

# 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 (CFIT) from April 2014 to September 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 In September 2014 the Leader agreed a Business Case to re-structure the Corporate Fraud Investigation Team (CFIT) with effect from October 2014. This re-structure will ensure a fully resourced Fraud Team to deliver the Council's aim to detect and prevent fraud through a zero tolerance approach and take appropriate action against offenders.
- 1.3 Corporate Investigation Team activities since April 2014 included:
  - Social Housing fraud
  - Council Tax/Business Rates inspections
  - Right to Buy investigations
  - First time buyer investigations
  - Proceeds of Crime investigations
  - Temporary Accommodation and Housing Needs Reception
  - Grants and Blue Badge prosecutions
  - Empty Properties Project
  - Single Fraud Investigation Service (SFIS) pilot (Q1 only).

## 2. Performance Outcomes April 2014– September 2014

### 2.1 Social Housing Fraud

Blow the whistle on Housing Cheats poster appears in every issue of Hillingdon People, this helps to generate calls to our fraud hotline, and all referrals are fully investigated. 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 2014' estimated that nationally it costs councils on average £18,000 a year for each family placed in temporary accommodation.

From April to September 2014 this would equate to a saving of £ 522,000 by detecting housing tenancy fraud and recovering 29 properties. As shown in table 1. These properties have been re-let to residents with genuine housing need.

Table 1

<b>Social Housing Fraud</b>						
	Q1 2014/15		Q2 2014/15		YTD 2014/15	
	Number	Savings	Number	Savings	Number	Savings
Social Housing properties recovered	18	£324,000	11	£198,000	29	£522,000

We are currently working with a credit reference agency (Experian) to data match all Hillingdon's housing tenancy records with credit reference data. These matches will identify if tenants are linked to another address other than their council property, if they have a mortgage for a different address or if there are people other than the registered tenants living at the property. Results from this exercise should take effect from February 2015.

Examples of combating social housing fraud are publicised in Hillingdon People. These articles often describe the improved quality of life for Hillingdon residents who have been allocated the tenancy of a recovered property. This generates positive feedback from residents and encourages reporting of suspected social housing fraud.

To increase awareness of social housing fraud with residents the Corporate Fraud Investigation Team will be promoting their work at residents meetings from January 2015.

### 2.2. Council Tax and Business Rates Inspections

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

From April to September 2014 over 5,000 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. 3,585 Council Tax inspection visits have been made from April to September 2014.

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 2014 there will be approximately 1,400 new build properties being developed in Hillingdon. This represents a significant amount of additional revenue. 2022 visits were made between April and September 2014 to check Business Rates and New Build Inspections.

**Table 2**

<b>Council Tax and Business Rates Inspections</b>			
2014/15			
	<b>Q1</b>	<b>Q2</b>	<b>Income</b>
Number of Council Tax Inspections	1752	1833	Increase in CT revenue«
Number of Business rates and New Build Inspections	950	1072	Increase in Business Rate/New Build revenue«

« Data is not specifically recorded of the increased revenue from CFIT inspections. This additional income contributes to the overall Council Tax and Business Rates revenue.

Since July 2014 the number of Business Rates inspectors has increased from 2 to 4 Officers through MTFE funding, this will enable more inspection visits to be carried out and also facilitate the development of new initiatives to detect business Rates avoidance. These initiatives include data matching Business Rates records to highlight new or unregistered businesses and maximising potential Business Rate revenue through expanding charging opportunities, for example charging business rates for advertising hoardings.

Inspection visits verify that the correct Council Tax or Business Rates are being charged, any discrepancies identified result in revised bills to residents and businesses.

### 2.3 Right to Buy

From 1<sup>st</sup> July 2014 all Right to Buy applications have been verified by the Corporate Fraud Investigation Team. Prior to this date only applications associated with housing benefit were examined. Table 3 shows the results from April to September 2014.

**Table 3**

<b>Right to Buy</b>			
2014/15			
	<b>Q1</b>	<b>Q2</b>	<b>Savings</b>
Number of Right to Buy visits	11	41	
Number of applications rejected	3	1	<b>£359,300 (discount) +</b>

From 1<sup>st</sup> December the Council is introducing a new form to capture additional information from prospective Right to Buy applicants. This form has been designed with input from the Corporate

Fraud Investigation Team to ensure relevant information is collected to enable comprehensive checks to be made on the funding of the purchase and to verify eligibility for the scheme.

## 2.4 First Time Buyer Applications

Unannounced visits are carried out to verify owner details and to ensure that the conditions of the scheme are not being abused. In Q1 there was 1 case investigated where there was evidence that the first time buyer was sub letting their property. This was clearly an abuse of the scheme, as a result of our investigations the owner repaid £12,025.

Table 4

<b>First Time Buyer Applications</b>						
	Q1 2014/15		Q2 2014/15		YTD 2014/15	
	Number	Income	Number	Income	Number	Income
Number of First Time Buyer Visits	40		32		72	
Number of cases under investigation	1	£12,025	-	-	1	£12,025

## 2.5 Proceeds of Crime Investigations

The role of the Accredited Financial Investigator within the Corporate Fraud Team is crucial in the fight against fraud and offences including breaches of planning, trading standards and other regulations. The aim is not only to prosecute serious offenders but also to look at recovering additional monies where a criminal lifestyle can be demonstrated, or where a person has been able to purchase assets as a result of their fraud. Table 5 shows the number of investigations currently taking place. These investigations are complex and are often challenged by the offender which results in lengthy legal processes. Therefore it may take many months for a case to reach court and a settlement to be agreed and paid.

