London Boroughs'
Fraud Investigators' Group

Protecting the London Public Purse 2015

Fighting fraud against London Boroughs

The inaugural London based benchmarking report

TEICCAF
The European Institute for Combatting Corruption And Fraud

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FOREWORD

Protecting the London Public Purse 2015: fighting fraud against London boroughs

As the UK's capital and largest city, London is home to more than 8.6 million people living across its 33 boroughs. It is a vibrant, diverse and multicultural city, but it is also a magnet for fraud, with the boroughs and their residents suffering serious losses.

Over the past few years, local authorities across the country have had to absorb very significant cuts to public spending. These cuts mean that, more than ever before, London boroughs are expected to do more with less, with these trends set to continue for the foreseeable future. Reducing fraud is one way in which local authorities can make real savings, protect taxpayers' money and local services, and help those who are genuinely in need.

There have been other changes too. With the creation of the Single Fraud Investigation Service to tackle welfare fraud, local authorities have shifted focus away from housing benefit fraud towards non-benefit, corporate, risks. The Audit Commission is gone. So, too, has its annual national fraud survey and report which played an important role in fighting fraud locally.

At the same time, devolution means that local authorities have more power to make decisions about their local communities and how best to focus their resources. *Protecting the London Public Purse 2015* is a valuable tool to help London boroughs do this. By highlighting levels and types of detected fraud within the capital, it enables local authorities and councillors to better understand their fraud risks and target anti-fraud resources where they are most needed and can make the biggest difference to the lives of ordinary Londoners.

London boroughs seem to understand this well, with over 93% voluntarily responding to the survey. Good progress is being made, despite a reduced

investigative capacity. The future challenge is to continue this good work.

For many years the Fraud Advisory Panel has taken a keen interest in how fraud against the public purse is perceived and tackled. It is not a victimless crime and its impact is often felt most keenly by the vulnerable.

We commend the collaborative efforts of the London Boroughs Fraud Investigators Group and The European Institute for Combatting Corruption And Fraud, for picking up the mantle and building upon the foundations laid by the Audit Commission to identify trends in fraud detection, share best practice, and enable London authorities to benchmark against one another. We encourage other regions to follow suit.

David Kirk

Chairman

Fraud Advisory Panel
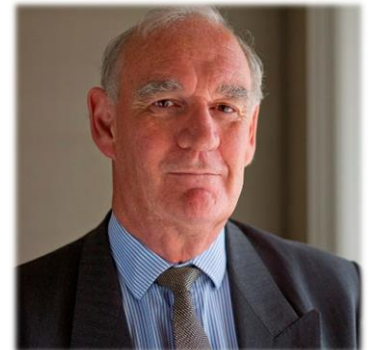
Kevin Campbell-Scott, Chair

London Boroughs' Fraud Investigators' Group

"I am pleased to be able to present this regional benchmarking report, the first of its kind. The Fighting Fraud Locally review in 2012 had a vision, which said 'By 2015 Local Government will be better able to protect itself from fraud and corruption and will provide a more effective fraud response'. I believe that this report demonstrates how London borough fraud teams are stepping up to the plate and helping to achieve this vision."

CONTENTS

SUMMARY AND RECOMMENDATIONS

This is the first Protecting the Public Purse type report exclusively for London (PLPP 2015) and the first such regional report for any region of the country. London boroughs are encouraged to use this unique analysis to challenge their own commitment in the fight against fraud in London.

PLPP 2015:

- enhances the national series of reports previously published by the Audit Commission**;**

- was commissioned by the London Boroughs' Fraud Investigators' Group (LBFIG) who identified the need for a London centric report;

- is the result of a collaboration between LBFIG and The European Institute for Combating Corruption And Fraud (TEICCAF); and

- sets a baseline from which to compare future benchmarking reports.

Detected corporate fraud increased by 5.3 %, while value increased to almost £50 million

Fraud committed against English councils continues to be a major issue. However, the evidence shows London to:

- be the most **transparent** and **accountable** region in the country in fraud detection;

- be the most **proactive** region in re-balancing the focus of resources towards corporate fraud risks; and

- proportionately detect more fraud than any other region.

In total, London boroughs' detected fraud value rose by 46 per cent with fewer cases of fraud in 2014/15 compared with the previous year. In particular:

- London is to be commended for this proactive shift from benefit to non-benefit (corporate) fraud detection.

- the number of detected cases of non-benefit (**corporate)** fraud increased by 5.3 per cent to nearly 17,000, while their value increased by nearly 129 per cent to almost £50 million;

- the number of detected cases fell by nearly 10 per cent to just over 19,500 while their value increased by more than 46 per cent to £73 million; and

- the number of detected cases of **housing benefit and council tax benefit** fraud fell by more than half to nearly 2,700, while their value fell by almost 17 per cent to nearly £23.5 million. This decline was expected as boroughs prepare for the implementation of the Single Fraud Investigations Service (SFIS)[1] by shifting focus to corporate fraud risks;

Overall detected fraud value increased by more than 46% to £73 million

Boroughs detected fewer housing tenancy frauds in 2014/15, but continue to disproportionately recover more council homes from tenancy fraudsters than the rest of the country. In particular:

- 1,618 **tenancy frauds** were detected, a greater than 10 per cent decrease on the previous year;

- nearly two thirds of tenancy frauds in London **are illegal sub-letting** for profit, the reverse of the situation in the rest of the country; and

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[1] SFIS is a government initiative that will combine benefit fraud investigators from councils, the Department for Work and Pensions and Her Majesties Revenues and Customs into a single fraud investigation service. Council benefit fraud investigators began to transfer to SFIS on a council by council basis in April 2014 and the transfer will be complete in March 2016.

- five boroughs with housing stock each detected more than 100 tenancy frauds, while five boroughs with housing stock detected fewer than ten tenancy frauds.

Right to Buy (RTB) and No Recourse to Public Funds (NRPF) have emerged as major areas of fraud risk for boroughs. In particular:

- detected RTB fraud cases more than doubled to 300, while their value increased by more than 185 per cent to almost £26 million;

- at least **3 per cent** of RTB applications in London boroughs may be fraudulent, based on TEICCAF's proxy indicators for such fraud;

- NRPF is a new sub-category of fraud. Relatively few London councils proactively targeted this type of fraud in 2014/15, yet there were still 432 cases detected in London with a value of over £7 million; and

- NRPF now constitutes one of the most significant types of fraud detected by London boroughs and is likely to increase significantly as more boroughs focus their attention on this issue.

London can have confidence in the actions taken and commitment shown by boroughs to tackle corporate fraud.

RECOMMENDATIONS

London boroughs should:

- celebrate and promote their performance in detecting fraud and corruption;

- use the free, individually tailored benchmark comparative analysis (available from autumn 2015 to all participating boroughs) to inform local understanding of fraud detection performance; and

- assess their exposure to RTB and NRPF fraud risks.

Protecting the London Public Purse 2015

CHAPTER 1: INTRODUCTION

This is the first Protecting the Public Purse (PPP) report solely focusing on London boroughs. It has been developed by The European Institute for Combatting Corruption And Fraud (TEICCAF), on behalf of the London Boroughs' Fraud Investigators' Group (LBFIG). This is the first such regional report for any region of the country. LBFIG encourages London boroughs to use this unique analysis to challenge their own commitment and performance in the fight against fraud in London.

1. National *PPP* reports have played an important role in the fight against local authority fraud over the last 25 years. These reports identified trends in fraud detection, highlighted and disseminated good practice in tackling fraud and identified current and emerging fraud risks. Although regional trends in fraud detection were noted, no regional version of *PPP* was ever published.

2. The London Boroughs' Fraud Investigators' Group (LBFIG) commissioned the former counter-fraud team of the Audit Commission (now part of TEICCAF – The European Institute for Combatting Corruption And Fraud)[2] to conduct the annual detected fraud and corruption survey for London councils and publish the results.

