

# Corporate Fraud Investigation Team Progress Report April 2015 to May 2015

**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 2015 to May 2015.

## OPTIONS AVAILABLE TO THE COMMITTEE

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

## INFORMATION

### 1. Roles and Responsibilities

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 (CFIT) 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.

In September 2014 the Leader agreed a Business Case to re-structure the Corporate Fraud Investigation Team 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.

Corporate Fraud Investigation Team activities since April 2015 included:

- Social Housing fraud
- Council Tax/Business Rates inspections
- Single Person Discount (SPD)
- Temporary Accommodation and Housing Needs Reception
- Right to Buy investigations
- Proceeds of Crime investigations
- Housing Waiting List
- Insurance Claims
- Enhanced Recruitment Verification
- Blue Badge
- Procurement fraud

## **2. Corporate Fraud Investigation Team Objectives**

The Corporate Fraud Investigation Team aims to maximise income and reduce expenditure for the Council. The team intends to detect and prevent fraud across all Council activities and when appropriate prosecute offenders. The results of the work of the CFIT will ensure Hillingdon is able to achieve the objective of putting residents first.

## **3. Performance Outcomes April 2015– May 2015**

### **3.1 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 2015 the CFIT has recovered 14 properties which are now available to be re-let to residents in genuine housing need. An example of one case where the property was recovered was initiated by a phone call from a housing tenant who was suspicious about the new residents at the property next door. On investigation it was found that the property had been advertised for private rental on Gumtree for £750 a month. The person who had rented the flat was unaware that it was a council property and was an innocent victim of the sub-letting fraud. The property has now been re-let to a person in genuine housing need and the original tenant is being prosecuted.

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 £252,000. The target set by CFIT for 2015/16 is to recover 52 properties (1 a week). To date in 2015/16 this target has been exceeded.

In total since the commencement of this project in 2010 the CFIT have recovered 200 properties which using the Audit Commission calculation equates to savings of £3.6 million.

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 the Corporate Fraud Investigation Team will be promoting their work at residents meetings in 2015/16 as part of the forward work programme.

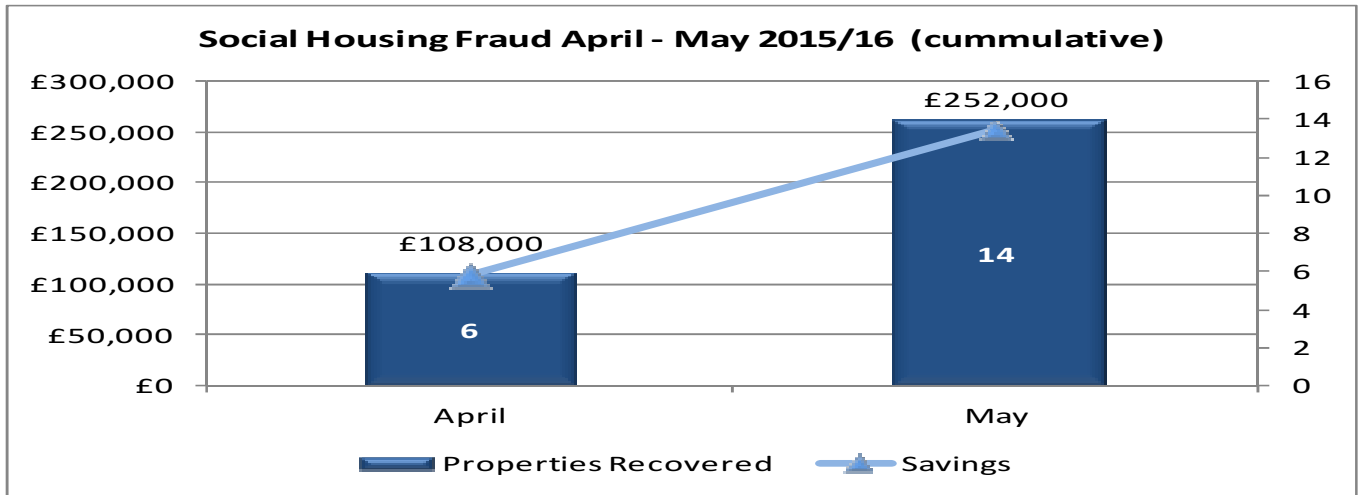
A new initiative planned for 2015/16 will involve working in partnership with Registered Social Landlords (RSL's). The CFIT will match data from RSL's with a Credit Reference Agency to identify fraudulent sub-letting and then work with RSL's to investigate individual cases. In return

for delivering this service RSL's have committed to ensuring that all recovered properties will be exclusively made available to Hillingdon Council, thereby helping to reduce housing pressures.

