



The Cost of Every  
Misdirected Pound

## Payments Integrity Is Becoming a Cornerstone of Local Government Resilience

Many UK local authorities are confronted by tough times, and tougher choices. They face rising demand, shrinking budgets, and the complexity of reform. Some are even in the territory of effective bankruptcy. In this environment, every pound must work harder, and every decision carries greater weight.

The [2025 Spending Review](#) demands new levels of efficiency and productivity. **Councils face a mandated 15% reduction in administrative spending by 2029**, even as social care costs continue to rise. Expectations around digitisation and modernisation are increasing. Local government's challenge is no longer only about saving money; it's about building the systems and safeguards that protect public value.

Against this backdrop, the impact of payments fraud – and the cost of misdirected funds – can no longer be viewed as isolated operational issues. They are now strategic risks that go straight to the heart of trust, resilience, and financial control.





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## The Rising Cost of Fraud

Local authorities have worked incredibly hard over the past decade to tighten controls and cut out fraud. But they continue to be attractive targets for fraudsters, not because of negligence, but because of the reality they operate in - high volumes of payments, legacy systems, complex processes and statutory deadlines that cannot be missed, especially in social care.

The National Anti-Fraud Network's (NAFN) 2025 *Local Authority Counter Fraud Report* found a 98.9% increase in fraud case volumes over five years, with an estimated £265 million in detected fraud in 2024–25 alone. When both detected and undetected fraud are considered, the figure rises to around £8.8 billion.

Housing benefit fraud remains a significant pressure too.

**The Department for Work and Pensions estimates at least £600 million was overpaid in 2024 due to fraud and error.**

Since it's the primary benefit still administered by local authorities, the burden sits directly with councils.

Yet there is a positive note: counter-fraud investment pays off. **NAFN reports that £3.65 is detected for every £1 spent on counter-fraud work.** In other words, effective intervention doesn't just stop losses – it returns money to the services and people who need it most.



## Why Trust Has Become a Strategic Asset

In the current landscape, trust isn't a soft concept; it's an operational necessity.

Taxpayers want confidence that their money is well spent. Benefit recipients need to know support will reach them reliably. Suppliers need assurance that payments will land on time and without error. One overpayment, one misdirected transaction, or one failed collection undermines that trust and adds pressure to an already stretched system.

**The hidden costs here are significant:**

- **The administrative effort to resolve errors**
- **Delays in service delivery**
- **Budgetary impact that forces difficult trade-offs**
- **Reputational damage that affects citizen confidence**

This is why councils are prioritising greater visibility across their payments ecosystem. Clarity becomes a resilience tool when budgets are tight.





**Collection breakdowns  
is just as important as  
fraud prevention.**

## The Less Visible Risk: Failed Collections

Fraud isn't the only source of leakage. Failed collections quietly drain budgets too.

Councillors are often tasked with reducing spend, but local authorities must also ensure they collect revenue efficiently. Insight into failed direct debits, missed payments, and collection breakdowns is just as important as fraud prevention. Every penny not collected is a penny unavailable for frontline services.

But unlike commercial organisations, councils must balance tough financial management with a responsibility to vulnerable citizens. Late payments or missed payments often have complex social implications. Authorities are therefore looking for systems that support fairness, transparency and consistency while still reducing manual effort and improving outcomes.

## Modernising Payments: The Role of AI, Automation, and Verification

The financial sustainability challenge facing local government is inseparable from the digital transformation agenda. Manual, fragmented, or legacy processes expose authorities to avoidable errors and targeted fraud. Meanwhile, fraudsters are increasingly using AI to orchestrate sophisticated attacks – meaning councils need equivalent tools to defend themselves.

**AI, automation and modern verification technologies offer councils the chance to:**

- ✓ **Reduce manual processing**
- ✓ **Improve the speed and accuracy of decisions**
- ✓ **Identify anomalies and fraud indicators earlier**
- ✓ **Integrate information across disparate systems**
- ✓ **Strengthen their operational resilience**



As local government reform accelerates, newly merged authorities face a tough challenge. They must build a cohesive, modern organisation that can maintain control of collections and payments while dealing with historically separate systems and data.

A consistent payments verification layer is becoming essential infrastructure. It allows councils to move from treating verification as a compliance requirement to treating it as a foundation for financial resilience.



## Why Trust by Design Matters and How It Can Be Achieved

Authorities are increasingly adopting the principle of “trust by design” in their payment processes. This means embedding safeguards directly into systems and workflows rather than relying on after-the-fact checks or manual interventions.

For payments, this centres on the ability to verify account ownership – quickly, reliably, and consistently. Verification technologies like Confirmation of Payee (CoP) help finance teams confirm payee details, before funds leave the account, reducing the risk of misdirected or fraudulent payments.

For newly merged authorities or councils updating older systems, this capability is proving

fundamental. It’s a practical, tactical step that strengthens resilience without demanding a disruptive “rip-and-replace” transformation.

To help councils protect every pound, Bottomline offers **Confirmation of Payee (CoP)** – a service that verifies most UK bank account details in near real time.

For local authorities, the benefit goes beyond broad coverage. CoP can be applied before making or collecting payments, giving finance teams confidence that the account details provided are accurate and belong to the intended business or individual.

## Future-Proofing Trust

**So when should councils act? The short answer is now.**

Payments integrity is no longer a back-office function; it is a central pillar of citizen trust, financial sustainability, and organisational resilience. CoP and modern payments verification offer authorities the chance to embed consistent, secure and efficient processes without major disruption.

In a time when every pound is under scrutiny and every decision carries consequences, strengthening payments verification is one of the most immediate and effective steps councils can take.

To protect public money, prevent fraud, support citizens and suppliers, and safeguard the trust at the heart of local government, the right approach to payments verification is fast becoming essential infrastructure.

**Bottomline works alongside over 190 local authorities, recognising the realities they operate in – a partner in strengthening the financial infrastructure that supports communities.**



**Combat the growing threat of payment fraud while maximising efficiency**

**Learn More**



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