



Cabinet Office



# National Fraud Initiative Report

July 2020





# National Fraud Initiative Report

## 2020 Report

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## Foreword

The fundamental challenge that public bodies face with fraud is that it is a hidden crime – those committing it actively try to conceal it so we must be proactive in our efforts to seek it out.

I am therefore delighted to report that the National Fraud Initiative, the Cabinet Office's data matching service, has enabled participating organisations to prevent and detect £245 million fraud and error in the period 1st April 2018 to 4th April 2020<sup>1</sup>. This brings cumulative outcomes for NFI participants to £1.93 billion.



This fraud and error has been detected and prevented by the hard working staff at the 1,200 public and private sector organisations that participate in the National Fraud Initiative.

Reducing the amount of fraud in systems is a huge challenge to your organisations. We remain committed to supporting you by developing the National Fraud Initiative, and working with its community of users to drive fraud out of public services, ensuring that taxpayers' money is spent where it is needed most.

The National Fraud Initiative has the ability to quickly address emerging risks through the targeted data matching pilots that are carried out throughout the two year cycle. Most of these pilots come from your suggestions, however the scale of government COVID-19 emergency relief now offers a significant opportunity for fraudsters.

It is for this reason that we plan to extend the National Fraud Initiative remit to help ensure COVID-19 emergency relief funding is only accessed by those that are entitled.



...this fraud and error has been detected and prevented by the hard working staff that participate in the National Fraud Initiative”

The initial focus will look for irregularities in the funding distributed through local authorities. This will include, but is not limited to Business Support Grant data, such as grant recipients and business rates system data.

We are already actively engaging with stakeholders in the public and private sector to understand how the National Fraud Initiative can be further developed to highlight fraud across more of the COVID-19 support packages.

The use of data and effective data matching is a central element of our efforts to ensure that COVID-19 financial support is not lost to fraud and error.

The National Fraud Initiative has shown the effectiveness of this approach both in the last NFI exercise, and cumulatively since its inception.

This report demonstrates this across many areas of the public sector, and its use in the COVID-19 spend areas shows our commitment to seek out, find and tackle fraud and error across the public sector.

**Lord Agnew, Minister of State at the Cabinet Office and Her Majesty's Treasury**

<sup>1</sup> The nearest date to 31st March 2020 management information was available to produce this report.

## About the National Fraud Initiative

The National Fraud Initiative (NFI), conducted by the Cabinet Office, involves data matching to help in the prevention and detection of fraud.

The NFI provides multiple solutions, ranging from real time point of application fraud prevention checks through to the national data matching exercise which helps those that take part detect active fraud cases within systems.



Data for the NFI is provided by some 1,200 participating organisations from the public and private sectors including local authorities, government departments, private registered providers of social housing (also known as housing associations) and pension schemes. The NFI works with public audit agencies in all parts of the UK.

Data matching involves comparing sets of data electronically, such as the payroll or benefit records of a body, against other records held by the same or another body to see to what extent they match.

This data is usually comprised of personal information<sup>2</sup>.

Participating organisations receive the resulting data matches for consideration and investigation where appropriate.

The data matching identifies inconsistencies that require further investigation and allows potentially fraudulent claims and payments to be identified.

No assumption can be made as to whether there is fraud, error or another explanation until the investigation process is completed.

Once an investigation has been completed, the body can take appropriate action which may be to prosecute cases of fraud, recover overpayments, make good underpayments and update records as appropriate. There is also an opportunity to identify system weaknesses and review controls.

The NFI is conducted using the data matching powers conferred on the Minister for the Cabinet Office by Part 6 of and Schedule 9 to the Local Audit and Accountability Act 2014.

The legal basis for processing personal data is that processing is necessary for the performance of a task carried out in the public interest. Certain public sector bodies are required to provide data for the NFI on a mandatory basis.

In addition, bodies can provide data for matching on a voluntary basis.

This report includes all NFI outcomes recorded in the period 1st April 2018 to 4th April 2020.

These outcomes include NFI 2018/19 (the national data matching matches released at the end of January 2019), as well as those from the FraudHub, AppCheck and ReCheck products. Outcomes from incomplete investigations will be captured and reported as part of the next NFI exercise.

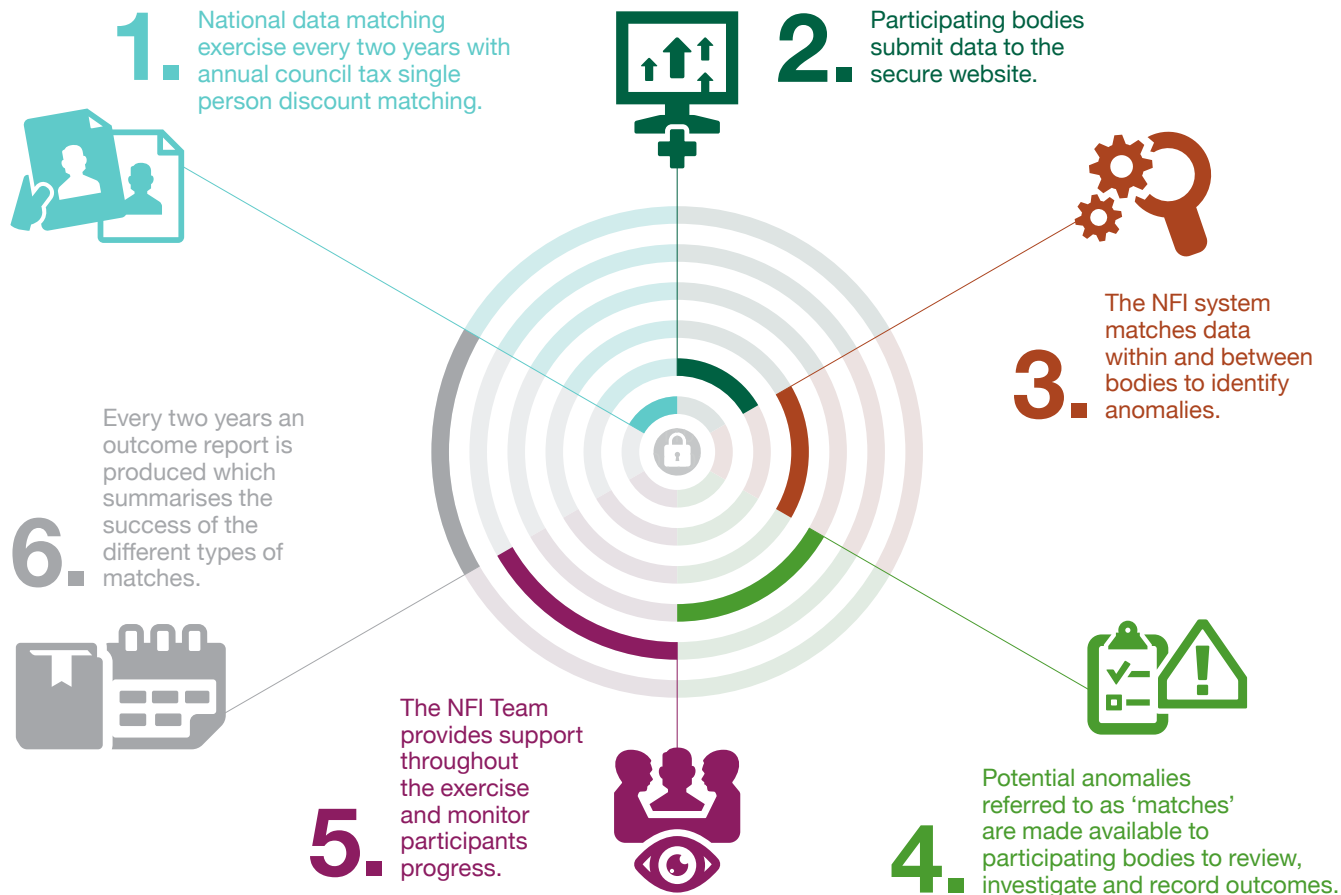
<sup>2</sup> The data requirements for the NFI exercise are set out in **data specifications**.

# The NFI product portfolio

## National Exercises

Data is collected from organisations across the UK for national fraud detection batch matching every two years. Matches are accessed through a secure web application.

## The NFI matching cycle



### AppCheck

A fraud prevention tool that helps organisations to stop fraud at the point of application, thereby reducing administrative and future investigation costs.

### ReCheck

A flexible batch matching tool that allows an organisation to repeat national batch matching at a time to suit them.

### FraudHub

FraudHub enables individual organisations or groups of neighbouring organisations to regularly screen more than one dataset with the aim of detecting errors in processing payments, or benefits and services.

