

Counter Fraud

COUNTER FRAUD

Report to Audit Committee: 2024/25 Quarter 2

30th September 2024



HILLINGDON
LONDON

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1. INTRODUCTION

The Role of the Counter Fraud Team

- 1.1 The Counter Fraud Team (CFT) 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 CFT underpins the Council's commitment to a zero-tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.
- 1.2 As well as counter fraud activity, there is also a range of preventative work that the team is responsible for carrying out. This includes fraud awareness training and ensuring the Council have up-to-date and appropriate investigation policies and procedures.

The Purpose of the Counter Fraud Progress Report

- 1.3 The Counter Fraud Progress Report provides the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all counter fraud work carried out during the Quarter 2(Q2) period (1st July to 30th September 2024). In addition, it provides an opportunity for the Head of Counter Fraud (HCF) to highlight any significant issues arising from the counter fraud work in Q2.
- 1.4 The progress report also highlights to CMT, the Audit Committee and other key stakeholders, the performance of the CFT in meeting its strategic and operational objectives (as set out in the Counter Fraud Strategy 2022 to 2025), which provides an opportunity for the HCF to be held to account in this respect.

2. EXECUTIVE SUMMARY

- 2.1 In Q2 the CFT has focused its efforts into areas of high fraud risk. Officers have deployed across business critical areas such as Housing, Revenues and Social Care maximising opportunities to reduce fraud and provide financial savings. **In total during Q2 the CFT has accumulated loss prevention, actual savings and notional savings of c£2.9m. This brings the year to date total to c£6.2m.**
- 2.2 The majority of the CFT's work in Q2 has been undertaken in the area of Housing, in particular, reactive investigative work due to tenancy fraud. Currently the team are investigating 120 cases of Housing fraud which is consistent with previous quarters. In addition to these ongoing cases a large number of investigations have concluded in Q2, **leading to the team recovering 32 properties at a notional saving of c£2.2m.** The high number of properties recovered in the second quarter is consistent with first quarter performance and demonstrates the CFT are on track to deliver a significant amount of property recovery in line with previous years.
- 2.3 The CFT's work into combatting fraud risk within B&B emergency accommodation has continued in Q2. A programme of proactive visiting is in place to identify any possible non-occupation or subletting B&B accommodation. **In Q2 the CFT have investigated a number of cases which has led to the closure of 14 emergency accommodation providing savings of c£267k.** This work is vital to reducing the pressures on a frontline demand led service and making available accommodation for those in need.
- 2.4 The CFT has a dedicated sub team that proactively investigates cases relating to revenues and the collection fund, as well as undertaking council tax and business rates inspections. In Q2 the team focused on identifying properties that should be rated for Council Tax such as beds in sheds and Annexes. **In total 18 cases were added to the Council Tax Base and bills sent to respective charge payers to the value of c£21.8k.**

- 2.5 During Q2 the Management team have been working closely with the Councils Communications Team in preparation for **International Fraud Awareness Week** (w/c 18th November). The comms package will include a variety of press releases on the work of the team as well as raise awareness on fraud risks to residents. In addition, Fraud Awareness presentations have been arranged with services to create an internal culture of spotting and reporting fraud. More information on the campaign will be available in Q3 reporting.
- 2.6 As part of the CFT's preventative approach a variety of verification processes are in place across service areas whereby residents can access some form of funding, support or accommodation. These processes are in place to ensure applicants meet the eligibility criteria of each scheme before services are rendered. In Q2 the financial assessment verification process has highlighted numerous applicants that have failed to declare funds or assets which if undetected would have meant the Councils financial contribution towards their care would have been significantly higher. **In total 8 cases were highlighted with savings of c£205k identified.**

