

BUSINESS ASSURANCE

Counter Fraud Annual Report to Audit Committee: 2019/20

31st August 2020



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The Counter Fraud key contacts in connection with this report are:

Muir Laurie FCCA CMIIA

Deputy Director of Exchequer Services & Business Assurance

t: 01895 556132

e: mlaurie@hillingdon.gov.uk

Zac O'Neil PIIA CIA

Head of Counter Fraud

t: 01895 556828

e: zoneil@hillingdon.gov.uk

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1. Introduction

1.1 The Role of the Business Assurance Counter Fraud Team

- 1.1.1 The Business Assurance Counter Fraud Team (BACFT) supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the BACFT underpins the Council's commitment to a zero tolerance approach to fraud, bribery, corruption and other irregularities, including any money laundering activity.
- 1.1.2 As well as counter fraud activity, the BACFT also conducts a range of other types of investigative work which do not necessarily have a criminal element to them i.e. revenue inspections, disciplinary investigations, etc. There is also a range of preventative work that the team is responsible for carrying out, such as fraud awareness training and ensuring the Council have up-to-date and appropriate corporate investigation policies and procedures. The BACFT also leads on the Council's assessment of the risk of fraud and corruption across all council services.

1.2 The Purpose of the Counter Fraud Annual Report

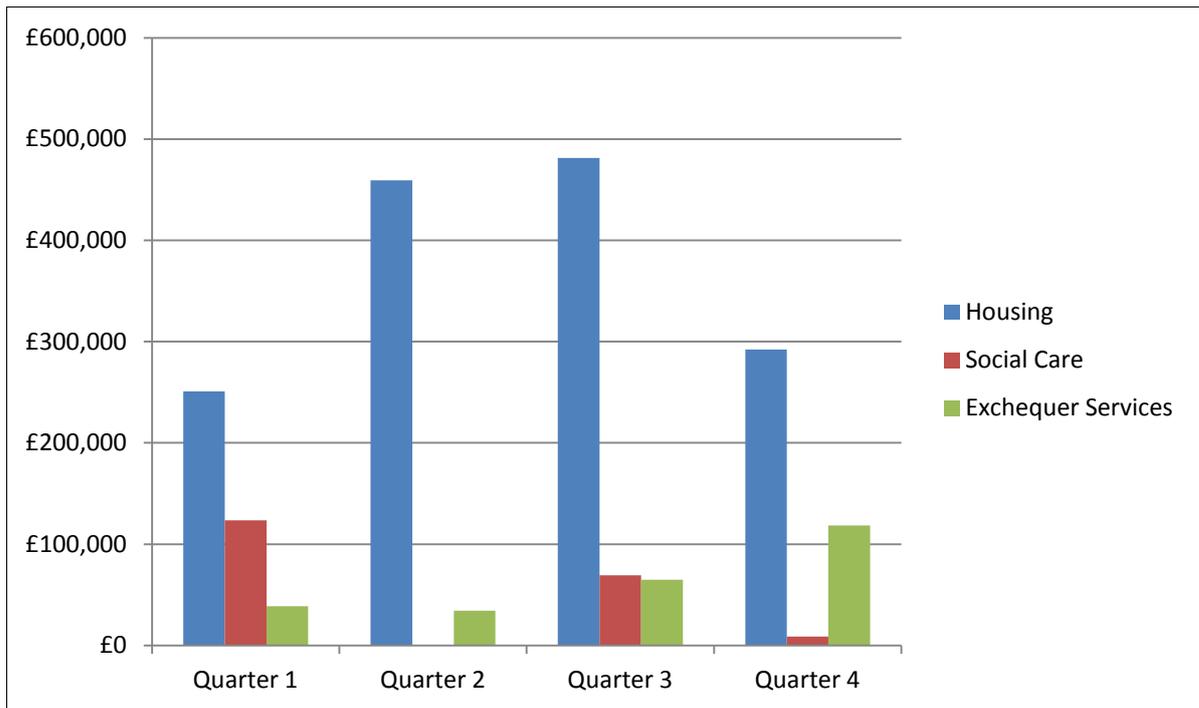
- 1.2.1 The Counter Fraud Annual Report 2019/20 provides the Council's Corporate Management Team (CMT) and Audit Committee with information on the counter fraud work carried out during 2019/20. It summarises for CMT and the Audit Committee the key findings from the quarterly progress reports presented during the year. In addition, it provides an opportunity for the Deputy Director of Exchequer Services & Business Assurance [DDESBA] to highlight any significant issues arising from the counter fraud work in 2019/20.
- 1.2.2 The Annual Report also highlights to CMT, the Audit Committee and other key stakeholders, the performance of the BACFT in meeting its strategic and operational objectives (as set out in the Counter Fraud Strategic Plan), which provides an opportunity for the DDESBA to be held to account in this respect.

2. Executive Summary

- 2.1 In 2019/20 the BACFT was able to build on the achievements of 2018/19, outperforming the previous year in achieving successful outcomes in all areas of counter-fraud work, **delivering a total of £1.94m in loss prevention savings** across Council services. This is a positive outcome for the BACFT and the Council, particularly as 95% of Counter Fraud activity was put on hold in mid March as a result of the Covid-19 pandemic.
- 2.2 From mid March through to June, the BACFT were redeployed into critical services as part of the Council's response to the pandemic. This predominantly involved creating, operating and managing the Council's Food Delivery Service of bespoke shopping orders as well as emergency food parcels for residents. Further, working alongside the Hillingdon4All charity and other Business Assurance teams (including Internal Audit and Insurance), the BACFT successfully carried out other Covid-19 response critical services including medical prescription collections and deliveries of PPE.
- 2.3 2019/20 saw the introduction of prototype Revenues Investigations Unit (RIU) within the BACFT. The work of the RIU maximises revenue, improves efficiency and increases productivity by applying proven effective visiting processes and investigation techniques. This ensures that Business Rates and Council Tax are correctly applied to all properties, including business premises and new-build properties. The RIU's performance in its first year has met expectations and exceeded the 2018/19 figures; 8% improvement on volume of inspections work carried out and 4% increase on inspections completed within the 10 day target. The DDESBA acknowledges that there are further improvements to be made in the RIU coverage and outcomes, but this represents a positive direction of travel for the RIU in its first year of operation.

