the pensioner would have reached the age of 85.
Housing Tenancy	Notional outcomes – £78,300 per property recovered, based on average four-year fraudulent tenancy. Includes: temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies (reduced from £93,000 in 2020/21).
Housing waiting lists	Notional outcomes – £4,283 for each case based on the annual estimated cost of housing a family in temporary accommodation, the duration a fraud may continue undetected and the likelihood a waiting list applicant would be provided a property (increased from £3,240 in 2020/21).
Blue Badges	Notional outcomes – Number of badge holders confirmed as having died multiplied by £650 to reflect lost parking and congestion charge revenue (increased from £575 in 2020/21).
Concessionary bus travel	Forward savings – Number of bus passes used fraudulently multiplied by £420. Based on average fraudulent use and reflecting two years forward use.
Payroll	Notional outcomes – £5,685 for each employee dismissed or resigns as a result of NFI matching. (up from £5000 in 2020/21).

The National Fraud Initiative in Scotland 2024



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NFI Self-appraisal checklist 2024

For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
Leadership, commitment and communication			
<p>1. Are we aware of emerging fraud risks and have we taken appropriate preventative and detective action?</p>	<p>YES</p> <p>The Corporate Fraud Team receive alerts of emerging risks from various agencies, e.g. Police Scotland, National Anti-Fraud Network, Trading Standards Scotland and various cross border Law Enforcement Agencies. The Corporate Fraud Team share these alerts and intelligence with appropriate staff from all Service Areas.</p> <p>The Council's Corporate Fraud Team carry out comprehensive investigations with actions required to address any internal controls to mitigate any identified fraud going forward.</p>	NO	
<p>2. Are we committed to NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?</p>	<p>YES</p> <p>At the 10 February 2014 Policy and Resources Committee (Article VI, Report No 61-2014) Members received a report on the Future Corporate Strategy for Counter Fraud, including the Corporate Fraud and Corruption Policy and Corporate Fraud Action Plan.</p> <p>The Council's Scrutiny Committee receives an annual NFI Performance Report.</p> <p>NFI updates are communicated regularly along with outcomes and progression to the Acting Senior Manager – Internal Audit and the Chief Internal Auditor and to key</p>	NO	

For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
	<p>members of staff as and when appropriate.</p> <p>The Internal Audit and Corporate Fraud Service Internet and Intranet pages communicate to users that responsibilities surrounding NFI rest with the Corporate Fraud Team. The NFI Key Contact for the Council is the Corporate Fraud Supervisor.</p> <p>Information re NFI is also available via a link on the Council Internet.</p> <p>At least once a year, all Council payslips (monthly & weekly) and pension notifications, include a message to staff advising them of the Council's data matching exercise.</p>		
<p>3. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error? And do we refer to NFI in our Governance codes and statements?</p>	<p>YES</p> <p>As above, the NFI is an integral part of the Council's Corporate Fraud & Corruption Policy.</p> <p>The Council's participation in the NFI is reflected in the Council's Local Code of Corporate Governance and the Annual Governance Statement.</p>	<p>NO</p>	
<p>4. Does our Key Contact have sufficient authority and time to ensure that NFI is delivered effectively?</p>	<p>YES</p> <p>Since 2015, the Council's Key Contact is the Corporate Fraud Supervisor. The NFI is a continuous programme of works for the Key Contact with administration, training, reporting, checking of matches / outcomes and regular meetings with Audit</p>	<p>NO</p>	

For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
	Scotland (NFI administrators for Scotland).		
5. Has the approach to follow-up of different NFI match types been clearly set out and reported as part of the bodies NFI planning process?	<p>YES</p> <p>The NFI planning process includes the different and new NFI match types. The Council has recently had new matches for Non-Domestic Rate properties (Small Business Bonus Scheme) and HMRC data. The outcomes for these matches will be included in future NFI reports to Scrutiny Committee.</p>	NO	
6. Are NFI progress and outcomes reported regularly to senior management and elected/board members (e.g., the audit committee or equivalent)?	<p>YES</p> <p>The NFI progress and outcomes are reported to the Scrutiny Committee on an annual basis covering the period 1 April to 31 March.</p> <p>A regular NFI Progress report is prepared by the Corporate Fraud Supervisor for the Acting Senior Manager – Internal Audit and the Chief Internal Auditor.</p>	NO	
7. Where we have not submitted data or used the matches returned to us (e.g., council tax single person discounts), are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?	<p>N/A</p> <p>The Council submits all mandatory data requested.</p>	N/A	

For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
8. Does Internal Audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	<p>YES</p> <p>The Corporate Fraud Supervisor reports to the Acting Senior Manager – Internal Audit and also updates the Chief Internal Auditor regularly. Regular updates on progress with the NFI exercise are provided to the Acting Senior Manager and this is discussed at regular update meetings.</p> <p>Any identified weaknesses are considered for any further investigative action.</p>	NO	
9. Do we review how frauds errors arose and use this information to improve our internal controls?	<p>YES</p> <p>The Corporate Fraud Team reports all investigation findings, including actions required to mitigate the fraud re-occurring. These reports are for the Senior Manager – Internal Audit, Service Areas and People Services where necessary.</p> <p>Fraud Awareness training is offered to the Service Area and is delivered as awareness and a deterrent internally. Case studies are used in the training.</p>	NO	
10. Do we need and have access to Fraud Investigation Officers to enable frauds to be followed-up fully?	<p>YES</p> <p>The Council's Corporate Fraud Team has 1 x Corporate Fraud Supervisor and 3 x Fraud Investigation Officers. All 4 Officers hold professional accreditations in Fraud Investigations and Fraud Management.</p>	NO	

For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
11. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (e.g., successful prosecutions)?	<p>YES</p> <p>The Corporate Fraud Team's Activity and Performance Report, which is published annually through reporting to the Scrutiny Committee, contains outcomes relating to all corporate fraud employee investigations including the Council's Whistleblowing activity and outcomes.</p>	NO	

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