

Protecting the Public Purse 2010

*Fighting Fraud against Local Government
and local taxpayers*



Duncan Warmington, Technical Specialist – Counter Fraud
Governance and Counter Fraud Practice

 **audit**
commission

Agenda

- Fraud and Corruption Survey
- *Protecting the Public Purse 2010* – an overview
- Big ticket items:
 - Housing Tenancy fraud
 - Single person discount (SPD) on council tax
 - Personal budgets
- Detected fraud in the Midlands
- Questions

What is to be done?

“Simply shrugging our shoulders at benefit fraud is a luxury we can no longer afford”

Prime Minister David Cameron

“protection: there are sensible safeguards against the risk of abuse or neglect. Risk is no longer an excuse to limit people’s freedom;”

Care Services Minister Paul Burstow speaking about personal budgets

Fraud & Corruption Survey

Started with year 2008/09

Covers detected cases and fraud responses

Survey covers over 450 audited bodies

Next years survey covers 2010/11

Issued date 31 March 2011

Closing date 13 May 2011

Protecting the Public Purse 2010

Fighting Fraud against Local Government and Local Taxpayers Planned launched in October 2010

This years report looks at progress on tackling frauds in the areas of:

Housing Tenancy

Council Tax - Single Person Discount

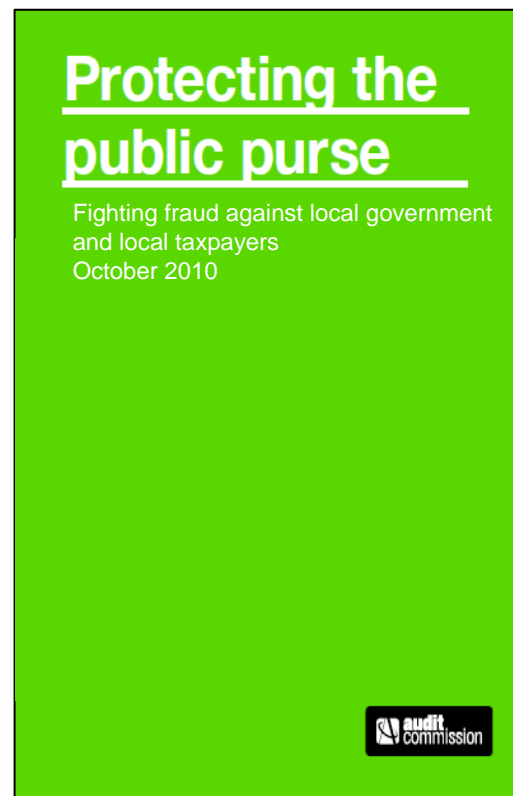
Recruitment

And explores some potential fraud risks associated with:

Personal budgets (direct payments)

Procurement

Housing and council tax benefit



Protecting the Public Purse 2010 also

- Introduces the results of the fraud surveys 2009 and 2010
- Identifies more good practices by councils
- Updates the 2009 checklist for those charged with governance

Fraud is still a big issue and it's not all external

Jailed: Council executive who stole £617,000 of public money for fake children's home

**Council worker
jailed for scams**

Met Detective jailed over £4.6m mortgage fraud

**HOUSING BOSS
IN FRAUD PROBE**

Page 32
**Jail for the fraud
investigator who
fiddled £200,000**

Tenancy Fraud



Almost 50,000 properties
(with an asset value of
more than £2 billion) could
potentially be brought back
into social use

Tenancy fraud

- any unauthorised use of social housing
 - fraudulent applications
 - succession
- at worst sub letting for profit
- waiting lists growing – 2 million by 2011
- 53,000 families in temporary accommodation costing nearly £1billion

What has been uncovered so far?

- 60 councils report nearly 1,600 properties recovered
- They would cost £240 million to replace
- These figures are rising rapidly
- 86% in London in 2009/10 (97% in 2008/09)

Good Practice

- Councils and Housing Associations working together – incentivised through reciprocal nomination rights
- Sharing specialist investigating skills
- Whistleblowing
- Amnesty

Housing tenancy fraud case

- HA charged £53 per week rent
- Sub-let to pensioner at £225 per week for 2.5 years
- £2k deposit, £1k “fine” for late payment of rent
- Identified by tenancy audit
- Court made possession order - £1.5k costs, £25.7k unlawful profit
- Pensioner re-housed by HA

