

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO AUDIT COMMITTEE

16 JULY 2020

### REPORT OF THE INTERIM CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

#### COUNCIL TAX REDUCTION FRAUD INVESTIGATIONS: APRIL 2019 to MARCH 2020

##### 1. Purpose of report

1.1 The purpose of the report is to inform the Committee of the activities that have been undertaken during 1 April 2019 to 31 March 2020 with regard to Council Tax Reduction (CTR) fraud, and Disabled Persons' Parking Badges (Blue Badge) investigations. In addition, the report also summarises the results achieved during 2019/20 compared with the position for 2018/19.

##### 2. Connection to corporate well-being objectives / other corporate priorities

2.1 This report assists in the achievement of the following corporate well-being objective/objectives under the **Well-being of Future Generations (Wales) Act 2015**:-

- **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

2.2 The work of the Fraud Investigator impacts on the resources available to the Council that supports well-being objectives and other corporate priorities.

##### 3. Background

3.1 On 1 November 2015, the investigation work for Housing and Council Tax Benefit transferred to the Department for Works and Pensions' (DWP) Single Fraud Investigation Service (SFIS). SFIS has the statutory powers to investigate and sanction all benefit and tax credit offences and combined the investigatory resources of DWP, Her Majesty's Revenue & Customs (HMRC) and local authorities. The prosecutions for SFIS are undertaken by the Crown Prosecution Service.

3.2 The localisation of support for council tax commenced in 2013/14 and from 1 April 2013 the responsibility to provide support for council tax, and the funding associated with it, was devolved to local authorities in England, to the Scottish Government and to the Welsh Government. Cases of fraud in CTR do not form part of the SFIS remit.

3.3 To maintain effective and functioning counter-fraud activities for CTR, the Benefits Service employs a Fraud Investigator primarily to undertake the following:

- Investigate allegations of CTR fraud, single person discount discrepancies and Blue Badge misuse.
- Undertake risk based intervention activities
- Assist SFIS in the provision of information and/or documentation
- Provide awareness and training for staff in relation to fraud, abuse and financial loss

#### **4. Current situation/proposal**

- 4.1 The Fraud Investigator has developed a contact network with other Fraud Investigators within neighbouring authorities. This network has widened across Wales and officers meet quarterly to discuss CTR fraud, Blue Badge misuse and other fraud matters, and also to share best practice.
- 4.2 Fraud awareness training continues to be undertaken for Benefit, Housing Options, Council Tax and Customer Service staff and with outside agencies. Fraud awareness also forms part of the induction process for all new Benefit staff.
- 4.3 The Council is committed to maintaining and promoting a zero tolerance culture to fraud and corruption. As such a Fraud Prevention e-learning module has been developed to support the Anti-Fraud and Bribery and Anti-Money Laundering policies which have been approved by Cabinet by providing training for staff to enhance their understanding of how fraud may occur, to encourage prevention, promote detection of suspicious activities, to act with integrity and to respond effectively when incidents occur. The E-Learning module is scheduled for release in summer 2020.
- 4.4 Fraud referrals are summarised in Table 1 below. This shows that during 2019/20 there was a 12.6% reduction in the number of referrals received across all sources, however there is no identifiable reason for the general reduction. National Fraud Initiative (NFI) referrals are biennial so these were just expected for 2019/20.
- 4.5 Table 1 illustrates the source of fraud referrals during the relevant periods.

Source of Referrals	2018/19	2019/20
N.F.I.	0	6
Benefit/Taxation staff	29	19
HBMS* data match	0	0
Department of Work and Pensions (DWP)	0	1
Claim review	10	8
Anonymous (letter/telephone/email)	33	34
Verify Earnings and Pensions (VEP) alerts	19	9
Other organisation/department	4	6
<b>Total:</b>	<b>95</b>	<b>83</b>

\* DWP Housing Benefit Matching Service

- 4.6 CTR investigations were undertaken based upon information received as a data match or in the form of a specific allegation regarding the claimant's circumstances.

