

Central Bedfordshire Council

AUDIT COMMITTEE

29 June 2017

Annual Counter Fraud Update

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Purpose of this report

1. The purpose of the report is to provide the Committee with an update on the work of the Corporate Fraud Investigation Team (CFIT).

RECOMMENDATIONS

The Committee is asked to:

- 1. Consider and comment on the implications of the issues raised in this report.**

Background

2. The Council is committed to providing an effective Anti-Fraud Service which is supported by efficient policies and sanctions for those that offend. Counter fraud is the responsibility of everyone in the Council and by ensuring that effective measures are in place to prevent, detect, investigate and report fraud we can ensure that public money is spent where it should be, on services for the community.
3. Failure to report fraud will see money leaving the Council by way of fraud and error and failure to tackle this effectively could lead to loss of revenue for the Council.
4. It is therefore important to demonstrate that resources are focused on fraud reduction and to identify, investigate and rectify administrative weaknesses in order to assure Members of the quality and integrity of investigations.
5. The CFIT was formed in May 2015 and is based within the Revenues and Benefits service. The officers appointed to this team are all from the former Benefits Fraud Investigation Team. The team consists of 3 full time investigators and is supported by a Team Leader and Senior

Manager who both have other responsibilities within the service area. All staff on the team are fully trained counter fraud officers, holding their Professionalism in Security accreditation from Portsmouth University. Investigators have attended advanced investigative interviewing training to build on and improve their current skills.

6. The CFIT works closely with the Internal Audit Team, with CFIT focussing primarily on customer facing fraud and the Internal Audit Team dealing with internal related fraud within the Council.

Corporate Fraud Work Programme

7. 2016/17 has been the first full year of operation for the CFIT and has seen the CFIT team becoming more proactive and involved in fraud investigations not previously undertaken by the Council, such as Blue Badge fraud and schools admissions fraud.
8. The work programme for the team, which is jointly delivered by the CFIT and Internal Audit, is used to underpin the work of the team during the year. The plan was refreshed in April 2016 and the main work areas for 2016/17 were as follows:

9. **Local Council Tax Support (LCTS)**

Local Council Tax Support is funded directly by the Council therefore any reduction or withdrawal of a claim can be viewed as a direct saving to the Council. LCTS discrepancies were investigated in conjunction with Housing Benefit investigations as both claims are usually linked by entitlement and very similar qualifying criteria based on the claimants personal circumstances. However, post the creation of the DWP Single Fraud & Investigation Service (SFIS) the CFIT now only investigate LCTS fraud and targets resources towards high risk cases that can provide direct savings.

During 2016/17 over £19,000 was directly saved related to this type of fraud and this figure does not include savings for future years had the fraud not been stopped.

There are some difficulties investigating this type of fraud as some benefits administered by the DWP, Income Support for example, which automatically entitle claimants to a maximum LCTS award although there is still no official route for the Council to overturn the DWP benefit award.

10. **Housing Fraud**

Housing fraud arises when people occupy social housing, or attempt to obtain housing unlawfully and can include:

- Failing to use a property as the principal home; subletting or abandoning the property, or selling the keys to a third party.

- Providing false information in a Housing application to a tenancy
- Wrongful tenancy assignment and succession where the property is no longer occupied by the original tenant
- False application for homelessness support.
- False Right to Buy application

In 2016/17 the Council ran a key amnesty campaign to garner publicity for Housing fraud. Although no keys were returned we did receive 13 allegations from the public. We followed the amnesty with a data matching exercise, which generated approximately 200 matches, where there is an indication of possible fraud. These are being investigated in tranches.

We have also been assisting Aragon Housing Association on tenancy fraud matters. This is of particular interest to the Council where the allegation is regarding a false housing application made via the Council.

11. **Blue Badge Fraud**

Blue Badge fraud is where a badge is misused or obtained unlawfully and can include:

- Using a Blue Badge when the disabled person is not present in the car
- Using the Blue Badge of a deceased person
- Providing false information on an application form
- Selling a Blue Badge

In 2016/17 the Council provided Blue Badge fraud training to the CFIT Officers and the Civil Enforcement Officers. A number of proactive mini pilot operation days were conducted to iron out the processes and the team are currently planning a targeted enforcement day.