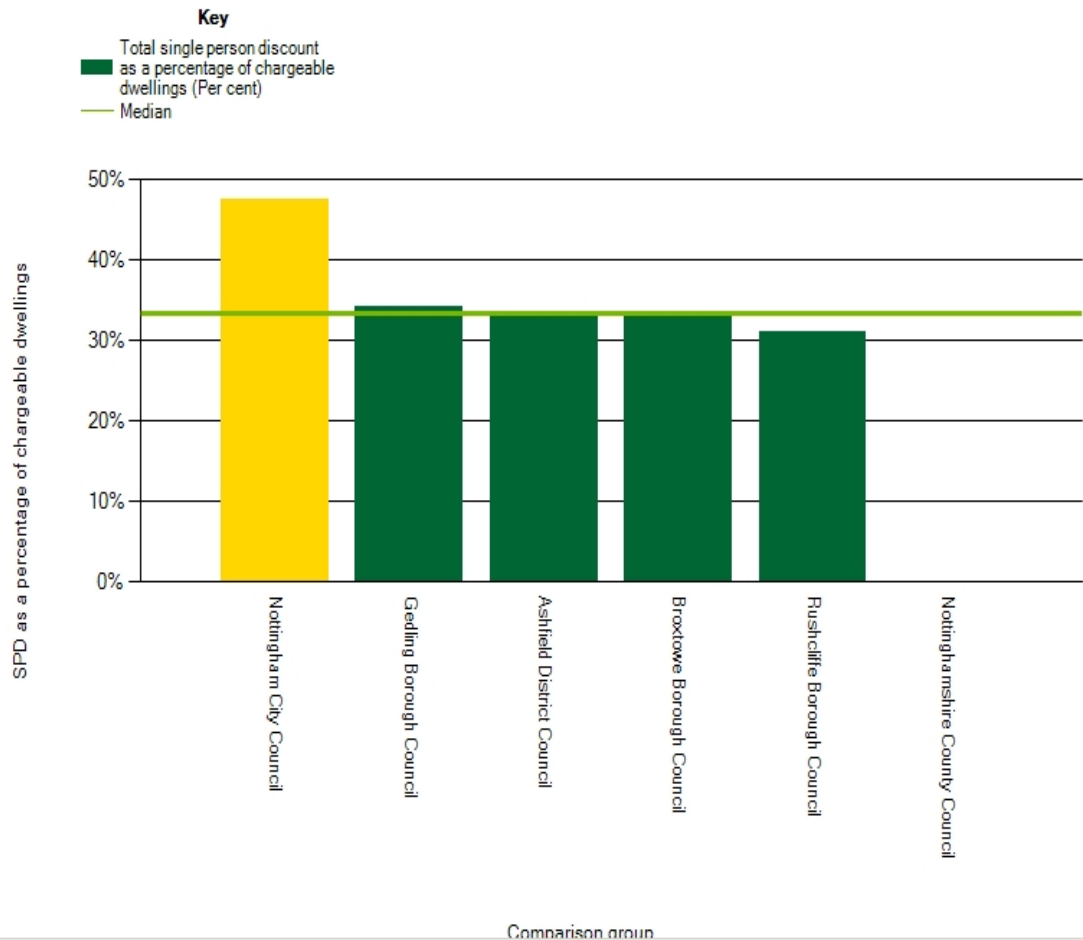
Single Persons Discount

- We confirm our estimate of losses £92 million and fraud levels of around 5 %
- Councils stop 48,000 claims in 2010
- We have developed a predictor tool for councils to use

Single Person Discount

The chart below allows you to compare the level of council tax single person discount (SPD) claimed at your council with other councils in the selected comparison group.

Nottingham City Council compared to similar areas: Geographical neighbours, 2009/10



Source: Level of single person discount - information provided by Department for Communities and Local Government (CLG) for each billing authority as at October 2009.

Financial benefit to your council tax

The table below estimates possible added revenue that could be achieved by Nottingham City Council over three years, taking account of the three year government grant settlement for councils. Four per cent is used in this calculation as this is the average number of council tax SPDs cancelled by proactive action as identified by our research in publications of Protecting the Public Purse in both 2009 and 2010. This estimate assumes that 4 per cent of SPD claims are tackled before the council tax is set for the next financial year.

Council name	For 1 year	For 3 years
Nottingham City Council	£479,863	£1,439,590

Explanatory note 1: impact of 4 per cent reduction in number of SPD claims calculated as a reduction of 4 per cent in the number of SPDs on 6 October 2009 multiplied by area band D council tax including parish precepts 2010/11; minus the value of the average assumed annual projected change in the tax base over 2008/09, 2009/10 and 2010/11.

Explanatory Note 2: in a number of cases where some councils have taken proactive action over a number of years the potential reduction may now be less, though still significant. These calculations will not take account of any proactive action taken by councils since 6 October 2009.

Source: Audit Commission calculation using data from projected tax base data from the Local Government Settlement, CBT1 and RA returns, Department for Communities and Local Government (CLG).

Level of Council Tax Single Person Discount

The level of council tax SPD will be different in different types of areas. For example councils with higher numbers of older people would be expected to have more people eligible for discounts. We can use information about the population served by each council to predict how many people in the area would be eligible for discounts.

The chart below compares the actual level of council tax SPD claimed to the predicted level for Nottingham City Council. The predicted level is calculated using information about households in the council area. More information is available in the help section of the tool which can be accessed by clicking the 'help' link at the top of the screen.

