

Title: Measures taken to deter, detect, investigate and report fraud in respect of COVID business grants

Lead Officer: Ian Davy

Portfolio Holders: Councillor Noone

Public report / Confidential report: No

Wards of the District directly affected: Not applicable

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

Consultation & Community Engagement: Consultation with line management. None with community.

Checked for Accessibility: Yes

Final Decision: Yes.

Officer/Councillor Approval

Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	23/06/2021	Chris Elliott/Andrew Jones
Head of Service	23/06/2021	Mike Snow
CMT	23/06/2021	Chris Elliott/Andrew Jones
Section 151 Officer	23/06/2021	Mike Snow
Monitoring Officer	23/06/2021	Andrew Jones
Finance	23/06/2021	Mike Snow
Portfolio Holder(s)	24/06/2021	Councillor Hales (for Councillor Noone)

1 **Summary**

- 1.1 This report provides details of the measures taken to deter, detect, investigate and report fraud in respect of COVID business grants.

2 **Recommendation**

- 2.1 That the report be noted.

3 **Reasons for the Recommendation**

- 3.1 Members have specifically asked for a report on this subject, so this report had been produced to meet this request.

4 **Policy Framework**

4.1 **Fit for the Future (FFF)**

- 4.1.1 The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several key projects.

- 4.1.2 The FFF Strategy has three strands, People, Services and Money, and each has an external and internal element to it.

4.2 **FFF Strands**

- 4.2.1 This report is for information only and, as such, contains no proposals. This section is not, therefore, applicable.

4.3 **Supporting Strategies**

- 4.3.1 Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

4.4 **Changes to Existing Policies**

- 4.4.1 This section is not applicable.

4.5 **Impact Assessments**

- 4.5.1 This section is not applicable.

5 **Budgetary Framework**

- 5.1 The grant funding was provided directly by central government so any fraudulent applications or awards should not directly impact the Council's own finances.

- 5.2 The Council has also been given 'New Burdens' payments to cover the cost of administering these grant payments.

6 Risks

- 6.1 As highlighted above, the funding for these grants was provided by central government, so there is no direct risk to the Council of paying these grants.
- 6.2 However, there are indirect risks insofar as the applicants may have claimed for properties that they do not operate, so the CIVICA system in respect of non-domestic rates may have been incorrectly amended to include this false information. The applicant may also attempt to perpetrate further frauds directly against the Council if they have been successful in fraudulently obtaining a COVID business grant.

7 Alternative Options Considered

- 7.1 This section is not applicable.

8 Background – COVID Business Grants Funding Streams

8.1 Business Support Grants

- 8.1.1 Announced by Government in March 2020 in response to COVID, the 'original' grants were split into two different 'strands', the Small Business Grant (SBG) Scheme (£10,000) and the Retail, Hospitality & Leisure Grant (RHLG) Scheme (either £10,000 or £25,000 depending on the rateable value of the property). These were non-repayable grants available to eligible businesses that were operating as at 11 March 2020.
- 8.1.2 The Council paid out £16,800,000 in relation to SBG (1,680 payments) and £14,810,000 in relation to RHLG (759 payments) before these schemes closed (30 September 2020). These figures, along with amounts for the other grants and fraud amounts detailed in the sections below, are included in a summary table at section 12.

8.2 Discretionary Grant Scheme

- 8.2.1 The next scheme announced was the Discretionary Grants Scheme. These grants were targeted at certain small businesses that were outside of the scope of the original schemes. Applications were invited during a number of 'windows', with the criteria being amended at different stages.
- 8.2.2 The Council paid out £1,733,000 against this scheme (367 payments) before this scheme was closed (again on 30 September 2020).

8.3 Local Restrictions Support Grants

- 8.3.1 Following the introduction of the 'tiering' system in November 2020, a number of new grants were introduced.
- 8.3.2 The Local Restrictions Support Grants (LRS) Closed scheme was put in place for those businesses that were legally required to close due to the new restrictions imposed (in Tier 3, 4 and national lockdown periods). The

amounts payable were again linked to the rateable value of the property, with the grants payable for each 14 or 28 day qualifying period.

- 8.3.3 This scheme was subsequently amended to include those that were not legally mandated to close but were severely impacted by local restrictions in tier 2 or tier 3 areas with a subsequent amendment following the January national lockdown.
- 8.3.4 There was also a LRSG (Open) scheme that allowed for some local discretion as to the level of grants paid and the specific criteria for eligibility although the Government expected it to be targeted at hospitality, bed & breakfasts and leisure businesses. This scheme was also subsequently amended to cover those that were severely impacted by local restrictions.
- 8.3.5 There was also a LRSG (Sector) scheme that covered those businesses that couldn't reopen during the move from lockdown and the subsequent tiering phases, such as nightclubs and shisha bars.
- 8.3.6 Across these various LRSG schemes, the Council paid out £10,357,686.84 in 4803 grants.