3. Protecting the London Public Purse 2015 *(PLPP 2015)* is the product of that collaboration and sets a new benchmark against which London boroughs can make comparisons in fraud detection in future years.

4. *PLPP 2015* provides an analysis of fraud detected by London boroughs. The report identifies trends in current fraud risks, highlights emerging risks and places for the first time in the public domain comparative benchmark information for London councils.

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[2] The European Institute for Combatting Corruption and Fraud (TEICCAF) is an independent, not for profit organisation working in partnership with public, private and voluntary sector organisations to support the fight against public and voluntary sector fraud.

5. This report will help to promote the fight against fraud and encourage locally elected members to recognise and celebrate the success of London boroughs that are playing their part protecting taxpayers' money and local services from fraud. *PLPP 2015* also provides information to help elected members effectively challenge the performance of those boroughs that can still do more.

6. Above all, *PLPP 2015* aims to help London boroughs better understand the fraud risks specific to the capital and provide a new London baseline comparison for future regional benchmarking activities. *PLPP 2015* provides:

   - key considerations fundamental to the successful interpretation of detected fraud and corruption data (Chapter 2);
   - a contextual national framework in which to compare London fraud detection performance with other English regions (Chapter 3);
   - the amount of detected fraud reported by London boroughs in 2014/15 compared with 2013/14 (Chapter 4);
   - an analysis of the performance of individual London boroughs in tackling specific fraud types (Chapter 5); and
   - an overview of two significant emerging fraud risks for London, Right to Buy and No Recourse to Public Funds (Chapter 6).

7. Appendix 1 to this report contains further information on the survey and extrapolation methodology. Appendix 2 provides a series of London fraud case studies.

THE MAIN ISSUES BOROUGHS FACE IN TACKLING FRAUD

8. London boroughs are best placed to understand how effectively they overcome barriers to fighting fraud. In this year's survey we asked boroughs to identify the top three issues they face in tackling fraud (Figure 1).
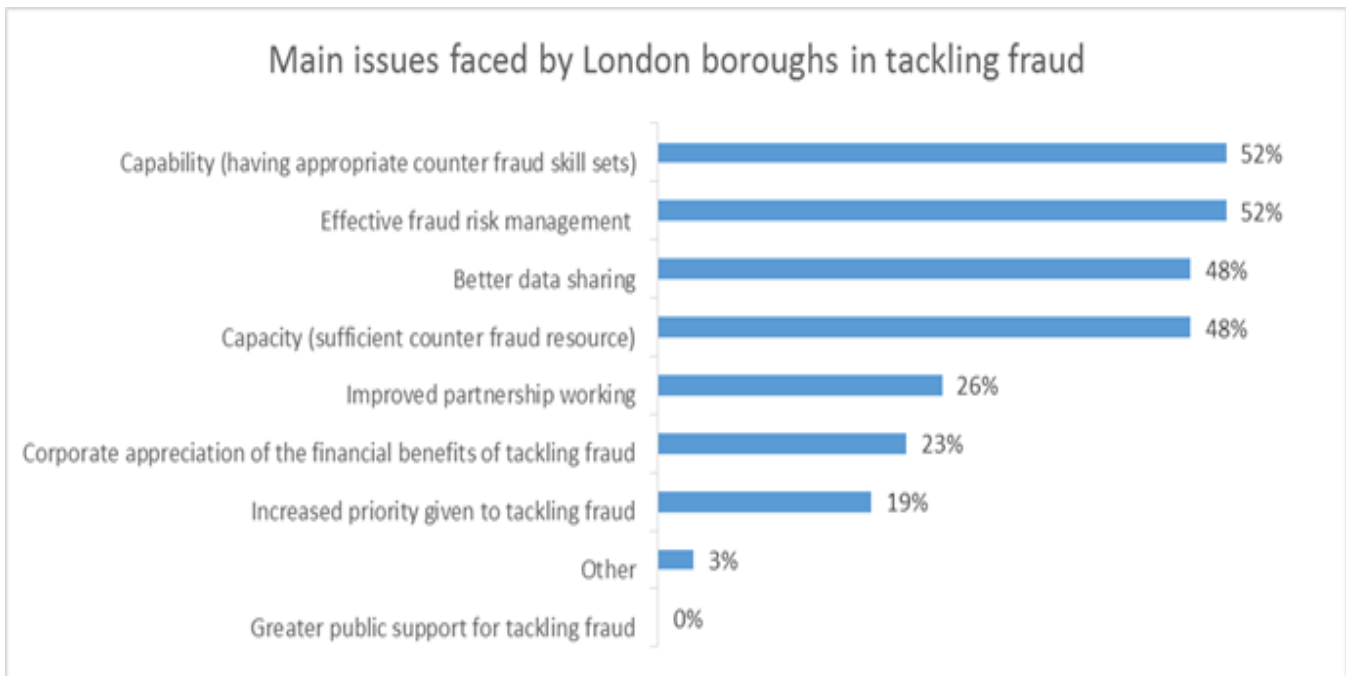
Figure 1: Main issues faced by London Boroughs' in tackling fraud

9. The respondents on behalf of the London boroughs report that the two most significant potential issues to be addressed in order for them to effectively tackle the risk of fraud are capability and effective fraud risk management. In particular, *PLPP 2015* provides benchmark comparative information to help boroughs inform their own fraud risk strategies to address London-specific risks.

10. The results in *PLPP 2015* should be considered in the context of a significant national shift in local authority counter-fraud focus. The advent of the Single Fraud Investigation Service (SFIS) has been a positive driver and has required councils to focus resources away from housing benefit fraud and towards all the corporate (non-benefit) fraud risks they face. From a local taxpayer and local service user perspective this should be welcomed. This shift may represent concerns around capability in the immediate term as boroughs look to ensure that investigators have the necessary skillsets to tackle new fraud risk areas.

11. Although tackling housing benefit fraud is important, non-benefit frauds have a far greater financial impact on local people and local taxpayers. *PPP 2014*

concluded that London was the most proactive of all the regions in addressing this development[i].

12. Our evidence suggests that London continues to lead the way. Almost 94 per cent of London boroughs now have a corporate fraud team, compared to just over 37 per cent outside London[ii]. This is a remarkable achievement by London and shows there is still significant capacity to counter fraud across London.

13. *PLPP 2015* explores other London-specific developments and trends in more detail. Chapter 2 provides contextual information to assist the interpretation of detected fraud and corruption information for London.

CHAPTER 2: INTERPRETING FRAUD DETECTION RESULTS

Fraud detection results provide only part of the overall picture of how effective regions, and individual councils, are in tackling fraud. Detection results can be open to misinterpretation. Counter-intuitively, our experience shows that those councils that detect the most fraud are often among the most effective at fraud prevention and deterrence. Generally, local authorities with particularly high levels of non-benefit fraud detection have a strong corporate commitment to the fight against fraud and are often the most proactive and innovative in their approach. London has specific socio-economic and demographic factors that suggest certain fraud risks may be more acute in the capital.

14. There are a number of factors that affect the level of fraud councils detect. These include:

    - the level of fraud committed locally, often influenced by a number of socio-economic and demographic factors;
    - the effectiveness of fraud prevention arrangements and deterrence strategies;
    - the resources applied to identify and investigate such fraud (capacity);
    - the successful detection by councils as a result of the skills, knowledge and experience of investigators (capability) ; and
    - improved methods of recording fraud.

15. Interpreting fraud detection results can be difficult and lead to misunderstanding. Myths have developed over time, that have acted as a barrier to effective counter-fraud activity. For example, the myth that little or no fraud detected implies that little or no fraud is being committed.

16. Based on the experience in tackling London-specific frauds it is believed that:

- boroughs that look for fraud, and look in the right way, will detect it;
- fraud affects every borough, although local socio-economic and demographic factors will impact on the type and level of fraud in different boroughs;
- fraud prevention and deterrence strategies can reduce the risk of fraud, but some fraud will always be committed;
- boroughs that report little or no detected non-benefit fraud are generally at higher risk of exposure than those that detect significant levels of fraud; and
- fraud detection levels provide a useful indicator as to the level of commitment to tackle fraud.