Since April 2014 the CFIT have been working on 11 investigations of which 5 have progressed to Proceeds of Crime Court Hearings. Settlements have been agreed and the offenders have been ordered to pay money to Hillingdon under Confiscation Orders as part of the Home Office Incentivisation Scheme. These will be settled by the end of the financial year. A further 5 cases are still being investigated and 1 case has been withdrawn.

Table 5

<b>Proceeds of Crime Investigations</b>	
	YTD 2014/15
Number of Corporate Fraud Investigations	1
Number of Benefits Investigations	1
Number of Planning investigations	2
Number of Trading Standards investigations	7
<b>Total number of investigations</b>	<b>11</b>
<b>Court Orders (payable by 31.3.15)</b>	<b>5 cases</b>
	<b>£493,000</b>

In July a Proceeds of Crime Project Team, comprising Senior Managers from CFIT, Legal Services and Planning was established. This aims to ensure that the Council uses the full extent of the Proceeds of Crime Act in all prosecutions to maximise income and ensure appropriate punishment for offenders. This also sends a clear message of zero tolerance to fraud by Hillingdon Council.

## 2.6 Temporary Accommodation and Housing Needs Reception

In June 2 Housing Officers were seconded to the Corporate Fraud Investigation Team, to work alongside Corporate Fraud Officers to investigate current bed & breakfast and temporary accommodation placements. To maximise results unannounced visits are undertaken outside office hours to verify residency. This has been very successful in identifying non residency and therefore false homelessness claims as shown in table 6. The 18 cases where temporary accommodation has been cancelled average a total saving of £5,400 per week.

Also from August 2014 Corporate Fraud Officers have been working with Housing Needs reception staff to carry out enhanced checks and verification of people's homeless status. This work has ensured resources are only allocated to residents with a genuine housing need.

Currently 3 cases are being reviewed for possible prosecution. The first case relates to false address details claiming 10 year residency. The second case concerns a housing applicant presenting a false earnings document to attempt to represent economic independence, which is one of the criteria to be eligible for housing. The third case relates to a person in temporary accommodation signing the bed and breakfast register on a daily basis to confirm their residency when they were not actually occupying the accommodation.

**Table 6**

<b>Temporary Accommodation &amp; Housing Needs Reception</b>		
	<b>YTD 2014/15</b>	
	<b>Number</b>	<b>Average Savings</b>
Temporary Accommodation Cancelled	18	£5,400 per week
Referrals from Housing Needs reception	30	
Number of cases pending prosecution	3	

## 2.7 Grants and Blue Badge Fraud

One person was prosecuted in Q1 when an attempt to obtain a Disabled Persons Facilities Grant was identified. The applicant failed to notify that she was the owner of several properties and received a substantial amount of rental income. As a result of the prosecution the applicant has been fined £6,000.

So far in 2014/15 a non resident was found to be falsely using a Blue Badge, this case has been successfully prosecuted and a fine imposed.

**Table 7**

<b>Grants and Blue Badge Fraud</b>		
	<b>Number</b>	<b>Fine/Costs</b>
Disabled Facilities Grant prosecution	1	£ 6,000
Blue Badge prosecution	1	£483

## 2.8 Empty Properties Project

In July a project commenced to look at properties in the borough which were not registered for Council Tax and therefore were classified as empty. Data matching was carried out with a credit reference agency which identified financial activity at 53 properties. Following investigation these properties were confirmed as occupied and Council Tax is now being claimed on these residences. This project has raised £85,000 in additional Council Tax revenue.

In addition, the Governments New Homes Bonus is payable for properties that are found to be occupied but have been recorded as being unoccupied for more than six months. Overall 99 properties in Hillingdon have been identified under this scheme, raising £140k in revenue. The work of the CFIT identified 53 of these properties.

Table 8

Empty Properties Project		
	Number	Revenue
Number of properties identified as occupied	53	£85,000

## 2.9 Single Fraud Investigation Service (SFIS) pilot (Q1 only).

From 1<sup>st</sup> July 2014 benefit investigations were transferred back to Department of Works and Pensions (DWP). From April to June the CFIT had 5 successful prosecutions which resulted in a savings in benefit payments of £40,688.

Benefit Prosecutions - Q1		
	Number	Saving
Prosecutions	5	£40,688

## 3. New Projects from January 2015.

### 3.1 Single Person Discount

Currently 30,500 people are registered for Single Person Discount for Council Tax, this equates to 28% of Hillingdon residents. In January 2015 a CFIT project team will commence a data matching exercise of credit reference data and electoral registration records. This will establish if applications for Single Person Council Tax Discount are genuine. Officers from the CFIT will investigate all relevant cases.

### 3.2 Insurance Claims

In January the CFIT will be examining insurance claims against the Council to establish if they are bona-fide. This exercise has been carried out in another Local Authority with very positive outcomes where claims were reduced by £368,000 in one year.

### **3.3 Enhanced Recruitment Verification**

Work will commence with HR to carry out enhanced checks to verify identity, qualification, education documents and employment history. This would ensure eligibility to work and effective recruitment. The CFIT has previously identified staff through routine data matching who were ineligible to work because of their immigration status. Expanding these checks in the recruitment process would prevent the future employment of fraudulent applicants. This would save the Council reputation, reduce unnecessary recruitment costs and ensure the appointment of suitably qualified staff.