As at the 26 April we had 7 Blue Badge fraud cases that are either with Legal or are about to go to Legal for prosecution action.

Also in the last financial year 9 warning letters have been issued to badge holders explaining they must not give their badge to friends and family to use.

12. **Care home fees, Direct Payments for Care & Disabled Facilities Grants**

These frauds are where income and or capital are not declared or the circumstances declared are false. We will continue to accept referrals and give advice as and when needed.

13. **School Admissions**

School Admissions fraud is where the parent declares a home address which is false and they live elsewhere.

Although there is no monetary loss it can mean another child's place is taken by a child not entitled to it.

This year investigations have resulted in 6 school places withdrawn or refused.

Looking at this type of fraud we have in some cases found the matter is about Council Tax evasion as opposed to a school admission fraud.

The Council Tax issues have been followed up.

14. **Council Tax and Business Rates**

Council Tax and Business Rates are of very significant monetary value to the Council.

Fraud in these areas can be where for example the person or business liable to pay puts forward the name of a false tenant or occupier in order to evade payment. It also includes falsely claiming discounts such as the Single Person Discount.

15. **School Transport**

School transport fraud is where a parent declares a false address in order to obtain free transport. We have only investigated one such case in 2016/17; however this one case did save over £6,000.

Proactive Counter Fraud Work

16. The work of the CFIT has been widely publicised internally via the staff newsletter "Staff Central" and presentations given to Departmental Management Team meetings across the Council and we are seeing more and more ad-hoc enquires from across the Council which we will continue to encourage.
17. Plans for both an internal and external pro-active anti-fraud campaign will continue and over the next 12 months; CFIT will concentrate on the following areas:
 - I. Continue our work on Council Tax Single Person Discounts with a rolling programme of reviews, rather than carrying out a major review every 2 or 3 years as was the previous practice. The rolling review will start this summer.
 - II. Right to Buy fraud within the Council's own Housing stock which has already seen promising results from the team's intervention in the application process.
 - III. Expansion of Right to Buy fraud investigations to other Registered Social Landlords (RSL's).
 - IV. Housing tenancy fraud, such as illegal sub-letting, in the Council's own Housing stock which may also be expanded to include other RSL's.
18. Below are examples of some of the recent cases that the CFIT have investigated and in some cases prosecuted. Every effort will always be

made to maximise the recovery of any losses to Central Bedfordshire Council by:

- Asking for realistic court costs
- Instituting recovery proceedings under Proceeds of Crime legislation where the defendant has realisable assets (i.e. property or capital) and is in a position to settle the debt promptly.

Case Studies

Case 1 – School Transport

CFIT received a referral from the school transport team who were suspicious that a child was living with mum and not dad and if that were found to be the case there would be no entitlement to free school transport; mum living outside of the CBC area. School transport was by way of a taxi service therefore costs being met by CBC were significant.

The case was investigated and CFIT provided sufficient information to Schools Admission to support the case that the child was living with mum and therefore not entitled to the free taxi service. This resulted in a saving of over £6,000 for the period September 2016 and March 2017.

Case 2 – Council Tax

Miss X had Council Tax arrears. The Council Tax Recovery Team made contact with her, she was hostile, insisted on a number of occasions she had made a payment (that we had no record of receiving). There was a question of had the Council made an error allocating her payment to her account as she seemed very angry about this issue.

Miss X eventually provided a bank statement, however it was referred to the CFIT because the Recovery Team were suspicious, they could not trace receiving the payment.

The case was investigated and it was established that the bank statement had been manipulated. Miss X was interviewed under caution and she admitted to altering her bank statement: She said she believed the payment had been made, but it had not shown up on the statement. Therefore, she'd added it manually.

Prosecution action was taken on the case; despite pleading not guilty the Magistrates Court did not accept she made a genuine error and that she had fraudulently attempted to reduce her Council Tax by providing a falsified bank statement. She was found guilty of fraud and sentenced to a 12 month conditional discharge. She was also ordered to pay a victim surcharge of £15 and costs of £400. She of course also had to pay her Council Tax.

Case 3 – Housing application Fraud

CFIT received a referral from the Housing Team who were suspicious that a housing application from Mr X was incorrect.