17. These are important factors when interpreting fraud detection results. In addition, different types of fraud will also require different fraud prevention, detection and deterrence strategies. This will depend in part on whether they are high volume/low value frauds such as blue badge or low volume/high value frauds such as procurement.

18. In this chapter we now consider some of the socio-economic and demographic factors specific to London and their implications for counter-fraud priorities in the capital.

LONDON-SPECIFIC FACTORS AND HOW THEY AFFECT FRAUD RISKS

19. London's response to fraud is dependent on both national and local factors. In Table 1 we compare London to the rest of the country in relation to just a few socio-economic and demographic factors. We suggest the implications of these differences on the risks of fraud in the capital.

Table 1: How London compares to the rest of England on a selection of demographic and socio-economic factors

Category	London	England	Fraud risk implications
Number of households in temporary accommodation	47,020	61,970	London accounts for more than two thirds of all households in temporary accommodation. Specific fraud risk – **Tenancy**
Average cost of property in 2014	£470,000	£162,000	Suggests greater demand for social housing. Specific fraud risks – **Tenancy** and **Right to Buy**
Average weekly private sector rents in 2013/14	£281	£145	Suggest the difference between private and public sector rental levels is greatest in London. A financial incentive for sub-letting fraud. Specific fraud risk – **Tenancy**
Long term international migration. Turnover per 1,000 residents population in 2013	31.0	13.4	Higher turnover of London population. Potentially more transient. Suggest likely to have greater local public service requirements and access to public funds. Specific fraud risk area – **No Recourse to Public Funds**
Internal migration. Turnover per 1,000 resident population in 2013	53.3	3.8	Suggests higher public housing stock demand and turnover. Fraud risk areas – **Tenancy** and **Right to Buy**

20. Local priorities will of course determine individual boroughs' counter-fraud strategies. However, Figure 2 does in part explain the greater focus that London has on tenancy fraud and other developing areas of fraud such as Right to Buy (RTB) and No Recourse to Public Funds (NRPF). It is encouraging that London boroughs' fraud detection results align generally with the areas of greatest London-specific risk.

21. This chapter provided a framework against which readers can interpret and contextualise the fraud and corruption detection results in later chapters. In Chapter 3 we consider how London compares to the rest of the county.

CHAPTER 3: LONDON COMPARED TO NATIONAL FRAUD DETECTION PERFORMANCE

London is the most proactive region in England in tackling fraud. In recent years London has consistently detected proportionately more fraud than the rest of English local government.

22. English local government is more transparent and accountable in fraud detection performance than any part of the UK public, private or voluntary sectors[iii]. London has continued this commitment by being the only region in England to publish a PPP style report this year. London region, and participating individual boroughs, are to be commended for this commitment.

HOW LONDON COMPARES WITH THE REST OF THE COUNTRY

23. London consistently detects more fraud than most other regions of the country, proportionate to the council spend in those regions (Table 2, below).

Table 2: Detected frauds, losses and spend 2014/15 and 2013/14 by region

Regions	Spend by region as % of total council spend	% of total value of all detected frauds 2014/15	% of number of all cases of detected fraud 2014/15	% of total value of all detected frauds 2013/14	% of number of all cases of detected fraud 2013/14
London	18.2	35.3	23.1	27.1	20.8
East of England	10.3	10.6	12.1	9.9	10.3
East Midlands	7.7	5.1	7.0	6.4	8.6
North East	5.4	4.3	5.4	4.1	6.5
North West	13.6	10.3	8.1	10.9	8.3
South East	15.0	13.0	15.5	14.5	15.7
South West	9.1	6.5	7.9	9.0	9.6
West Midlands	10.8	8.0	9.9	9.8	12.5
Yorkshire and Humber	10.1	6.9	10.9	8.3	7.7
Source: Audit Commission, TEICCAF and LBFIG[3]					

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[3] Data sources for Table 2 are Audit Commission report Protecting the Public Purse 2014, LBFIG detected fraud and corruption survey 2014/15 for London and TEICCAF detected fraud and corruption survey for English councils 2014/15

24. London accounts for 18.2 per cent of total local authority spend in England, yet in 2014/15 accounted for 23.1 per cent of fraud cases detected and 35.3 per cent by value detected. The disproportionately higher number of cases of fraud detected, and their associated values, reflects a trend first noted in PPP 2012. It suggests a level of commitment and investment in tackling fraud that other regions should seek to emulate.

FRAUD DETECTION SURVEY PARTICIPATION RATE

25. In the TEICCAF report Protecting the English Public Purse 2015 (PEPP 2015), the participation rate of councils in the voluntary national detected fraud and corruption survey is used as a proxy indicator of the commitment of regions and individual councils to tackle fraud[iv].

26. We acknowledge that there were many reasons why some boroughs may have chosen not to participate in the LBFIG detected fraud and corruption survey. LBFIG encourages councils to demonstrate their commitment to tackling fraud by taking part in future surveys.

27. We also believe that the benchmark data that the survey provides is beneficial to London boroughs, locally elected members and the wider public in understanding the effectiveness and commitment of their local authority to the fight against fraud and helps provide an evidence base to support the importance of continuing counter-fraud work.

28. We note that London region achieved a 93.9 per cent participation rate in the survey[v]. The next best region in England achieved 67.9 per cent[vi]. Nationally TEICCAF report that 59.5 per cent of all councils participated in the survey[vii]. This highlights London's strong regional commitment to tackling fraud. We would encourage the London boroughs that did not participate in the survey to do so in the future, so that they can benefit from the sharing of such information.

29. Based on fraud detection performance over several years, combined with participation levels in our detected fraud survey this year, London can reasonably

argue to be the most effective, transparent and accountable region tackling fraud in English local government.

30. In the next chapter we consider in detail the main types of fraud detected by London boroughs in 2014/15.

CHAPTER 4: LONDON BOROUGHS' DETECTED FRAUD

London boroughs detected fewer cases of fraud in 2014/15 compared with previous year. However, the value of losses from detected fraud has increased significantly.

31. Previous *PPP* reports were able to draw upon data collected by the Audit Commission's annual detected fraud and corruption survey for local government bodies. This was a mandatory survey that achieved a 100 per cent response rate and each council's auditor validated its return.

32. In 2015 LBFIG commissioned the former counter-fraud team of the Audit Commission (now part of TEICCAF) to undertake a voluntary fraud and detection survey for London. TEICCAF, a not for profit organisation, does not have the powers to mandate the collection of such data. Thus *PLPP 2015* is based upon a voluntary self-completion survey, in which questionnaires were sent to each London borough. A full description of the methodology used is in Appendix 1.

33. Nearly all London boroughs (93.9 per cent) participated in the voluntary detected fraud and corruption survey this year. From these results, and drawing upon publicly available information sources on historical trends in fraud detection by London boroughs, we are able to extrapolate a comprehensive overview of detected fraud for all of London. These results:
    - map the volume and value of different types of detected fraud
    - provide information about emerging and changing fraud risks; and
    - help to identify good practice in tackling fraud.

34. London boroughs detected fewer frauds in 2014/15 (19,513) compared to the previous year (21,606) (Table 3). However, the value of fraud detected in 2014/15 increased over the previous year, rising from £49,921,000 to £73,086,000. This is the highest value of detected fraud in London since the collection of detected fraud data began with the first *PPP* over 25 years ago.