- 2.4 In 2019/20, the main area of work for the BACFT continued to be within **Housing Services**, with the team carrying out a number of successful counter fraud proactive projects, together with ongoing reactive investigations into suspected housing fraud. This has achieved overall **loss prevention cost reductions of £1.320m**, a 55% increase on the results of 2018/19 (£0.849m). These savings included the **recovery of 28 Council properties** due to tenancy fraud, an increase of 47% from the previous year (19). The BACFT has also successfully **prosecuted 2 cases of housing fraud** involving First Time Buyers (FTB) grants and Housing Application fraud, with the Courts handing down sentences of 120 hours of unpaid work and a £300 fine respectively.
- 2.5 Other counter fraud and verifications activities carried out in 2019/20 included work in the areas of **Exchequer Services, Social Care and Blue Badge**. This was a mixture of proactive counter fraud projects and reactive investigations work, informed by the team's established risk based approach, which generated **financial loss prevention cost reductions totalling c£257k**. Working with colleagues in Social Care and focusing on areas of highest risk, the BACFT carried out projects in relation to Section 17 emergency funding and the allocation of temporary accommodation, which resulted in **loss prevention cost reductions of c£29k** being achieved.
- 2.6 As part of an ongoing prevention strategy towards **Blue Badge Fraud**, the BACFT carried out bi-annual proactive projects in 2019/20, targeting misuse hotspots in the borough. Due to the successful work of the team since introducing proactive prevention work in 2018, Blue Badge misuse has been reduced to a relatively low level. This is partly evidenced by the reduced levels of detected misuse and penalties issued, from 13 seized badges and 12 penalties issued in 2018/19, decreasing to **6 seized badges and 3 penalties issued in 2019/20**. The decision to reduce the number of proactive operations carried out was made based on an assessment of risk and the downward trend in detected Blue Badge misuse. This is a positive reflection on the effect that proactive counter fraud operations have in driving down the instances of fraud/misuse in a particular area of focus.
- 2.7 Proactive projects in Quarters 3 and 4 within Exchequer Services, looking at "**Beds in Sheds**" (unregistered residential accommodation), successfully brought **10 unregistered properties** into Council Tax, generating **£17k of revenue income** for the Council. Data matching, also within Council Tax, specifically focusing on **Single Person Discount (SPD)**, generated **£132k of additional revenue**, with **£29k of wrongful claims** via the **Council Tax Reduction (CTR)** scheme also identified. These results represent a significant improvement in results compared to 2018/19.
- 2.8 In 2019/20 the BACFT continued to successfully operate with a **Home Office Immigration Enforcement Officer (IEO)** integrated within the Counter Fraud and Verifications services provided across the Council. The IEO joined the team in April 2018 through a joint initiative with the Home Office to provide better access to Home Office data and assist local authority decision making where immigration status is an issue. Despite there being a cost to the Council for the IEO service, the prudent estimate of the return on this investment in terms of **loss prevention achieved for 2019/20 is 300%**, which is an **improvement of 40% over 2018/19**.
- 2.9 This loss prevention work is made up of savings in a number of complex Council service areas, but mainly in Housing and Social Care. The impact of the Covid-19 pandemic resulted in the IEO service being paused in March 2020. However, in line with other BACFT services, the IEO services were resumed on 1st of July 2020.
- 2.10 **Chart 1** (over the page) summarises the areas* in which the BACFT has achieved loss prevention savings (cost reductions) in 2019/20 by each quarter. The emphasis of BACFT resource within the area of Housing Services is clearly illustrated and provides context for where loss prevention savings have been achieved throughout the year.
- 2.11 A full breakdown of all BACFT loss prevention savings can be found at **Appendix A**.

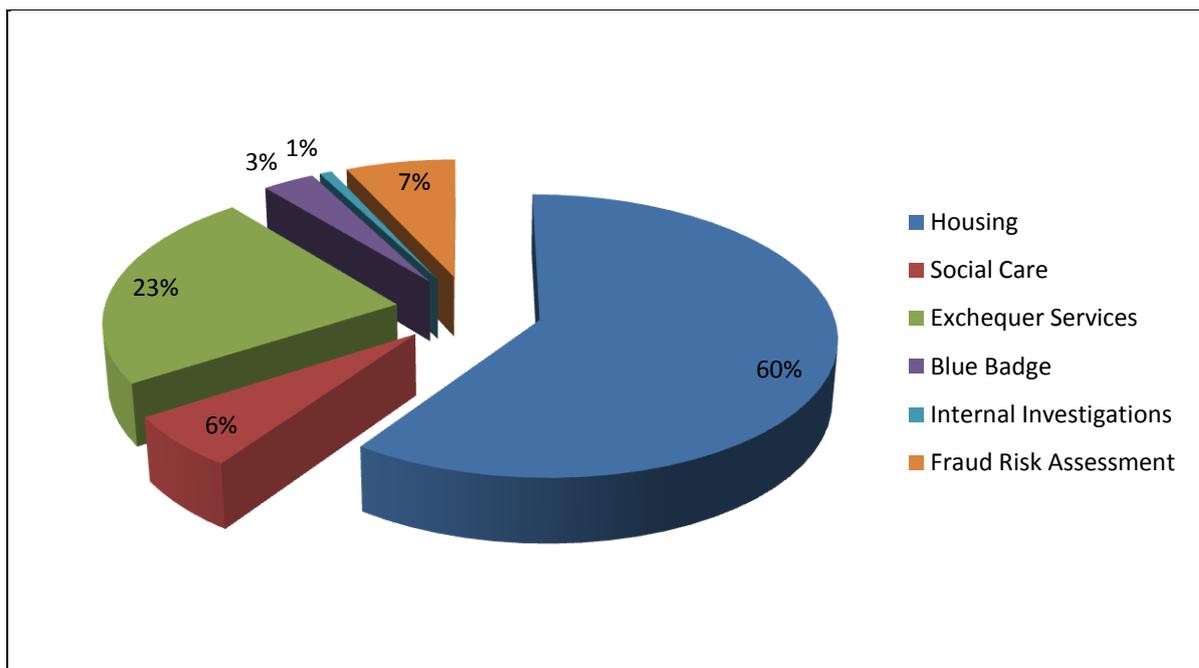
Chart 1 - BACFT Loss Prevention Savings Achieved in 2019/20