# Cost of running the NFI

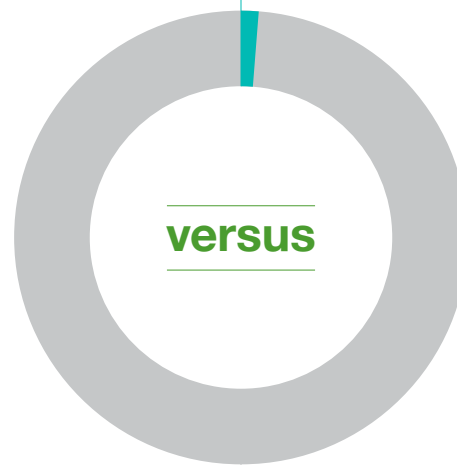
## Main expenditure



## Income



**£2.8 million fee income**



**£245 million outcomes**

## Example fees<sup>3</sup>

### 2018/19 National

- London Borough Council **£4,150**
- Mid-sized council **£2,200**
- Police **£1,000**
- NHS Foundation Trust **£1,000**

**nfi**  
AppCheck

Sliding scale from **£275** for 250 searches to **£850** for 1,000 searches, or **£1,850** annual membership (unlimited searches)

**nfi**  
ReCheck

**£300** per dataset for 1-20 datasets, or **£250** per dataset (20+)

**nfi**  
FraudHub

**£1,840 to £7,640** annual membership dependent on type of public sector body

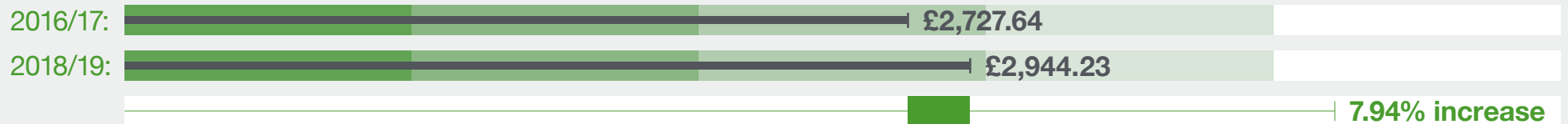
<sup>3</sup> The NFI work programme and scale of fees are consulted on prior to each exercise.

## Fraud, overpayments and errors identified and prevented across the UK (2018 to 2020)

Results for the period 1st April 2018 to 4th April 2020:



UK financial outcomes per case (categorised by participants as error or fraud):

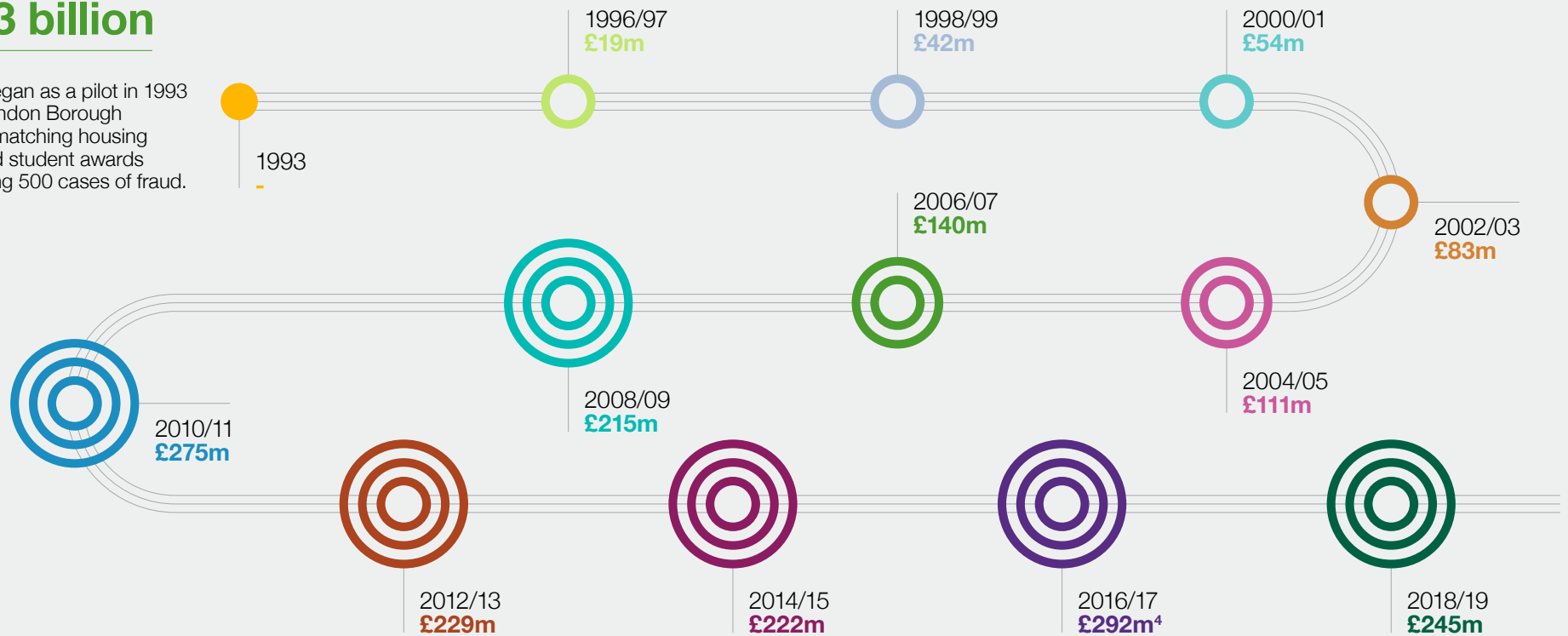


# Fraud, overpayments and errors identified and prevented across the UK (1996 to 2020)

The NFI results for the UK over time:

**£1.93 billion**

The NFI began as a pilot in 1993 with 13 London Borough Councils, matching housing benefit and student awards data, finding 500 cases of fraud.



<sup>4</sup> Pension related outcomes in the previous NFI exercise were overstated by £9 million due to a formula error. The corrected overall total is shown in this graphic.



# An analysis of the NFI results in England (2018 to 2020)

The results in England total: **£215.8 million**

The main categories of fraud identified by the NFI in England relate to:



The exercise produced the following significant results in England:



The £215.8 million also includes a number of pilot matches. More details about pilots can be found on **page 28**. Results were as follows:

	Number of cases	Actual outcomes £ million	Amount recovered £ million
HMRC information sharing <sup>5</sup>	2,481	3.9 (Estimates £4.9 million)	3.4
State Benefits	81	0.2 (Estimates £0.2 million)	0.1
Utilities	8,465	- (Estimates £3.2 million)	-
<b>Total including estimates</b>	<b>11,027</b>	<b>12.4</b>	<b>3.5</b>



<sup>5</sup> Outcomes from the HMRC information sharing pilot are split across the relevant dataset area for example, housing benefits, council tax, etc.



## An analysis of recovery rates in England

Once overpayments have been identified, public bodies can take appropriate action to recover the money.

At the end of this reporting period, public bodies had taken action to recover 88.6% of total frauds detected compared to 79% for the equivalent period to the end of March 2018.



“...public bodies had taken action to recover 88.6% of total frauds detected”



Table 1 – Recovery rates in England

Dataset	Fraud detected (actual not estimated) £ million	Amount in recovery £ million	Recovery rate %
Housing Benefit	26.3	21.5	82%
Council Tax Single Person Discount	17.2	15.9	92%
Pensions	7.3	6.9	94%
Creditor Payments	5.1	5.4 <sup>6</sup>	106%
Council Tax Reduction	4.2	3.7	88%
Private Residential Care Homes	2.7	2.7	100%
Personal Budgets	0.8	0.7	95%
Other	0.7	0.5	70%
Payroll	0.5	0.2	40%
Pilots (excluding HMRC pilot <sup>7</sup> )	0.2	0.1	83%
Right to Buy	0.03	0.03	100%
<b>Total</b>	<b>65.1</b>	<b>57.7</b>	<b>88.6%</b>

<sup>6</sup> This includes amounts from 2016/17 that were retrospectively marked as recovered in this reporting period.