Table 3: London detected fraud and corruption 2014/15 and 2013/14 (excluding housing tenancy)

Type of fraud	Detected fraud in 2014/15 (excluding tenancy fraud)	Detected fraud in 2013/14 (excluding tenancy fraud)	Change in detected fraud 2013/14 to 2014/15 (%)
Total Fraud			
Total value	£73,086,000	£49,921,000	46.4
Number of detected cases	19,513	21,606	-9.7
Average value per case	£3,745	£2,310	62.1
Housing and council tax benefit			
Total value	£23,472,000	£28,247,000	-16.9
Number of detected cases	2,795	5,734	-51.3
Average value per case	£8,398	£4,926	70.5
Council tax discounts			
Total value	£4,931,000	£3,686,000	33.8
Number of detected cases	13,144	12,502	5.1
Average value per case	£375	£295	27.1
Other frauds			
Total value	£44,683,000	£17,987,000	148.4
Number of detected cases	3,574	3,370	6.1
Average value per case	£12,502	£5,337	134.3
Source: Audit Commission and LBFIG[4]			

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[4] Source includes historical information published by the Audit Commission including public presentations and the series of Protecting the Public Purse national reports as well as the LBFIG 2014/15 detected fraud survey.

35. The near 10 per cent reduction in the total number of cases detected is largely driven by a fall of more than half in the number of detected cases of housing benefit (HB) and council tax benefit (CTB). This decline in cases of HB and CTB fraud detected in 2014/15 reflects a trend first reported in PPP 2013. This is likely to continue as the responsibility for investigating HB and CTB fraud migrates in stages from boroughs to the Department for Work and Pension's Single Fraud Investigation Service (SFIS). This will be completed by March 2016.

36. The increase in the average value of detected HB and CTB cases may also be an indication that those London boroughs still investigating HB and CTB fraud are focusing on higher value frauds. This is an understandable development, but may indicate that they are generally not investigating lower value HB frauds. This response to the SFIS transfer process was to be expected.

37. Over a number of years London boroughs have increasingly changed the focus of their counter-fraud activities towards non-benefit (corporate) frauds. Our analysis of the volume and value of national detected fraud levels suggests London is responding well to this shift in activity (see Chapter 5).

NON- BENEFIT FRAUD

38. Table 4 highlights the nine main fraud types in the 'Other' group in Table 3[5]. Between them, they account for almost £40 million of the £73.1 million detected by London boroughs in 2014/15.

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[5] This excludes housing tenancy fraud, which is analysed separately.

Table 4: Other frauds against London boroughs in 2013/14 and 2014/15

Fraud type	Number of cases 2014/15	Value 2014/15 (£ million)	Number of cases 2013/14	Value 2014/15 (£million)	Change in number of cases 2013/14 to 2014/15 (%)	Change in value 2013/14 to 2014/15(%)
Right to Buy (RTB)	300	£26,462,530	131	£9,260,198	129.0	185.8
No Recourse to Public Funds	432	£7,040,264	N/A	N/A	N/A	N/A
Procurement	7	£1,816,576	29	£871,310	-75.9	108.5
Insurance	43	£1,374,692	41	£1,560,406	4.9	-11.9
Abuse of position	52	£714,160	53	£1,261,536	-1.9	-43.4
Social Care	31	£704,643	200	£1,483,844	-84.5	-52.5
Disabled parking concessions (Blue Badge)	1,078	£539,000	1,779	£889,500	-39.4	-39.4
Payroll and employee contract fulfilment fraud	35	£514,568	61	£384,858	-42.6	33.7
Economic and third sector support fraud	19	£501,860	11	£303,813	72.7	65.2
Source: Audit Commission[6] and TEICCAF						

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[6] This includes analysis of London specific counter fraud detection in 2013/14 put in the public domain by former Audit Commission employees at national and regional conferences and forums.

39. Interpreting these results can be problematic, as annual percentage changes in results can be affected by a few costly frauds in either year. Procurement fraud is an example of this. The number of such detected fraud cases fell by nearly 76 per cent, but their value increased by almost 110 per cent.

40. For all cases of non-benefit fraud, including those not included in Table 4, there has been a 5.3% rise since 2013/14, while the overall value has risen by 128.9 per cent. This is a large year-on-year increase in values from a small increase in cases. This suggests that London boroughs are seeking to use their counter-fraud resources to target frauds with the highest monetary risk.

41. RTB has shown the greatest increase in both detected cases and value. Of most interest is the advent of 'No Recourse to Public Funds' (NRPF) as a major fraud risk. The 2014/15 detected fraud survey is the first year we have specifically included NRPF as a separate fraud detection category. This was in response to London investigators who first alerted us to this issue. We will consider both RTB and NRPF in more detail in Chapter 6.

HOUSING TENANCY FRAUD

42. London continues to lead the country in detecting housing tenancy fraud. We define housing tenancy fraud as:
   * subletting a property for profit to people not allowed to live there under the conditions of the tenancy;
   * providing false information in the housing application to gain a tenancy;
   * wrongful tenancy assignment and succession where the property is no longer occupied by the original tenant; or
   * failing to use a property as the principal home, abandoning the property, or selling the key to a third party.

43. London recovered 1,618 council homes from tenancy fraudsters in 2014/15, a decrease of 10.5 per cent (see Table 5). Within London most tenancy frauds are illegal sub-letting. This differs from the rest of the country, where abandonment and non-occupation as the principal home are the most common[viii].

Subletting tenancy fraud properties recovered 2014/15	Subletting tenancy fraud properties recovered 2013/14	Percentage change 2013/14 to 2014/15 (%)
1,057	1,146	-7.8
Other tenancy fraud properties recovered 2014/15	Other tenancy fraud properties recovered 2013/14	Percentage change 2013/14 to 2014/15 (%)
561	661	-15.1
Total properties recovered 2014/15	Total properties recovered 2013/14	Percentage Change in Total properties recovered
1,618	1,807	-10.5
Source: TEICCAF and PPP 2014		

Table 5: London boroughs tenancy fraud in 2014/15 and 2013/14

44. Nationally, London accounts for more than half of all properties recovered in 2014/15[ix]. However, London only has just over a quarter (26.8%) of the council house stock of England. This disproportionately strong performance reflects in part that London boroughs have been more pro-active in adopting good practice in tackling such fraud.

45. This chapter summarises the main areas of fraud detection by London as a whole. The next chapter highlights how individual boroughs compare.

CHAPTER 5: INDIVIDUAL LONDON BOROUGHS' FRAUD DETECTION PERFORMANCE

While London as a region continues to take significant strides forward in the fight against fraud, some individual boroughs can still do more to tackle fraud and achieve the results of the best performing London councils.

46. This chapter highlights how well individual London boroughs detected specific fraud types in 2014/15. Each borough will focus its scarce investigative resources on different fraud types from year to year, as befits a risk-based approach. This means, however, that the 'snapshot' of fraud detection in the capital we highlight in this chapter may change in the future. We encourage London boroughs, and especially their elected members, to consider longer term trends in fraud detection at their own councils.

47. In Figure 2 below, each bar represents an individual London boroughs' total detected fraud cases for the 2014/15 financial year. The line shows the total value of those frauds. One London borough detected 2,582 cases valued at £9,714,562. The average number of cases detected for the participating boroughs was 608. The average value was £2,125,180.