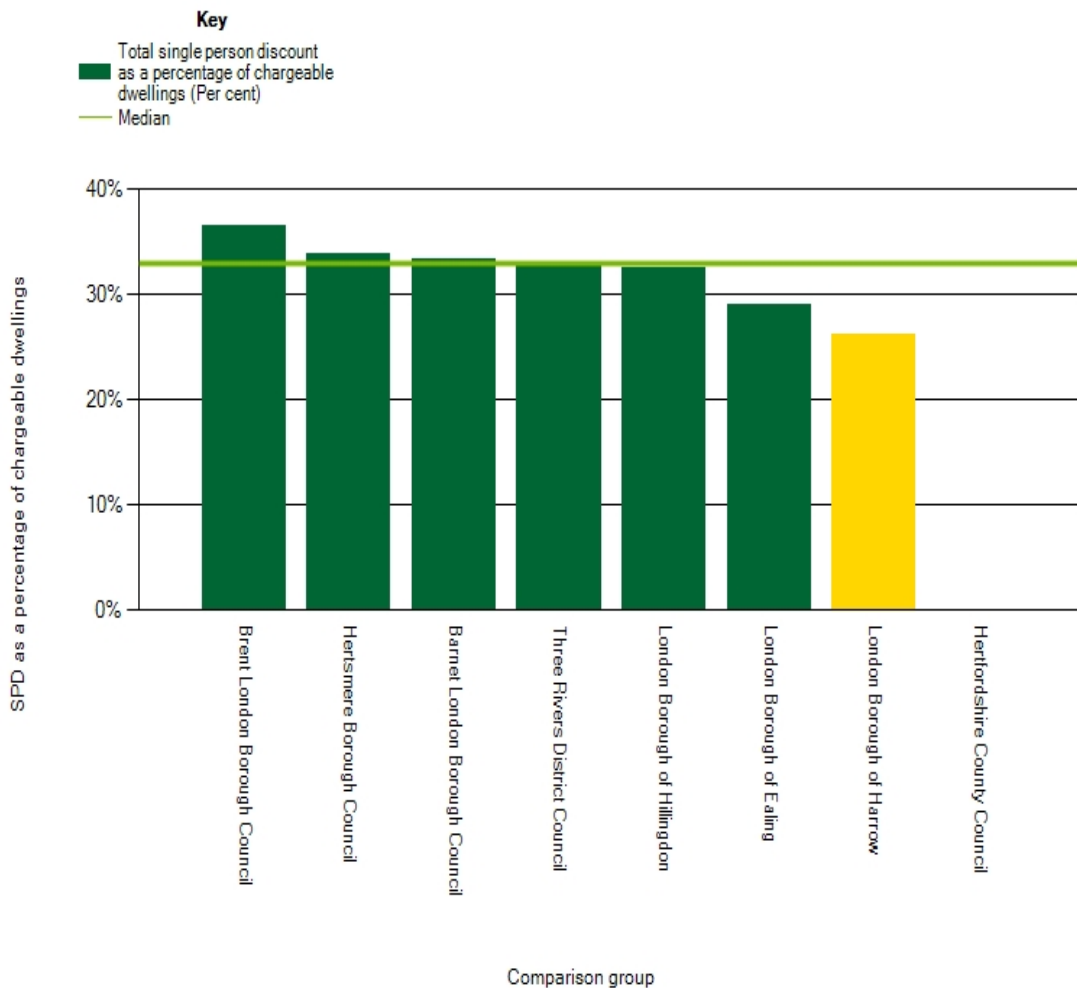
The statistical model that predicts the SPD level is based on SPD levels in 2009 and incorporates an element of fraud. Based on research reported in our Protecting the Public Purse 2010 publication the SPD fraud level can be viewed as typically about 4 per cent of total SPD claimed. At councils where the level of predicted SPD is significantly above the actual level fraud may be present but below the national 4 per cent average. The full explanation can be accessed by clicking the 'help' link at the top of the screen.

For councils where the actual level of discounts is close to the predicted level (plus or minus 0.75 per cent) are likely to be able to reduce the number of discounts by between 4

Discount

The chart below allows you to compare the level of council tax single person discount (SPD) claimed at your council with other councils in the selected comparison group.

London Borough of Harrow compared to similar areas: Geographical neighbours, 2009/10



Financial benefit to your council tax

The table below estimates possible added revenue that could be achieved by London Borough of Harrow over three years, taking account of the three year government grant settlement for councils. Four per cent is used in this calculation as this is the average number of council tax SPDs cancelled by proactive action as identified by our research in publications of Protecting the Public Purse in both 2009 and 2010. This estimate assumes that 4 per cent of SPD claims are tackled before the council tax is set for the next financial year.

Council name	For 1 year	For 3 years
London Borough of Harrow	£241,789	£725,366

Explanatory note 1: impact of 4 per cent reduction in number of SPD claims calculated as a reduction of 4 per cent in the number of SPDs on 6 October 2009 multiplied by area band D council tax including parish precepts 2010/11; minus the value of the average assumed annual projected change in the tax base over 2008/09, 2009/10 and 2010/11.

Explanatory Note 2: in a number of cases where some councils have taken proactive action over a number of years the potential reduction may now be less, though still significant. These calculations will not take account of any proactive action taken by councils since 6 October 2009.

Source: Audit Commission calculation using data from projected tax base data from the Local Government Settlement, CBT1 and RA returns, Department for Communities and Local Government (CLG).

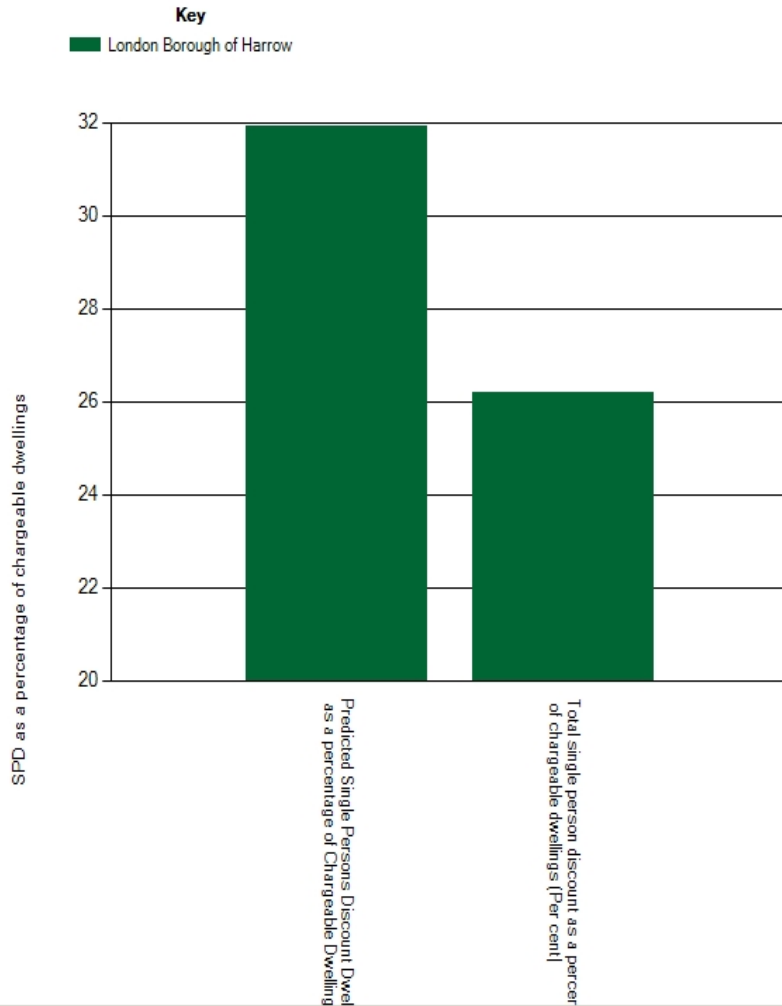
Level of Council Tax Single Person Discount