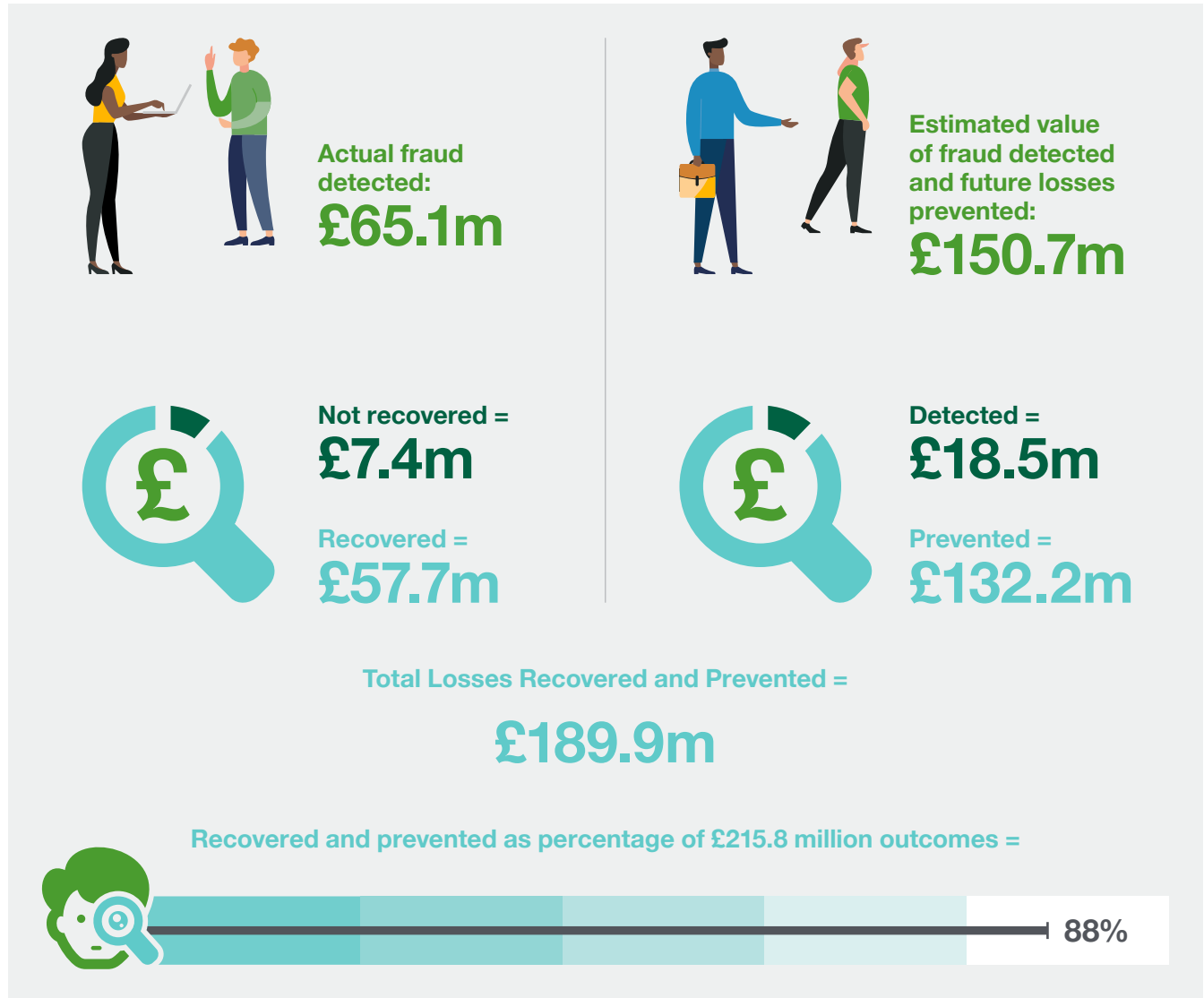
<sup>7</sup> Outcomes from the HMRC information sharing pilot are split across the relevant dataset area for example, housing benefits, council tax, etc.

# Recovery rate/impact of the NFI on public finances

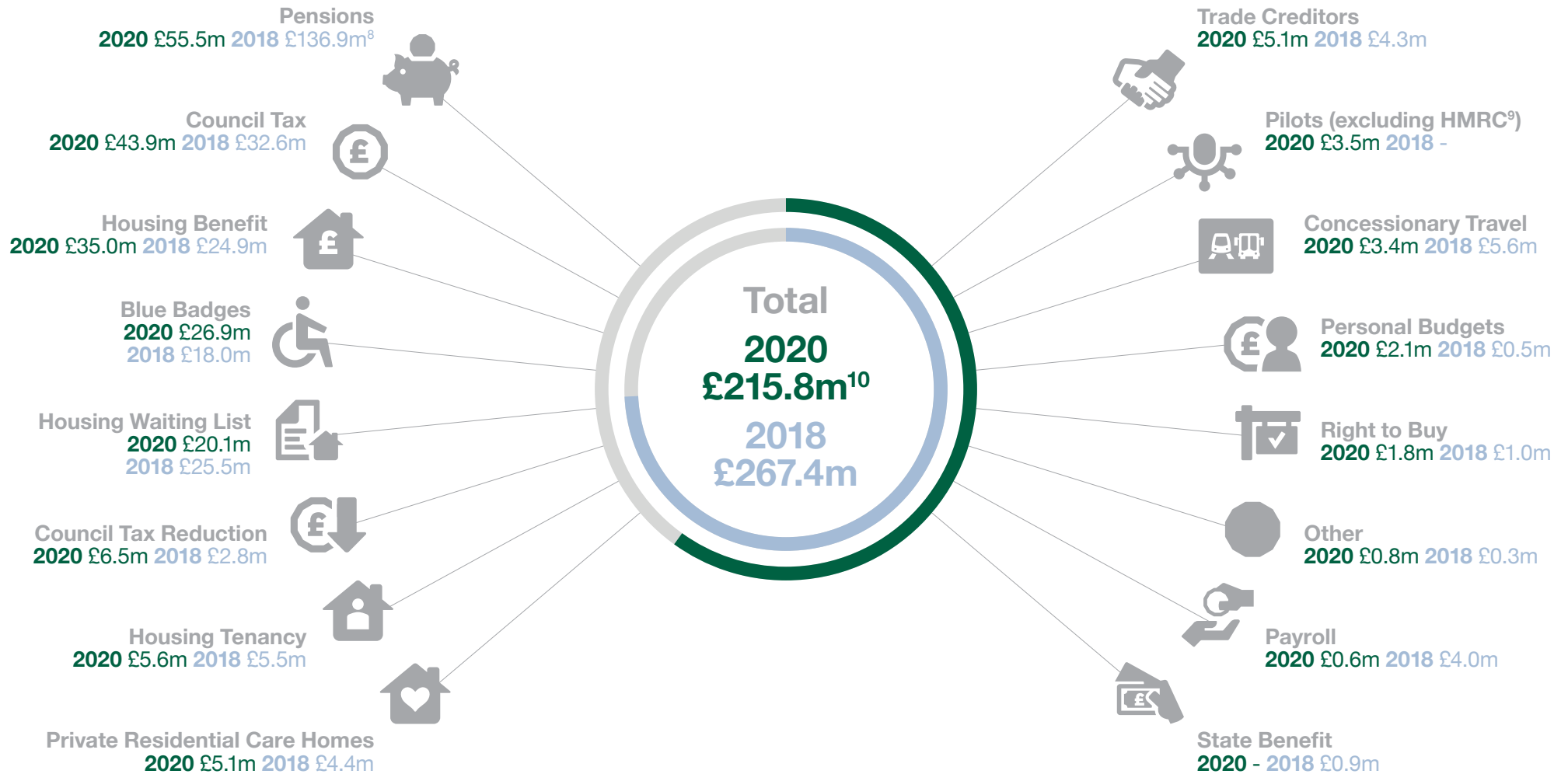


# £215.8 million

= The total amount of fraud, overpayments and error identified and prevented by NFI participants in England during the period 1st April 2018 to 4th April 2020.



# Outcomes in England by risk area



<sup>8</sup> Pension related outcomes in the previous NFI exercise were overstated by £7.9 million due to a formula error. The corrected figure is shown in this graphic.

<sup>9</sup> Outcomes from the HMRC information sharing pilot are included in the headings above, as applicable.

<sup>10</sup> Due to rounding, numbers presented throughout this report may not add up precisely to the totals indicated and percentages may not precisely reflect the absolute figures for the same reason.

# Main messages for 2018 to 2020 by data set

## Pensions: £55.5 million



Individuals obtaining the pension payments relating to a deceased person.