8.4 **Additional Restrictions Grants**

- 8.4.1 The Additional Restrictions Grants (ARG) schemes were discretionary schemes where the Council had to decide on its own criteria. The schemes have changed over time, and have been split into parts A to F which have covered different sectors.
- 8.4.2 The Council has paid out £3,824,000 to 1,745 businesses under these schemes.

8.5 **Wet Led Pubs**

- 8.5.1 An additional, one-off, 'Christmas Support' payment was made available to pubs that derive less than 50% of their income from food sales.
- 8.5.2 83 payments of £1,000 each were made by the Council under this scheme.

8.6 **Closed Business Lockdown Payments**

- 8.6.1 In addition to the latest amendment to the LRSG (Closed) scheme, eligible businesses (i.e. those that had been mandated to close) were able to obtain a further, one-off payment. These top-up payments were linked to the rateable value of the premises with payments being either £4,000, £6,000 or £9,000.
- 8.6.2 The Council made 1290 payments under this scheme, totaling £6,500,000.

8.7 **Restart Grants**

- 8.7.1 A scheme for Restart Grants was announced in the March 2021 budget with the payments being available from 1 April 2021. These are also one-off

payments for specific sectors such as non-essential retail, hospitality and leisure.

- 8.7.2 At the time of writing, payments totaling £8,877,400 have been made to 1,128 business under this scheme although the scheme is open until 30 June 2021.

9 **Fraud Deterrence and Detection**

- 9.1 For the majority of schemes identified above, businesses have had to submit an application in order to obtain their grants. These applications have then either been checked to supporting information supplied by the applicant and / or checked against information that the Council holds (e.g. business rates account details on the CIVICA system) or has access to (e.g. checking Google and social media sites to confirm the existence / operating status of the business, checking with other local authorities to see if they have applied in their area etc.).
- 9.2 Where the details didn't agree to the existing information held or there were gaps in the data provided, the applicant would then be contacted to ask them to provide further evidence. One specific further piece of evidence was a copy of the lease agreement when a new occupier notified the Council that their business now occupied a property.
- 9.3 There were also declarations on the application forms that applicants had to sign to confirm that their business was eligible for the grant.
- 9.4 Checks were also performed to ensure that duplicate applications were identified. Some of these may have been deliberate, fraudulent attempts to obtain further grant payments whereas some would have been genuine errors.
- 9.5 The checking of the applications and supporting documentation was undertaken by different 'teams'. The SBG, RHLG, LRSG, Wet Led, Closed Businesses and Restart grants have been administered and checked by staff from Revenues.
- 9.6 The Discretionary and ARG schemes have been administered by teams within Development Services (Enterprise, and Projects & Economic Development), with checks being performed by staff from amongst these teams with support from staff in Finance as well.
- 9.7 Despite all of these checks, a small number of fraudulent applications were successful in receiving grants (four grants totalling £57,000 plus some other overpayments in relation to 'automatic' grants in one of the cases totalling £12,143). These were 'detected' either when the correct liable person or their agents contacted the Council.
- 9.8 As well as the checks that the Council were doing as part of the processing, a specific checking tool was made available through the Cabinet Office (Spotlight). This enabled the details supplied to be checked against data held by Companies House and the Charity Commission. Internal Audit obtained

details of the applications and uploaded them onto Spotlight.

- 9.9 As there was a 'directive' to get payments out to businesses as quickly as possible in the early days of the first lockdown, the data supplied in relation to the SBG and RHLG schemes was submitted retrospectively. There was also no 'push' to supply this information in relation to the initial Discretionary scheme. For all subsequent grant schemes, this information was submitted prior to payments being made.
- 9.10 As suggested above, the tool verified details to data held by Companies House and the Charity Commission. The tool could, therefore, only be used for those businesses that were registered (i.e. not relevant for sole traders etc.). In cases where this information hadn't been supplied by the applicant (as it had not been a mandatory field on the application forms), attempts were made to obtain the relevant information from other sources, including directly from the Companies House website.
- 9.11 Where the information supplied did not match the data held, 'reg flags' were raised. Some of these could be disregarded (e.g. postcode mismatches, as the registered address for the business is not necessarily where the business is trading from, and sole directors, as this was not a consideration for these grants), but others were flagged for further review. These were:
- Age of the business / charity – may indicate that the business / charity was set up after the relevant date.
 - Company status – this flagged up any businesses that were in administration etc.
 - Late accounts – may indicate that the business is not trading
 - Previous insolvencies – general 'alert', especially when linked to company status red flags.
 - Charity income – may indicate that the charity is over-reliant on the grant and wouldn't be able to operate 'normally' outside of the pandemic due to the funding they received.
- 9.12 The system allowed for details of the checks to be exported onto Excel spreadsheets, and these were shared with the relevant officers to be followed up.
- 9.13 Reports were also being received from the National Anti-Fraud Network (NAFN) which made councils aware of any 'larger scale' frauds that were being perpetrated. These tended to be in relation to large high-street chains who often had managing agents to deal with their business rates. This alerted the Council to the fact that one such payment had been made (£10,000). However, four other payments were prevented following the receipt of these alerts.
- 9.14 The Cabinet Office also requested that details of all grants paid under the initial schemes (i.e. SBG, RHLG and Discretionary) be uploaded as part of the National Fraud Initiative (NFI). This yielded a small number of matches that are in the process of being reviewed. These will be covered in the next NFI update report to be presented later this year.