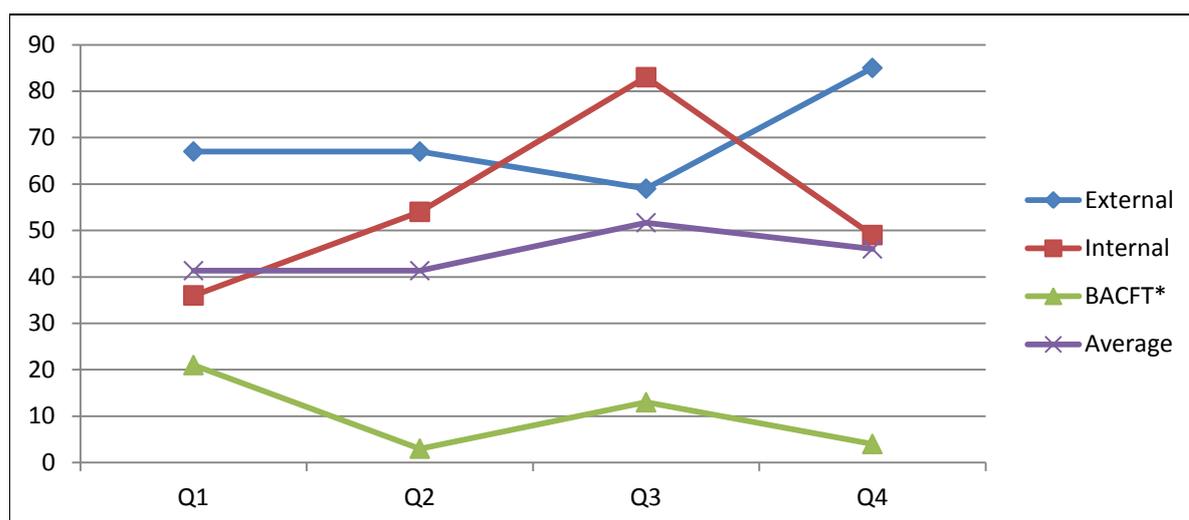
*This includes savings generated through the work of the IEO

2.12 **Chart 2** below summarises the allocation of BACFT resource in 2019/20. As with the previous year, the primary area of allocation is within Housing, though it should be noted this is almost 20% less than in 2018/19. Social Care and Fraud Risk Assessment remains stable at 6% and 7% of resource allocation respectively. The remaining BACFT resource was allocated to Exchequer Services, including NFI data matching and Revenue Inspections. This allocation correlates to the savings achieved in 2019/20 and clearly reflects the strategy to increase focus on high value fraud and loss prevention work within Exchequer Services.

Chart 2 - BACFT Allocated Resource in 2019/20



2.13 In 2019/20 the BACFT received a total of 541 referrals for investigation from both internal and external sources (compared to 425 in 2018/19). **Chart 3** (over the page) provides a summary of the trend in referrals over the year.

Chart 3 - Number of 2019/20 Referrals by Quarter

*Referrals generated through BACFT proactive projects or data matching exercises

- 2.14 The sharp increase in referrals from internal sources in Q3 is attributable to a **comprehensive fraud awareness campaign**, which began in Q3. The Annual Counter Fraud Plan for 2020/21 includes activities to further embed the effective counter fraud culture within the Council. This will build on the achievements of 2019/20 and introduce new initiatives to strengthen the internal and external counter fraud environment, which is a key element of ensuring our fraud prevention strategy is effective. Overall, **fraud referrals across all areas increased by 27% (116) in 2019/20**, which is a positive outcome, as this was a priority objective for the team this year and a key part of the strategy to achieve the team's financial loss prevention target.

3. Analysis of Counter Fraud Activity in 2019/20

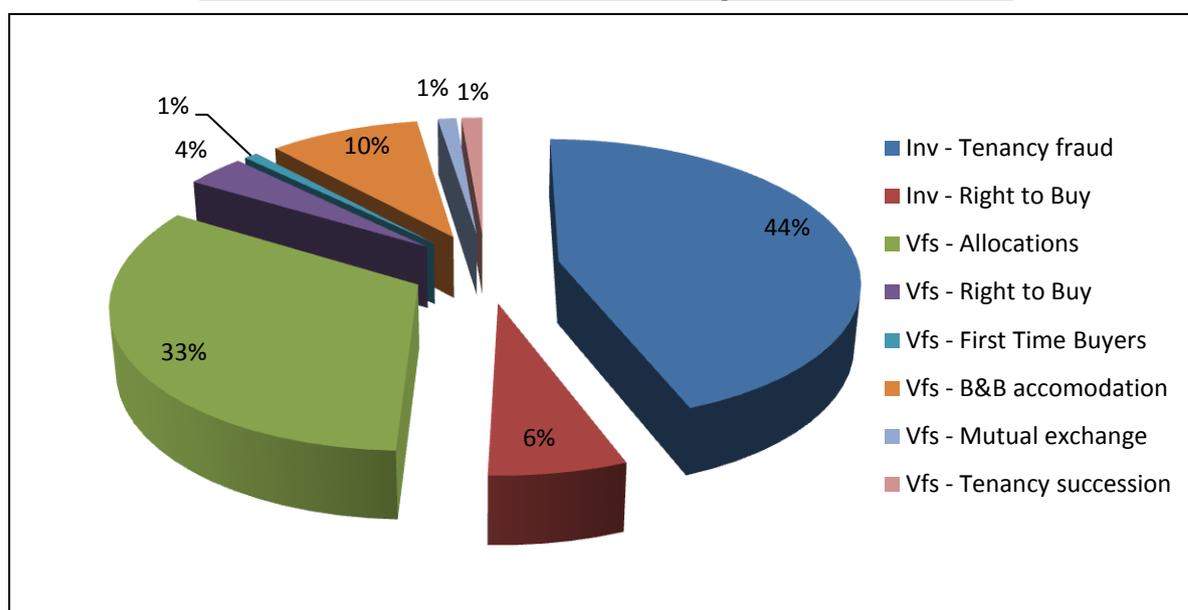
- 3.1 This section provides a more detailed analysis of the activities of the BACFT during 2019/20, detailing specific work streams and the trends within each area for comparison and contrast. The activities of the BACFT were predominantly focussed on three main fraud areas of work; **Housing, Social Care and Exchequer Services**. Although **Blue Badge** fraud remained part of the BACFT's annual plan for proactive work and reactive work, we have seen a decrease in instances of this type of fraud across the borough in 2019/20 due to increased counter fraud activity in this area. The team were also commissioned to carry out several internal investigations, which at times included investigations under the Council's Disciplinary Policy and Procedure, whilst ensuring full compliance with the Corporate Investigations Protocol.

3.2 Housing Fraud

- 3.2.1 Despite increased counter fraud activity within other areas of Council services, housing fraud continued to be the main area for work for the BACFT in 2019/20. The objective being the **effective prevention and detection of housing tenancy fraud**, and providing assurance to key stakeholders that applicants' eligibility for housing services is properly verified, prior to being offered a tenancy.
- 3.2.2 The team actively engages with Housing colleagues to ensure a **high level of fraud awareness** and good working relationships, which in turn acts to generate high quality fraud referrals for investigation. Fraud allegations are also received from members of the public and investigated following a **robust risk assessment process**. This involves initial intelligence gathering and confirmation checks, often including un-notified visits to properties. The team also work with a variety of social landlords and statutory agencies to help detect fraud where information sharing protocols are in place, to try and ensure that those people living in Council properties are properly entitled.