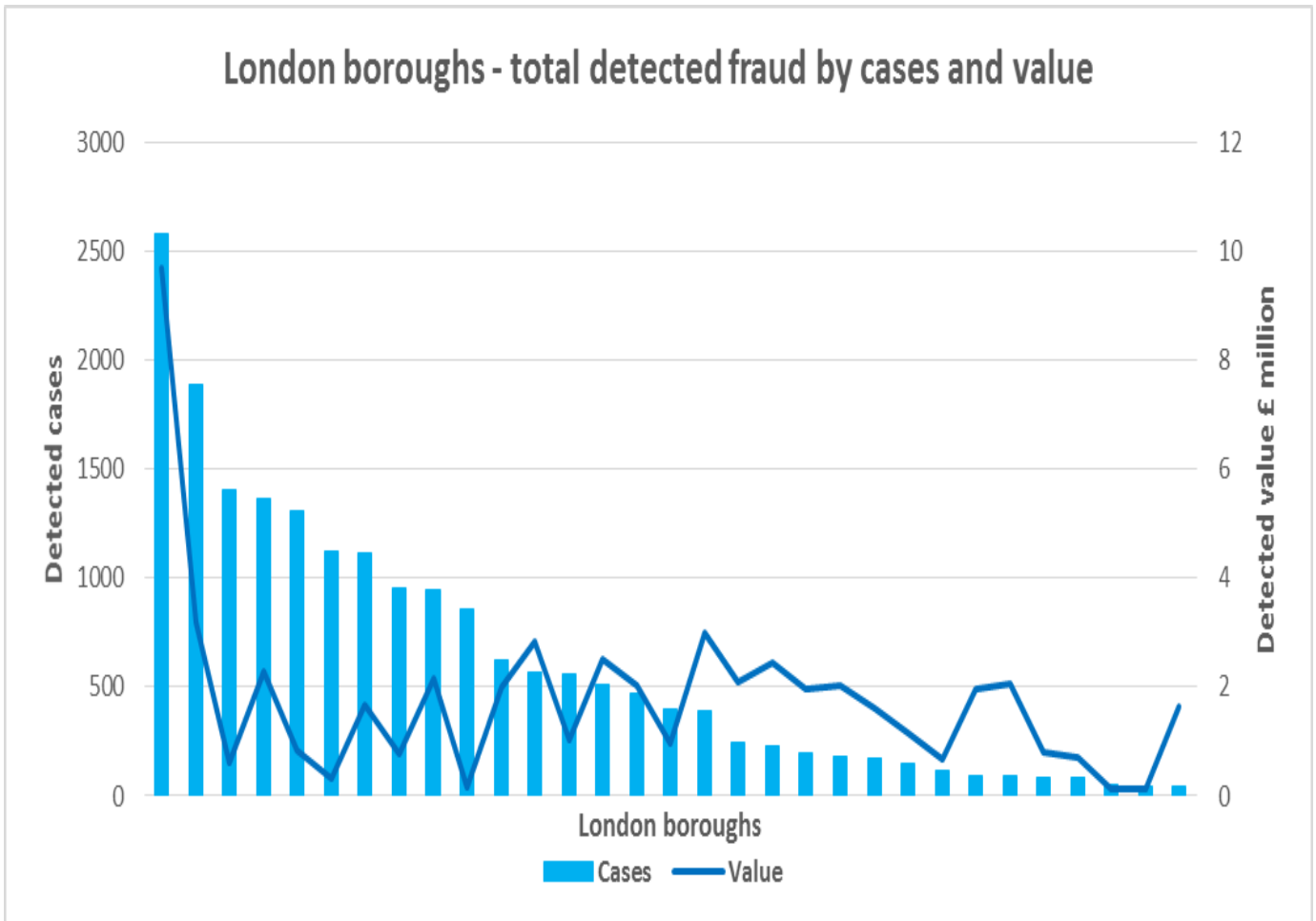**London boroughs - total detected fraud by cases and value**

Figure 2: London boroughs: total detected fraud cases and value

48. In Figure 3 we show the detected cases and values of Housing benefit (HB) fraud for all London boroughs. London, like the rest of the country, is in a period of transition as the detection of HB fraud migrates from councils to SFIS (see Chapter 1).
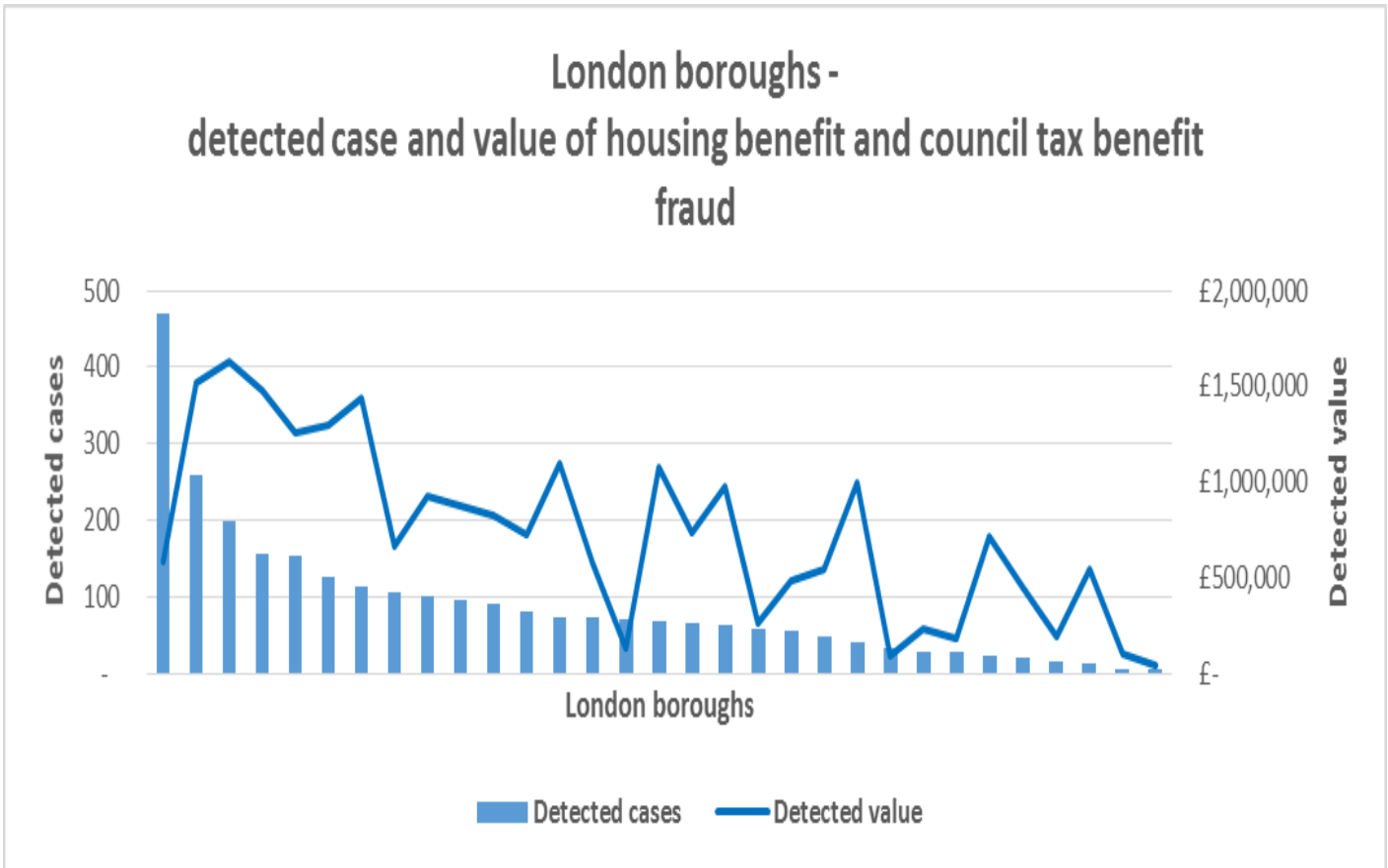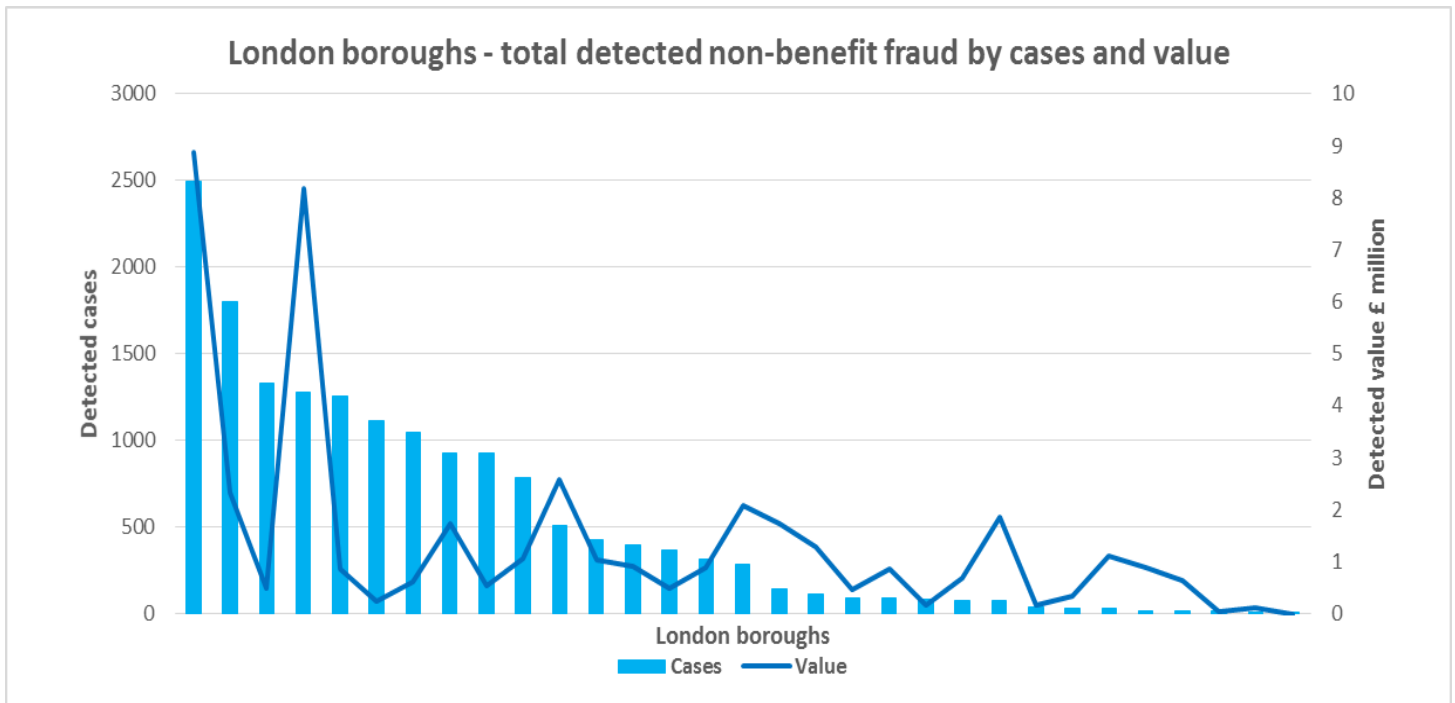
Figure 3: London boroughs – detected cases and value of housing benefit and council tax benefit fraud