Table 1

| Social Housing Fraud |        |          |        |          |        |          |
|----------------------|--------|----------|--------|----------|--------|----------|
| 2014/15              |        |          |        |          |        |          |
| Properties Recovered | April  |          | May    |          | Total  |          |
|                      | Number | Savings  | Number | Savings  | Number | Savings  |
|                      | 6      | £108,000 | 8      | £144,000 | 14     | £252,000 |

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



### 3.2. 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.

This year from April to May 2,181 visits have been 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. 1,389 Council Tax inspection visits have been made from April to May 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. 792 visits have been made between April and May 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.

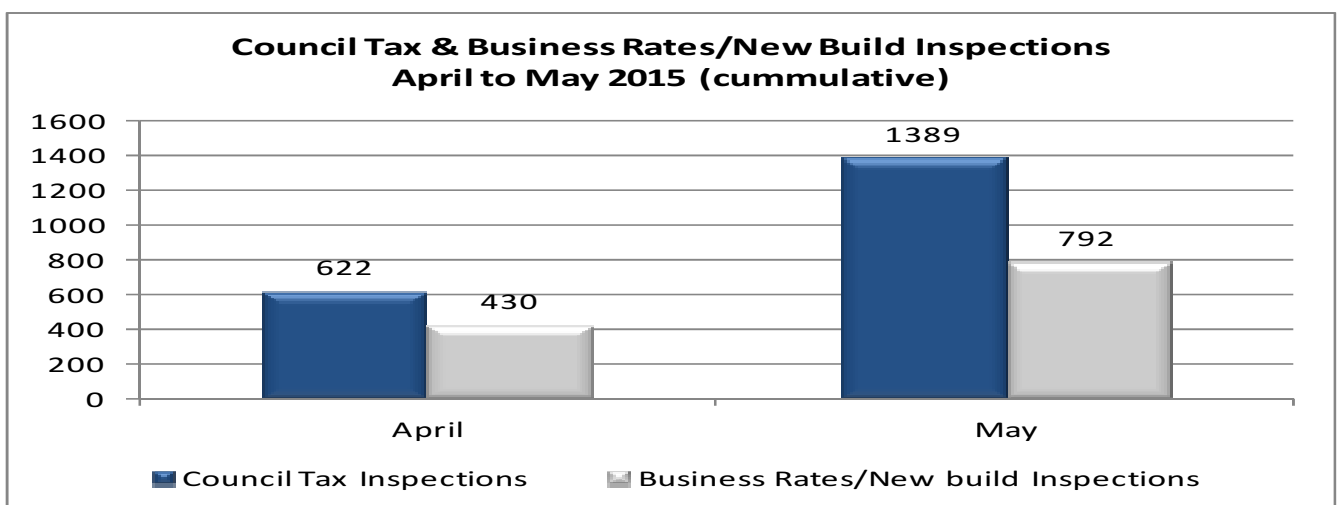
The robust visiting programme continues in 2015/16 working with internal partners such as planning to monitor new developments with the aim of maximising revenue potential.

The CFIT has recently received feedback from an external organisation who conducted a health check relating to the identification and investigation of maximising Business Rates income. This company has previously advised other Local Authorities of actions they could take to improve services and increase revenue for their Council. Feedback from the organisation concluded that the CFIT has an extremely robust approach in this area and were only able to make minor recommendations for improvement.

Table 2

| <b>Council Tax and Business Rates/New Build Inspections</b> |         |     |       |   |
|---|---------|-----|-------|---|
|   | 2014/15 |     |       |   |
|   | April   | May | YTD   | Income*                                     |
| Number of Council Tax Inspections                           | 622     | 767 | 1,389 | Increase in CT revenue                      |
| Number of Business Rates and New Build Inspections          | 430     | 362 | 792   | 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.



### 3.3 Single Person Discount

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

Under the first work stream SPD records are being matched against Hillingdon First cards. 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 68 SPD cases have been stopped resulting in an overpayment of £28k 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 being checked and to date 51 cases have been identified resulting in an overpayment of £40k which will be recovered.