3.2.3 The Council is exposed to a number of housing fraud risks, as highlighted in the Counter Fraud Strategy and as a consequence, significant BACFT resource was deployed on the prevention and detection of housing fraud in 2019/20. **Chart 4** below details the allocation of BACFT resources in 2019/20 within the fraud risk area of Housing Services.

Chart 4 - BACFT Work Within Housing Services in 2019/20



3.2.4 **Chart 4** above sets out the proportion of resource allocated within the different areas of Housing. This clearly indicates that the majority of Counter Fraud housing work is in the areas of tenancy fraud and pre-allocation verifications. **Tenancy fraud work increased by 18% in 2019/20** whereas verifications of housing allocations reduced by 13%. Verifications across all BACFT areas reduced in 2019/20, which reflects the **increasing risk based approach** taken in the delivery of verifications services. This frees up resource to be used on higher risk cases i.e. tenancy fraud work to recover properties. This also allowed for greater resource to be allocated to Right to Buy investigations (refer to **Appendix A**).

3.2.5 Per **Table 1** below, in 2019/20 the BACFT recovered **28 Council properties, an increase of 47% on the previous year**. This improvement can be attributed to the greater priority placed on detecting and investigating more complex and high risk cases of suspected fraud and the additional resource allocated to this work. The focus was also to improve the quality of intelligence received within referrals, through fraud awareness training and maintaining close working relationships with colleagues in Housing Services. These results **reverse the trend of falling numbers of properties recovered** by the BACFT over the last two years, which was due, in part, to successes in tackling tenancy fraud in previous years, effectively reducing levels of fraud across the borough in line with Council's fraud prevention strategy. An increased effort was therefore needed to detect those fraud cases that might have gone unnoticed previously and to tackle the more complex cases, thereby improving on the previous year's outcomes.

Table 1 ~ Housing Tenancy Fraud Cases

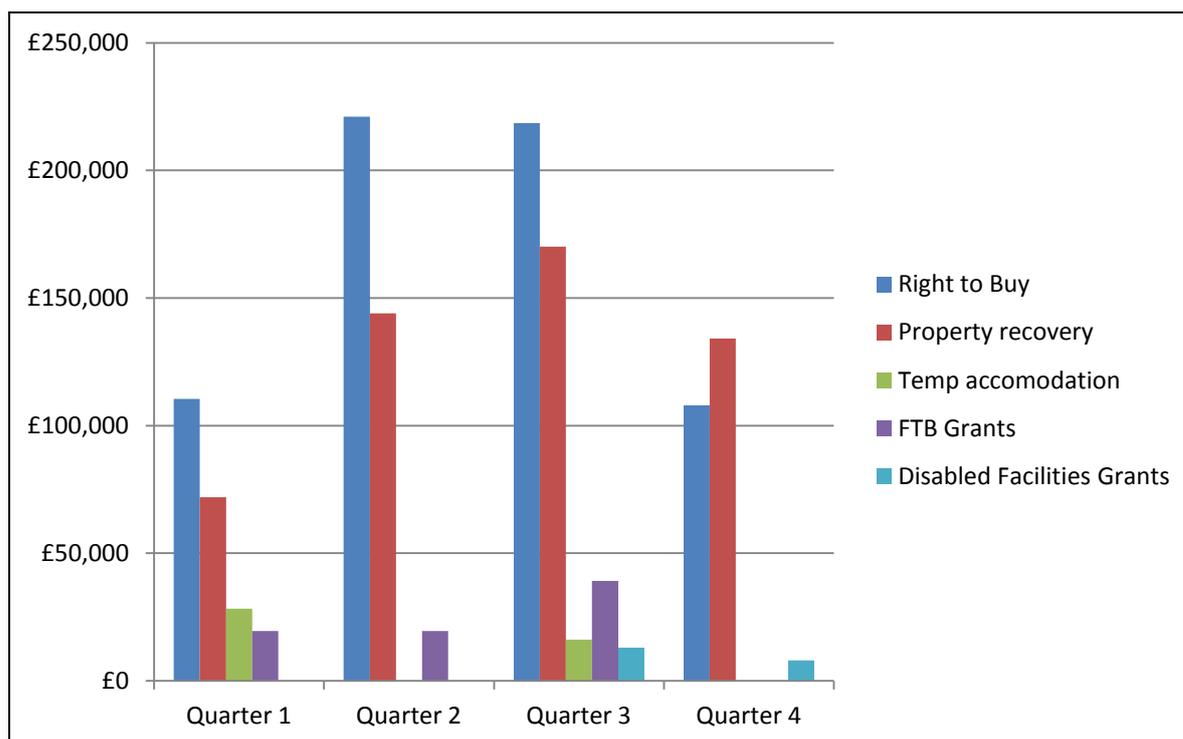
Housing Tenancy Fraud	2019/20		2017/18		2016/17	
	Cases	£k/value**	Cases	£k/value	Cases	£k/value
Total number of recovered properties	28	£504k	19	£342k	43	£774k

** = In 2014, the Audit Commission reported the national average temporary accommodation costs to Local Authorities for one family as **£18k per property**. We continue to use this prudent estimate for reporting purposes, although across London a number of authorities are reporting that the true cost of each tenancy fraud case is more accurately estimated as **£94k per property** and some as high as **£150k per property** as a representation of property replacement costs.

3.2.6 The financial savings achieved in 2019/20 within Housing Services contributed 68% of the total cost reductions achieved by the team, with 60% of the team's resource allocation. This means that fraud within Housing remains the most significant in terms of financial outcomes as a percentage of resources allocated.

3.2.7 **Chart 5** below summaries the loss prevention outcomes of the team by Housing area. Some of these outcomes are notional, such as the recovery of properties, as outlined in **Table 1** (on previous page). Others are a loss prevention outcome where the team has prevented expenditure, such as with accommodation that has been closed or 'Right to Buy' discounts, or a direct cashable saving where the Council has recovered, or will recover funds.

Chart 5 - BACFT Loss Prevention Outcomes in Housing 2019/20



3.2.8 Per **Table 2** below, in 2019/20 the BACFT continued to carry out verifications as part of the housing allocations process. These enhanced checks give assurance to management that housing applicants are genuine and entitled to be housed prior to allocation, and also highlight potential fraud for further investigation.