The Office for National Statistics, Occupational Pension Schemes Survey<sup>11</sup> published June 2019, concluded that the total membership of occupational pension schemes in the UK was an estimated 45.6 million in 2018, compared with 41.1 million in 2017. Active membership of occupational pension schemes was 17.3 million in 2018, split between the private (11.0 million) and public sector (6.3 million). Active membership of private sector defined contribution occupational schemes was 9.9 million in 2018, representing an increase of 28.6% on 2017 levels (7.7 million). There was a decrease in the number and value of pension cases from £136.9 million in 2016/17 to £55.5 million in 2018/19. The decrease can be attributed to:

- Some pension schemes had a backlog of investigations in 2014/15 that came through in 2016/17 (see Table 2);
- Some schemes have a backlog from 2018/19 that has not yet been reported; and
- Fewer large pension schemes elected to participate on a voluntary basis in June 2019.

Table 2 – Comparison of pension related overpayments 2012/13 to 2018/19

	2012/13		2014/15		2016/17		2018/19	
	Number of cases	£ m	Number of cases	£ m	Number of cases	£ m	Number of cases	£ m
	2,990	75.9	3,592	85.1	3,763	136.9	2,876	55.5
<b>Average outcome per case</b>	<b>£25,385</b>		<b>£23,692</b>		<b>£36,381</b>		<b>£19,289</b>	

### Testimonials:

#### Armed Forces Pensions

“I have been working on the matches provided by the NFI since the 2002 exercise and have found the NFI mortality screening service really useful in helping to identify numerous cases where we would have otherwise not have known there had been a change. The site is very secure, but easy to navigate and filter necessary information for our pension scheme. I look forward to working with the NFI Team to identify further improvements to the service.”

Preeti Sudra, Senior Pensions Administrator Equiniti Group plc  
(Administrators for Armed Forces Pensions).

#### NHS Business Services Authority

“The NHS Business Services Authority aims to identify and prevent fraud throughout all aspects of the business. The opportunities provided by the National Fraud Initiative (NFI), through taking part in matching exercises with other organisations, are invaluable in not only identifying fraud, but also by helping to highlight approximately £1.6 million of pension overpayments in 2019, it also prevented any further loss of monies. Alongside the financial value, the simplicity of the process and the support provided by the NFI team cannot be understated when considering the benefits of participating in NFI exercises.”

A spokesperson from the NHS Business Services Authority.

<sup>11</sup> Office for National Statistics, **Occupational Pension Schemes Survey, UK: 2018**, June 2019.

## Main messages for 2018 to 2020 by data set

### Council Tax: £43.9 million



Individuals falsely declaring they live alone or who fail to notify when a second adult moves into the property. Therefore, not qualifying for the Council Tax single person discount they have claimed.

According to the Valuation Office Agency Valuation List as at 9 September 2019 there were 8.3 million dwellings in England that were subject to either a discount or to a premium on their council tax. Of these, 7.8 million dwellings were entitled to a discount as a result of being occupied by single adults. This represents 31.9% of all dwellings<sup>12</sup>.

Across the UK, the CIPFA 2019 Fraud and Corruption Tracker<sup>13</sup> concludes that for local authorities, council tax single person discount (SPD) fraud has grown the most out of all fraud risk areas, with an estimated increase of £3.6 million since 2017/18.

The annual NFI match between Council Tax and Electoral Register data to tackle Council Tax single person discount (SPD) abuse has once again provided substantial returns for councils. Outcomes from the 2018/19 and 2019/20 exercises are £43.9 million (37,000 SPDs cancelled) compared to £32.6 million reported for the 2016/17 and 2017/18 exercises (30,343 cancelled). This is an increase of 34.7%.

The majority of outcomes come from matching individuals in receipt of a council tax single person to electoral register data (83.6%). The HMRC information sharing pilot generated £2.8 million additional overpayments from matches that provided information on individuals residing at an address, accounting for 24.6% on the overall increase to council tax outcomes.

There has also been success from the new mandatory data match introduced in 2016/17. All SPD claims are now matched against the wider range of NFI datasets to again obtain more information about the individuals residing at an address.

This resulted in the identification of 1,130 incorrect claims for single person discount and approaching £1 million overpayments which are similar levels to 2016/17.

The optional enhanced Council Tax SPD service introduced in 2016/17, that combines both public and private sector credit reference agency data, has also achieved good results identifying £3.2 million overpayments by the 17 councils that purchased the service. This service is available in addition to the mandatory annual matching and is charged for on a per record basis.



<sup>12</sup> Ministry of Communities and Local Government, **Local Authority Council Tax base England 2019**, 19 February 2020.

<sup>13</sup> CIPFA, **Fraud and Corruption Tracker 2019**, 18 November 2019.

## Main messages for 2018 to 2020 by data set

### Housing Benefit: £35.0 million



Individuals claiming housing benefits who failed to declare an income or change of circumstances.

In May 2020, the DWP reported Housing Benefit overpayments due to fraud or error of £1.1 billion (an overpayment rate of 6.0%), compared to £1.3 billion (an overpayment rate of 6.3%), in 2018/19. Of the £1.1 billion, £0.6 billion of housing benefit overpayment was recovered<sup>14</sup>. DWP reports the main cause of overpayments on Housing Benefit is incorrect information about earnings and employment.

Housing benefit outcomes are £35 million, compared with the 2016/17 figure of £25 million. These outcomes were recorded by local councils and the DWP. It is assumed that the increase in overpayments of 41% is attributable to improved processes in the referral of matches by councils, and the subsequent investigation by the DWP. Table 3 shows how outcomes have been reported in 2018 and 2020.

Table 3 – Analysis of housing benefit overpayments by source (includes estimates)

	2018		2020	
	2014/15 reported after 31 March 2016 £ million	Reported between 1 April 2016 and 31 March 2018 £ million	2016/17 reported after 31 March 2018 £ million	Reported between 1 April 2018 and 4 April 2020 £ million
Outcomes from local councils	14.0	8.0	3.0	10.0
Outcomes from DWP	-	3.0	8.0	14.0
<b>Total</b>	<b>14.0</b>	<b>11.0</b>	<b>11.0</b>	<b>24.0</b>

Housing benefit overpayments identified through matching to student loans continues to generate the most outcomes. Local councils alone identified 1,055 cases with an actual overpayment value of £3.9 million. This represents 45% of the total housing benefit actual overpayments recorded by councils.

We continue to work closely with the DWP to ensure we maximise the benefits of the NFI, while avoiding duplication with the Housing Benefit data matching undertaken by the DWP through the Verify Earning and Pensions Service<sup>15</sup>.

In line with the NFI 2018 to 2022 strategic themes this will include exploring access to other state benefit data such as Universal Credit.

<sup>14</sup> DWP, **Fraud and error in the benefit system: 2019 to 2020 estimates (revised 29 May 2020)**, 29 May 2020.

<sup>15</sup> The Verify Earning and Pensions service (VEPS) allows councils to verify earnings and pensions information from claimants using real-time information from Her Majesty's Revenue and Customs.

## Main messages for 2018 to 2020 by data set

**Housing Benefit: £35.0 million**



Individuals claiming housing benefits who failed to declare an income or change of circumstances.

### Case study:

#### Coventry City Council

Coventry City Council identified 35 cases from the NFI matches in the first half of the 2019/20 financial year, resulting in overpayments totalling £154,350.

These included five cases relating to housing benefit claimants who had failed to declare their student loan totalling £38,200;

a housing benefit claimants to personal alcohol license match identified an overpayment of £20,500 due to a non-commercial tenancy<sup>16</sup>;

eight HMRC earnings and capital cases where the council tax reduction scheme claimants had failed to declare employment totalling £40,200;

and five HMRC household composition cases where other persons should have been liable for the council tax or household income was not fully declared totalling £40,000.



<sup>16</sup> A private tenancy must be on a commercial basis in order for Housing Benefit to be paid. The relationship between tenant and landlord may cause that tenancy to be considered non-commercial and disqualify Housing Benefit payments.



## Main messages for 2018 to 2020 by data set

### Blue Badges: £26.9 million



Potential misuse of blue badge parking passes belonging to someone who had died. This may be continued use of the pass by relatives of the deceased, forgery of a pass in the name of a deceased person, use of a stolen badge.

As at 31st March 2019 there were 2.29 million Blue Badges held in England according to the Department for Transport Statistics<sup>17</sup>. There were 1,432 prosecutions for misuse of Blue Badges between 1st April 2018 and 31st March 2019 an increase of 17.9% since 2017/18. The majority of prosecutions (99%) in England were targeted at a non-badge holder using another person's badge.

During this reporting period, the number of blue badges cancelled increased to 46,750 from 31,223 in 2016/17. The estimated value of blue badges cancelled between reporting periods increased from £18 million to £26.9 million an increase of 49.4%. The increase is due to more councils and transport authorities cancelling more badges.