The level of council tax SPD will be different in different types of areas. For example councils with higher numbers of older people would be expected to have more people eligible for discounts. We can use information about the population served by each council to predict how many people in the area would be eligible for discounts.

The chart below compares the actual level of council tax SPD claimed to the predicted level for London Borough of Harrow. The predicted level is calculated using information about households in the council area. More information is available in the help section of the tool which can be accessed by clicking the 'help' link at the top of the screen.

The statistical model that predicts the SPD level is based on SPD levels in 2009 and incorporates an element of fraud. Based on research reported in our Protecting the Public Purse 2010 publication the SPD fraud level can be viewed as typically about 4 per cent of total SPD claimed. At councils where the level of predicted SPD is significantly above the actual level fraud may be present but below the national 4 per cent average. The full explanation can be accessed by clicking the 'help' link at the top of the screen.

For councils where the actual level of discounts is close to the predicted level (plus or minus 0.75 per cent) are likely to be able to reduce the number of discounts by between 4 and 6 per cent by identifying fraudulent and incorrect claims. If the actual level of discounts is higher than the predicted level by more than 0.75 per cent it is possible that the number of incorrect or fraudulent claims is higher than the range suggested by our research.



Personal Budgets

- Area of major change
- Currently 170,000 budgets £900m
- Massive expansion expected
- Total adult care spend £16bn

Personal Budgets-the risks

- Misrepresentation of needs
- Fraud by person managing a budget on behalf of a vulnerable person
- Fraud by organisation/person providing care

Personal budgets-the risks

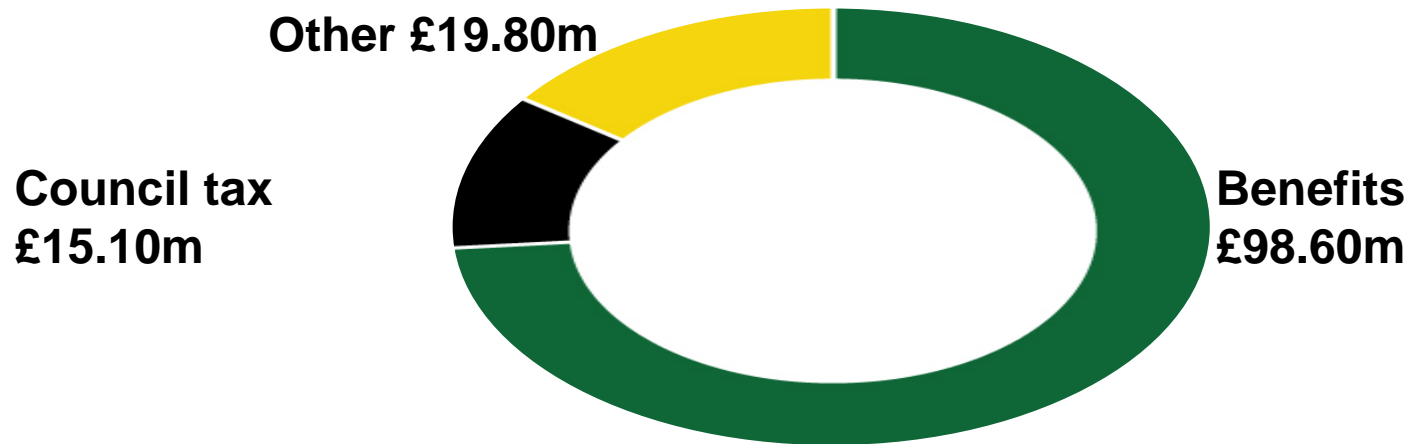
- Direct link from fraud to care provided to a vulnerable person
- Nature of arrangement makes fraud hard to prove/detect
- What do we do when suspicions exist or allegations are made?