3. COUNTER FRAUD ACTIVITY IN QUARTER 2

3.1 Housing Fraud

- 3.1.1 The CFT has had another impressive quarter, **recovering 32 properties** to Housing. This again is the highest number of properties recovered in a quarter, **generating a notional saving of c£2.2m.** It is worth noting that though the CFT use a notional saving as this is industry standard, the actual loss prevention in this area is the avoidance of emergency accommodation costs which is c£608k. These positive results stem from high quality referrals and data matching exercises that the CFT have undertaken and shows that tenancy fraud is continuing to be of high risk to the Council.
- 3.1.2 The Key Performance Indicator (KPI) 4 (refer to **Table 5** in **Appendix A**) requires the CFT to recover 30% of properties associated with tenancy fraud referrals. This quarter **the CFT has achieved an exceptional 67% of tenancy fraud referrals resulting in property recovery.** As per **Table 1** below, the case type of property recovery shows that non-occupation is still the highest area of tenancy fraud risk.

Table 1 ~ Housing Tenancy Fraud Cases

Case Type	Q1	Q2*	Total*	£k/value**
Abandonment	0	0	0	£0
Deceased	10	7	17	£1,190k
NFI Fraud Hub	9	6	15	£1,050k
Non-Occupation	9	8	17	£1,190k
Sub-Let	0	7	7	£490k
Wrongful Succession	2	4	6	£420k
Total Properties Recovered	30	32	62	£4,340k

* As at end of Q2 (30th September 2024).

** Tenancy Fraud Forum valuation.

- 3.1.3 Tenancy fraud is still the highest fraud risk faced by the Council, with the CFT currently investigating **120 cases relating to tenancy fraud.** The team have been granted 14 possession orders following legal proceedings, which are awaiting enforcement action, and a further **19 criminal and civil cases are currently with our legal team.**
- 3.1.4 In Q2 the team have also continued with proactively identifying cases of unknown deceased tenants with the assistance of the **NFI Fraud Hub.** The details of this work can be found in subsection 3.6 of this report. This work, though not classed as fraud, has continued to contribute to the number of properties recovered.

- 3.1.5 The ongoing pressures in the current economic climate continue to cause an increase in demand for housing and the need for **Bed and Breakfast (B&B) emergency accommodation**. In Q2 the CFT has **closed 14 emergency accommodation units due to non-occupation, resulting in savings of c£267k**. This brings the total closed this financial year to 22 accommodation units. A further **12 cases have been opened** highlighting concerns of suspected non-occupation.
- 3.1.6 The CFT carries out verification checks on all Right to Buy (RTB) applications submitted to the Council, to provide assurance that those who apply are eligible for the significant discount and that the funds used for the purchase abide by money laundering regulations. In Q2 the CFT have **6 cases under investigation for suspicion of sub-letting and non-occupation**, with 3 cases referred to our Legal department to instigate criminal proceedings based on fraud offences. The CFT has also closed a further 2 RTB applications at verification stage due to the failure to provide financial information.
- 3.1.7 In Q2 the CFT completed **374** verification checks on applicants who have registered for social housing. Outlined in **Table 2** below, the team successfully **closed 3 housing register applications** due to reasons including non-occupation, or they have been found to already be adequately housed. Without the CFT's enhanced verification checks, these applicants may have been successful in obtaining a council property that they were not entitled to.

Table 2 ~ Housing Tenancy Verification Cases

Housing Tenancy Verification Cases	Q1	Q2*	Total
Total number of cases reviewed	281	374	655
% Identified by CFT for rejection	25%	19%	22%
Total number of applications closed	4	3	7

* As at end of Q2 (30th September 2024).

- 3.1.8 KPI 2a (refer to **Table 5** in **Appendix A**) targets an outcome of **95%** of housing allocation verifications to be completed within the target date set by the Housing department. In Q2 the team has successfully achieved **100% of verifications** being completed within their target date.

3.2 Revenues Fraud & Inspections

- 3.2.1 In the area of Revenues, the CFT has continued to maintain a high level of performance and again exceeded their KPI target (refer to **Table 5** at **Appendix A**). In Q2, as detailed in **Table 3** below, the CFT has **conducted 2,055 inspections, with 2,047 (99%) visited within the 10-day KPI target**.

