

Decision Maker: **AUDIT AND RISK MANAGEMENT COMMITTEE**

Date: **Tuesday 4 June 2024**

Decision Type: Non-Urgent Non-Executive Non-Key

Title: **COUNTER FRAUD REPORT 2023/24**

Contact Officer: Francesca Chivers, Head of Audit and Assurance
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Chief Officer: Director of Finance

Ward: (All Wards);

1. Reason for decision/report and options

This report provides an update on Counter Fraud activity and outcomes for the 2023/24 financial year.

2. **RECOMMENDATION**

a) **Note the Counter Fraud Report and comment on matters arising.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: None
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Transformation Policy

1. Policy Status: Not Applicable
 2. Making Bromley Even Better Priority:
(5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.
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Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Audit
 4. Total current budget for this head: The 2023/24 cost of the fraud service was £156, 550
 5. Source of funding: Existing revenue provision
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Personnel

1. Number of staff (current and additional): Counter Fraud services are delivered by Royal Borough of Greenwich under a partnership agreement
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory Requirement: Under the Accounts and Audit Regulations, Section 4, Paragraph 4 (a) (ii), the Council must ensure that financial control systems include measures to enable the prevention and detection of fraud. Fraud investigations may result in prosecution where appropriate.
 2. Call-in: Not Applicable:
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Procurement

1. Summary of Procurement Implications: None
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Property

1. Summary of Property Implications: None.
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Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: None
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Impact on the Local Economy

1. Summary of Local Economy Implications: None

Impact on Health and Wellbeing

1. Summary of Health and Wellbeing Implications: None
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Customer Impact

1. Estimated number of users or customers (current and projected): Counter Fraud activity is relevant to all of the Council's stakeholders.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

3. Counter Fraud Activity

3.1.1 This report provides information on counter fraud activity during the 2023/24 financial year. The Fraud service is provided by the Royal Borough of Greenwich (RBG) who investigate all allegations of fraud and maintain the fraud register. We have previously reported to this Committee that in October 2023, the Greenwich Fraud Team won the Institute of Revenues Rating and Valuations award in the category of Protecting the Public Purse for their work across Royal Borough of Greenwich and London Borough of Bromley.

Fraud Referrals and Investigations

3.1.2 During the 2023/24 financial year, a total of 328 cases were received for investigation. 216 related to Blue Badge Fraud and the remainder are broken down as follows:

- 18 cases of Business Rates fraud (SBRR)
- 1 case of Contrived Tenancy
- 6 cases of Council Tax Fraud
- 4 cases of Direct Payment Fraud
- 13 cases of Earnings / Undeclared Income
- 13 cases of False Household Composition
- 1 case of False Identity
- 2 False Rehousing Applications
- 4 cases of False Tenancy
- 30 cases of Living Together as Husband & Wife
- 1 case involving multiple claims across boroughs
- 1 Safeguarding case
- 6 cases of Subletting
- 1 case of Undeclared Capital
- 10 cases of Vacated Address
- 1 case of Secondary Employment

Blue Badge Fraud

3.1.3 Members will be aware of the activity by the Shared Parking Service to combat the criminal offence of Blue Badge misuse. APCOA Civil Enforcement Officers (CEOs) carry out inspections of vehicles displaying a Blue Badge to determine whether misuse is taking place. High rates of prosecution success have been achieved through close working with the Greenwich Fraud Team.

3.1.4 Following discovery of Blue Badge misuse, information is collated, and the case passed to the Greenwich Fraud Team. The Greenwich Fraud Team carry out an investigation, identifying drivers, arranging interviews under caution, establishing intent and mitigation and undertaking public interest and evidential tests on cases which may be suitable for prosecution before passing these to Legal Services for final authorisation. Feedback is also provided where evidence or process errors affect the suitability for prosecutions so that this can inform Civil Enforcement Officer (CEO) training.

3.1.5 Prosecutions are undertaken by Bromley Legal Services utilising the Single Justice Procedure. The Criminal Justice and Courts Act 2015 introduced the Single Justice Procedure which applies only to cases involving adults charged with summary-only non-imprisonable offences. It enables such cases to be dealt with by a single magistrate sitting with a legal adviser on the papers without the attendance of either a prosecutor or the

defendant. The defendant is instead able to engage with the court online (or in writing) and the case will not be heard in a traditional courtroom. The Single Justice Procedure was designed to save Court time in cases where a full hearing may not be necessary. However, the defendant has the right to request a traditional hearing in open court. If they wish to plead not guilty, or otherwise want to have a hearing in a traditional courtroom, the defendant can indicate these wishes in the response to the Single Justice Procedure Notice. In such circumstances the case will be referred to a traditional court and the case will be managed in the normal way.