Personal budgets-good practices

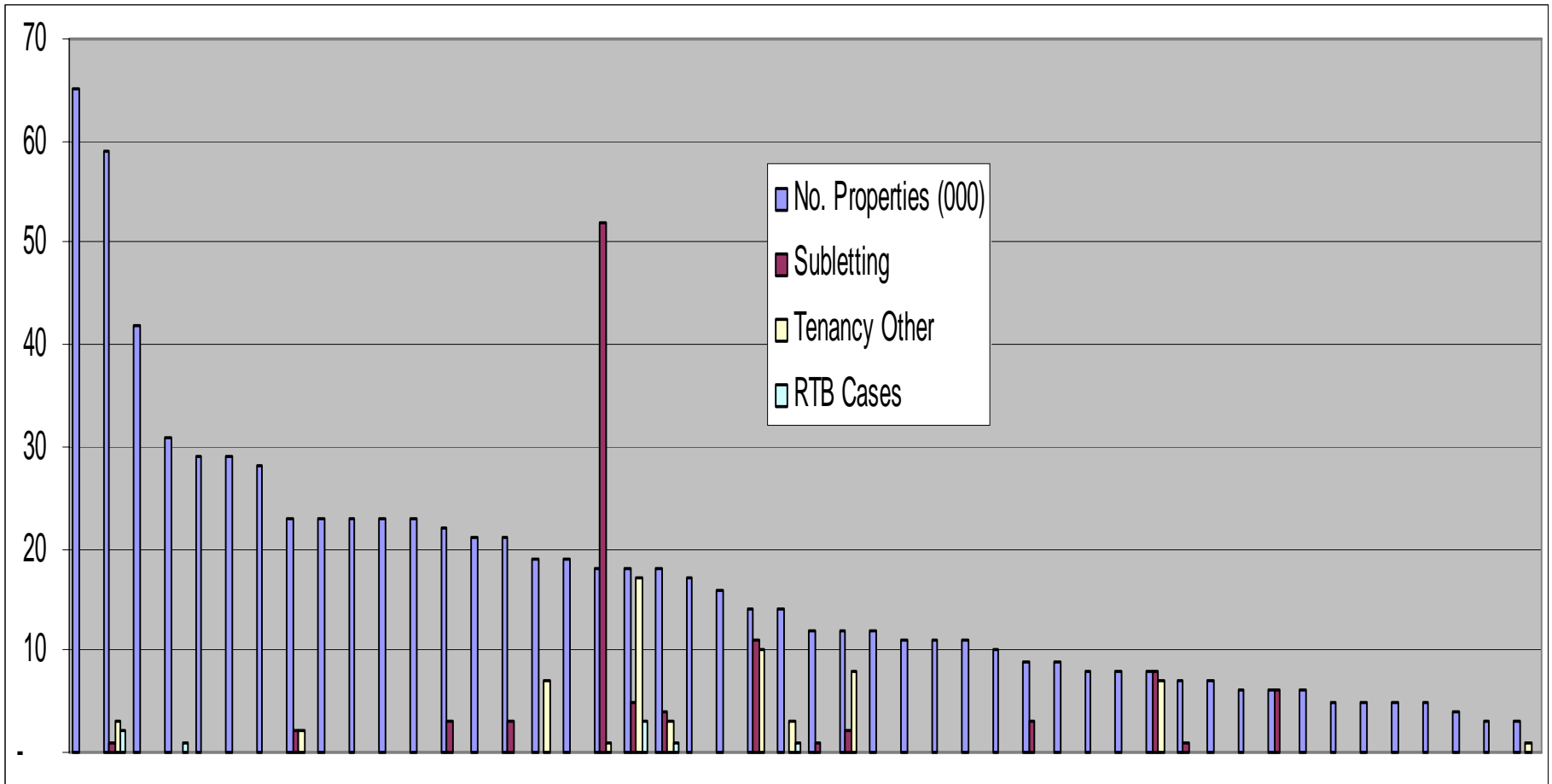
- Safeguarding is critical
- Awareness training for social workers
- New partnerships and cultures between care and finance staff
- Risk based audit reviews
- Clear policy

