

# **Corporate Fraud Investigation Progress Report April 2014 to February 2015 and Forward Plan for 2015/16**

**Contact Officers:** Garry Coote  
**Telephone:** 01895 250369

## **REASON FOR ITEM**

To inform members of the work undertaken by the Corporate Fraud Investigation Team (CFIT) from April 2014 to February 2015 and the forward plan for 2015/16.

## **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 has ensured a fully resourced Fraud Team to deliver the Councils 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:
  - Single Person Discount (SPD)
  - Temporary Accommodation and Housing Needs Reception
  - Social Housing fraud
  - Council Tax/Business Rates inspections
  - Right to Buy investigations
  - First time buyer investigations
  - Proceeds of Crime investigations
  - Empty Properties Project
  - Grants and Blue Badge prosecutions
  - Procurement fraud
  - Single Fraud Investigation Service (SFIS) pilot (Q1 only).

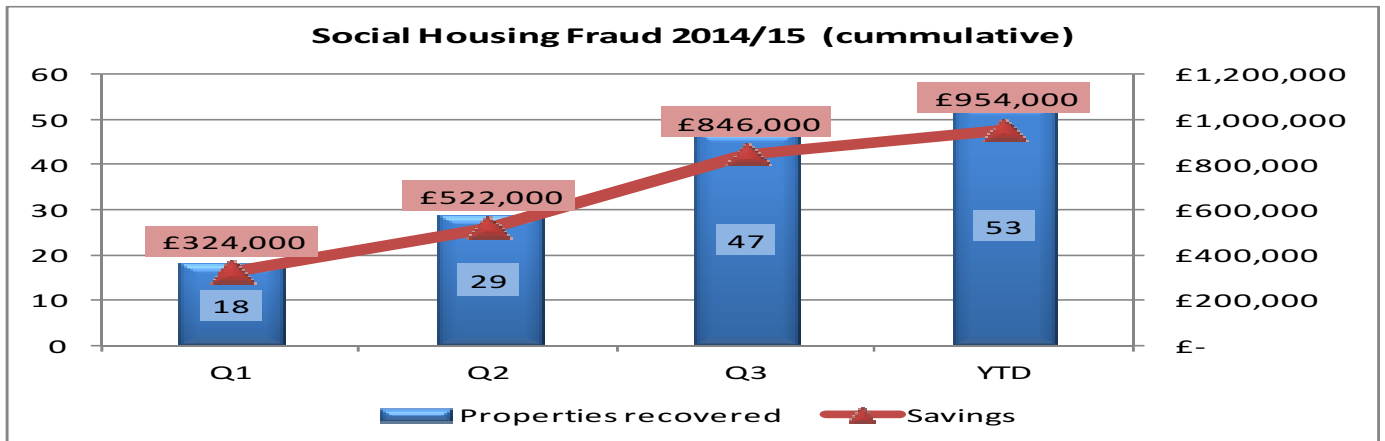
## 2. Performance Outcomes April 2014– February 2015

### 2.1 Social Housing Fraud

Table 1

Social Housing Fraud								
2014/15								
	Q1		Q2		Q3		YTD (Feb 2015)	
	Number	Savings*	Number	Savings*	Number	Savings*	Number	Savings*
Properties recovered	18	£324,000	11	£198,000	18	£324,000	53	£954,000

\*The Audit Commission estimates that every property recovered represents a saving of £18,000