49. Tackling HB fraud will no longer be the responsibility of London boroughs from early 2016. Thus, the remainder of this chapter will focus on the main areas of non-benefit (corporate) fraud. This is summarised in Figure 4.

London boroughs - total detected non-benefit fraud by cases and value

Figure 4: London boroughs – total non-benefit fraud by cases and value

50. One London borough detected more than 2,400 cases of non-benefit frauds, worth £8.9 million. This is commendable. However, Figure 4 also shows wide variation in performance among councils, which suggests there is scope for improvement across the capital as a whole.

51. In particular, we note that five boroughs detected fewer than 20 cases of non-benefit fraud in 2014/15. Those boroughs should accelerate the re-focusing of their counter-fraud activities towards corporate fraud risks.

52. Council tax (CTAX) discount fraud directly impacts on the amount of tax some Londoners pay every year to their local borough. Between 4 per and 6 per cent of claims for the most common form of discount, Single Person Discount, are fraudulent[x].

53. In Figure 5, each bar represents the number of CTAX discount frauds each London borough detected. Interpreting just one year of CTAX discount fraud results can be problematic. As a high volume/low value fraud risk area, boroughs sometimes adopt strategies that place greater emphasis on tackling such fraud in different years. This is a reasonable approach to adopt designed to maximise the value for the boroughs concerned.

54. We note that nine boroughs report detecting less than 10 cases of all types of CTAX discount fraud in 2014/15. By comparison six boroughs detected more than 1,000 cases. We encourage elected members to satisfy themselves that their individual borough has a proactive strategy to tackle CTAX discount fraud and are accurately recording such fraud as fraud.
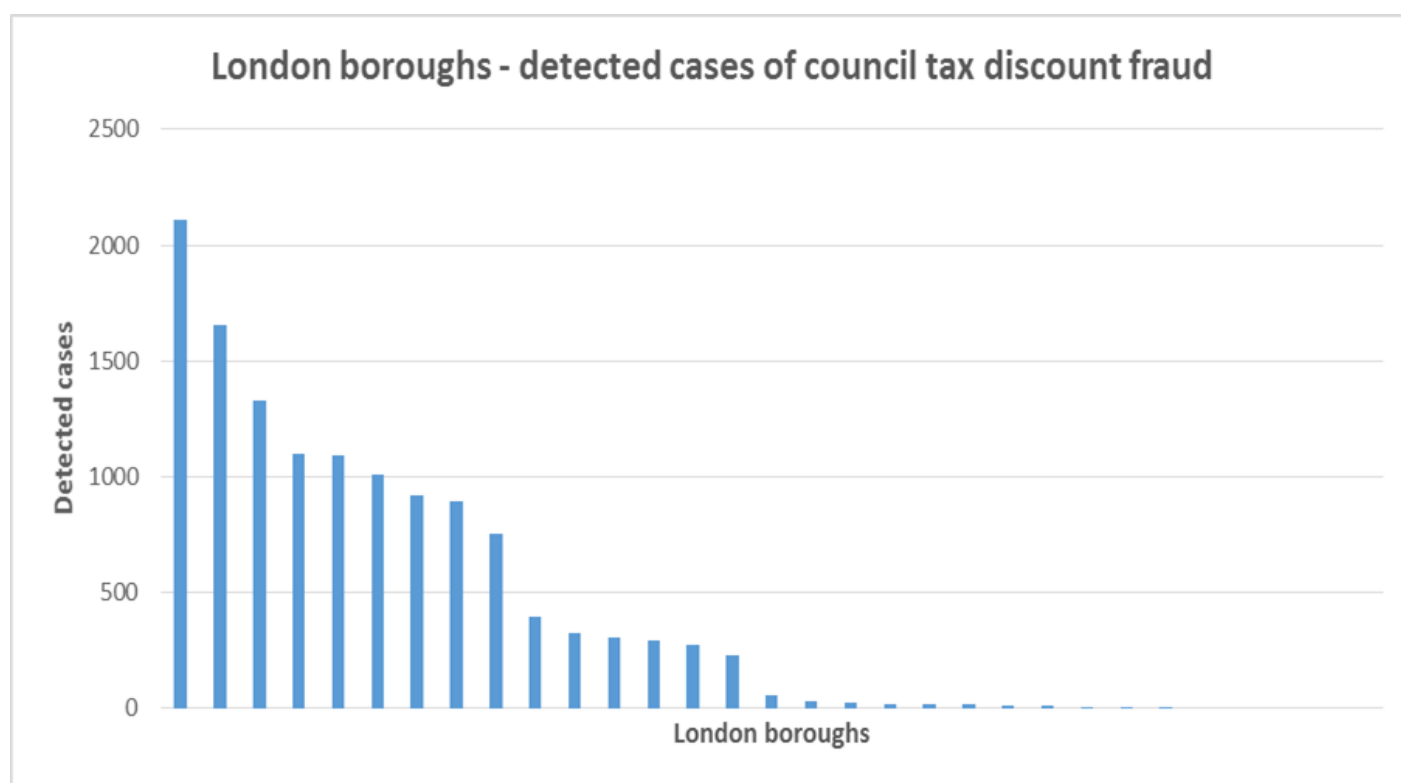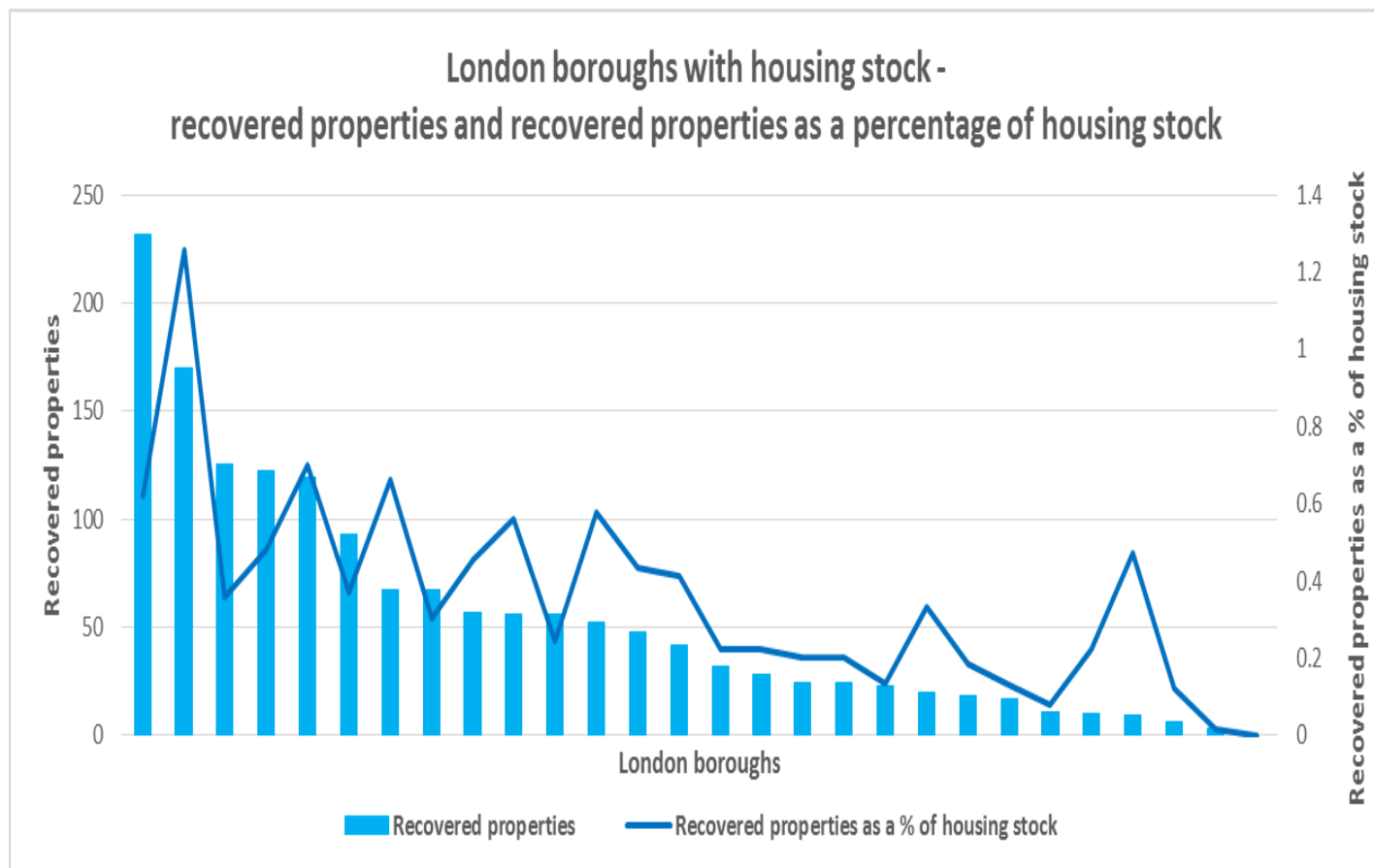