3.2.9 Of the 2,295 **housing verifications** carried out in 2019/20, **26% (598) have been rejected** for various reasons, such as inability to demonstrate 10 year history in the borough, significant rent arrears or other property ownership. Without our verification checks, these applications are likely to have been successful and the applicant would then have been housed in a Council property that they were not entitled to.

Table 2 ~ Housing Tenancy Verification Cases 2019/20

Housing Tenancy Verification Cases	Q1	Q2	Q3	Q4	Total
Total number of cases reviewed	518	692	581	504	2,295
Total number verified as accurate	380	518	424	375	1,697
Total number rejected	138	174	157	129	598
% identified by BACFT for rejection	27%	25%	27%	26%	26%

3.3 Exchequer Services

- 3.3.1 Over the last financial year, the BACFT has dedicated significant additional resource in the area of Exchequer Services. This includes the work of the **Revenues Investigations Unit (RIU)** carrying out inspections of businesses and properties in the borough, **Council Tax exemptions and discounts** (such as SPD) and data matching work through the National Fraud Initiative (NFI).
- 3.3.2 The RIU was a **prototype sub-team** set up within the BACFT in 2019/20 to carry out the work of revenues inspections in the areas of Council Tax and Business Rates. This initiative brought the function placed back within the BACFT from Exchequer Services, taking advantage of the operational processes existing within the Verifications sub-team. This included the synergy and the knowledge and experience of the BACFT in operating a highly performing visiting function. The work of the RIU maximises revenue, improves efficiency and increases productivity by applying proven effective visiting processes and investigation techniques. This ensures that Business Rates and Council Tax are correctly applied to all properties, including business premises and new-build properties.
- 3.3.3 Per **Table 3** below, the RIU in 2019/20 improved on the performance of the Revenues Team in the previous year by increasing the total number of inspections completed and improving the number of inspections completed within the target of 10 days. This target was not part of the KPI's for the BACFT and existed prior to the service being taken on, but it is intended that this will be a KPI for the RIU moving forward.

Table 3 ~ Revenues Inspections Performance 2019/20

Revenues Inspections	2019/20	2018/19	Improvement
Total number of inspections completed	5,592	5,164	+428 / +8.3%
Percentage within 10 day target	62.8%	58.6%	+4.2 / +7.2%

3.4 National Fraud Initiative

- 3.4.1 The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Cabinet Office (CO) which is carried out every 2 years. Over 1,200 organisations in both the public and private sector participate, including councils, the Police, hospitals, nearly 100 private companies, all helping to identify potentially fraudulent claims and errors. The NFI states that from 2018 to 2020, over £244 million of fraud and error has been identified by the scheme.
- 3.4.2 LBH's participation in the NFI project yields financial savings beyond that of the BACFT, details of which are captured by the CO and reported based on their assessment of the estimated impact of the NFI's work. For LBH, the figures reported by the CO for the most recent completed exercise (which was the **2018 bi-annual exercise**) are **savings of £418k** and for the **yearly matching exercise** in 2018, the CO reports **savings of £481k**. The methodology used by the CO to calculate their reported figures is not the same approach as that of the BACFT. We choose to use prudent estimates, i.e. £18k per tenancy fraud case where a property is returned, as opposed to £94k used by the NFI. For Council Tax SPD, the NFI uses 2 years of discount, whereas the BACFT uses just 1 year as the estimated saving.
- 3.4.3 Per **Table 4** (over the page), the results for the **NFI loss prevention work by the BACFT in 2019/20 were total savings of £159,613**. This is a significant improvement on the outcomes for 2018/19 and is explained by an intentional focus placed data matching and NFI work, seeking to improve in this area on 2018/19 outcomes. The majority of the savings have been achieved within revenues and specifically SPD, but a Council property has also been recovered through the NFI work as indicated by the notional saving.

Table 4 ~ NFI Savings in 2019/20

Area of Saving	Q1	Q2	Q3	Q4	Total
Single Person Discount	£22,774	£23,938	£24,421	£39,056	£110,189
Council Tax Exemption	£0	£0	£0	£3,193	£3,193
Council Tax Reduction	£0	£0	£474	£4,132	£4,606
Housing Benefit	£0	£5,066	£0	£18,559	£23,625
Housing Tenancy	£0	£0	£18,000	£0	£18,000
Totals	£22,774	£29,004	£42,895	£64,940	£159,613

3.5 Blue Badge Fraud

3.5.1 The Council is committed to preventing and detecting Blue Badge Fraud through the work of the BACFT. Although the direct monetary value of Blue Badge Fraud is relatively low, the reputational risk in relation to this area is significant for the Council.

3.5.2 In 2019/20 the approach in this area was to carry out proactive 'operations' targeting areas of highest risk for parking offences. BACFT officers in plain clothes checked the badges of all vehicles parking within a disabled bay, or on yellow lines and displaying a Blue Badge. This is to ensure that the badge holder is present or is being collected, but also to ensure that the badge is genuine.

3.5.3 In the 2019/20 year, the approach was to carry out one Blue Badge proactive operation per two quarters. The results for the year were as follows:

- 2 proactive operations (Q1 and Q3) targeting high risk areas;
- 133 badges checked by BACFT officers;
- 6 expired badges seized and returned to the Blue Badge team; and
- 3 financial penalties and 1 official caution issued following investigation.

3.5.4 Since the BACFT commenced proactive Blue Badge operations in 2018, the recorded **instances of misuse of Blue Badges in the borough have been falling significantly in number**. This reflects positively on how the Council tackles Blue Badge fraud and provides reassurance to residents that fraud in this area will not be tolerated by the London Borough of Hillingdon. This initiative increases public awareness of the BACFT's work across the borough and also inspires community confidence. The BACFT will continue to carry out proactive work in this area in 2020/21 and increase resource in this area if levels of misuse begin to rise again.

3.6 Counter Fraud Proactive Projects in 2019/20

3.6.1 Part of the strategic counter fraud approach is to carry out focused proactive projects within service areas where there is the highest risk of fraud and financial loss. This enables the BACFT to focus resource on where it is likely to have the biggest impact, and also gives assurance over areas of council expenditure that is at a high risk.