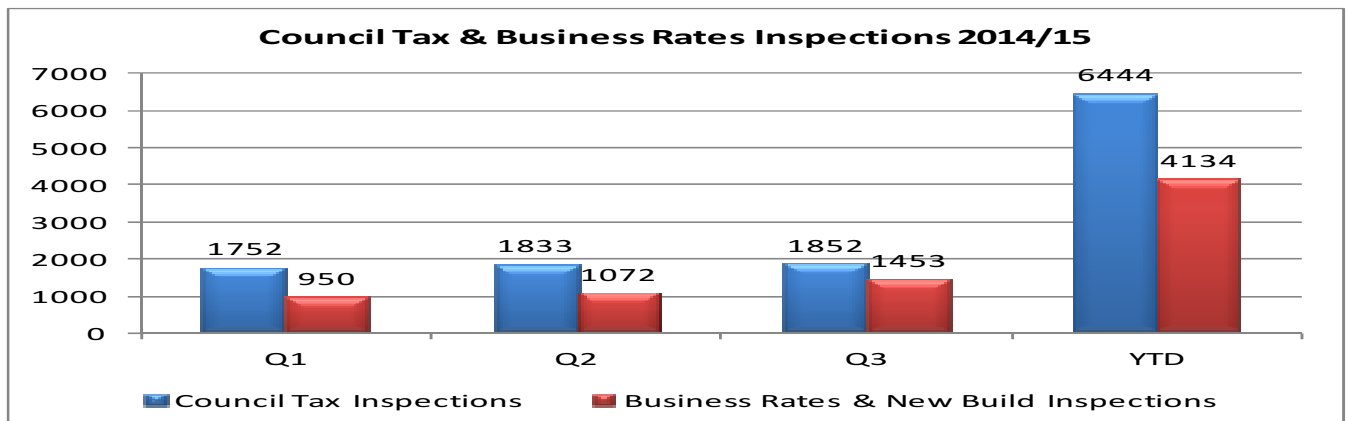


### 2.2. Council Tax and Business Rates Inspections

Table 2

Council Tax and Business Rates Inspections					
2014/15					
	Q1	Q2	Q3	YTD	Income*
Number of Council Tax Inspections	1752	1833	1852	6444	Increase in CT revenue
Number of Business rates and New Build Inspections	950	1072	1453	4134	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.



Temporary Accommodation & Housing Needs Reception		
	YTD 2014/15	Savings per week
Temporary Accommodation Cancelled	27	*£7,765
Referrals from Housing Needs reception	31	
Number of cases withdrawn after CFIT contact	8	
Number of cases prosecuted	1	

\*Average B&B placement = 13 weeks calculates to £100,945 annually

## 2.4 Right to Buy

Table 4

Right to Buy					
	2014/15			YTD	Savings
	Q1	Q2	Q3		
Number of Right to Buy visits	11	41	23	81	
Number of applications rejected	3	1	1	6	<b>£439,000</b> (discount)

## 2.5 First Time Buyer Applications

Table 5

First Time Buyer Applications		
	YTD 2014/15	
	Number	Income
Number of First Time Buyer Visits	72	
Number of cases under investigation	1	£12,025

## 2.6 Proceeds of Crime Investigations

Table 6

Proceeds of Crime Investigations			
	YTD 2014/15		
	Investigations	Confiscation Orders	Incentivisation*
Planning	1	£170,000	£63,750
Trading Standards	3	£1,000,000	£375,000
Internal fraud (staff)	1	£75,537	£28,326
<b>Total Income due</b>			<b>£467,076</b>

\*Hillingdon receives 37.5% of the Confiscation Order as a an incentive to investigate under the Proceeds of Crime Act

## 2.7 Grants and Blue Badge Fraud

Table 7

Grants and Blue Badge Fraud		
	YTD 2014/15	Fine/Costs
Disabled Facilities Grant prosecution	1	£ 6,000
Blue Badge pending prosecution	1	£483

## 2.8 Empty Properties Project

Table 8

Empty Properties Project		
	YTD 2014/15	Revenue
Number of properties identified as occupied	53	£85,000