#### Number of blue badges cancelled

2018  
**31,223**

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2020  
**46,750**



#### Number of organisations

2018  
**90**

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2020  
**109**

<sup>17</sup> Department for Transport, **Blue Badge Statistics, England: 2019**, 4 December 2019.

## Main messages for 2018 to 2020 by data set

### Blue Badges: £26.9 million



Potential misuse of blue badge parking passes belonging to someone who had died. This may be continued use of the pass by relatives of the deceased, forgery of a pass in the name of a deceased person, use of a stolen badge.

#### Case study:

##### Cumbria County Council

The NFI exercise identified 1,100 matches for Cumbria County Council where a blue badge was in circulation but the owner of the badge was identified as deceased. Match Key Rule and the Death Verification Level information provided in the report, was used to assist in prioritising and investigating these matches.

For 311 (28%) of the matches the investigation found that the deaths were already known to the council or that the owner of the blue badge had died after the badge had expired.

For the remaining 789 (72%) validation checks were used to confirm the quality of the data and to verify that an individual's identity and postcode matched the data on the Blue Badge Information System.

For some matches the investigation was extended and the relatives of the owner of the blue badge were contacted by telephone or letter to confirm whether the owner had died. The outcome of investigations found that in all cases the relatives had failed to notify the council about these deaths so the blue badges were cancelled.

The NFI estimated value of cancelling a blue badge is £575 which represents the value of parking charges up to the point of cancellation plus an estimate of future fraud losses prevented. This means that the NFI has helped the council identify and cancel 789 blue badges with an estimated value of £453,675.



## Main messages for 2018 to 2020 by data set

### Housing Waiting List: £20.1 million



Social housing waiting list applicants who were not entitled to social housing because they had misrepresented their circumstances.

The most recent Ministry of Housing, Communities and Local Government housing statistics<sup>18</sup> show that as at the end of March 2019 there are 1.2 million households on social housing waiting lists in England. Removing applicants who are not eligible will enable councils to allocate social housing to those in genuine need.

Housing waiting lists matching has resulted in 6,092 ineligible applications for social housing having been removed by 94 councils during 2018/19. An increase from the 75 councils in 2016/17.

Applying the Cabinet Office estimate of fraud or loss presented of £3,240<sup>19</sup> per property this equates to £20.1 million for 2018/19 compared to £25.5 million in 2016/17. The higher level in 2016/17 can be attributed to the fact that this was the first time this match had been introduced and some bodies used this as an opportunity to validate their housing waiting list and clear ineligible applicants.



<sup>18</sup> Ministry of Housing, Communities & Local Government, **Table 600: numbers of households on local authorities' housing waiting lists, by district, England, from 1997**, 28 January 2020.

<sup>19</sup> See 'Report calculation methodology – England only 2018 to 2020' on **page 37** for more details about the NFI estimate methodology.

## Main messages for 2018 to 2020 by data set

### Housing Waiting List: £20.1 million



Social housing waiting list applicants who were not entitled to social housing because they had misrepresented their circumstances.

#### Sandwell Council

In order to join the Sandwell housing waiting list, applicants must have either lived in Sandwell for five years or be able to demonstrate a local connection through their parents, brother, sister or adult child. Applicants can also join the housing waiting list if there is a proven need to live in Sandwell. Since January 2019, Sandwell Council have been using AppCheck to verify data given by applicants at the registration stage, enabling them to identify fraudulent applications, which in the past would have potentially satisfied the application requirements and have been accepted on the housing waiting list.



#### Case studies:

##### Contradictory and False Information

Whilst vetting a number of housing applications, one application that would normally have satisfied processes and would have been registered on the housing waiting list, was identified by AppCheck as containing contradictory information. The applicant had stated that they had been living in Sandwell for the five-year qualifying period. However, AppCheck highlighted that the individual had been living and claiming benefits in Birmingham.

As well as false information being given on the application form, the applicant had also provided a landlord's reference, which gave false information to qualify for housing. An investigation was carried out and further evidence was obtained, which proved that the applicant had only been residing in Sandwell for one year. An interview under caution was conducted where the applicant admitted that they had provided false information to register and obtain housing with Sandwell Council.

##### Concealed Rent Arrears Uncovered

An applicant had declared that they had not been living in Sandwell and were relying on the local connection of a relative. This would have satisfied the registration criteria. AppCheck identified that the applicant had been linked to an address in Blackpool.

However, the address had not been declared on the application form as an address they had resided at in the past six years. Further checks were made, and it was identified that the applicant had resided at the Blackpool address.

It was also discovered that the applicant had rent arrears outstanding at the address, which were again not disclosed on the application form. It was concluded that the address had been concealed intentionally because of the poor conduct of a previous tenancy to gain social housing unlawfully.

In both of these cases, as false information was provided, the applications were refused, saving the council over £3,000 per application, and the applicants were excluded from making a further submission for 12 months.

## Main messages for 2018 to 2020 by data set

### Council Tax Reduction: £6.5 million



Individuals claiming Council Tax reduction who failed to declare an income or change of circumstances.

Since 1 April 2013 local authorities in England have been responsible for administering Council Tax Reduction Schemes (CTRS) in their own area (also referred to as Council Tax Support)<sup>20</sup>. Some authorities chose to adopt the default scheme<sup>21</sup>. Under the regulations liability for Council Tax can be reduced by applying a discount:

- Worked out as a percentage of a council tax bill;
- Of a set amount as set out in the local scheme; or
- Equal to the whole amount of the council tax bill – so that the amount payable is nil.

The most recent analysis of Council Tax Reduction Schemes for the 2017/18 financial year, carried out by the New Policy Institute in April 2017<sup>22</sup>, found that out of 326 councils:

- 277 had reduced the amount of CTRS available through minimum payments or band caps;
- 12 have made alternative changes such as removing the second adult rebate; and
- 37 local authorities had kept their CTRS the same since 2013.

However, through the next NFI exercise we expect to see an increase in the number and amount of CTRS payments. As part of its response to COVID-19, the government announced in the Budget on 11 March 2020 that it would provide local authorities in England with £500 million of new grant funding to support economically vulnerable people and households in their local area<sup>23</sup>.

The expectation is that the majority of the hardship fund will be used to provide council tax relief, alongside existing local council tax support schemes.

Council Tax Reduction Scheme data was matched for the first time in 2016/17 and achieved £2.8 million. Outcomes from 2018/19 showed that this is a significant risk area with councils able to identify £6.5 million across 2,688 cases.

The average reported saving per case was £1,578 (excluding estimated forward savings) compared to £1,130 in 2016/17.

The HMRC information sharing pilot contributed to the increase in this area resulting in £3.1 million outcomes from Council Tax Reduction to both Earnings and Capital and Household Composition.

<sup>20</sup> HM Government, **The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012**, 27 November 2012.

<sup>21</sup> HM Government, **The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012**, 18th December 2012

<sup>22</sup> NPI, **Key Changes to Council Tax Support in 2017/18**, 5 April 2017.

<sup>23</sup> Ministry for Housing Communities and Local Government, **COVID-19 hardship fund 2020-21 – local authority guidance**, March 2020.

## Main messages for 2018 to 2020 by data set

**Council Tax Reduction: £6.5 million**



Individuals claiming Council Tax reduction who failed to declare an income or change of circumstances.

### Case study:

#### London Borough of Barnet

The London Borough of Barnet completed a comprehensive review of the NFI reports using the new fraud risk scoring to prioritise resources on matches that scored over 75%. As a result they were able to report overall overpayments of £572,613.

Examples of successful outcomes include: Metropolitan Police Amberhill data identified two Council Tax Reduction scheme customers who appeared to be using false identities. Investigations resulted in both claims being cancelled generating overpayments of £83,989 and £26,364.

Housing Benefit to Student Loans identified five cases of undeclared student loan income with overpayments amounting to £43,193.

HMRC data matched to Council Tax Reduction Scheme helped to establish that a claimant had been living abroad since 2013 generating an overpayment of £13,140. Another match from the same report identified a non-dependant who had not moved out of the property in 2009 when the customer said they had. The overpayment in this case amounted to £28,113.



## Main messages for 2018 to 2020 by data set

### Housing Tenancy: £5.6 million



Social housing tenants who were subletting or had multiple tenancies unlawfully.

There has reportedly been a steady downward trend in the number of housing and tenancy related frauds detected/prevented during 2018/19, decreasing by roughly 20% from 2017/18. This trend likely indicates successful efforts by local authorities to tackle housing fraud and remove illegally sublet properties from the system. However, housing fraud including succession and false applications continues to be a high risk for councils<sup>24</sup>.