2010 SURVEY DETECTED FRAUD

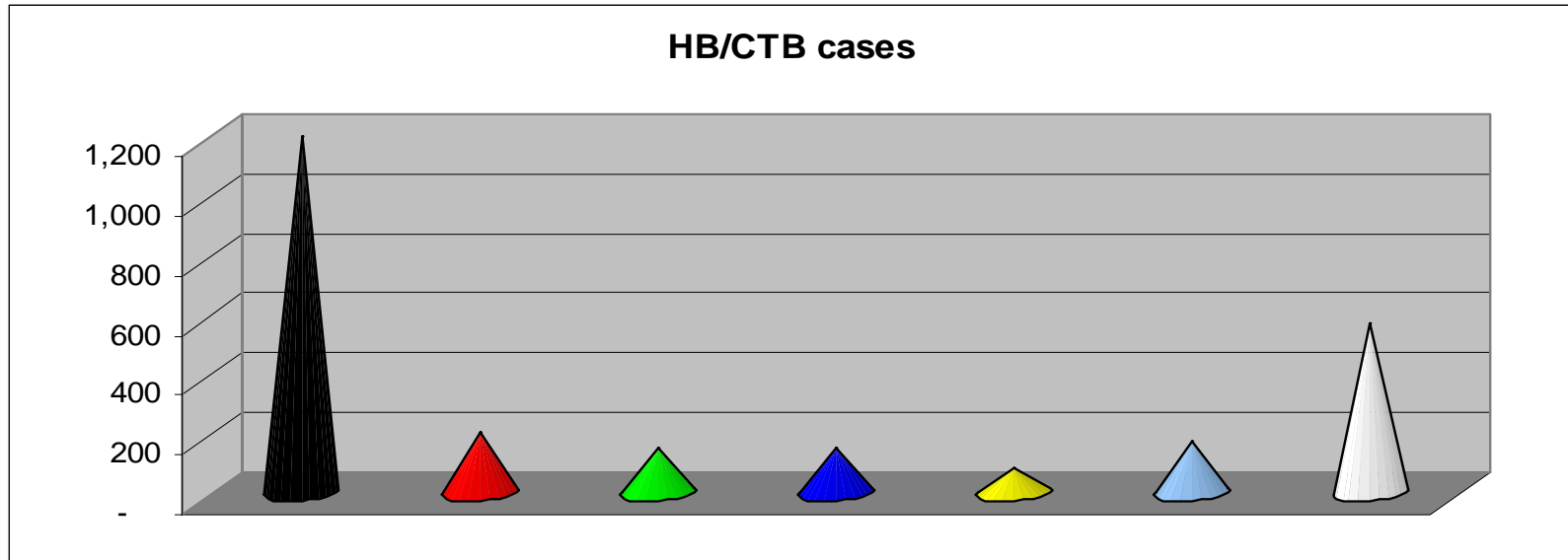
119,000 cases



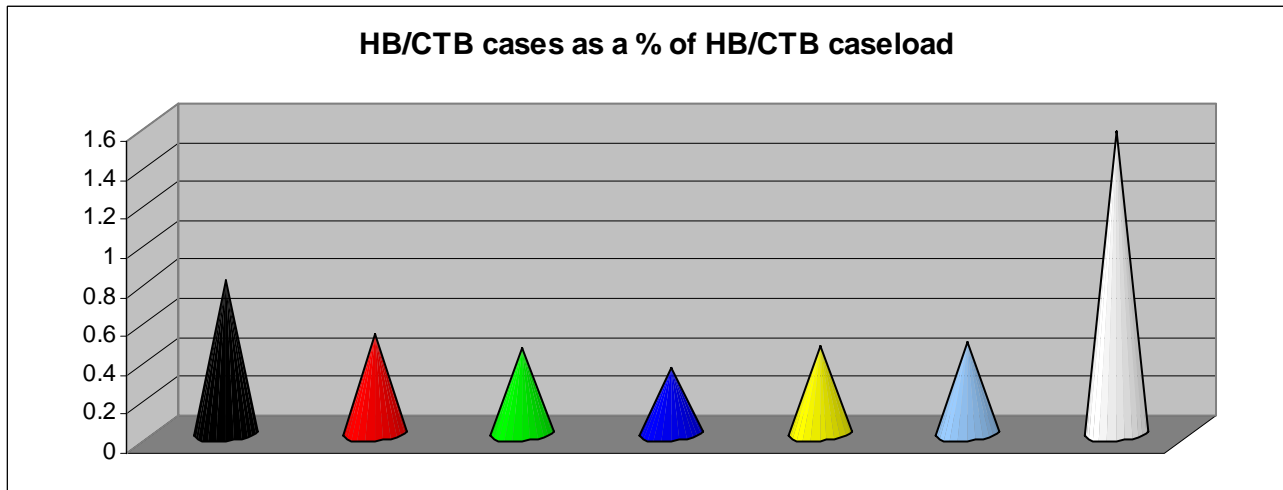
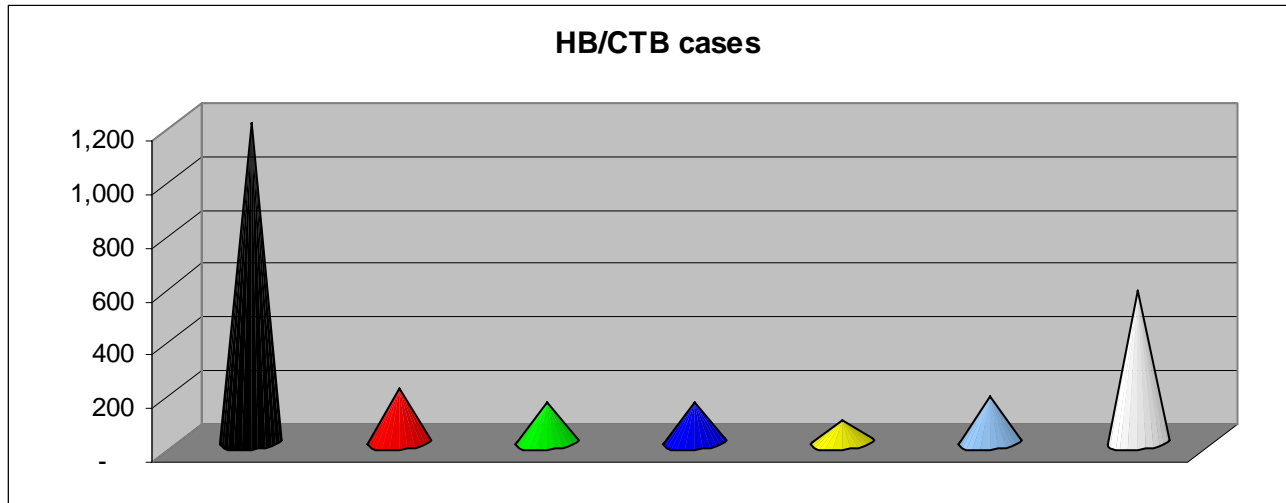
Tenancy Fraud – Mets & UAs