3.1.6 Referrals sent to the Greenwich Fraud Team relate predominantly to allegations of lost, stolen or expired Blue Badges being displayed or the use of Blue Badges belonging to persons who are deceased. However, between June 2023 – March 2024, the Greenwich Fraud Team also conducted Section 17 enquiries to establish who the driver of the vehicle was at the time of the offence. Prior to June 2023, this was undertaken by the Parking Services Team. A Section 17 notice of the Greater London Council (General Powers) Act 1972 is a statutory requirement initially sent to the registered keeper of the vehicle requesting that they identify the person in charge of the vehicle at the time of the incident. It is an offence to fail to provide the requested information because if the information is not provided it is virtually impossible to identify the person who actually carried out the offence.

3.1.7 **Table 1** below provides a comparison of referrals received for the last five financial years (since the start of the current partnership agreement with RBG). Referrals dropped during the pandemic but were above pre-pandemic levels in 2023/24.

Table 1 – Blue Badge Referrals

	2019/20	2020/21	2021/22	2022/23	2023/24
Total	129	22	64	80	216

3.1.8 As of 31 March 2024, there were 31 cases designated as “prosecution pending”. This means that the cases have been fully investigated and are now with Legal Services for consideration of appropriate further action. 13 of these cases pending prosecution are for failing to respond to Section 17 notices.

3.1.9 **Table 2** below provides a comparison of Blue Badge prosecutions, cautions and warning letters for the past five financial years. Please note that the figures for 2020/21 includes cases from 2019/20 that were delayed as a result of the pandemic. Parking Services Blue Badge Policy was reviewed in November 2020 with a new set of procedures which included an additional outcome of a simple Caution. This additional outcome is included in the statistics from 2021/22 onwards. 14 of the 78 in 2023/24 prosecutions were for failing to respond to a Section 17 notice.

Table 2 – Blue Badge Prosecutions, Cautions and warning letters

	2019/20	2020/21	2021/22	2022/23	2023/24
Prosecutions	46	57	27	50	78
Warnings	30	30	13	8	17
Cautions	NA	NA	3	5	7
Total	76	87	43	63	102

Blue Badge Financials

3.1.10 **Table 3** below includes details of the Blue Badge prosecution costs awarded to LBB by the Magistrates court following a successful prosecution.

Table 3 – Blue Badge Prosecutions – Financial Details

	2023/24
Fine	£14,735
Prosecution Costs	£22,136
Victim Surcharge	£5,750
Total	£42,621

Miscellaneous Cases

3.1.11 Between April 2023 and March 2024 there have been 17 cases where the Council Tax exemption has been removed (including cases referred in previous years). These exemptions have totalled £14,126.43 from the effective date the exemption was removed. A further 5 cases of suspected Council Tax fraud were referred to another LBB department to reassess the exemption.

3.1.12 On 1st June 2015 the responsibility for the investigation of housing benefit fraud formally transferred to the Department for Works and Pensions and the Single Fraud Investigation Service (SFIS). The Council was obliged from this date to refer all allegations and referrals of housing benefit fraud directly to SFIS for them to pursue and action as they deem appropriate.

3.1.13 We have referred 41 cases to the Department of Work and Pensions (DWP) which relate mainly to Benefit cases where allegations of undisclosed income, living together and vacated address were made. The DWP need to adjudicate on entitlement to the benefit it administers before the Council can then determine if there is any impact on Housing Benefit (HB) or Council Tax Reduction (CTS) in payment. There were no Housing Benefit or Council Tax Reduction overpayments between April 2023 and March 2024.

3.1.14 If appropriate, the Council and DWP can undertake joint working on specific cases. None of the 41 cases referred to the DWP SFIS between April 2023 and March 2024 have involved joint working and the DWP have not provided outcomes for these cases. However, the DWP have separately requested joint working for three cases. We accepted one of these which involved an address vacated since 2016 where HB and CTS had been in payment. The DWP are still conducting their enquiries on this case. We did not accept the other two cases as there was no CTS in payment.

3.1.15 Five cases of potential Direct Payment Fraud have been referred following the Fraud Awareness Training that the Greenwich Fraud Team provided to Adult Social Care staff in June and July 2023. One of these is currently under investigation, one was a safeguarding assessment matter, two were referred to the DWP SFIS and one resulted in no fraud proven.

3.1.16 There have been 10 cases of suspected vacated addresses. Four were referred to the DWP, one case is still under investigation, three cases had no fraud proven and two were referred to the Registered Social Landlord. An initiative to commence some further joint working with two Housing Associations was explored but neither of these responded to the request to sign off a Service Level Agreement, therefore joint working has not yet commenced. However, any fraud allegations relating to Registered Social Landlord properties continue to be referred for them for review.

Proactive Counter Fraud Work

3.1.17 The Counter Fraud Strategy, approved by Audit and Risk Management Committee in November 2022, contains a new focus on proactive and preventive counter fraud work. Consequently, we have sought to increase our work in this area over the past 18 months.