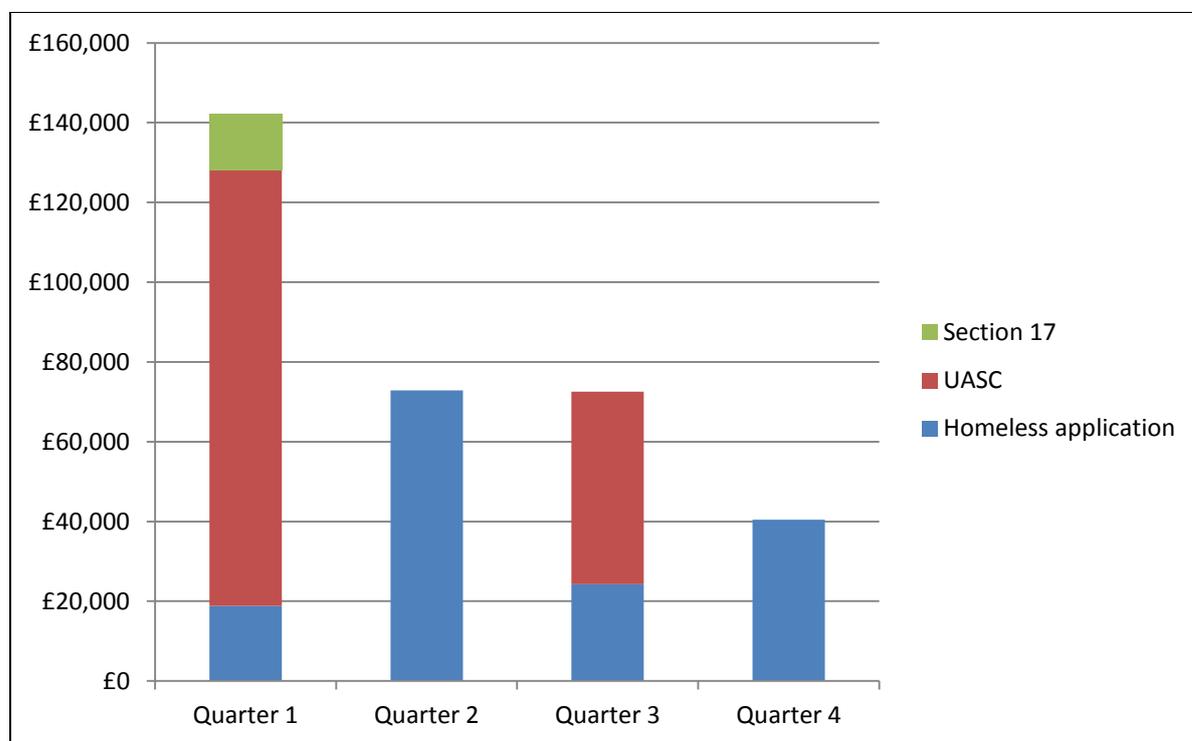
3.6.2 Per the table at **Appendix C**, the BACFT carried out 6 main proactive counter fraud projects in 2019/20 (not including Blue Badge operations). Detailed within **Appendix C** is the rationale behind each project and its outcomes. These projects represent continued achievement for the BACFT, building on the work carried out in 2018/19, and a clear indication of the focus on a risk based methodology and the value in undertaking project work as a proactive measure to prevent financial loss and detect fraud. Further proactive project work is planned for 2020/21 as detailed in the Counter Fraud Strategic Plan.

3.7 Immigration Enforcement Officer (IEO)

3.7.1 Since April 2018, the BACFT has had a Home Office IEO working as part of the team. The purpose is to provide enhanced access to Home Office data for the purpose of assessing cases involving immigration status and for assisting in counter fraud work. The IEO is available to all Council departments where there is a need to verify an individual's status in the country. Having the IEO present has proven to be extremely beneficial in assisting in Council business and preventing financial loss.

3.7.2 **Chart 6** below summarises the outcomes for the work of the IEO within 2019/20. This is based on prudent estimates of the costs of Council services that are linked to immigration issues where the IEO has been able to directly assist with by providing Home Office information. The total value of the IEO work for 2019/20 is prudently estimated at **£328,144** which represents a significant return on the investment by the Council and a **40% increase on the achievements of 2018/19**. At the end of Quarter 4, the IEO's work at the Council was paused due to the pandemic, but the IEO has returned into the team at the start of July 2020.

Chart 6 - IEO Loss Prevention Outcomes 2019/20



3.8 Fraud Awareness Campaign

3.8.1 Part of the Counter Fraud Strategy for 2019/20 was to **enhance and embed an effective counter fraud culture** within the Council. It had been identified from the previous year's data that the number of referrals for investigation from colleagues was on a downward trend, leading to worse outcomes in terms of fraud prevention and detection. The aim, therefore, was to increase the volume of referrals for investigation from colleagues, improving the quality of those referrals, and ensure that fraud was more likely to be detected and prevented by colleagues who were more aware of their fraud risks, and had appropriate controls in place to detect and deter fraud.

3.8.2 The strategy therefore was to increase fraud awareness amongst staff across the Council, and engage with managers to identify and categorise their fraud risks, as part of a comprehensive Fraud Awareness Campaign. This campaign began in November 2019 with a **Fraud Awareness Week**, which included a range of activities designed to communicate to all levels of the Council. Fraud Awareness Week was only the start of the campaign, with the BACFT continuing fraud awareness activities into the New Year and beyond.

- 3.8.3 The activities carried out as part of the fraud awareness campaign included the following:
- Fraud awareness presentations tailored by service area;
 - Fraud Risk Workshops delivered to senior members of staff to identify fraud risks;
 - Information communicated via the All Staff Email and Horizon;
 - A fraud awareness stand manned for the week in November outside the civic centre staff restaurant; and
 - A mandatory fraud awareness e-Learning module which all new staff must complete as part of the staff induction.
- 3.8.4 As a result of this campaign, fraud referrals for investigation from internal sources significantly increased **from** 166 in 2018/19, **to 222 in 2019/20**; an **increase of 34%**.

4. Analysis of the Counter Fraud Team Performance 2019/20

- 4.1 The BACFT introduced KPIs for the first time at the beginning of the 2018/19 which were agreed and implemented in liaison with CMT and the Audit Committee. The KPIs allow effective measurement of performance and enable the team and the DDEBA to be better held to account by CMT and Audit Committee. The table at **Appendix B** sets out the performance by the BACFT against the KPIs throughout 2019/20.
- 4.2 As can be seen from **Appendix B**, performance against KPIs has improved considerably in 2019/20 compared to 2018/19, with **5 of the 8 KPIs being achieved**. Whilst further improvement is still possible, this is a significant achievement for the BACFT and indicates the efforts made to constantly improve and professionalise the BACFT, aiming to provide the Council with excellence in fraud prevention, detection and investigation services.
- 4.3 The table at **Appendix A** provides a summary overview of the loss prevention performance of the Counter Fraud team during 2019/20 in relation to the different areas of counter fraud activity.
- 4.4 Throughout 2019/20 the BACFT has sought to obtain data from each London Borough relating to counter fraud activity and produced benchmarking information which is set out at **Appendix D**. This data relates to reported figures in counter fraud reports to oversight committees for 2018/19. It is worth users of this report noting the significant inconsistency between authorities in terms of what they each report to their oversight committees and the variation in values they each place on individual activities. As a result, this makes comparison between authorities in terms of individual counter fraud work areas more challenging.
- 4.5 Nevertheless, there are several areas of general commonality (as set out in **Appendix D**), including the performance on housing fraud and Blue Badge which are present across most London Boroughs.