- 4.7 11% of referrals were received as a result of the DWP's Verify Earnings and Pensions (VEP) alerts initiative. VEP is an earned income and occupational pension data match with HMRC and indicates undeclared earnings or pensions, as well as highlighting significant variations in the amounts declared.
- 4.8 Almost 41% of the referrals were received via the public; the majority of these referrals relate to DWP benefits or Housing Benefits, and consequently these were forwarded to DWP's SFIS to investigate. Fraud referrals are normally forwarded to SFIS in the following circumstances:
- The referral relates to the entitlement to a DWP benefit such as Income Support, Jobseeker's Allowance or Employment and Support Allowance; or
  - The Housing Benefit overpayment is expected to exceed £3,000 (the DWP's threshold for criminal action); or
  - It is in the public's interest that a prosecution should result.

During 2019/20, the Fraud Investigator referred 32 cases to the DWP; the DWP do not provide feedback on the outcome of the referrals.

- 4.9 Table 2 illustrates a breakdown of the types of allegations that were referred during the periods:

Types of allegation	2018/19	2019/20
Undeclared income	25	18
Undeclared increase in income	24	11
Undeclared capital/savings	10	9
Living together	23	21
Non-residency	3	8
Discrepancy – non-dependant	8	9
Discrepancy – household occupants (e.g. SPD*)	1	0
Other (e.g. DLA**/Tax Credits/contrived)	1	7
<b>Total:</b>	<b>95</b>	<b>83</b>

\*Single person discount

\*\*Disability Living Allowance

- 4.10 The majority of investigations undertaken by Bridgend's Fraud Investigator relate to earnings and savings; this is purely the result of being unable to investigate cases where a DWP benefit may be affected.
- 4.11 During 2019/20, 55 cases were closed (compared to 57 for 2018/19); the closure categories are detailed here in Table 3.

Reason for closure	2018/19	2019/20
No fraud	1	2
Not investigated	22	29
Fraud proven*	34	24

Total:	57	55
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\* i.e. sufficient evidence to instigate legal proceedings

- 4.12 Although the number of fraud proven cases has reduced to 44% of the closed cases (60% in 2018/19), there is no discernable reason for the change. 53% of the closed cases were not investigated as either they lacked sufficient details to instigate an investigation, or there was no evidence of fraud (e.g. the person was not claiming benefits).
- 4.13 Table 4 below provides the CTR, and incidental Housing Benefit savings that have been achieved as a result of the fraud investigations concluded during the relevant periods.

Savings	2018/19	2019/20
CTR excess reduction	£32,300	£22,024
Future CTR saving	£12,095	£8,906
Council Tax Benefit	£0	£741
Housing Benefit	£89,058	£67,888
Total:	£133,453	£99,559

The reduction in the value of savings is attributed to shorter periods over which the fraud occurred.

- 4.14 Once a case has been closed as fraud proven and the CTR adjustment (known as an excess reduction) is calculated, the case is referred to the Interim Chief Officer – Finance, Performance and Change or the Benefits and Financial Assessments Manager to determine whether a sanction is appropriate. The sanctions available to the Council are prosecutions, issuing a financial penalty or a fine.
- 4.15 The level of a financial penalty, which is offered as an alternative to prosecution, is prescribed in The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales) Regulations 2013. The amount of the penalty is 50% of the amount of the excess reduction subject to a minimum amount of £100, and a maximum amount of £1,000. As an alternative to this type of penalty, fines may be issued as follows:
- £100 – may be offered as an alternative to prosecution for acts or omissions that could have led to an incorrect award of CTR;
  - £70 – may be imposed for:
    - an incorrect statement, information or evidence that leads to CTR award that is greater than entitlement; or
    - a failure to notify a change in circumstances meaning that a CTR award is greater than entitlement.