Figure 5: London boroughs – detected cases of council tax discount (CTAX) fraud

55. Chapter 2 identified social housing fraud as a major risk for London. Chapter 3 highlighted how well London as a region has performed in detecting such frauds. In Figure 6 below, we highlight how well individual boroughs have performed.

Figure 6: London boroughs with housing stock – recovered properties and recovered properties as a percentage of housing stock

56. In Figure 6 each bar represents the total number of council homes recovered from tenancy fraudsters by London boroughs with housing stock in 2014/15. The line shows the number of tenancy frauds detected as a proportion of housing stock at each council, providing contextual benchmark information.

57. If all boroughs commit the same amount of resource to tackle tenancy fraud proportionate to their housing stock, the connecting line should be horizontal. It is not. This suggests that there is variation in the performance of individual London boroughs.

58. We note that five boroughs with housing stock detected fewer than ten tenancy frauds. There may be local factors to explain this performance, but it suggests that more can be done at those councils to prioritise tackling tenancy fraud.

59. This is perhaps surprising as most London boroughs with housing stock received non-ring fenced funding by the Department of Communities and Local Government to tackle such fraud (£100,000 per borough covering the 2014/15 financial year). It is also notable that five boroughs with housing stock each detected more than 100 tenancy frauds.

60. We encourage London boroughs to use this information to better understand the fraud risks they face, to challenge fraud detection performance and to inform their own proportionate response to local fraud risks.

61. Above all we encourage elected members at those London boroughs that have detected significant levels of non-benefit fraud to celebrate those achievements and the contribution that fighting fraud makes to vital public services and local taxpayers. It is by recognising and rewarding good performance in fraud detection that public confidence in council stewardship of public funds can be enhanced. PLPP 2015 provides a robust and publicly available evidence base to strengthen public confidence in the counter fraud activities of London boroughs.

RESPONSIBLE TRANSPARENCY IN FRAUD DETECTION

62. The charts included in this report do not specifically identify individual boroughs. We believe that would be irresponsible transparency as such information could be used by fraudsters to their advantage. However, we will provide an individually tailored comparative analysis to all participating boroughs later this year, to help inform their own understanding of local risks and to benchmark their performance against their neighbours.

63. This chapter has highlighted the fraud detection performance of individual London boroughs. In the next chapter, we consider emerging fraud risks and good practice.

CHAPTER 6: EMERGING FRAUD RISKS FOR LONDON – RTB AND NRPF

RTB and NRPF frauds account for most of the increase in the total value of fraud detected by London boroughs in 2014/15. However, these are relatively little known frauds. TEICCAF's proxy indicator of RTB fraud suggests that at least 3 per cent of London borough RTB applications are potentially fraudulent. NRPF has quickly emerged as a potentially significant fraud risk for London.

64. In Chapter 4 we identified RTB and NRPF as two emerging fraud risk categories deserving of further consideration.

RIGHT TO BUY (RTB) FRAUD

65. In 2012, the government relaxed the qualifying rules and raised the discount threshold for Right to Buy (RTB) in relation to council homes. This encouraged greater opportunity for council house tenants to own their own home.

66. The significant sums involved and the relentless increases in property values, especially in London, have made RTB discounts highly attractive, including to fraudsters[xi]. In the two years immediately after the discount increase was implemented, there was a near five-fold increase in the number of RTB frauds detected nationally.

67. There is currently no nationally accepted estimate of the scale of RTB fraud. To help address this gap in understanding, TEICCAF have developed a proxy indicator to estimate the potential level of RTB fraud. This uses known trends in detected RTB fraud levels combined with Department for Communities and Local

Government publicly available information sources. Further detailed information on the TEICCAF approach is published by in PEPP 2015 this year.

68. By interpreting the resulting analysis, both nationally and for London, and by triangulating those findings with housing tenancy fraud research specific to London, the evidence suggests that at least 3 per cent of London RTB discount applications are subject to fraud.

NO RECOURSE TO PUBLIC FUNDS (NRPF) FRAUD

69. NRPF fraud involves people from abroad who are subject to specific immigration controls which prevent them from gaining access to specific welfare benefits or public housing.

70. However, families who have NRPF may still be able to seek assistance, housing and subsistence from their local authority whilst they are awaiting or appealing a Home Office decision on their status (Children's Act 1989, Children Leaving care Act 2000 and National Assistance Act 1948).