5. Forward Look

- 5.1 Looking ahead to 2020/21, the BACFT, as part of the Council's Counter Fraud Strategic Plan, will continue to develop the risk based approach, focussing on the areas of highest fraud risk within service areas. Key to this is the continued engagement with service areas on fraud issues, and facilitating fraud risk analysis for the Council through the 'Fraud Universe' and fraud risk workshops.
- 5.2 With the fraud risk profile for the Council changing significantly due to the Covid-19 pandemic, the BACFT will respond to this by adapting its service to meet new challenges and ensure that opportunities to prevent and detect fraud and error are identified with appropriate action taken.

- 5.3 Moving ahead, there are a number of key priorities for the BACFT. These include:
- **Restructuring the BACFT** to align the sub-teams into three fraud units by risk type - Housing Investigations Unit, Revenues Investigations Unit and Special Investigations Unit - as opposed to by function, creating process efficiencies and strengthening the skills mix within the team;
 - **Implementation of the Counter Fraud Strategic Plan 2020/21**, with a full and ongoing reassessment of the fraud risk profile of the Council in light of new and emerging fraud risks;
 - Continued **engagement with key stakeholders through fraud awareness and fraud risk workshops and a continuing of the organisation wide fraud awareness campaign** to further promote and embed the counter fraud culture within the Council; and
 - Focussing on **new opportunities for fraud prevention and detection and strengthening of counter fraud controls** in key areas of financial interest to the Council, such as Social Care, Revenues, Schools and Procurement.
- 5.4 The BACFT would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the Council during 2019/20.

Muir Laurie FCCA CMIIA

Deputy Director of Exchequer Services & Business Assurance

31st August 2020

APPENDIX A**BACFT Loss Prevention Performance 2019/20**

Work Area	Description	Q1	Q2	Q3	Q4	Total
Housing	Right to Buy Discounts	£110,500	£221,000	£218,500	£108,000	£658,000
	Property Recovery (notional)	£72,000	£144,000	£170,095	£134,095	£520,191
	Disabled Facilities Grants	£0	£0	£13,000	£8,000	£21,000
	First Time Buyer Grants*	£19,560	£19,560	£39,120	£0	£78,240
	Other Savings/Loss Prevention	£29,797	£1,762	£16,329	£0	£49,388
	Prosecution Costs	£0	£0	£0	£2,165	£2,165
Social Services	Loss Prevention	£0	£0	£20,978	£8,762	£29,741
Revenues	Council Tax Reduction	£397	£0	£5,311	£24,254	£29,962
	Single Person Discount	£30,984	£28,097	£27,673	£45,719	£132,474
	Council Tax Arrears	£2,600	£0	£3,246	£5,220	£11,066
	Council Tax Exemptions	£1,005	£0	£0	£0	£1,005
	Beds in Sheds	£0	£0	£4,791	£12,837	£17,628
	Housing Benefit Overpayments	£3,715	£6,157	£23,909	£31,819	£65,600
Blue Badge	Simple Caution & Financial Penalty	£200	£0	£100	£0	£300
Immigration Enforcement Officer	Housing Homelessness Applications**	£18,869	£72,861	£24,287	£40,479	£156,496
	Asylum Seeking Children Expense***	£109,263	£0	£48,232	£0	£157,496
	Social Services Section 17 Expense**	£14,123	£0	£0	£0	£14,123
	IEO Sub Total	£142,255	£72,861	£72,520	£40,479	£328,115
Totals	Loss Prevention	£252,755	£293,861	£311,998	£165,241	£1,023,855
	Notional Savings	£75,715	£150,157	£207,005	£165,914	£598,791
	Cashable Savings	£84,343	£49,419	£96,470	£89,531	£319,764
	Costs Awarded/Penalties	£200	£0	£100	£2,165	£2,465
	Total	£413,013	£493,438	£615,573	£422,851	£1,944,875

* First time buyers - Average grant given per person.

** Average weekly cost against average length of support. This figure fluctuates but has been provided by the Council's business performance team.

*** Cost of accommodation and subsistence per week for one year. This figure is a prudent estimate as the Council can and does often support asylum seeking children until they are 25 years old.

APPENDIX B**KPIs and Actual Performance 2019/20**

BACFT KPIs	Target	Q1	Q2	Q3	Q4	19/20	18/19
1. Percentage of fraud referrals risk assessed within 3 working days	95%	94%	100%	100%	97%	98%	66%
2. Verification work timescales for completion:							
a. Housing Allocations completion within the target date set by Housing. ¹	95%	90% ²	96%	99%	96%	97%	90%
b. First Time Buyer completion within 5 working days	95%	100%	100%	100%	100%	100%	90%
c. Right to Buy completion within 28 working days	95%	64%	78%	100%	100%	86%	54%
3. Investigation plan completion within 5 working days of case allocation	95%	100%	94%	89%	94%	94%	67%
4. Tenancy fraud referrals received resulting in property recovery	20%	23%	29%	33%	50%	34%	18%
5. Investigations resulting in sanction (prosecution/penalty/caution)	10%	8%	0%	0%	5%	3%	6%
6. Investigations resulting in loss prevention/financial saving outcome	25%	23%	47%	30%	28%	32%	22%

¹ This KPI was updated in quarter 2 of this year on review of verifications performance and the needs of Housing Services. The previous KPI was "Housing Allocations completion within 3 working days".

² The performance for Q1 and for 2018/19 is shown against the previous KPI of completion within 3 working days.