Table 3 ~ Revenues Inspections Performance 2023/24

Revenues Inspections	Q1	Q2*	Total for 24/25
Total number of inspections completed	1,807	2055	3862
Percentage within 10 day target	99%	99%	99%

*As at end of Q2 (30th September 2024).

- 3.2.2 During Q2 the CFT has identified a further **18 previously unlisted properties** made up of **'Beds in Sheds'**. As a result, an additional **c£21k of loss prevention savings** has been identified following the issue of revised Council Tax bills to the liable parties. Throughout the financial year the CFT will continue to work with other Council departments to identify beds in sheds and take appropriate action.

3.2.3 During Q2 the CFT have continued to receive reports from the programme of External Revenues Maximisation. This has identified **one business premises with previously unknown improvements** and **one previously unlisted residential property providing additional billing of £4,491**. Though outcomes in this area have been lower compared to previous quarters a significant amount of work is currently with the Valuation Office (VOA) awaiting decision.

3.3 Social Care

3.3.1 With preventive controls and reactive processes in place across fraud risks within Social Care, Q2 marks a successful quarter for the team with **c£213k in loss prevention savings identified**. These positive outcomes have predominantly stemmed from the verification process in Financial Assessments.

3.3.2 In line with the CFT's risk-based loss prevention work within Financial Assessments has continued throughout Q2, with the team conducting **168 financial assessment verifications, 16 of which are undergoing further checks**. The verification process is designed to identify anomalies, such as hidden capital or assets prior to financial support being administered and to provide assurance that only eligible applicants are provided support.

3.3.3 Due to the sizeable financial cost to the Council in providing financial assistance in meeting service users care costs, the CFT is strategically placed to utilise the teams' analytical capabilities to identify fraud, loss and error within the financial assessment verification process. During the course of Q2 the team concluded **8 cases where service users had failed to supply correct full details of their income and capital as part of their financial assessment leading to savings of c£205k**.

3.3.5 Section 17 of the Children's Act 1989 places a duty on the Council to safeguard and promote the welfare of children in need. Section 17 support offers a range of services that includes providing accommodation and/or financial assistance to eligible applicants. The CFT undertake verification checks for all Section 17 applicants who approach Social Care. **Table 4** over the page, illustrates the outcomes derived from the preventive measures in place that ensure services provided are only accessed by those who meet the eligibility criteria.

Table 4 ~ Section 17 Verification Cases 2024/25

Section 17 Cases	Q1	Q2*	2024/25
Total number of cases reviewed	3	2	5
Total number verified as accurate	1	1	2
Total number of cases closed	2	1	3
Total number of cases under further checks	1	0	1
Loss Prevention Savings	0	0	0

* As at end of Q2 (30th September 2024)

3.4 Blue Badge

3.4.1 In response to resident concerns in specific areas the CFT conducted **3 proactive Blue Badge operations across the borough during Q2**. Two of these operations were conducted jointly with the local Metropolitan Police Safer Neighbourhood Teams demonstrating the CFT's commitment to partnership working. Officers reported positive feedback from residents for the visible joint operations. Over the course of all 3 operations, CF officers **inspected 102 badges and seized 10 badges due to suspected misuse**.

3.4.2 The team's commitment to ensuring that Blue Badge holders can continue to access the parking facilities on offer across the borough was further demonstrated in Q2 with the successful **prosecution of 4 Blue Badge cases** leading to a **total of £1,600 in prosecution costs awarded to the Council and over c£650 in fines issued to offenders**. A further 13 cases are due to be heard in court, with outcomes expected to be reported in Q3.

3.5 Onsite Immigration Official

3.5.1 During Q2 the teams OSIO has continued to proactively undertake loss prevention activity in the area of Childrens Social Care. Working collaboratively with the Childrens Resources Finance Team, this proactive approach has resulted in **c£80k in loss prevention savings**. Cases are identified where a change in the service user's immigration status enables the service users to be supported with making a claim for benefit. In return, these claims allow for the cost of providing accommodation to each service users to be funded by the welfare system. A further 5 cases remain under review, with savings expected to be reported in Q3.