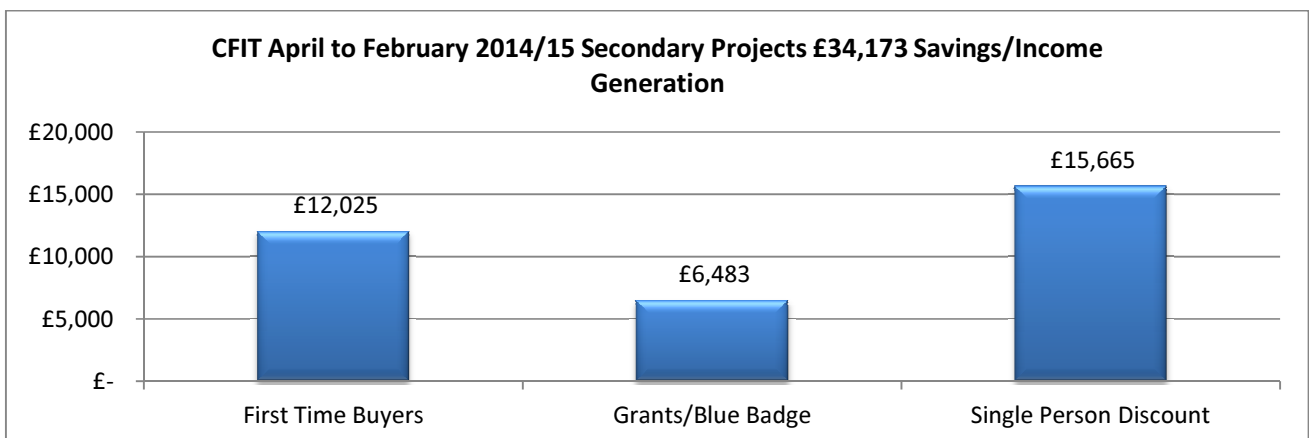
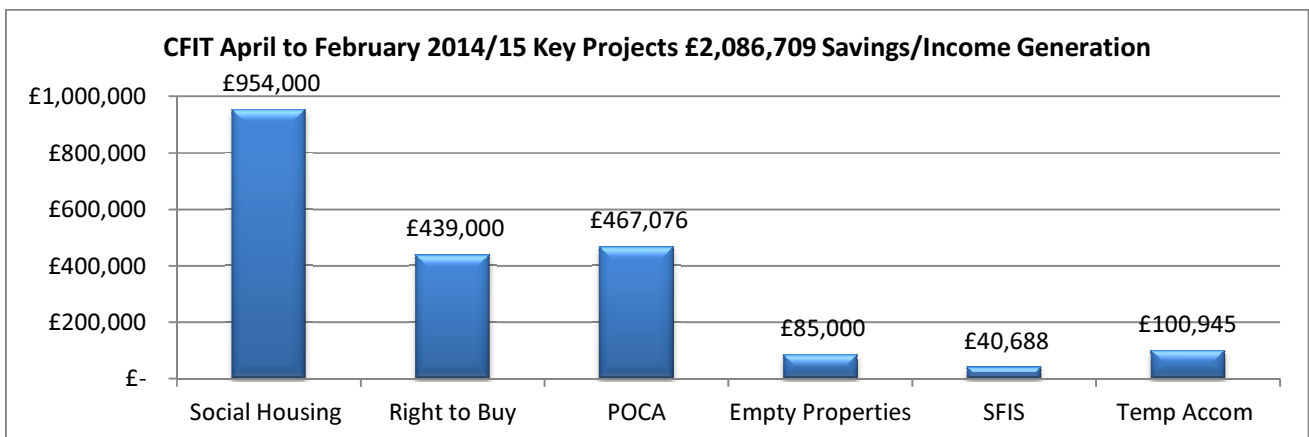
## 2.9 Single Fraud Investigation Service (SFIS) pilot (Q1 only).

From 1<sup>st</sup> July 2014 benefit investigations were transferred back to Department for 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.

Table 9

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

## 2.10 Total Saving/Income Generation from CFIT Activity - £2,120,882



### **3. Projects developments since January 2015 and forward plan for 2015/16.**

#### **3.1 Single Person Discount (SPD)**

Currently 30,500 people are registered for Single Person Discount for Council Tax in Hillingdon, this equates to 28% of Hillingdon residents. Since January the CFIT have developed 3 work streams to match internal data sources against SPD claims.

Under the first work stream SPD records have begun to be matched against Hillingdon First cards, this is a new data matching exercise and therefore only a sample of records have been analysed so far. The matching exercise establishes if more than one person is registered for a Hillingdon First card at an address where SPD is being claimed. To date 9 SPD cases have been stopped resulting in an overpayment of £3,187 which will be recovered as additional revenue.