The third work stream involves data matching SPD records with the Electoral register. To date 172 cases have been identified resulting in additional income of £131k 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 commenced a significant data matching exercise with the credit reference agency Experian. This matches all SPD claims with credit reference information to establish if applications for SPD are genuine. Officers from the CFIT investigate all relevant cases. The CFIT has set a target to achieve a minimum income of £300,000 in 2015/16 on this project. In April the CFIT received the first report from Experian and data matches have been rated into categories of high, medium and low depending upon the likelihood of an incorrect SPD claim. The CFIT begun working through these lists in May. To date 2 cases have been confirmed as ineligible for SDP. One of the cases will result in a SPD being removed back to 1999, a period of 15 years where the Council Tax payer failed to declare a lodger in her household.

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.

### **3.4 Temporary Accommodation & 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 carries out unannounced visits to Bed & Breakfast/Temporary Accommodation to verify residency. Since April 2015 through the work of the CFIT 2 cases have been cancelled. This represents a saving of approximately £574 a week. The average duration of a bed & breakfast placement is 13 weeks. Therefore on these 2 cancellations alone approximately £7,462 will be saved through this activity.

The CFIT are working with Housing Officers to identify applicants where there is a suspicion that a fraudulent claim has been made. This could 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.

Since April this year 2 applicants have withdrawn their claim for housing support as a result of contact with the CFIT.

From April 2015 the CFIT has expanded this work to verify the claims of people awaiting permanent accommodation to verify they are still eligible and their circumstances mean that they have a genuine housing need. To date 132 verification visits have taken place.

Table 3

| <b>Temporary Accommodation &amp; Housing Needs Reception</b> |                    |                         |
|--|--------------------|-------------------------|
|  | <b>YTD 2014/15</b> | <b>Savings per week</b> |
| Temporary Accommodation Cancelled                            | 2                  | *£574                   |
| Number of cases withdrawn after CFIT contact                 | 2                  |                         |

\*Average B&B placement = 13 weeks calculates to £7,462

### 3.5 Right to Buy

All Right to Buy applications are verified by the Corporate Fraud Investigation Team. Since April 2015 the CFIT have carried out 11 Right to Buy visits, following CFIT involvement 2 applications have been rejected.

One of these cases concerned a gentleman who had applied for a mortgage whilst he was still claiming housing benefit. Cross referencing the income details on his housing benefit application with his mortgage broker identified that he was making false income statements and the mortgage offer was withdrawn.

Table 4

| <b>Right to Buy</b>             |                |                            |
|---------------------------------|----------------|----------------------------|
|                                 | <b>2015/16</b> |                            |
|                                 | <b>YTD</b>     | <b>Savings</b>             |
| Number of Right to Buy visits   | 11             |                            |
| Number of applications rejected | 2              | <b>£141,400 (discount)</b> |

### 3.6 Proceeds of Crime Investigations

The role of the Accredited Financial Investigator 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 the offender has benefited financially from their crimes and a criminal lifestyle can be demonstrated. 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 confiscation order agreed and paid.

Since April 2015 the CFIT have been working on 11 investigations of which 7 are currently before the courts. Confiscation orders have been obtained in a number of cases and Hillingdon will receive 37.5% of the amount awarded under the Home Office Incentivisation scheme. Since 1<sup>st</sup> April 2015, offenders have paid £93,536 towards their confiscation orders. Hillingdon will receive its incentivisation amount of £35,076 on the 30th September 2015.

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 on rogue landlord cases, POCA could apply to any case where a planning enforcement notice has not been complied with and the offender has benefited financially. The Council's first planning POCA case was very successful. A landlord 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 received an incentivisation amount of £63,750.

From 1<sup>st</sup> June 2015 a Planning Enforcement Officer will be working with the CFIT Financial Investigator on a part-time basis to ensure effective identification of cases where planning regulations have been breached. All breaches of Planning Notices since April 2013 are being considered by this project.

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

### **3.7 Housing Waiting List**

A project was set up by the CFIT in April 2015 to review the current Housing Register Waiting List. The purpose of the project was to identify through checking council records, such as Council Tax information and electoral registration, people on the waiting list who were no longer entitled to Social Housing because their circumstances had changed or they provided false information on their application. Removing these people from the waiting list means that the Council will have an accurate data relating to current social housing needs for effective forward planning.

Since the project commenced on 27<sup>th</sup> April 2015, the CFIT have targeted the cases with the highest potential. This has meant that 465 applicants have been removed from the waiting list of 3567. In the process of this exercise the CFIT has also identified 7 cases where the household has been incorrectly claiming Single Person Discount for Council Tax.

### **3.8 Insurance Claims**

In January 2015 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.

### **3.9 Enhanced Recruitment Verification**

From July 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.

### **3.10 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.

### **3.11 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.