APPENDIX C**Proactive Counter Fraud Projects 2019/20**

Proactive Project & Rationale	Project Outcomes
<p><u>Bed and Breakfast residency - Q1 to Q2</u></p> <p>The BACFT carried out a project conducting residency checks for emergency accommodation provided to Housing and Social Care service users. The objective of this project was to verify that the emergency accommodation was being lawfully occupied and identify any fraud being committed through subletting or non-occupation.</p>	<ul style="list-style-type: none"> • Number of cases reviewed - 178 • Number of cases validated - 176 • Cases recommended to cease funding - 2 • Loss prevention through stopping funding - £18k • Additional savings - 3 SPD claims ended
<p><u>Empty properties New Homes Bonus - Q2 to Q3</u></p> <p>The New Homes Bonus (NHB) is a grant paid by central government to local councils to incentivise housing growth in local areas. The BACFT worked alongside colleagues within Exchequer Services, to identify properties that were recorded as empty but were in occupation, counting towards the NHB. Desktop enquiries and information gathering was completed by Exchequer Services, whilst the BACFT conducted unannounced visits to properties where checks indicated that a visit was required.</p>	<p>As a result of this work, the Council's NHB grant for 2020/21 has been calculated at £1,084,020, which is £300k above the budget figure forecast by the Council for income from the NHB.</p> <p>The NHB is calculated on a NET figure of the total number of properties that are brought into occupation against the number that become long term empty in the same period.</p>
<p><u>Beds in Sheds - Q3 to Q4</u></p> <p>'Beds in Sheds' is the term used to describe buildings or annexes on private properties that have been erected without the Valuation Office being made aware and that can be considered habitable. This means that the building or annexe should be charged Council Tax.</p> <p>A pilot exercise was conducted and 40 properties were identified that underwent thorough intelligence checks. A joint working visiting programme was designed by BACFT and the Housing Standards team to carry out unannounced inspections at these properties.</p>	<ul style="list-style-type: none"> • Number of properties reviewed - 40 • Properties identified for visit - 21 • No concerns - 8 • Number identified for bringing into Council Tax - 7 • Investigations continuing - 5 • Income generation - £13,811 • Other notable outcomes - 1 HMO suspected as illegal
<p><u>Gas Safety - Q3 (ongoing)</u></p> <p>The Council has a legal obligation as a landlord to ensure that all of its properties have an annual gas safety check. The gas safety appointments are arranged with the tenants who are obliged to allow access to the contractor in order to conduct any necessary work. A joint working programme was set up with the Electrical & Maintenance department to identify properties where the gas safety checks were overdue. This can be considered as an indicator of potential non-occupation, abandonment or non-compliance with their tenancy agreement.</p>	<ul style="list-style-type: none"> • Number of properties visited - 9 • Gas Safety Checks completed with no concerns - 5 • Cases passed to a Counter Fraud Investigator due to concerns of non-occupation - 2 • The remaining visits were postponed due to the Covid-19 pandemic and will be completed when normal service is resumed.

cont'd...

APPENDIX C (cont'd)**Proactive Counter Fraud Projects 2019/20 (cont'd)**

Proactive Project & Rationale	Project Outcomes
<p><u>Council Tax Reduction (CTR) non-responders - Q3 (ongoing)</u></p> <p>The BACFT were approached by Exchequer Services following an annual SPD review carried out by Liberata. A total of 327 CTR and/or HB claimants did not respond to SPD review letters that were sent. The CFT carried out both desktop checks and unannounced visits to identify the reason for not receiving a response and to identify fraud and error.</p>	<ul style="list-style-type: none"> • Properties visited following intelligence checks - 10 • Joint working referrals - 2 • Financial savings - Council Tax Reduction - £6,958 • Financial savings - SPD - £4,004 • HB overpayments - £3,318 • HB applications closed - 9
<p>Fairlie House - Q4</p> <p>This was a joint project with Housing Tenancy Management to conduct visits to a specific tower block. The objective was to ascertain the mobility needs of the residents due to a potential refurbishment taking place where the lifts will be taken out of action, the secondary objective being to identify tenancy fraud and non-occupation. The tower block has had prior tenancy issues, including non-occupation, fraudulent HB/SPD claims and breaches of tenancy (i.e. ASB issues).</p>	<ul style="list-style-type: none"> • Properties visited - 62 • Visit successful - 53 • Cases ongoing - potentially leading to investigation - 9 • Ongoing cases were put on hold due to the Covid-19 pandemic and will resume with normal service.
<p><u>Small Business Rates Relief (SBRR) Project - Q4</u></p> <p>SBRR is aimed at helping small businesses where they are not entitled to another mandatory relief. Relief is based upon the Rateable Value (RV) of their business in the relevant valuation period. They can apply for small business rate relief if the property's rateable value is less than £15,000. They also qualify for small business rate relief if they only use one property for business use.</p> <p>The BACFT was asked by Exchequer Services to carry out a project to make contact with small businesses that would be eligible for the relief, but are not claiming it. This is financially beneficial to the Council as the relief is funded by central government and is guaranteed income for the Council. The project included visits and hand delivered letters inviting applications.</p>	<ul style="list-style-type: none"> • Businesses reviewed - 452 • Businesses that did not qualify - 221 • Businesses that qualified and were awarded SBRR - 35 • Data quality issues (duplicates or relief already awarded) - 29 • No response as yet - 167 • Value of SBRR awarded to businesses - £95k¹

¹This figure is not included in the financial outcomes for the BACFT in 19/20

APPENDIX D**Counter Fraud Benchmarking 2018/19**

London Borough	Council Properties Returned	RTB Cancelled	Housing Applications Closed	Council Tax & CTRS	Blue Badge Outcomes*	Social Care
Barking & Dagenham	14					
Barnet	53	41	3		69	
Bexley	12		62		15	
Brent	23	3	3	£52,846	22	£367,843
Bromley						
Camden	95	5			3	
City of London	20	1	4			
Croydon	8	2	21		27	
Ealing	19	24	33	£1,607		
Enfield	104	30		£141,263		£430,000
Greenwich	15	3			9	£36,442
Hackney	63	13	42		0	£1,721,496
Hammersmith & Fulham	37	16	18	£23,649		
Haringey	52	117				
Harrow	15	8	18	£27,539	17	£40,490
Havering						
Hillingdon	19	4	44	£34,708	9	£50,520
Hounslow	28	19	3			
Islington	16	26	16	£8,050		
Kensington & Chelsea						
Kingston	10	9	25	£213,637	2	
Lambeth	81	2		£27,092	77	
Lewisham	18		8		18	
Merton	9	8	156			
Newham	4	4				
Redbridge	4	2		£41,000		
Richmond						
Southwark						
Sutton	10	9	21		13	
Tower Hamlets	55	12				
Waltham Forest	30	66			45	
Wandsworth						
Westminster (City of)	24	38		£2,649	96	

Where the cell is greyed out, the data was not available to us from the council in question.

* = Successful Outcomes for Blue Badges are defined as Fines and/or Prosecutions, but excluding seized badges.