10 Investigation

- 10.1 As suggested above, the majority of grants required the submission of an application form along with supporting documentation, with any missing information being followed up at this stage. As such, there have not been many cases that have required 'investigating' although, as highlighted in 9.7 above, some 'cases' were identified following contact from the correct liable persons.
- 10.2 In each of these cases, further discussions were had or correspondence was entered into with the landlord of the property to try to establish the facts before the cases were reported to the Police for formal investigation.
- 10.3 Other 'investigations' have taken place as a result of the red flags raised through the Spotlight tool. For the red flags raised where the checks were performed prior to the payments being made, the 'investigation' by the assessor would depend on the type of flag, as each was considered (by the teams checking the applications) to carry a different level of risk:
- If the flag was raised in relation to a newly incorporated business, the assessor reflected on the information gathered and, if appropriate, asked for further information from the applicant to allow the Council to confidently award. Checks were undertaken to ensure that the business was actively trading, which could be determined through invoices and bank statements etc.
 - If the flag was raised because a business was behind on submitting their accounts, the assessor would try and understand if there was a reason for this and this was queried with the applicant. Again, checks were also undertaken to ensure that the business was still actively trading.
 - If the flag related to the 'more severe' issues (i.e. those where the company was shown as being in administration etc.). the applications were generally rejected, unless further information was obtained to allow the application to proceed.
- 10.4 Where the flags related to checks that were undertaken reactively, different methods were used to 'investigate' whether the company was eligible. Initially, Facebook and other social media sites were checked to ascertain whether the companies had been (or still were) trading, along with the use of 'local knowledge' (e.g. one of the people reviewing the cases had actually been to the shop that weekend!). Where these checks were not conclusive, 'site visits' were performed. These checks did not identify any issues.
- 10.5 It is important to note that some 'issues' raised have not been treated as fraudulent applications, even where the business was not entitled to the grant. Whilst, inevitably, some businesses have known they were not entitled but have applied anyway, others may have been unaware that they were not entitled due to the many different grants being offered and the complexity of the rules relating to each scheme.
- 10.6 In cases where it has been established that companies have had payments where they shouldn't have (other than the fraudulent applications referred to

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previously), monies have either been repaid immediately or payments plans are in place.

11 Reporting

- 11.1 The cases referred to in 9.7 and 9.13 above have all been reported to the Police with those in 9.13 also being reported back to NAFN.
- 11.2 As well as reporting the suspected cases as identified above, regular returns have also been required by the Department for Business, Energy and Industrial Strategy (BEIS). Along with details of the total amount paid under each scheme, details were requested of the number of grants and the value of grants that were either paid in error or were fraudulent.
- 11.3 To date, these monthly returns have only covered the SBG, RHLG and Discretionary grant schemes (despite them closing on 30 September 2020 resulting in a number of identical monthly returns). However, a request from BEIS on 28 May 2021 has confirmed that they now want details of all schemes paid from April 2021, although the data collection details make no reference to the fraud and errors as required on the previous returns.

12 Summary Table

Scheme	Number of Payments	Total Amount (£)	Number of Frauds	Total Amount (£)
Small Business Grants	1,680	16,800,000.00	3	30,000.00
Retail, Hospitality & Leisure Grants	759	14,810,000.00	1	25,000.00
Discretionary Grants	367	1,733,000.00		
National lockdowns & Tier 4 Closed	3,425	9,315,645.68		
LRSB (Closed)	1,285	970,652.05		
LRSB (Sector)	20	13,357.91		
LRSB (Open)	73	58,031.20		
Additional Restrictions Grants – Parts A & B	664	673,000.00		
Additional Restrictions Grants – Parts C	249	498,000.00		
Additional Restrictions Grants – Parts D	277	1,108,000.00		
Additional Restrictions Grants – Parts E	435	1,305,000.00		
Additional Restrictions Grants – Parts F	120	240,000.00		
Wet Led Pubs Bonus Payment	83	83,000.00		
Closed Business Support Payments	1,289	6,500,000.00		
Restart Grants	1,128	8,877,400.00	1	12,000.00