3.6 London Counter Fraud Hub

3.6.1 The CFT is recognised as a leading member of the London Counter Fraud Hub. The hub is designed to bring London Boroughs together, sharing data to identify fraud, loss or error. This innovative approach will also use the power of data to uncover cross borough frauds.

3.6.2 The unique capabilities of the LCFH are now embedded in the CFT and this is producing referrals automatically every two weeks identifying cases where the Council may not be aware of tenants passing away. This has maximised loss prevention by ensuring that cases are identified at an early stage. A total of **six council properties** have been recovered and returned to use as a result of information provided by the LCFH during Q2.

3.6.3 The CFT have taken a leading role in an innovative pilot data match to identify possible fraudulent cross-border cases in the Homes for Ukraine Scheme which has provided significant assurance in this scheme at Hillingdon as no new cases have been identified.

3.7 National Fraud Initiative

3.7.1 The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Cabinet Office and conducted every 2 years. The NFI matches data from over 1,300 organisations, including councils, the Police, hospitals and almost 100 private companies to identify potential fraud and error.

3.7.2 Data for the 2024/25 National Fraud Initiative exercise has been collated and submitted to the NFI in line with statutory requirements and subsequent referrals are expected in Q4.

3.7.4 In addition to the main NFI exercise there is an annual data match investigating instances of Single Person Discount (SPD) fraud and the data was received for this during Q1. The CFT have allocated resource to reviewing and investigating these matches, which has generated savings of **£33,764 in additional billing** during Q2 with further results from this match expected throughout the year.

3.8 Other Counter Fraud Activities

3.8.1 Recruitment for a new Counter Fraud Lead Investigator commenced during Q2 to provide an additional resource to further support to the CFT managers in the area of Housing Fraud. The selection process is expected to be completed during Q3.

- 3.8.2 New working groups have been established with other teams in the Housing Department to improve processes and procedures. This will also provide additional assurance that the risk of tenancy fraud is being mitigated as effectively as possible.

4. COUNTER FRAUD PERFORMANCE IN Q2

- 4.1 Attached at **Appendix A** is **Table 5** which sets out the Q2 performance by the CFT against the nine KPIs. Also attached at **Appendix B** is **Table 6** which provides an overview of the financial performance of the team in Q2 within each of the main areas of counter fraud activity. The CFT's financial performance should be considered against a target of £8m for 2024/25.
- 4.2 The CFT has achieved a consistent level of performance across KPI's throughout the quarter. The details of this are that **9 out of 9 KPI's are above targeted performance**. The management team are pleased that all KPI's have been met and will be working closely with the team to ensure this level of performance is sustained.

5. FORWARD LOOK

- 5.1 The CFT will be marking International Fraud Awareness Week during Q3 with internal and external communications campaigns to raise awareness of the work of CFT and the fraud risks faced by the Council. As part of this programme an extensive internal fraud awareness campaign will also begin during Q3 with all staff in Adult Social Care being required to attend a fraud awareness training.
- 5.2 The CFT in Q3 will continue to focus its resources into areas of high fraud and financial risks which includes its work in housing. The effective deployment of resources provides a high return of investment for the Council in areas of loss prevention and actual cashable savings.
- 5.3 As part of the teams planning process for the next financial year, the CFT management will complete a review of its methodology into how savings are recorded. The plan is to provide new ways of recording outcomes that are focused on cashable savings or loss prevention. This is so CMT and the Audit Committee can clearly see the impact CFT are having on budgets across the Council.
- 5.4 In addition, the HCF will also start to formulate a workplan for 2025/26 in liaison with the Corporate Director of Finance which will also be focused on areas of cashable and loss prevention savings. This will include re-aligning its priorities based on the financial budget pressures the Council is facing to maximise the financial impact of the CFT. This review will see low level fraud risk and/or non-financial work transferred back to service areas. This will give the flexibility for the service to take on new areas of risk including fraud related work in Adult Social Care.
- 5.5 To support the Council with its in year budget pressures the CFT will be working with Adult Social Care and Transactional Finance on a project to improve debt recovery. The team will be providing assistance in collecting money owed from service users that have not paid for services rendered. In addition, the team will also review opportunities for data matching in this area and provide early intervention support in the financial assessment process.
- 5.6 The CFT 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 this quarter. There are no other counter fraud matters that the HCF needs to bring to the attention of CMT or the Audit Committee at this time.