Table 5 illustrates the penalties and fines issued in the relevant period:

Successful sanctions	2018/19	Amount	2019/20	Amount
Prosecutions	0	N/A	2	N/A
Penalties	25	£9,001	17	£6,959

Fines	5	£350	4	£280
Total:	30	£9,351	23	£7,239

- 4.16 The reduction in the total amount of sanctions directly relates to smaller levels of excess reduction (i.e. 50% of smaller amounts). In addition to the penalties and fines, the Fraud Investigator has also raised administration-penalties totaling £11,244 (£7,389 2018/19), following DWP investigations into Housing and Council Tax Benefit claims.
- 4.17 **CTR prosecutions**
- 4.18 Two CTR investigations undertaken by the Fraud Investigator led to successful prosecutions in 2019/20.
- 4.19 In May 2019, the prosecution resulted in a 12 month Community Order and 60 hours unpaid work. The person was also ordered to pay costs of £600 and an £80 victim surcharge. The CTR excess reduction totaled £2,648.68.
- 4.20 The second prosecution, in December 2019, resulted in a 12 month Conditional Discharge. The person was also ordered to pay costs of £350 and a £20 victim surcharge. The CTR excess reduction for this case totaled £2,572.73.
- 4.21 **Joint working**
- 4.22 In October 2017, the DWP provided details of the joint working approach between SFIS and local authorities' fraud teams. Following a pilot stage with 6 local authorities, including Swansea City Council, all local authorities were invited to sign-up to a joint counter fraud initiative.
- 4.23 This initiative means that local authority fraud teams will, in appropriate cases, undertake joint investigations with SFIS. Benefits include the sharing of expertise and knowledge, which makes investigations more efficient. Furthermore, the Crown Prosecution Service will instigate criminal proceedings via a single prosecution. Joint working was rolled out across all participating authorities between October 2018 and May 2019 with Bridgend CBC approved to go-live on 29 April 2019.
- 4.24 To date, one suitable investigation has been referred to the Council by SFIS, and this joint investigation is currently ongoing.
- 4.25 **Blue Badge misuse**
- 4.26 In July 2019, the Council worked in partnership with a specialist team from Portsmouth City Council to undertake Blue Badge enforcement action. Working in selected County Borough locations, the two-day drive resulted in 68 interventions, 15 of which were serious enough for fixed penalties to be issued.
- 4.27 Hundreds of badges were checked and officers were able to provide drivers with advice and clarification over the correct use of the scheme. Twenty Blue Badges, subject to misuse, were retained as part of the crackdown against the fraudulent abuse of the scheme with one further vehicle reported for misuse where no intervention took place as the driver failed to return to the vehicle. The majority of

the misuse involved people using someone else's badge dishonestly to avoid paying for parking.

4.28 Of the twenty badges retained, 5 were securely destroyed as they were found to be cancelled or expired, 1 was returned to the badge holder with an official warning letter, 3 were returned to the badge holder with no further action taken, and 11 were considered serious enough to take forward for prosecution. A further case where the badge was not retained, due to no intervention taking place with the driver, was also prosecuted.

4.29 Of the 12 cases taken forward for prosecution, 10 were found guilty by the Magistrates' Court. Each was issued with a fine, a victim surcharge, legal and investigation costs. The maximum fine imposed was £295, £100 legal costs, £100 investigation costs and a £32 victim surcharge. One case was found not guilty and another case has been forwarded for trial at Crown Court – this case is still ongoing with a trial date set for July 2020.

## **5. Effect upon policy framework and procedure rules**

5.1 None.

## **6. Equality Impact Assessment**

6.1 There are no equality implications arising from this report.

## **7. Well-being of Future Generations (Wales) Act 2015 implications**

7.1 The well-being goals identified in the Act have been considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

## **8. Financial implications**

8.1 The financial implications are reflected within this report as any fraud impacts on the resources available to the Council.

## **9. Recommendation(s)**

9.1 The Committee is recommended to note the report.

**Gill Lewis**  
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**30 June 2020**

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**Background documents:**

The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales) Regulations 2013

<http://www.legislation.gov.uk/wsi/2013/588/regulation/13/made>