

Central Bedfordshire Council

AUDIT COMMITTEE – 30 July 2018

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 also 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. 2017/18 was the second full year of operation for the CFIT and has seen the CFIT team continue to be more proactive and involved in fraud investigations not previously undertaken by the Council, such as Direct Payments in Adult Social Care.
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 2017 and the main work areas for 2017/18 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 claimant's 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 2017/18 over £36,000 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 are 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.

The DWP has recognised this issue along with the other advantages of a Council's CFIT working jointly with DWP's SFIS where there is a linked interest. The DWP has therefore put in place a legal framework for joint working and it is being rolled out to Councils who have

agreed to work collaboratively. As we have agreed we expect joint working to start this Autumn.

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

There has been growing interest from other Registered Social Landlords (RSLs) for the CFIT to investigate tenancy fraud referred to us by the RSL or from the public. We are in the early stages of agreeing a formal Service Level Agreement for the CFIT to provide Local RSLs with access to a specialist investigative service in return for **100% nomination rights to any property recovered or equivalent property**, as a result of the investigative work undertaken by the CFIT.

(NB: subject to the priorities of the respective RSL)

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 November 2017, another successful Blue Badge targeted enforcement day was carried out in Dunstable, Leighton Buzzard, Ampthill, Flitwick, Biggleswade and Pottton resulting in a number of prosecutions. One of these resulted in a woman being ordered to pay £230 by Luton Magistrates Court in May this year, after pleading guilty to an unauthorised use of a Blue Badge that had been issued to her disabled partner. Another case saw a person being ordered to pay £525 after pleading guilty for the same offence relating to her daughter's Blue Badge.

The level of fine issued by the Magistrates for these offences will often differ depending on the income of the person found guilty.

We currently have 2 cases that are either with Legal or are about to go to Legal for prosecution action. Also in the last financial year 14

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 or trying to avoid the Empty Homes Premium.

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 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

1. Case – Care home Payments

Mrs X had been receiving payments towards her care home fees – the application had been made by her husband Mr X.

Anonymous information received alleging that Mr X had failed to declare Mrs X owned a second property.

The matter was investigated and the property and owner identified. The information established by the investigating officer was put to Mr X at an Interview Under Caution, at which he admitted that his wife owned a property in Luton – this had not been declared on the application.

Bank statements were subsequently obtained which showed rental payments in respect of this property – these had not been declared on the application. Mr X was billed for over £60k for care home fees and respite care payments received that he was not entitled to. To date £55k has been repaid.

We successfully prosecuted M X for fraud by false representation: He now has a criminal conviction against him and the case was publicised in the local press. A custodial sentence was considered however deemed not appropriate as it would impact on his ability to visit his wife.

2. Case – Local Council Tax Support and Council Tax Single Person Discount

Miss G was receiving Local Council Tax Support and had been for about 5 years. She was also in receipt of the Council Tax Single Person Discount. She had declared she was single.

The investigation commenced following an anonymous allegation that Miss G had an undeclared partner living with her.

Initial checks gave a name of a potential partner- Mr E- however there was a lack of financial data linking him to Miss G's address. Miss G was therefore interviewed in her home, at which time she denied that Mr E had ever lived with her and that he lived at his mother's address.

Mr E's mother was therefore interviewed and she stated her son was not living with her - he was living with his partner - Miss G: She had visited them both at the claim address.

We established the employer of Mr E and made contact. We subsequently established Mr E's fulltime earnings were being paid into Miss G's bank account – and this went back over a number of years.

Ms G was invited to attend a formal Interview Under Caution but did not attend.

Her Council Tax Support and Council Tax Single Person Discount were removed from 2014 resulting in an arrears bill for over £1k, which has been repaid, and a Housing Benefit over payment of £11k which is in the process of being recovered.

3. Case - Council Tax

The owner of a property was being billed for Council Tax relating to a past period, which included an empty property Levy charge (150% charge).