Following an investigation it was established that Mr X had made a false statement on his application. He had given false information about his address history and also had not been living in the CBC area for the required 3 years. Based on the information obtained from the investigation he was immediately excluded from the housing register for 2 years.

Case 4 – Housing application fraud

CFIT received a referral from the Housing Team who were suspicious that a housing application from Mr X was incorrect. Mr X stated he was living in his car.

Following an investigation it was established that Mr X was not living in his car, he was in fact living in a flat in Kempston and had been for the last 6 months. Based on the information obtained from the investigation he was immediately excluded from the housing register for 2 years.

Case 5 – Blue Badge Fraud

CFIT received a referral from a Luton Borough Council Parking Officer who had found a car displaying a CBC Blue Badge, which appeared to be cancelled.

Investigation found that the badge belonged to a deceased lady. The name and address of the car owner was identified and the Investigating Officer went to the vicinity of the car owner's address and found the car displaying a Blue Badge.

The car owner was interviewed under caution. Miss X admitted that the badge had belonged to her deceased mother and she was using it because of parking pressures where she lives.

Prosecution action was taken on the case. Miss X was found guilty of Blue Badge fraud and ordered to pay a victim surcharge of £30 and a contribution towards the Council's costs of £100 and fined £80.

Case 6 – Local Council Tax Support (LCTS)

CFIT received an anonymous allegation that Mrs X was claiming LCTS on the basis she was a single parent and the allegation was that she had got married and had an undeclared husband.

The Investigation found significant evidence to support the allegation. When Mrs X was interviewed under caution she admitted she did get married but they only lived together as a couple for 4 days (she said she threw him out after discovering he was having an affair).

We did not accept her version of events and prosecution action was taken. She pleaded guilty at court for not declaring her husband for a period over 3 years. She was sentenced to a 12 month suspended sentence and ordered to pay over £600 towards prosecution costs. She also had to repay the LCTS that she had fraudulently claimed.

Summary of Results in 2016/17

Description	Number	VFM Saving*	Real Saving / Income
Council Tax			
Council Tax Single Person Discounts removed	39		£28,665 CTAX
Local Council Tax Support	26		£24,200 LCTS
Council Tax Benefit	3		£19,000 recoverable over-payments
General change in liability, discount removed, empty property levy applied.	14		£37,600
Housing Benefit			
Housing Benefit cancelled / reduced	21		£121,600 HB recoverable over-payments
Housing			
Tenancy	4	£72,000* (4 x £18,000)	
Housing application	15	£270,000* (15 x £18,000)	
Right to Buy fraud – applications withdrawn	3	£233,700** (3 x £77,900)	
School Transport	1		£6,125
Schools Admissions	6		No monetary loss
Non Domestic Rates	2		£4,114
Blue Badge	12		No monetary loss
TOTAL		£575,700	£241,304

***Value for Money Savings** - The Audit Commission estimates the value of a returned property or removal from register as equivalent to the cost of temporary accommodation for a family for a 6 month period.

Nationally this figure is estimated as £18,000 and is the recognised Value for Money saving for a case of tenancy fraud.

** The VFM saving equates to 3 applications for Right to Buy discounts that were withdrawn.

19. The savings in the table above compare with a total cost for the CFIT of £160k. In addition to the duty the Council has of protecting the public purse, this shows that there is a real financial saving associated with the operation of the CFIT.

The National Picture

20. A report was published in January 2017 by The European Institute for Combatting Corruption and Fraud entitled Protecting the English Public Purse 2016 which provides a snapshot of how local authorities are looking at Fraud, Risk and financial irregularity.

Some of the headlines from the report are detailed below by investigation category.

Housing Benefit -*In 2015/16 60% of Local Authorities still investigate Housing Benefit. The estimated value of these investigations is £52m. Approximately 13,000 cases were carried out with 80% of these in the North of England region.*

Social Housing - *69% of all Local Authorities investigate Social Housing Fraud at an estimated value of £50m. Approximately 2,700 investigations were carried out nationally. It is estimated that 34% of all Local Authorities joint work with registered providers of social housing.*

Right to Buy - *The amount of Right to Buy detected fraud is higher than ever and has now become a category in its own right. The estimated value being just over £46m.*

The number of investigations has increased by over 400%. The survey has identified that approximately 57% of Local Authorities DO NOT use recommended discounts as a saving indicator, choosing to use more accurate values based on the discount they offer.