Fraud Awareness

3.1.18 In June and July 2023, Greenwich Fraud Team provided bespoke Fraud Awareness Training to frontline officers in Adult Social Care highlighting the different types of fraud that can be committed against the Council. Staff were shown examples of previous investigations (including surveillance footage) and were advised how they can refer cases for investigation and what happens with the referral once received. This followed similar training provided to Housing Officers in December 2022.

Pro-active exercises

3.1.19 Greenwich Fraud Team have undertaken two pro-active exercises to identify potential fraud as outlined below.

Housing Temporary Accommodation Visits

3.1.20 Between July 2023 and March 2024, Greenwich Fraud Team officers conducted a proactive visiting exercise to visit a selection of properties on the Housing Temporary Accommodation list. In total, they aimed to visit 401 properties within Orpington, Beckenham, Bromley, Swanley, Greenhithe, Swanscombe, Dartford and Gravesend. The visits were conducted by four officers in the evenings and at the weekends. Their findings were that:

- 203 tenancies where the occupants were verified
- 118 visits had no answer at the property
- 53 properties were outstanding to be visited (24 of these properties were initially visited but the tenancy list was not up to date)
- 19 properties involved updating the housing register as the tenants had recently moved out or the property was no longer a temporary accommodation
- 8 visits required further investigation or referral to the Housing Team (two for possible subletting, one vacated address, one non residency, one tenant mobility issue, one undeclared partner, two requiring tenant verification)

3.1.21 We are now assessing how best to progress this work further, both to verify tenants of properties where there was no answer and to include more properties from the Temporary Accommodation list.

Small Business Rates Relief (SBRR)

3.1.22 In November 2022, the Greenwich Fraud Team began a proactive exercise regarding Small Business Rate Relief (SBRR) in place on hereditaments within the London Borough of Bromley. This is now nearing completion. The exercise was conducted in two separate tranches. The first was conducted via interrogation of the Council's database where businesses who were shown as having more than one liability were examined to see if they held a SBRR in respect of one of their addresses and then examined to establish whether the SBRR was in place correctly.

3.1.23 The internal matching exercise identified 34 potential instances where it was felt the SBRR in place required further examination. There were 17 instances where the SBRR was withdrawn from the NNDR accounts, and this totalled just over £236,905. Some accounts had the

SBRR withdrawn on a backdated basis over a number of years. None of the cases were found to warrant prosecution. In some cases, the Council already held sufficient information that should have classified the account as ineligible to receive the SBRR. The Council's Contract Manager has put additional monitoring and quality assurance checks in place as a result of these findings.

3.1.24 The second tranche involved providing a data extract to an external company who matched Bromley SBRR data with data held by other Councils across the UK. The external matching exercise identified 51 potential instances where it was felt the SBRR in place required further examination. There were 27 instances where the SBRR was withdrawn from the account, and this totalled just over £420,517 (please note this has reduced slightly from figures previously provided to this Committee which is due to retrospectively applied Retail Relief on some of these properties). Again, some accounts had the SBRR withdrawn on a backdated basis over a number of years.

3.1.25 In addition, a further £30,000 was identified in Covid Small Business Grants that were linked to SBRR entitlement. As the business was ineligible for SBRR, had the account been correct at the time of the grant award they would have been ineligible to receive the grant.

3.1.26 A number of businesses were formally interviewed under caution with a view to criminal prosecution and two of the cases were referred to Legal Services for consideration. One of the prosecution cases was withdrawn and the other case has been adjourned until 27 August 2024 and a warrant without bail has been issued for the owner.

Agricultural Land Properties

3.1.27 As part of the SBRR exercise the Greenwich Fraud Team identified several properties that were not rated for Business Rates. Officers from the Council's Exchequer Services contractor visited the addresses, which were situated on agricultural land and some 54 separate assessments were identified.

3.1.28 For Business Rates to be charged, the properties must be referred to the Valuation Office Agency (VOA) so that a rateable value can be assigned before the Council is able to start the formal process of collecting Business Rates.

3.1.29 At the time of writing this report, the Council has received a response from the VOA in respect of 24 properties where assessments have been completed and Business Rates have been levied by the Council to the liable businesses. The total amount of Business Rates raised in respect of these properties up to and including the 2024/25 financial year, after reliefs have been applied, is £163,123.

4. FINANCIAL IMPLICATIONS

Proactive and investigative fraud work aims to minimise financial loss to the Council.

5. LEGAL IMPLICATIONS

Under the Accounts and Audit Regulations, Section 4, Paragraph 4 (a) (ii), the Council must ensure that financial control systems include measures to enable the prevention and detection of fraud. Fraud investigations may result in prosecution where appropriate.

Non-Applicable Headings:	Impact on vulnerable adults and children Transformation / Policy Implications Personnel Implications Carbon Reduction / Social Value Implications Impact on the Local Economy
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	Impact on Health and Wellbeing Ward Councillor Views Procurement Implications Property Implications Customer Impact
Background Documents: (Access via Contact Officer)	None