

Corporate Fraud Investigation Progress Report

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REASON FOR ITEM

To inform members of the work undertaken by the Corporate Fraud Investigation Team from April 2013 to June 2014.

OPTIONS AVAILABLE TO THE COMMITTEE

The Committee is asked to consider and note the Corporate Fraud Investigation Team report.

INFORMATION

1. Roles and Responsibilities

1.1. The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Fraud Investigation Team supports this by providing efficient value for money anti-fraud activities and investigates all referrals to an appropriate outcome. The Team provides support, advice and assistance on all matters of fraud risk including prevention, fraud detection, other criminal activity and deterrent measures.

1.2. Corporate Investigation Team activities since April 2013 included:

- Single Fraud Investigation Service (SFIS) pilot.
- Social Housing fraud investigations
- Council Tax/Business Rates inspections
- Right to Buy investigations
- First time buyer investigations
- Proceeds of Crime investigations
- Bed and Breakfast visits and investigations
- Internal and external fraud investigations and prosecutions
- Development of anti fraud strategies

2. Performance Outcomes April 2013– March 2014

2.1 Single Fraud Investigation Service (SFIS) pilot

Hillingdon has been recognised by the Department for Work and Pensions (DWP) as running the best performing pilot. This has been assessed by visits from DWP senior managers to Hillingdon who acknowledged innovative team working producing positive outcomes through high quality investigations. However, despite the positive pilot in Hillingdon, the Government made a decision in December 2013 that nationally this service should be transferred and managed by the DWP. The transfer in Hillingdon took place on 1st July 2014. This transfer means Hillingdon is no longer responsible for Benefit investigations. This provides the Corporate Fraud Investigation Team in Hillingdon with the opportunity to diversify its operations to other areas of fraud detection and investigation across the Council.

Benefit investigation in Hillingdon since April 2013 achieved very positive outcomes. The process of presenting cases to court was streamlined. This reduced the time taken for cases to be prepared for court. The focus of this work has been on Prosecutions and Administrative Penalties.

Results April 2013 – March 2014	
Prosecutions	24
Administrative Penalties	3
Benefit payments stopped	£524,000

2.2 Social Housing Fraud Investigations

Blow the whistle on Housing Cheats poster appears in every issue of Hillingdon People, this helps to generate calls to our fraud hotline, all referrals are fully investigated. In April 2013 we received funding from Government to support this area of work and we have used part of this funding to continue our work with Experian, a credit reference agency. They data match our housing tenancy records with their credit reference data to identify properties that may be sub let or empty. In October 2013 the Government passed legislation to criminalise sub-letting fraud. On conviction, tenancy fraudsters face up to two years in prison or a fine. Hillingdon will use these powers to prosecute suitable cases.

The Audit Commission, in their report 'Protecting the Public Purse 2013' estimated that nationally it costs councils on average £18,000 a year for each family placed in temporary accommodation., therefore using this guidance it is estimated that £1.04 million has been saved in Hillingdon by detecting housing tenancy fraud in 58 properties. These properties have been re-let to residents with genuine housing need.

Results April 2013 – March 2014	
Properties Recovered	58
Estimated Savings	£1,044,000

2.3 Council Tax/Business Rates/Compliance inspections

The inspection role within the Corporate Fraud Team is crucial in terms of maximising the Councils revenue income.

In 2013/14 over 9,000 visits were carried out. The visiting programme is very intense and officers are trained in all areas of work to ensure an efficient and planned approach to all visits.

Council Tax Inspections are generally reactive and identify the status of those claiming single person discount and other discounts. Where the visit establishes the wrong amount of Council Tax is being charged the account is changed and the person re-billed. 5,816 Council Tax inspection visits were made in 2013/14.

Business Rate inspection visits are carried out to check occupation status of commercial premises to ensure the Council maximises the non domestic rate revenue. Similarly, the new build visits are carried out to ensure properties are rated for domestic or business rates as soon as they are completed. It is estimated that for the 2 year period from April 2013 there will be approximately 1,500 new build properties being developed in Hillingdon each year. This represents a significant amount of additional revenue. 3,628 visits were made in 2013/14 to check Business Rates and New Build Inspections.

Benefit compliance inspection visits relate to checks carried out to verify information on a claim. Visits requests come from a number of sources which include benefit and housing officers and calls from the public about possible benefit abuse. In 2013/14 we have conducted 508 of these visits.

Results April 2013– March 2014	
Number of Council Tax Inspections	5816
Number of Business rates and New Build Inspections	3628
Benefit compliance inspections	508

2.4 Right To Buy (RTB) investigations

This is a relatively new area of work for pro active investigations. Unannounced visits are carried out to tenants in receipt of benefits who have applied to buy their council property.

In April 2012 the Government increased the maximum discount a Council Tenant can receive under the RTB scheme from £75,000 to £100,000.

Our pro active investigations have highlighted that this is an area that needs to be closely monitored.

Results April 2013 – March 2014	
Number of applications rejected	7
Value of discounts stopped	£623,100

2.5 First time buyer investigations

Unannounced visits are carried out to verify owner details and to ensure that the conditions of the scheme are not being abused. There are currently 3 cases being investigated where there is evidence that the first time buyer is either sub letting their property or is the owner of another property. This is clearly an abuse of the scheme, case investigations are on-going and will be pursued to recover any money paid, prosecutions will be considered if appropriate.