The second work stream concerns 'notices of the intention to marry' submitted to the Registrar's Office. Couples have to include their current residence on these applications and these details have been matched to SPD claims. Records from April 2014 are in the process of being checked and to date 2 cases have been identified resulting in an overpayment of £1,715 which will be recovered.

The third work stream involved data matching SPD records with the Electoral register, this work is still in progress. To date 38 cases have been identified resulting in additional income of £10,763 for recovery.

If a suspected SPD fraud is identified the CFIT carries out additional background checks on the claimant, such as housing records, benefit records, school records and Equifax online credit reference checks. A member of the CFIT then contacts the claimant either by telephone, letter or personal visit to discuss the claim and the evidence indicating fraudulent activity. In most instances as a result of this contact claimants choose to resolve matters swiftly and make arrangements to repay the Council any monies they have previously claimed in discount. They are keen to settle the matter and avoid any repercussions.

In April 2015 a CFIT project team will commence a significant data matching exercise with the credit reference agency Experian. This will match all SPD claims with credit reference information to establish if applications for SPD are genuine. Officers from the CFIT will investigate all relevant cases. The CFIT has set a target to achieve a minimum income of £300,000 in 2015/16 on this project.

Identification of SPD fraud is important to Hillingdon as it results in substantial income generation. The average SPD discount is £350 a year, therefore if 100 cases are identified this would result in £35,000 additional income for this year and future years. Each case of SPD fraud identified is also subject to recovery of back dated awards if applicable. Therefore if SPD had been claimed for 4 years and it has been found to be fraudulent for this period of time the Council will take proceedings to recover 4 years underpaid Council Tax from the tax payer. In cases where there is evidence of serious fraud the CFIT will look to pursue the prosecution of the claimant.

An article to publicise this project will be included in the March/April edition of Hillingdon People. This is to raise awareness of the work of the CFIT and may also promote residents making fraudulent claims to cancel their SPD. Any cancellations will be monitored to determine if there is a case to pursue backdated discounts.

This project has also been promoted in Team Hillingdon and has requested members of staff to suggest other internal records that could be used to identify SPD fraud.

### **3.2 Temporary Accommodation and Housing Needs Reception**

The aim of this project is to prevent illegal claims for housing from people that do not qualify for housing support from Hillingdon. This means people who are misrepresenting themselves as homeless and therefore do not have a genuine housing need.

The CFIT carry out unannounced visits to Bed & Breakfast/Temporary Accommodation to verify residency. The project commenced in August 2014 and has resulted in 27 cases being cancelled. This represents a saving of approximately £7,765 a week. The average duration of a bed & breakfast placement is 13 weeks. Therefore to date this year approximately £100,945 has been saved through this activity.

The CFIT have been working with Housing Officers to identify applicants where there is a suspicion that a fraudulent claim has been made. This might include applicants submitting false wage slips in an attempt to verify economic activity. This would indicate financial independence which is a condition for some claimants to secure a tenancy and increase welfare benefits. Another example is where people falsely claim they are being evicted from an address in Hillingdon when they have never actually been a resident at this address. They are often giving this fraudulent information to attempt to meet the 10 year residency rule. Officers from the CFIT have trained Housing Officers on the identification of possible fraudulent claims. These cases are then referred to the CFIT for investigation.

To date 8 applicants have withdrawn their claim for housing support as a result of contact with the CFIT. One case resulted in a prosecution and the person has been fined £200 plus £200 towards costs. This case will be published in the March/April edition of Hillingdon People.

From March 2015 the CFIT will continue to work with Housing Officers to prevent fraudulent homelessness claims and will also examine cases where people have been in temporary accommodation and are likely to be offered a permanent tenancy in the near future. The CFIT will examine these cases to ensure that the claims are still valid and their circumstances mean they are eligible for secure tenancy. Going forward into 2015/16 the CFIT will expand this work to verify the claims of those people in temporary accommodation on a regular basis to ensure that only those with a genuine housing need are in receipt of this support.