Outcomes from the 2018/19 tenancy matches increased by 1.82% compared to 2016/17, which was due to a small increase in the number of properties recovered to 60 from 58 in 2016/17.

Each property recovered can be reallocated to those in genuine need, so the NFI will continue to seek ways to help councils fight social housing fraud, such as repeating the HMRC information sharing pilot (see **page 28** for more details).



#### Case study:

##### Royal Borough of Greenwich

The Royal Borough of Greenwich has recovered four social housing properties as a result of matches to HMRC data. In one case it was discovered a current tenant owned five other properties across the country, some of which had been purchased under the Right to Buy scheme.

None of the properties had been declared by the tenant when she subsequently declared herself homeless when applying for social housing. The tenant died prior to being interviewed under caution and left an estate of over £1.5 million with no will.

The council are pursuing financial recovery of the costs that were incurred as a result of having provided emergency/temporary accommodation to another household.

<sup>24</sup> CIPFA, **Fraud and Corruption Tracker 2019**, 18 November 2019, page 10.



## Main messages for 2018 to 2020 by data set

### Housing Tenancy: £5.6 million



Social housing tenants who were subletting, were not entitled to social housing because of their status in the UK, or had multiple tenancies unlawfully.

#### Case study:



#### Housing Tenant to Housing Benefit

A Housing Tenants to Housing Benefit Claimants match identified housing benefit was being paid for the same tenant at two different properties. It was discovered the tenant had been offered temporary accommodation by one council but had identified alternative housing in a neighbouring council area and moved into that property instead. However, the allocation of the first property was inaccurately recorded.

Investigation confirmed that the property had been cancelled as a temporary accommodation option (so rent was not being paid over to the landlord), but it was not cancelled on the housing management system and housing benefit payments continued to be paid into a rent account that was not in use. This created a £25,422.46 overpayment.

This case was closed and monies transferred with no financial loss to the council but also prompted a review of the interface between systems and how it links with the temporary accommodation process.







## Main messages for 2018 to 2020 by data set

### Concessionary Travel: £3.4 million



Potential misuse of concessionary travel passes belonging to someone who has died.

A statutory bus concession for older and disabled people has been in place since 2001. In 2008, the concession was extended to cover free local bus travel between 0930 and 2300 to older and disabled people anywhere in England. This statutory concession is referred to as the English National Concessionary Travel Scheme. In London, the statutory concession for London residents covers the whole London Local Transport Network.

Some administering authorities may offer a resident discretionary enhancements over and above the statutory scheme, including free travel outside the statutory time period or on other transport modes for example, London residents aged 60 plus who are below the statutory concessionary travel age can obtain a 60 plus Oyster card. This allows free travel on bus, tube, tram, DLR, London Overground, TfL Rail and most National Rail services.

In 2018/19, the Department for Transport reported there were 9.1 million older and disabled concessionary travel passes in circulation and the net spend was £1.1 billion. In total there were 861 million concessionary bus journeys in England in 2018/19<sup>25</sup>.

The number of concessionary passes updated, cancelled or hot-listed<sup>26</sup> in 2018/19 as a result of an NFI match was 151,815 a decrease from 234,154 in 2016/17. As a result, the estimated value of fraud losses prevented in the same reporting period decreased from £5.6 million in 2016/17 to £3.4 million in 2018/19.

The decrease in the number of passes updated, cancelled or hot-listed may be linked to a reduction in the number of bodies undertaking additional voluntary matching as this resulted in around 82,000 cancelled passes in the previous reporting period with an estimated value of around £2 million.

The reason for this reduced take-up will be explored to ensure the NFI continues to offer data matching solutions that best meet the needs of voluntary participants.

<sup>25</sup> Department for Transport, **Concessionary Travel Statistics 2018/19**, 17 December 2019.

<sup>26</sup> Hot-listed is a term used where a pass has been deactivated for a specific reason, in this case as the person is believed to be deceased.

## Other case studies



### Case study:

#### **Bedford Borough Council**

Bedford Borough Council's Investigation Service was alerted to discrepancies in identity documents following a NFI match between the Council's payroll and Metropolitan Police Amberhill false identity data. They established that an employee had used false documents to obtain a post as a night care assistant and for Disclosure & Barring Service (DBS) clearance to work.

Enquiries revealed her true identity and that she had overstayed her visa and had no right to work or reside in the UK. She stated she obtained the false ID documents for as little as £200.

She pleaded guilty to three charges related to using a false identity to gain employment and was sentenced to nine months' imprisonment suspended for 12 months, ordered to complete 80 hours unpaid work and given a 20-day Rehabilitation Activity Requirement (RAR).

Cllr Michael Headley, portfolio holder for finance, said: "It's particularly important that people who are working with children or vulnerable adults are exactly who they say they are."



## Matches benefiting other public bodies

The main benefit of a UK-wide data matching exercise is that it enables matches to be made between bodies and across national borders.

For public bodies that take part in the NFI but may not always identify significant outcomes from their own matches, it is important to appreciate that other bodies and sectors may benefit significantly.

Data from the 2018/19 NFI exercise benefited wider public bodies, both within and outside England, enabling them to take action on 9,370 cases with actual overpayments of £14.3 million<sup>27</sup>.

Most of these outcomes are from cross-body housing benefits, council tax reductions and housing waiting list matches.



Table 4 – How English bodies benefited from data provided by participants outside England



### Number of cases

Local government  
**5,456**

Central government  
**3,265**

NHS  
**468**

Other  
**181**

**Total**  
**9,370**



### Actual outcomes

Local government  
**£8m**

Central government  
**£5.1m**

NHS  
**£0.6m**

Other  
**£0.6m**

**Total**  
**£14.3m**

<sup>27</sup> Actual overpayments exclude estimates of fraud prevented.



## Pilots undertaken by the NFI during 2018 to 2020 in England

### HMRC information sharing pilot

After a successful initial information sharing pilot with HMRC in spring 2019, just over 2.2 million matches were released to all local councils in August 2019.

Matches were across 7 datasets (council tax reduction scheme; housing benefit claimants; housing tenants; personal budgets; private residential care homes; right to buy; and council tax single persons discount) and targeted three fraud risks:

- Undeclared property ownership
- Non or under declaration of earnings and capital
- Misrepresentation of household composition

Outcomes for the pilot totalled £8.8 million across all three targeted risk areas, specifically:

- Undeclared Earnings and Capital from Household Composition – £5.3 million
- Undeclared Earnings and Capital – £2 million
- Undeclared Property Ownership – £1.4 million

Outcomes for Household Composition matches were most significant at £5.3 million, making up 61% of total outcomes. This was due to the number of matches released and its applicability to both Council Tax single person discount fraud and Council Tax Reduction Scheme fraud which local councils have prioritised and for which, results are often quicker.

As a result of the success of the pilot the NFI will seek to undertake a further pilot as part of the NFI 2020/21, subject to the agreement of HMRC and approval to use the Digital Economy Act.

As part of this pilot we will:

- Exclude Right to Buy and Personal Budgets datasets as they did not deliver benefits in the first pilot;
- Build matches into the main NFI 2020/21 exercise;
- Reduce false positives that were identified in the first pilot; and
- Refine matching rules and risk scoring to allow for better prioritisation of matches by councils.

We anticipate that these changes would allow even greater benefits to be realised by securing better engagement and improving the effectiveness of the resources invested in reviewing these matches.

We anticipate outcomes from a further pilot could range between £16 million and £36 million depending on levels of engagement from local councils in England.





## Pilots undertaken by the NFI during 2018 to 2020 in England

### Case study:



#### Tameside Council

Tameside Council identified over £200,000 in potential savings from the 2018/19 NFI reports.

In one particular housing benefit case a non-dependant had failed to declare employment going back to December 2016, this resulted in recovery of £3,277.12 overpaid council tax reduction.

The council also used the output from the NFI HMRC information sharing pilot to identify a significant number of housing benefit and council tax reduction claims with discrepancies, such as inaccurate information provided on application forms and failure to notify a change in circumstances. Proactive follow up investigations stopped further fraud or error.

A spokesperson from Tameside said:

“The Council has found the data to be very useful in supporting the identification of cases where claimants have provided false information and/or failed to notify the Council of changes that affect benefit entitlement. All of which shows the accuracy and benefit of NFI data files.”

### Water Companies

We have worked closely with the Water Industry to leverage insight from NFI data to address specific risks in this sector. We undertook a pilot which sought to address two risks:

- Non-entitlement to discounted tariffs
- Misrepresentation of void properties

The pilot used NFI data to flag where individuals were potentially not in receipt of benefits which qualified them for a discounted water tariff or where a property that was recorded as void by the water company was in fact occupied. 13% of the records matched in the pilot identified potential fraud or error.