Mr W refused to pay the Levy: He declared that during the time of the charge his partner had been resident in it and it was never empty. The property in question being next door to the one he lives in. This property had since been sold to new owners.

A Revenues Officer from the Debt Recovery Team, referred the case for investigation.

The owner's partner was initially contacted and she provided some documentary proof to show she had resided at the property in question. As this contradicted the evidence uncovered the investigating officer contacted the new owner of the property: The new owner stated at the time of purchase there was no staircase, no bathroom, no kitchen, no furnishings and holes in the roof.

Not only did the investigation confirm the Levy charge as correct, the matter of the owner's Single Person Discount for this past period was also investigated. This placed the partner as living with him earlier than he had declared therefore his Single Person Discount was removed from this earlier date. In all, this represented arrears bills for over £2,700 which have been repaid.

4. Case - Council Tax Single Person Discount

Fraud referral received from the Council's Empty Homes Officer - could Mr T be receiving a Council Tax Single Person Discount (since 2003) for an address he was not living in: Their records had Mr T living with his wife and disabled son.

The matter was investigated and established that he had not lived at the property since 2003. The Council Tax Single Person Discount was removed from this time resulting in an arrears bill for over £2,900 which has been repaid.

The Empty Homes Officer continued to assist Mr T in getting his empty property in a fit state for sale.

5. Case - Direct Payment (Adult Social Care)

Referral received from Direct Payments Team – had Mr X undeclared capital. The application had been made by a family member Miss A.

Initial checks identified Mr X also received Council Tax Support, so this matter was also included in the investigation.

As the investigation progressed it became apparent that the situation was complex, was Miss A financially abusing Mr X by potentially stealing his capital?

Therefore, other interested parties were involved such as the SOVA team and the Police.

The investigation established that Mr X had a significant amount of undeclared capital in an offshore bank account.

The Direct Payments and Local Council Tax Support have been stopped and Mr X has been billed for in excess of £34k. Half of this has been repaid and legal proceedings are being considered to recover the balance.

Miss A is no longer involved in the financial affairs of Mr X.

6. Case - Housing Application

Fraud referral received from the Housing Register team - suspected false Housing Application being made by Miss H.

Miss H was already living in a 2-bedroom social housing property.

She applied for a 4-bedroom property on the grounds her property was overcrowded – this was refused. Miss H subsequently declared that another adult was living with her at the property and always had.

The investigation established that it appeared the other adult was not at the property with her. She was therefore invited to attend an Interview Under Caution: She was unable to attend due to a Community Service Order.

Enquiries with Bedfordshire Police confirmed that Miss H had been convicted for theft.

Miss H had failed to notify Housing of her conviction. As a result of this information Miss H was suspended from the Housing Register for 12 months. Miss H did eventually attend an Interview Under Caution. The information established from the investigation was put to her and Miss H admitted to providing misleading and false information – she said on her part the information she provided was more of a figure of speech.

This resulted in Miss H being suspended from the Housing Register for 2 years and a saving to the Authority of £36k. (See the explanation on page 10 of how the £36k has been calculated).

7. Case – Housing

Mrs X applied for a succession of a tenancy on a Council house following the death of her husband. Anonymous allegation received that Mrs X had never lived in the Council house and was now sub-letting it.

Investigation indicated that she was living at another address – although at one time had lived at the Council house for a couple of months.

Mrs X was invited to attend an Interview Under Caution and the evidence was put to her. She denied she didn't live at the property and she denied the sub-letting. She said a friend was staying for a week only and had left.

At the end of this interview she agreed to hand back the keys – which she did 2 weeks later. This resulted in a saving to the Authority of £93k. (See the explanation on page 10 of how the £36k has been calculated).

8. Case – Blue Badge

This case was identified during a targeted enforcement day to ensure that Blue Badges being used in Central Bedfordshire were valid and being used correctly.