7 Midland LAs detected HB/CTB

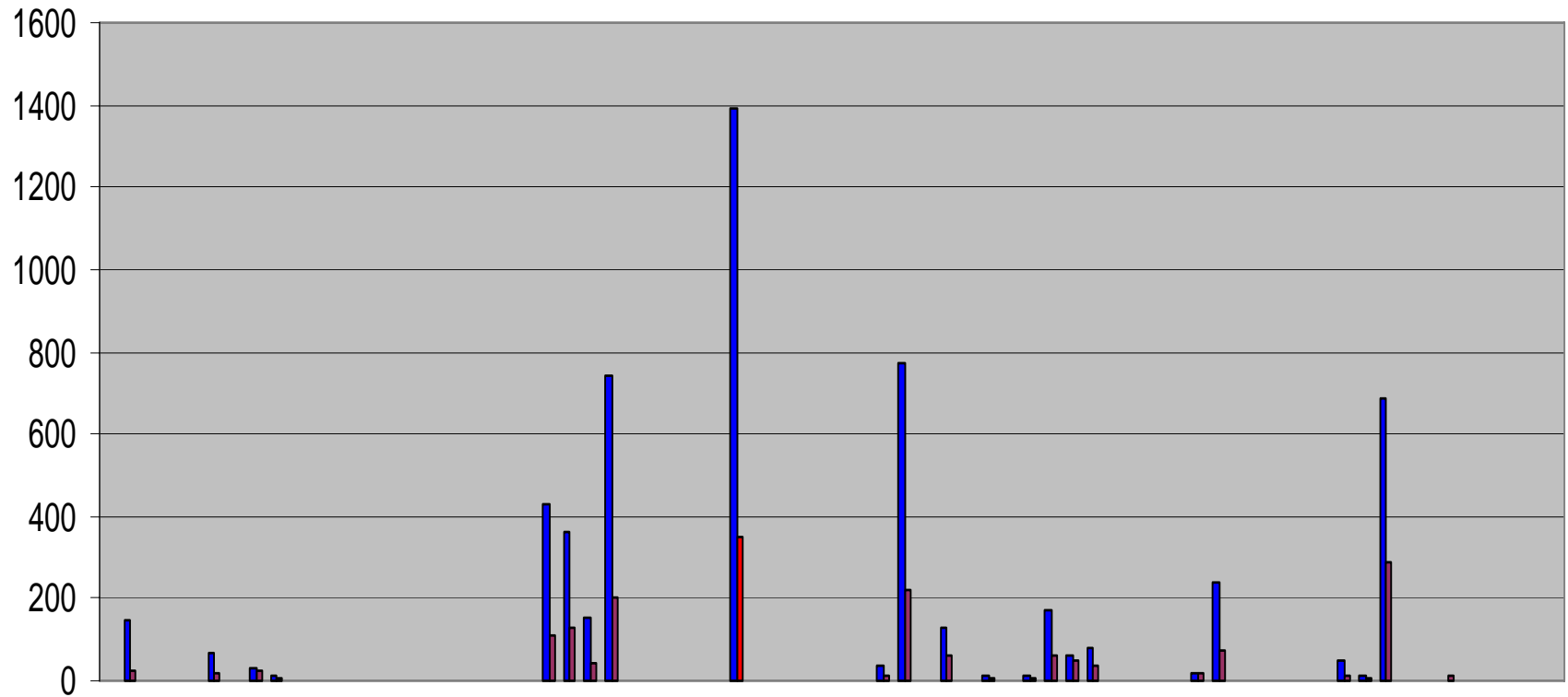


7 Midland LAs detected HB/CTB

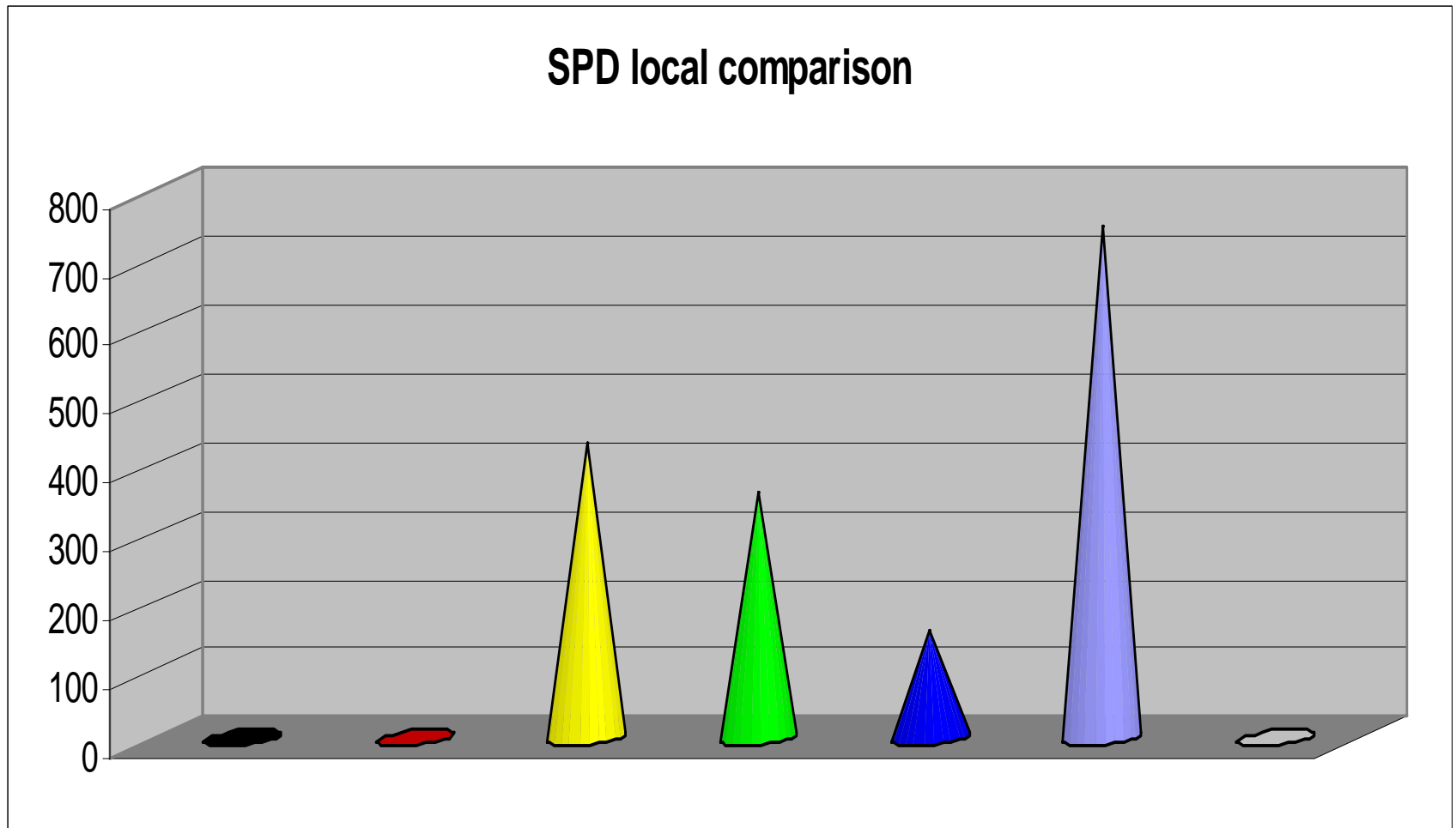


SPD detected fraud Midland LAs