Results April 2013– March 2014	
Number of First Time Buyer visits	40
Number of cases under investigation	3

2.6 Proceeds of Crime Investigations

The role of the Financial Investigation Officer within the Corporate Fraud Team is crucial in the fight against fraud. The aim is not only to prosecute serious offenders but also to look at recovering additional monies where a criminal lifestyle can be demonstrated, this is where a person has been able to purchase assets as a result of their fraud.

A number of cases are due in Court in 2014/15 which are likely to receive media attention because of the amount of money involved.

Results April 2013– March 2014	
Number of Corporate Fraud investigations	1
Number of Benefit investigations	1
Number of Planning investigations	1
Number of Trading Standards investigations	3
Total number of investigations	6

2.7 Bed and Breakfast visits and investigations

In December 2013 a one-off exercise of residency visits was carried out with housing staff to verify occupancy. These unannounced visits were carried out early in the morning and proved to be effective in terms of identifying accommodation that appeared to be unoccupied by the homeless person or family.

The exercise identified that not all the properties were occupied. This represents a significant saving both in revenue expenditure and any associated Housing Benefit costs.

Results December 2013	
Number of applicants visited	80
Number of cases ceased	11

2.8 Internal and external fraud investigations and prosecutions

A former member of staff was prosecuted in April 2013 for procurement fraud; the member of staff was sentenced to two years in prison. A Proceeds of Crime Investigation was successful and the final Court Order was for £75,536 of which Hillingdon can claim 37.5%, which is £28,326.

An attempt to obtain a Disabled Persons Facilities Grant was identified where the applicant failed to notify that she was the owner of several properties and received a substantial amount of rental income. The applicant will be prosecuted for this offence in 2014/15.

3. Performance Outcomes April 2014– June 2014

Social Housing Fraud		
	Number	Savings
Social Housing properties recovered	18	£324,000
Proceeds of Crime Act		
	Number	Income
Court Orders (payable by 31.3.15)	6	£491,000
Council Tax/Business Rates		
	Number	Income
Number of Council Tax Inspections	1752	Increase in CT revenue
Number of Business rates and New Build Inspections	950	Increase in Business Rate/New Build revenue
Right to Buy		
	Number	Savings
Number of Right to Buy visits	11	
Number of applications rejected	3	£256,600 (discount)
First Time Buyers		
	Number	Income
Number of First Time Buyer visits	40	
Number of cases under investigation	1	£12,025
Benefit Prosecutions		
	Number	Saving
Prosecutions	5	£40,688
External Fraud		
	Number	Fine
Disabled Facilities Grant prosecution	1	£ 6,000 (fine)

4. Operational plans for the future

4.1 The Corporate Fraud Team continually reviews operational arrangements to identify new areas of fraud detection and investigation within the Council. The Corporate Fraud Investigation Team has a proven track record in delivered results on new initiatives and can diversify its resources and skills into new areas of fraud detection within the Council. This increases resident's confidence in the Council's management of its operations by ensuring services are provided to those in genuine need and that action is taken against fraudulent activity.

4.2 New areas of work in development include:

- From 1st July an empty property project has commenced to investigate all privately owned empty properties. These have been identified by council tax and the project will confirm if the properties are actually empty. Data matching has taken place on all empty property records and these are now being investigated. Each property that is found to be occupied can be removed from the Empty Property List and then qualifies for the Governments New Homes Bonus Scheme. This generates income to the Council for every time an empty property is found to be occupied. There are two sources of income generation, the Government Bonus reward and re-charge of Council Tax.
- Staff investigating Business Rates were at full compliment in July 2014, when 2 new staff joined the team, agreed under Invest to Save MTFE funding. They will concentrate on maximising business revenue across Hillingdon by carrying out additional inspections and working in partnership with a Credit Reference Agency to identify businesses which operate in Hillingdon but are not registered for Business Rates. Specific training on maximising income and taking action against Business Rate fraud is being undertaken by all Corporate Fraud Investigation staff in August 2014.
- From 1st July 2014 all Right to Buy applications are being verified by the Corporate Fraud Investigation Team. Prior to this date only applications associated with housing benefit were examined.
- 2 Housing Officers were seconded to the Corporate Fraud Investigation Team in June 2014, to work alongside Corporate Fraud Officers to investigate current bed & breakfast and temporary accommodation placements. From August 2014 Corporate Fraud Officers will be working with Housing Needs reception staff to carry out enhanced checks and verification of people's homeless status. The aim of this work will be to ensure resources are only allocated to residents with a genuine housing need.
- The Corporate Fraud Investigation Team continues to respond to residents reporting Blue Badge fraud and targeted operations are scheduled for later in the year.

4.3 As a result of the transfer of responsibility for Benefits investigations to DWP on 1st July 2014, four Corporate Fraud Investigation Team Officers moved to DWP. This has presented an opportunity to review the team's configuration, thereby ensuring the team is fully resourced to enable effective operation in future projects.

4.4 As these posts are recruited to and the team returns to a full complement of staff other fraud initiatives will be developed to address fraud detection and criminal activity to protect the public purse and increase resident's satisfaction.

4.5 Residents, Council staff and other agencies will be kept informed of these developments to ensure that the profile of the Corporate Fraud Team remains high and supports the Council's objective of zero tolerance of fraud. Increased fraud awareness will be enhanced by promoting the activities of the Corporate Fraud Investigation Team and ensuring effective pathways for reporting suspected fraud across all areas of the Council's operation, both internally and externally.