Outcomes totalled £3.1 million in respect of void properties showing to be occupied and £172,000 in respect of non-entitlement to discounted tariffs. Investigations are ongoing and so further outcomes are expected.

In addition to helping utility companies detect more fraud and error cases, the NFI data is also helping them to verify genuine customers.

Following this pilot the NFI team is now rolling out this data matching model to other water companies in the wider utilities sector.

### Business Rates

The NFI undertook a pilot to identify fraud and error within business rates whereby businesses evade rates by claiming discounts/reliefs to which they are not entitled.

For the pilot just over 200,000 records from 30 local councils were matched to each other and other external datasets.

The pilot resulted in nearly £316,000 of overpayments particularly in relation to non-entitlement to Small Business Rate Relief where companies were claiming reliefs on multiple properties.

## NFI forward look

### COVID-19 pandemic

The COVID-19 pandemic has already impacted on the NFI work programme in 2020 and 2021.

Following a consultation we have confirmed that the NFI will be extended to support local councils in identifying potential fraud across several government stimulus packages, in particular where local councils administer payments, for example, Business Support Grants.

Alongside this the NFI is also working with government departments on if/how the NFI can support them.

### Expansion of NFI data matching purposes

Throughout 2019/20 we have been working towards passing an important piece of secondary legislation which would allow the NFI to expand the purposes of data matching. The Minister for the Cabinet Office currently has the power to conduct data matching exercises for one purpose: to help in the prevention and detection of fraud.

The Local Audit and Accountability Act 2014 (LAAA), however, provides that four additional purposes for data matching can be added to Schedule 9 (by affirmative regulations) and the Schedule can also be modified. The NFI is hoping to add all four new purposes for data matching exercises, which are to assist in the:

- Prevention and detection of crime (other than fraud)
- Apprehension and prosecution of offenders
- Prevention and detection of errors and inaccuracies
- Recovery of debt owing to public bodies

Analysis has already shown that these new data matching purposes could have far reaching benefits across the public sector.

During 2020/21 we will be looking to implement the purposes, through a parliamentary statutory instrument that will amend the LAAA. Alongside this we will develop a plan of appropriate data matching pilots for each purpose successfully included.



# NFI forward look

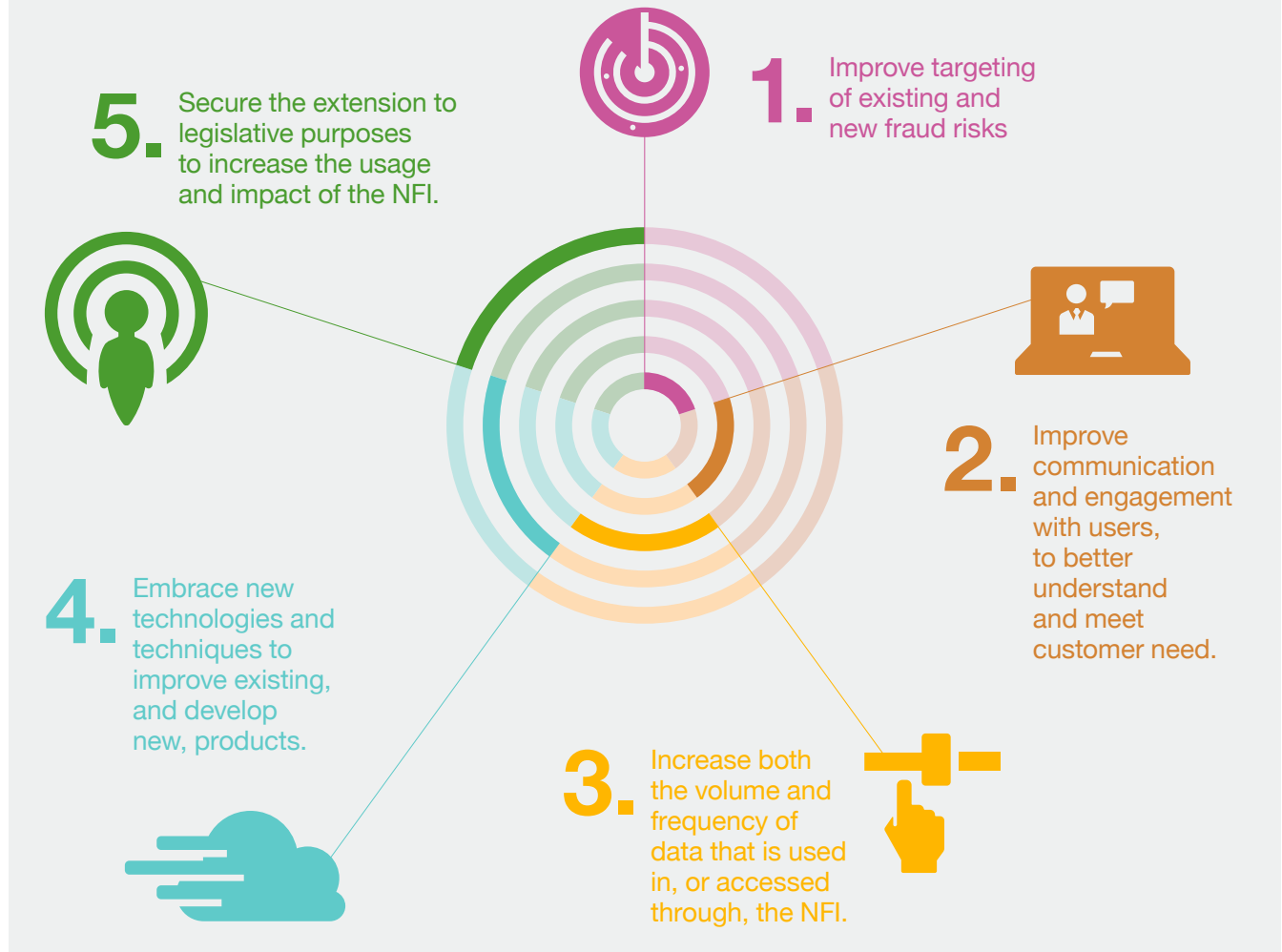
## Strategic Objectives

The extension to cover COVID-19 emergency funding and the expansion of the data matching purposes are both aligned with the NFI strategic objectives.

As is other work outlined in this report including pilots, enhancements to the risk scoring and securing HMRC data for NFI 2020/21.



In addition, the NFI team will seek to identify and deliver other work streams that further contribute to the strategic objectives set out in Figure 1.

Figure 1 – NFI Strategy Objectives 2018 – 2022



## How the NFI is improving

In the 2018 report, we set out five strategic objectives for the NFI to 2022 (Figure 1). We have made good progress in all areas such as:

You said	Our response in 2018	We did
 <p data-bbox="264 523 544 810">“Management Information reports are not intuitive or easy to use.”</p>	<p data-bbox="600 523 936 770">“As part of our continuous improvement strategy, we will develop management information tools, upgrade navigation options and improve web app functionality to better suit the user.”</p>	<p data-bbox="981 523 1888 547">We made significant improvements to the 2018/19 web application including:</p> <ul data-bbox="981 563 2123 858" style="list-style-type: none"> <li>– Interactive dashboards and widgets allowing users to select the management Information that they want to regularly view</li> <li>– Better signposting to management information</li> <li>– A Global Search option</li> <li>– A Fraud Risk score match view</li> <li>– Hide/Show columns</li> <li>– Improved report design</li> </ul>
 <p data-bbox="275 898 544 1137">“There is a lack of engagement with users.”</p>	<p data-bbox="600 898 824 1018">“We recognise the challenges around successful user engagement.</p> <p data-bbox="600 1034 936 1257">As part of our strategy, we will identify the right people to ensure NFI becomes a fundamental aspect of every organisation’s counter fraud work”.</p>	<p data-bbox="981 898 2067 954">We introduced a twice yearly newsletter for NFI participants that includes updates on pilots, case studies, user insight and articles on issues across the UK regions.</p> <p data-bbox="981 970 2000 1002">We ran six user engagement sessions across the UK and exhibited at over 35 events.</p> <p data-bbox="981 1018 2045 1082">In addition, two factsheets on COVID-19 counter fraud measures were issued in April and May 2020.</p>



## How the NFI is improving

In the 2018 report, we set out five strategic objectives for the NFI to 2022 (Figure 1). We have made good progress in all areas such as:

### You said

“Currently the matches provided contain many false positives and only about 10% are worth investigating.”