Alex Brown Head of Counter Fraud
30th September 2024

APPENDIX A: Table 5 - CFT KPIs and Actual Performance

CFT KPIs	Target	Q1	Q2*	24/25*	23/24
1. Percentage of fraud referrals risk assessed within 3 working days	95%	100%	99%	99%	99%
2. Verification work timescales for completion:					
a. Housing Allocations completion within the target date set by Housing	95%	100%	100%	100%	99%
b. Right to Buy case completion within 28 working days	95%	100%	100%	100%	100%
c. Financial Assessments completion within 7 working days	95%	100%	100%	100%	100%
d. Section 17 reviews completion within 7 working days	95%	100%	100%	100%	100%
3. Investigation plan completion within 5 working days of case allocation	95%	100%	100%	100%	98%
4. Tenancy fraud referrals received resulting in property recovery	30%	64%	67%	65%	46%
5. Investigations resulting in loss prevention/financial saving outcome	40%	47%	45%	46%	48%
6. Revenue inspections completed within 10 working days of referral date	95%	99%	99%	99%	99%

* As at end of Q2 (30th September 2024).

APPENDIX B: Table 6 - CFT 2024/25 Financial Performance

Work Area	Description	Quarter 1	Quarter 2*	Quarter 3	Quarter 4	2024/25*
Housing	Right to Buy discounts	£0	£0	£0	£0	£0
	Property Recovery (notional savings)	£2,100,000	£2,240,000	£0	£0	£4,340,000
	Other savings/loss prevention	£172,171	£272,844	£0	£0	£445,015
Social Care	Section 17 and UASC**	£0	£0	£0	£0	£0
	Financial Assessments	£72,585	£205,112	£0	£0	£277,697
	SGO	£0	£0	£0	£0	£0
	Direct Payments	£0	£0	£0	£0	£0
	Other	£7,290	£8,415	£0	£0	£15,705
Revenues	Single Person Discount	£22,527	£40,497	£0	£0	£63,024
	Council Tax Reduction & arrears	£4,551	£4,027	£0	£0	£8,579
	Unlisted Buildings	£31,758	£21,817	£0	£0	£53,575
	Housing Benefit Overpayments	£12,750	£18,648	£0	£0	£31,398
	NNDR	£784,844	£4,492	£0	£0	£789,336
Blue Badge	Simple Caution & Financial Penalty	£2,512	£2,258	£0	£0	£4,770
Immigration Officer	Housing Homelessness Applications**	£0	£0	£0	£0	£0
	Social Care Savings	£108,480	£79,514.20	£0	£0	£187,995
Totals	Loss Prevention Savings	£360,196	£560,351	£0	£0	£920,547
	Notional Savings	£2,779,867	£2,262,466	£0	£0	£5,042,333
	Cashable Savings	£176,892	£72,551	£0	£0	£249,443
	Costs awarded and penalties	£2,512	£2,258	£0	£0	£4,770
	Total	£3,319,467	£2,897,626	£0	£0	£6,217,093

* As at end of Q2 (30th September 2024).

** Average weekly cost against average length of support. This figure fluctuates but has been provided by the Council's Business Performance Team.

APPENDIX C - Glossary of Terms

Beds in Sheds: 'Beds in Sheds' is the term used to describe habitable outbuildings, or annexes to private properties being utilised without the awareness of the Council or the Valuation Office Agency (VOA).