Council Tax - *Council Tax investigations became one of the main growth areas in 2015/16 with an estimated value of £31.4m, an increase of over 68%*

This is an increase in the number of investigations by around 65%. However, 31% of councils report NO Council Tax investigations.

Figures provided from last year's PEPP indicated that over 40% of Authorities do not have a Fraud/Investigative presence.

“Nationally, less than half (45.7%) of councils have a corporate counter fraud team tackling non-benefit fraud. However, this is not consistent across all regions. In London, 93.5 per cent of councils have a corporate fraud team. By comparison just 37.4 per cent of councils in the rest of the country have a corporate fraud team.”

Total Value of Fraud Types 2015/16**

Fraud Type	No. of Cases Investigated			Value of Investigation (£m)		
	2014/15	2015/16	% Var	2014/15	2015/16	% Var
Housing Benefit	27,300	13,830		£109.7m	£52.5m	-52.2
Tenancy	2,993	2,787		£53.874m	£50.2m	-7.3
Right to Buy	411	2,253		£30.2m	£46.4m	34.9
Council Tax	48,000	79,283		£18.6m	£31.4m	68.8
Business rates	171	233		£1.1m	£2.7m	145.5
Procurement	86	167		£2.3m	£3.85m	67.4
Insurance	473	787		£9.2m	£7.5m	-18.5
NRPF	444	183		£7.1m	£5.7m	-19.7
Other		2,407			£11.8m	
Employee/Councillor		367			£0.33m	

** Fraud stats are calculated based on the 60% sample we achieved.

** RTB is calculated on the figure provided by the LA, NOT the Notional Figure.

Investigation Officers

The National average of investigators per local authority is 2.2. This is a reduction of 50% on figures collated prior to the introduction of Single Fraud Investigation Service.

Average number of Investigation Officers – By LA Type

- District and Borough Councils = 1.3
- Metropolitan Borough Councils & Unitary LA's = 3.1
- London Borough Councils = 5.7
- County Councils = 1.9

London has the most concentrated number of officers per Local Authority, having double the National Average, the District and Counties have around 40% less than the National Average.

For the second year running Investigation Officers within District Councils dropped by nearly 50%.

Other Fraud Investigations

Nationally a number of other areas have now started to make their way into the limelight. These areas have generated over 4,100 cases and have returns of over £31,800,000.

The main areas of risk, financial irregularities, avoidance and activity are:

- Business rate retention
- Procurement
- Insurance
- Social Care
- Councillor/Employee

It is estimated that 24% of Local Authorities have reported no savings outside the 4 main Investigation Types.

Other Reported Frauds accounted for an estimated £10,300,000 and approx.2,300 investigations.

These included;

- Blue Badge Fraud
- Bank Mandate Fraud
- School Admissions

Many authorities reported just 1 or 2 cases. However they attributed high value savings.

Regionally, there is an even split in the number of these investigations. The most proactive authorities are Metropolitan & Unitary authorities. Regionally the North of England report 50% more than any other region.

21. **Options for consideration**

None

22. **Reasons for decision**

N/a

23. **Reason for urgency**

None

Council Priorities

24. The activities of the Corporate Fraud Investigation Team are crucial to protecting public money and the finances of the Council. Good anti fraud management ensures we adopt a planned and proactive approach to the identification of fraud that threatens the delivery objectives, protection of assets, or the financial wellbeing of the Council.

Corporate Implications

Risk Management

25. Work carried out within the scope of this report reduces the risk of financial loss and adverse publicity to the Council through fraud.

Legal Implications

26. Investigations by the CFIT may have legal implications depending upon what action is taken or decided against in respect of those investigations

Financial Implications

27. There are no financial implications arising directly from the recommendation in this report, although an adequate and effective internal counter fraud function provides the Council with assurance on the proper, economic, efficient and effective use of Council resources

in delivery of services. The issues set out in the report demonstrate that the council is taking appropriate action to protect the public purse.

Equalities Implications

28. There are no equalities implications arising from this report.

Conclusion and next Steps

29. None.

Appendices

30. None.

Background Papers

31. None.