### Our response in 2018

“We will tighten matching rules, and risk scoring, improving the accuracy and quality of existing NFI data matching techniques.

We will also look to add additional data sources from both the public and private sector.”

### We did

We introduced risk scoring of 2018/19 matches – a review of the effectiveness of this approach is now underway ahead of the 2020/21 exercise. We will seek to incorporate the main messages into our risk scoring of future matches. An analysis of matches processed in 2018/19 and 2016/17<sup>28</sup> shows:

- The number of matches processed in 2018/19 were just under 1.3 million compared to 1.2 million in 2016/17.
- In 2018/19, 65,029 (5.1%) of the 1.3 million matches processed were marked error, fraud or referred to DWP compared to 75,621 (6.4%) in 2016/17. There are currently limitations in these statistics as a Closed – Fraud or Error status cannot be attributed to all report level outcomes. We estimate this would add a further 140,000 fraud or error cases to the above figures, increasing the percentage from 5.1% to 14.2%. We intend to review the usability of the outcome status options for 2020/21 and make improvements where needed, in order to improve the completeness of these statistics for future reporting periods.
- The number of matches that were already known about by the participant decreased from 13.32% of processed in 2016/17 to 11.52% of processed in 2018/19.
- During 2018/19 a new Closed – Not selected for Investigation option was provided for users – 20% of matches were given this status that would previously have been Closed – No issue or left as not processed. This intelligence will help us improve matching techniques to reduce false positives in 2020/21.

We brought in regular data feeds from the DWP, Companies House and Credit Reference Agencies. Using the Digital Economy Act 2017 we worked with HMRC on a pilot to incorporate data on household composition, household earnings and property ownership.

The pilot helped councils prevent and detect overpayments in the region of £8.8 million up to 27th March 2020.

<sup>28</sup> These figures exclude ReCheck, AppCheck and FraudHub cases.

## Comparison of NFI outcomes in England by risk area 2018 to 2020

Dataset	Example activity area	2020 £ million	2018 £ million
Pensions	Individuals obtaining the pension payments of a dead person	55.5	136.9 <sup>29</sup>
Council Tax	Individuals who did not qualify for the council tax single person discount because they were living with other countable adults	43.9	32.6
Housing benefits	Individuals claiming housing benefit who failed to declare an income or change of circumstances	35.0	24.9
Blue badges	Potential misuse of blue badge parking passes belonging to someone who has died	26.9	18.0
Housing waiting lists	Social housing waiting list applicants who were not entitled to social housing	20.1	25.5
Council tax reduction scheme	Individuals claiming Council Tax reduction who failed to declare an income or change of circumstances	6.5	2.8
Housing tenancy	Social housing tenants who were subletting or had multiple tenancies unlawfully	5.6	5.5
Private residential care homes	Payments to private care homes by a council for the care of a resident where the resident had died	5.1	4.4

<sup>29</sup> Pension related outcomes in the previous NFI exercise were overstated due to a formula error. The corrected total is shown in this table.



## Comparison of NFI outcomes in England by risk area 2018 to 2020

Dataset	Example activity area	2020 £ million	2018 £ million
Trade creditors	Traders who intentionally or unintentionally submitted duplicate invoices for payment	5.1	4.3
Pilots	Various (excludes HMRC information sharing)	3.5	-
Concessionary travel	Potential misuse of concessionary travel passes belonging to someone who has died	3.4	5.6
Personal budgets	Individuals claiming a personal budget who failed to declare an income or change of circumstances or were deceased	2.1	0.5
Right to Buy	Social housing tenants who were not entitled to right to buy because they had multiple tenancies unlawfully	1.8	1.0
Other	Other miscellaneous outcomes not linked specifically to the above categories	0.8	0.3
Payroll	Employees working for one organisation while being on long-term sick leave at another	0.6	4.0
State benefit	Individuals claiming state benefits who failed to declare an income or change of circumstances	-	0.9
<b>Total</b>		<b>215.8<sup>30</sup></b>	<b>267.4</b>

<sup>30</sup> Due to rounding, numbers presented throughout this report may not add up precisely to the totals indicated and percentages may not precisely reflect the absolute figures for the same reason.

## Comparison of NFI outcomes in England by case 2018 to 2020

Dataset	2020 Number of cases	2018 Number of cases
<b>Pensions</b> Pension payments stopped/adjusted	2,876	3,763
<b>Council Tax single person discount</b> Council Tax single person discount claims stopped	36,728	30,343
<b>Housing benefit fraud, error and overpayments relating to:</b>		
– Local government employees	754	798
– Central government pensioners	1,281	353
– Individuals receiving a local government pension	1,852	298
– Students	1,055	1,361
– NHS employees	282	313
– Other	679	743
<b>Social housing/Right to Buy</b>		
– Properties recovered	60	58
– Right to Buy wrongly awarded	17	4
– Applicants removed from a housing waiting list	6,092	7,601
<b>Transport</b>		
– Blue badges cancelled	46,750	31,223
– Concessionary travel passes cancelled	151,815	234,154
<b>Social care</b>		
– Residents in private care homes	292	275
– Personal Budgets	92	163
– Other social care	50,027	-
<b>Payroll</b> Total employees dismissed or resigned	21	53
<b>Creditor payments</b> Duplicate creditor payments	1,062	884
<b>Council tax reduction scheme</b>	2,688	1,613
<b>Total</b>	<b>304,423</b>	<b>314,061</b>



## Report calculation methodology 2020 – England only

Data match	Detected Fraud £ million	Estimated Fraud £ million	Total £ million	Basis of calculation of estimated outcomes
Pensions	7.3	48.2	55.5	Annual pension multiplied by the number of years until the pensioner would have reached the age of 85.
Council Tax	17.2	26.7	43.9	Annual value of council tax single person discount multiplied by two years.
Housing benefits	26.3	8.7	35.0	Weekly benefit reduction multiplied by 21 weeks.
Blue badges	-	26.9	26.9	£575 per blue badge cancelled to reflect the estimated annual cost of blue badge fraud, the likelihood that badges are misused and the duration that fraudulent misuse will continue.
Housing waiting list	-	20.1	20.1	£3,240 per applicant removed from the waiting list, based on the annual cost of temporary accommodation, the likelihood that individuals on the waiting list would be provided a council property, and the duration for which fraud or error may continue undetected.
Council Tax reduction scheme	4.2	2.3	6.5	Weekly change in council tax discount multiplied by 21 weeks.
Housing tenancy	-	5.6	5.6	£93,000 per property recovered based on average four year fraudulent tenancy and an estimate of the duration that the fraud may have continued undetected. This includes temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies.
Private Residential care homes	2.7	2.4	5.1	£7,000 per case based on average weekly cost of residential care multiplied by 13 weeks.
Trade creditors	5.1	-	5.1	Not applicable.



## Report calculation methodology 2020 – England only

Data match	Detected Fraud £ million	Estimated Fraud £ million	Total £ million	Basis of calculation of estimated outcomes
Pilots (excluding HMRC)	0.2	3.4	3.5	Water utility companies: In cases where a resident is found to be living at an address yet the property has been declared as void, the annual water charge will be used. In cases where a resident has incorrectly claimed a discounted tariff, the average amount of annual discount across the three most popular discounted tariffs will be used.
Concessionary travel	-	3.4	3.4	Number of passes cancelled multiplied by £24, based on the cost of reimbursement to bus operators for journeys made under the concessionary pass scheme and the duration of fraudulent pass misuse.
Personal budgets	0.8	1.3	2.1	Monthly reduction in personal budget payment multiplied by 3 months (the average duration that personal budget payments continue following the death of the recipient).
Right to Buy	-	1.8	1.8	£65,000 per application withdrawn based on average house prices and the minimum right to buy discount available. A regional variation applies in London of £104,000 per application withdrawn, to reflect the maximum value of Right to Buy discount available.
Other	0.8	-	0.8	
Payroll	0.5	0.1	0.6	£5,000 per case where the employee is dismissed or resigns.
<b>Total</b>	<b>65.1</b>	<b>150.7<sup>31</sup></b>	<b>215.8</b>	

<sup>31</sup> Due to rounding, numbers presented throughout this report may not add up precisely to the totals indicated and percentages may not precisely reflect the absolute figures for the same reason.



## Contact us

We are always on the lookout for participants to help with ongoing improvements to the NFI. If you would like to get involved, please contact us at **[nfiqueries@cabinetoffice.gov.uk](mailto:nfiqueries@cabinetoffice.gov.uk)**

For more information about the NFI please visit our website:

**<https://www.gov.uk/government/collections/national-fraud-initiative>**

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