Blue Badge: A Blue Badge provides parking concessions and helps people with **non-visible and visible disabilities or health conditions** park closer to their destination. The Blue Badge enables holders to park in designated disabled person's parking bays either on the public highway or privately owned car parks. In addition, badge holders can park on single or double yellow lines for up to 3 hours.

Direct Payments: The Council are responsible for administering direct payments to service users who have been assessed as needing care and support services. The payments are made to allow applicants to access care to meet their social care needs, such as support with living tasks and social activities.

Disabled Facility Grants: The council offers a range of financial support schemes for people with disabilities, such as the Disabled Facilities Grant (DFG). The DFG is a means tested scheme that allows eligible applicants to receive financial support to make adaptations to their home, if they, or someone living at the property is disabled.

Financial Assessments: The Council is under a financial and legal obligation to carry out this means tested assessment for each service user. The Financial Assessment (FA) identifies whether the applicant(s) is eligible to receive funding towards their care costs.

Fraud Hub: Utilising the existing Cabinet Office infrastructure and systems, most London based local authorities have agreed to upload internally held data sets for proactive data matching exercises. These regularly agreed upon exercises will lead to the identification of possible fraud, loss or error.

National Fraud Initiative: The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Government Cabinet Office and conducted every 2 years. There is also an annual review of claimants in receipt of Single Persons discount data that is matched against the Electoral Roll data. The NFI matches data from over 1,200 organisations, including councils, the police, hospitals and almost 100 private companies to identify potential fraud and error.

New Homes Bonus: The New Homes Bonus (NHB) is a grant that is paid by central government to incentivise local housing growth.

Onsite Immigration Enforcement Official: The Onsite Immigration Enforcement Official (OSIO) provides enhanced access to Home Office data for the purpose of assessing cases involving immigration issues and for assisting in a range of counter fraud work.

Right to Buy: The Right to Buy (RTB) process is a statutory scheme whereby a tenant(s) can apply to purchase their property at a significant discount from its market value. There are strict conditions that must be met by the applicant(s) if they are to qualify for the discount.

Revenue Maximisation: The use of internally held data and the utilisation of external data partners to identify previously unlisted commercial and domestic properties, along with identifying commercial properties that have undertaken modifications or improvements that would result in the revaluation of its Rateable Value (RV). Commercial entities are under no obligation to inform Council Tax as to when they have started trading or if their RV needs to be recalculated. The Council will only retain 15% of the identified rates.

Section 17: The CFT provides assurance and mitigate the risk of fraud within Children's Social Care, in particular the allocation of emergency accommodation provided under Section 17 of the Children's Act 1989. The verification process seeks to validate a family's reason for approach as well as their financial circumstances, as applicants claim to be destitute and requiring accommodation and or financial support. The CFT conducts verification checks on all applicants approaching the Council.

Small business Rates Relief: The Small Business Rates Relief (SBRR) scheme is designed to reduce the amount of business rates payable by small businesses. This reduction is available to ratepayers who occupy a property with a rateable value of no more than £15,000.

Tenancy Fraud Forum Valuation: As of the 2022/23 financial year, the CFT will be using the new Tenancy Fraud Forum valuation for property recovery. Working in conjunction with the London Boroughs' Fraud Investigators' Group (LBFIG) a new formula has been created to determine how much tenancy fraud costs. The formula considers the annual average temporary accommodation cost per family, the average duration for tenancy fraud, as well as the average investigation, legal and void costs. The agreed calculation for tenancy fraud within the borough is now valued at £56k per property (Previously £18k). The new calculation allows Hillingdon Council to accurately calculate financial savings by factoring in local figures.

Unaccompanied Asylum-Seeking Children: Unaccompanied Asylum-Seeking Children (UASC) are children and young people who are seeking asylum in the UK but have been separated from their parents or carers. Whilst their asylum claim is processed, they are cared for by the Council and provided with accommodation and or financial support.