During this day, we checked 96 Blue Badges and out of these discovered 6 instances where the badge holder wasn't present, and so took further action. One of these related to Mrs X. Her car was spotted displaying a Blue Badge belonging to a child parked on double yellow lines, for at least 90 minutes. When Mrs X returned to her car we approached her, when it was confirmed the disabled child was not with her. Mrs X said she was picking up medicine for her child.

We successfully prosecuted Mrs X and she was sentenced to pay a fine and costs of £525.

She now has a criminal conviction against her and the case was publicised in the local press.

Decision: Whether or not to progress a prosecution

On every case where we believe we have established fraud we consider whether or not to progress prosecution action. Each case is considered in accordance with the same code used by the Crown Prosecution Service (CPS):

- Is there sufficient evidence for a realistic prospect of conviction - as a criminal case the evidential standard is “beyond reasonable doubt” as opposed to “balance of probabilities” - and
- whether it is in the *public interest*

There would be significant financial cost and reputational damage should a case be taken to court and lost.

Summary of Results in 2017/18 (16/17 in brackets)

Description	Number	VFM Saving*	Real Saving / Income
Council Tax			
Council Tax Single Person Discounts, & exemptions removed. General liability change	45 (53)		£36,782 CTAX (£66,265)
Local Council Tax Support	20 (26)		£36,577 (£24,200)
Council Tax Benefit	3 (3)		£6,231 recoverable over-payments (£19,000)
Housing Benefit			
Housing Benefit cancelled / reduced	18 (21)		£70,174 (£121,600) recoverable over-payments
Housing			
Tenancy	4 (4)	£372,000* (£93,000 x 4) £72,000 (4 x £18,000)	
Housing application	9 (15)	£324,000* (9 x £36,000) £270,000 (15 x £18,000)	
Adult Social Care – Direct Payment	1 (0)		£20,303 (0)
Care Home Fees	1 (0)		£75,201 (0)
Schools Admissions	6 (6)		No monetary loss

Blue Badge	22 (12)		£12,650 (£575 x 22) (£6,900)
TOTAL		£696,000 (£575,700)	£257,918 (£241,304)

The “value for money” saving and “real” savings for 2017/18 increased compared to 2016/17 as a result of resources being focussed on higher value frauds and a change in the way the “value for money” savings are calculated. This is explained below.

***Value for Money Savings –**

The savings figures declared in this report are based on methodology and calculations produced by the Cabinet Office in support of the National Fraud Initiative. The updated figures include:

• **Social Housing Tenancy fraud** - Notional £93,000 (previously £18,000). The increase in the notional savings recognises the future losses prevented from recovering the property. Previously the calculation only considered one year’s loss of a fraudulent tenancy but is now based on an average four-year tenancy. This includes temporary accommodation for genuine applicants, legal costs to recover property, re-let cost and rent foregone during the void period between tenancies.

Social Housing Application fraud – Notional £36,000 (previously £8,000). The increase in the notional savings recognises the future losses prevented by not letting the property to an ineligible individual and with the potential of having to place a genuine prospective tenant from the waiting list in expensive temporary accommodation. There is no allowance in this calculation for past value fraud and therefore the notional loss is less than that of social housing tenancy fraud.

Blue Badge Fraud – Notional £575 per badge (previously £500). The notional saving reflects lost revenue from parking and congestion charging. Estimate based on published research and considers 3 key factors:

- average cost per year of blue badge fraud
- duration of fraudulent activity
- prevalence of fraud amongst all blue badges cancelled through NFI

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.

20. 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. During 2017/18 there were 11 prosecutions for fraudulent use of Blue Badges, as well a prosecution for a fraudulent Housing application, a Council Tax Support application and a failure to declare rental income on a 2nd property on a financial assessment for care home fees.

The CFIT will continue to review all relevant fraud referrals received, in order to maximise the savings to the Council and the overall public purse.

Appendices

30. None.

Background Papers

31. None.