The Temporary Accommodation and Housing Needs Reception project is a high profile development because of the significant costs of housing stock and temporary accommodation costs.

### **3.3 Social Housing Fraud**

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 CFIT investigates suspected cases of social housing fraud which are identified either by direct referral from Housing Officers, data matching exercises or telephone calls to the fraud hotline. Since April 2014 The CFIT has recovered 53 properties which are now available to be re-let to residents in genuine housing need.

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. Using this calculation the savings for Hillingdon this year are £954,000. The target set by CFIT for 2015/16 is to recover 52 properties (1 a week).

To promote this project the 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.

Examples of combating social housing fraud are also 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 April 2015 as part of the forward work programme.

### **3.4 Council Tax and Business Rates Inspections**

The inspection role for Council Tax and Business Rates within the Corporate Fraud Team is crucial in terms of maximising the Councils revenue income.

From April 2014 to February 2015 10,578 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 discounts and exemptions. Where the visit establishes the wrong amount of Council Tax is being charged the account is changed and the person re-billed. 6,444 Council Tax inspection visits have been made from April 2014 to February 2015.

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. 4134 visits were made between April 2014 and February 2015 to check Business Rates and New Build Inspections.

Initiatives to identify Business Rates avoidance include data matching Business Rates records to highlight new or unregistered businesses. Business Rate revenue is also maximised through expanding charging opportunities, for example charging business rates for advertising hoardings.

The robust visiting programme will continue in 2015/16 working with internal partners such as planning to monitor new developments with the aim of maximising revenue potential.

### **3.5 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. In 2014/15 so far 6 cases were cancelled as a result of the CFIT verification processes. This work will continue in 2015/16.

### **3.6 First Time Buyers/Discount Market Sales**

Unannounced visits are carried out to verify owner details and to ensure that the conditions of the scheme are not being abused. Year to date 1 case has been 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. The CFIT will continue to verify and review these applications in 2015/16. A case under the Discount Market Sales Scheme was referred to CFIT by the scheme manager and the application was withdrawn following CFIT investigation.

### **3.7 Proceeds of crime (POCA)**

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. 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 Hillingdon compensation which will be settled by the end of the financial year.

A new project commenced in February 2015 to work with the Planning Enforcement Team to establish cases where the Proceeds of Crime Act can be applied to breaches of planning law.

Although the focus would be rogue landlord cases, POCA could apply to any case where a planning enforcement notice has not been complied with. The Councils first planning POCA case was very successful. A resident converted his house and outbuildings into a hotel without planning permission and a Confiscation Order was granted under POCA for £170,000, of which Hillingdon receives an Incentivisation amount of £63,750.

For 2015/16 the CFIT will be examining other areas across the Council in which POCA can be applied.

### **3.8 Empty properties**

In July 2014 a project commenced to look at properties in the borough which were not registered for Council Tax and therefore were classified as empty. Identification of these properties increases 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.



This exercise will be repeated in 2016/17.

### **3.9 Insurance Claims**

In January the CFIT commenced a project to examine 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. Currently 1 suspected fraud case is being reviewed concerning a claim for damage to a car as a result of a raised kerb stone. Further insurance project activities will be under taken during 2015/16.

### **3.10 Enhanced Recruitment Verification**

From April 2015 work will commence with HR to carry out enhanced checks to verify identity, qualification, education documents and employment history. This will 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 prevent damage to the Councils reputation, reduce unnecessary recruitment costs and ensure the appointment of suitably qualified staff.

### **3.11 Blue badge**

In 2015/16 the CFIT as part of the team re-structure will be recruiting an additional Officer whose work will include targeted Blue Badge operations. These exercises will be conducted in partnership with the police in different areas of the borough.

### **3.12 Procurement fraud**

In January 2015 the CFIT secured £112,500 funding, through a bid process, from the Government to investigate procurement fraud in partnership with the Police. In 2015/16 a project will be developed with the Police to establish methods to detect and investigate procurement fraud effectively to maximise results.