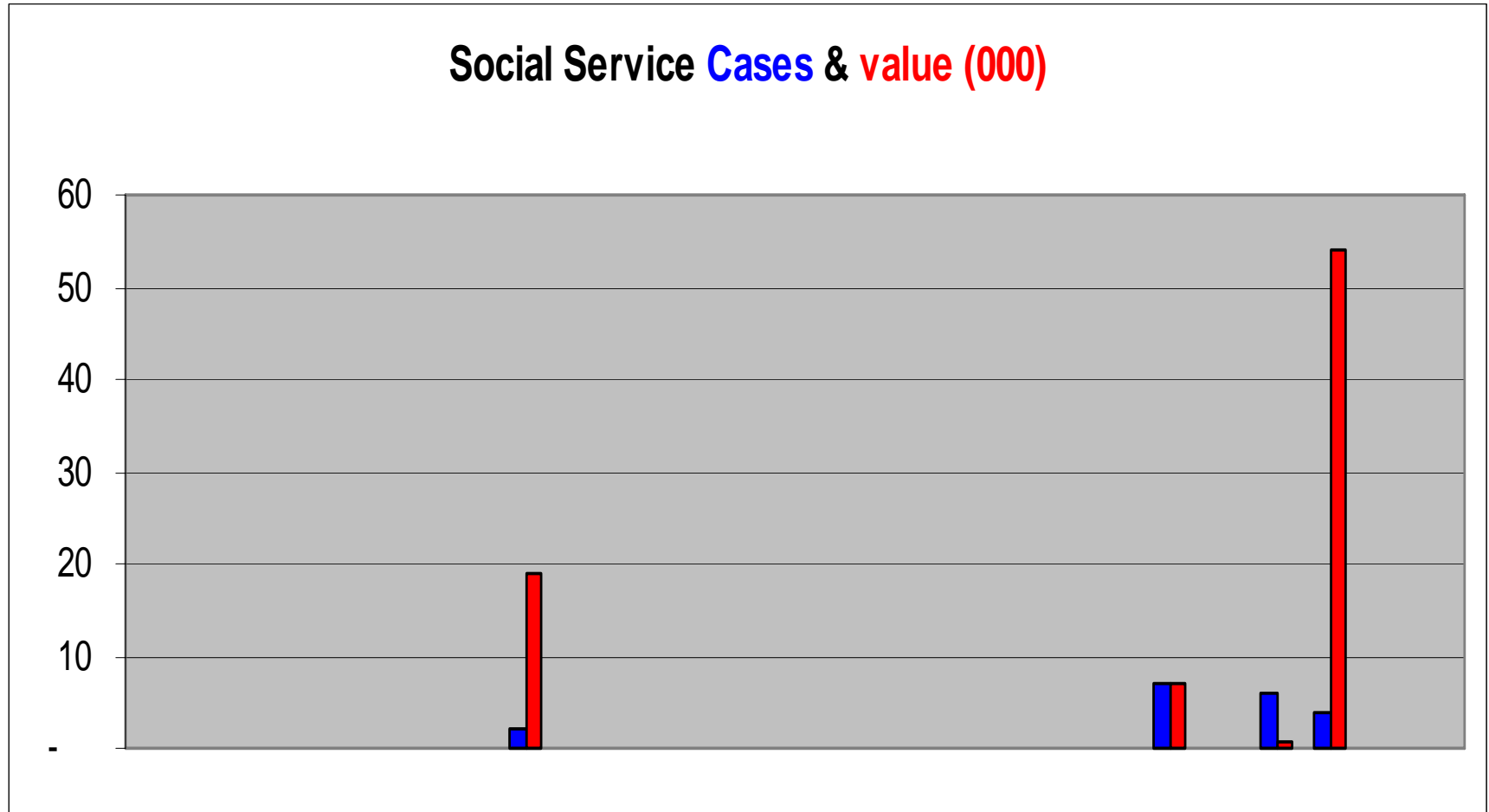
SPD Cases and value (000)



SPD detected fraud a local comparison



Social services detected fraud Midland LAs



Any questions?