71. Individuals concerned have, on occasion, been able to deceive councils into providing welfare and other state assistance. In some cases this appears to have been done by claiming family status with children who, on further enquiry, may not be their own. NRPF is a locally administered scheme, thus creating the potential for multiple claims at different councils using the same alleged 'family'.

72. Boroughs tell us that applications for financial assistance from families with NRPF have started to rise quite dramatically in recent times. Five boroughs undertaking a pilot exercise in London estimate that the annual NRPF cost to them is approximately £22 million per year. Leading commentators suggest that the average cost to the local taxpayer to support one NRPF family is approximately £25,000 per family per year. Some boroughs report over 400 such NRPF cases.

73. In the first year of separately recording this category of fraud, London boroughs detected in total 432 cases valued at more than £7 million. This already constitutes one of the largest value fraud types detected in London. Our analysis indicates some boroughs have yet to look for such fraud, suggesting that far more such fraud could be detected.

74. Boroughs are at a relatively early stage in understanding the nature and scale of NRPF fraud. However, some early preventative work is enlightening. One borough, concerned about the potential fraud risk, changed the application process. All new NRPF applicants are now subject to both identity document scans and credit checks. The borough reports that on being informed that such checks will be undertaken, approximately 10 per cent of new claimants withdrew their application. Not all of these will be fraudulent, but this does suggest the potential scale of such fraud now confronting London.

75. TEICCAF and LBFIG urge the government to prioritise the fight against NRPF fraud. In particular to engage with and incentivise London boroughs to increasingly focus on this fraud risk and to undertake research to better understand the nature and scale of this emerging fraud.

CONCLUSIONS

76. London can have confidence in the actions taken and commitment shown by boroughs to tackle corporate fraud. Compared to the rest of England, London is the most transparent, accountable, and (proportionate to annual spend) successful fraud detection region in the country. London has also been proactive in responding to the impact of SFIS and the need to re-focus resources towards corporate fraud risks.

77. However, some boroughs can still do more to achieve a proportionate response to current and emerging fraud threats. In particular, London boroughs should remain vigilant to emerging fraud threats such as RTB and NRPF frauds.

APPENDIX 1: DATA COLLECTION APPROACH AND EXTRAPOLATION METHODOLOGY

1. In previous years the Audit Commission used its powers to mandate all local government bodies in England to submit information and data on detected fraud and corruption annually (the survey). As a result the survey achieved a 100 per cent submission rate.

2. TEICCAF and LBFIG do not have similar powers. The 2014/15 London boroughs detected fraud and corruption survey is voluntary. However, we are able to draw upon the extensive knowledge and experience of the (former) Audit Commission counter fraud team that had created and delivered the original national detected fraud survey and *PPP* reports.

3. This team are able to draw upon a unique understanding of over six years of survey and fraud intelligence submissions by every local government body in England. This has been used to put in place arrangements that ensures quality, validity, accuracy and robustness of the data submitted.

4. Information sources used include previous *Protecting the Public Purse* reports, other Audit Commission national publications and other conference, seminar and fraud forum presentations and supporting analysis by the former counter fraud team of the Audit Commission. All of these are available in the public domain. They have been extensively utilised to inform longer term trends in the report as well as to assess the accuracy and completeness of individual data submissions.

5. In addition weighted extrapolation was undertaken to inform regional results where appropriate. Where a council has not participated in the survey, we have used weighted trend data to calculate their results.

APPENDIX 2: LONDON CASE STUDIES

A doctor attempted to obtain a social housing property from a London borough under the Right to Buy scheme by falsely claiming he lived at the property. The doctor instead had sub-let the property. The case was first brought to London borough fraud investigators' attention when it was suspected that the property was being sublet in breach of the tenancy agreement.

The investigation discovered that the doctor was living with his wife in Essex. His wife owned the Essex property, he was registered to vote there and used this address to register with the NHS. Had the Right to Buy application been successful the doctor would have received a £100,000 discount.

In court, the doctor pleaded guilty to failing to disclose he was not living at the London property. He was sentenced to 80 hours unpaid work, ordered to pay costs of £3,000 and a victim surcharge of £60. In addition, there was an additional £7,321 awarded to the borough. The court ordered that he should surrender his tenancy.

A woman purchased her social housing property from a London borough in 2003, stating that the property was her only principal home. She received a £38,000 discount under the Right to Buy scheme. Over time she fell into council tax arrears and was being pursued by the borough for outstanding council tax debts. As a means of proving to the borough that she did not owe the money, she produced copies of tenancy agreements showing that she had rented out the property to tenants. Therefore she claimed it was her tenants who owed the council tax, not her.

However, the tenancy agreements she produced dated back to 2001. This showed that as a council tenant she had been unlawfully subletting her social housing property. Thus at the time she purchased the property from the council, she was not living there and therefore was not eligible for RTB discount.

London borough fraud investigators subsequently established that the woman had been living in Essex with her husband since 1994.In the Crown Court, she was found guilty of two offences under the Theft Act. The woman was sentenced to 18 months in prison.

Case Study 3:

London borough and Housing Association working together to combat tenancy fraud

A man had been the tenant of a social housing property since 1996. A local housing association was the landlord, following the transfer of London borough housing stock to the association.

In 2014, the tenant unlawfully sublet the property, stating to his tenants that the property was actually privately owned. However, these new 'tenants' became aware that the property was in fact owned by a housing association. They contacted the housing association who in turn contacted the council and asked them to investigate the matter on their behalf. London borough fraud investigators gathered sufficient evidence to prosecute the man under the Prevention of Social Housing Fraud Act 2013.

The man was found guilty in his absence and fined £1,000 and £500 costs. The housing association is in the process of recovering the property under civil proceedings from the tenancy fraudster.

Case Study 4:

No Recourse to Public Funds

A woman who, due to her immigration status, had no recourse to public funds used false identification to obtain a council social housing property and housing benefit from a London borough. Even after she had obtained British citizenship she continued with the deception to ensure she kept the property.

After finally being caught out, she pleaded guilty to a number of fraud related offences and was sentenced to 2 years in prison. The criminal benefit, that is the difference between paying rent on a social housing property and a similar property in the private sector, was £127,000. The council has recovered the property.

Currently there is a ten year housing waiting list for a similar property in the borough.

A doctor applied to buy his social housing flat from a London borough under the Right to Buy scheme. Under the scheme the doctor was entitled to a £75,000 discount. However, during the valuation process London borough officers became suspicious that the doctor and his family were not using the flat as their main home. The matter was referred to the boroughs' fraud investigators. The subsequent investigation discovered that the flat had been unlawfully sublet and the doctor and his family instead lived in North Wales.

In court, the doctor argued that he had merely been trying to help the people he had sublet the flat too. However, the Judge in his sentencing described the doctor's actions as a "piece of thoroughly dishonest behaviour".

The fraudster was sentenced to 135 hours of unpaid work and had to pay £7,613 in costs. The council repossessed the flat.

Following a referral from a school, a London borough was able to show the effectiveness that a qualified Financial Investigator (FI) affords.

A school had identified an unknown withdrawal of £40,000 from their bank account. This was passed to the FI who had received specialist training to undertake financial investigations and recover monies lost through crime. FI's also have specific powers under the Proceeds of Crime Act 2002 (POCA) to trace transactions through financial institutions (such as banks).

The FI discovered that the £40,000 withdrawal had been made by a former employee at the school. This individual had managed to transfer the money directly into their personal bank account. Acting swiftly using their powers, the FI was able to freeze the suspect's bank account preventing a withdrawal of this money, pending completion of their work.

With the level of information ascertained by the FI, the support of the police was secured. When confronted with the information the FI held, the former employee fully confessed their crime. In court, the fraudster was sentenced to two years in prison. Using the proceeds of crime powers, the £40,000 could then be recovered and returned to the school.

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