Cabinet Office

nfi
National Fraud Initiative

National Fraud Initiative Report 2022

National Fraud Initiative Report

2022 Report

Foreword

Fraud is estimated to account for 40% of all crime committed across the UK and is a long-standing threat to public services. In addition, fraudsters took advantage of the emergency funding during the coronavirus (COVID-19) pandemic, attacking schemes that were designed to deliver to many who were hard pressed and needed support, whether that be taxpayers or businesses.

The government is deeply committed to reducing fraud and ensuring hard working taxpayers' money is spent on those for whom it is intended.

"

...I would particularly like to thank those local authorities, NHS trusts and partner organisations that the NFI supports, for their tenacity and commitment."

In this context, I am delighted to report that the National Fraud Initiative (NFI), based in the Cabinet Office, has enabled participating organisations to prevent and detect/recover £443 million fraud and error across the UK (of which £417 million is for England), in the period April 2020 to March 2022, through the provision of counter fraud data matching services. This takes the NFI programme cumulative savings to £2.4 billion since its creation in 1996. These outcomes exclude the non-financial benefits also experienced by participants, such as improvements in the accuracy of records, or a greater knowledge of the extent and types of risks their organisations might face.

The NFI was heavily impacted by the demands placed on the public and private sector participants during the pandemic. Resources usually allocated to the investigation of NFI matches were diverted into other areas including disbursement of large scale COVID-19 grant schemes. Initially this means that delivery is lower in some areas than was reported in 2020.

However, despite these challenges the NFI has continued to deliver, including securing a one-off "windfall" of £205 million from Civil Service Pensions who use the NFI pension mortality screening service. We anticipate that the amount of fraud prevented and detected through the NFI will return to previous levels from 2022 onward.

Beyond the significant counter benefits reported here, I would like to highlight the following areas:

Innovation - the NFI has continued to innovate over the last two years, developing a pipeline of data matching pilots and delivering a programme of innovations and improvements. These are targeted towards both the public sector and the private sector to maximise the impact of the data it holds against fraud as a whole.

Public/Private sector partnership - the NFI has also seen increased outcomes from their work sharing public sector data with the private sector to highlight applicants for services that misrepresent their identity, or their residency. The expansion from utility companies to car hire and insurance has seen outcomes rise from £3.2m in 2020 to £33m in 2022. This public/private partnership work clearly aligns with the recommendations of the Economic Crime Plan.

Foreword

New products - the NFI has continued to develop the user base of their FraudHub tool (that allows organisations to carry out NFI matching at a time to suit them in a secure environment) from 15 organisations in hubs in 2020 to 35 at the end of September 2022, a 230% increase, that will see more frequent and targeted data matching activity to support Local Authorities.

Cost/Value for Money - the NFI continues to be cost neutral to central government, funding its activity (including pay) through fees levied on participants and through charged-for services including to the private sector, demonstrating exceptional value for money.

I would particularly like to thank those local authorities, NHS trusts and partner organisations that the NFI supports, for their tenacity and commitment. Prevention and detection of fraud and error at this scale is only made possible thanks to the hard work and diligence of staff at the sharp end, responding promptly to requests for collection of data to address emerging risks, working the flags, detecting/recovering and preventing fraud and reporting outcomes. This helped protect against fraudulent COVID-19 emergency relief funding claims. They did this while also continuing to provide vital services and support to many vulnerable businesses and individuals.

Given the unprecedented challenges facing these organisations the successes set out in this report is to be truly commended. This report celebrates the work of the counter fraud teams across the UK.

Finally, in August 2022, the NFI became part of the new Public Sector Fraud Authority. With £25 million investment over the next three years the Authority's remit includes greater focus on counter fraud performance and outcomes as well as increased depth and breadth of support to public sector bodies. With an increased focus on data analytics, the Authority will provide further opportunity for the NFI to support public bodies and further develop its products to reduce fraud in public services, ensuring that taxpayers' money is spent where it is needed most.

The Rt Hon Jeremy Quin MP, Paymaster General and Minister for the Cabinet Office

About the National Fraud Initiative

The National Fraud Initiative (NFI) matches data 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 batch data matching exercise which helps those that take part detect active fraud cases within systems.

Data for the NFI is provided by over 1,100[1] participating organisations from the public and private sectors, including local authorities, government departments, private registered providers of social housing 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[2].

The NFI data matching identifies inconsistencies that require further investigation and allows potentially fraudulent claims and payments to be identified. Participating organisations receive the resulting data matches for consideration and investigation where appropriate. No assumption can be made as to whether there is fraud, error or another explanation for those matches until an investigation process is completed, and an organisation can then take the

appropriate action. This may be to prosecute cases of fraud, recover overpayments, correct underpayments and update records as appropriate. There is also an opportunity for participants to use data matches to identify risks and weaknesses within systems and review controls.

The NFI is conducted under the Local Audit and Accountability Act 2014. This allows the Secretary of State or the Minister for the Cabinet Office to require certain public sector bodies to provide data for NFI processing on a mandatory basis for the prevention and detection of fraud. In addition, certain bodies can also provide data for matching on a voluntary basis.

Outcomes from NFI related investigations incomplete as of the 31st March 2022 will be captured and reported in 2024, alongside outcomes from the 2022/23 NFI exercise.

This report captures outcomes[3] recorded in the period 5th April 2020 to 31st March 2022[4] against:

- Against NFI 2018/19[5] exercise matches

- Against NFI 2020/21[6] exercise matches

- Recorded in FraudHub, AppCheck and ReCheck products

- Pilots undertaken during this period, including a second pilot with HM Revenue and Customs (HMRC) under the Digital Economy Act 2017 to target undeclared property ownership; undeclared earnings and capital; and undeclared persons in a household

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[1] During this reporting period there were a number of local authority and NHS mergers, reducing the overall number of participants

[2] The data requirements for the NFI exercise are set out in published data specifications

[3] The NFI financial outcomes are made up of actual overpayments detected and estimated future losses prevented

[4] The 2020 reporting period ended 4th April which was the date nearest to 31st March when management information was available to produce the report. This 2022 report covers the period from 5th April 2020 to 31st March 2022

[5] NFI 2018/19 is the national data matching exercise. Data is collected in October 2018 and matches released in January 2019. This report captures outcomes recorded against 2018/19 matches recorded in the period from 5th April 2020 to 31st March 2022.
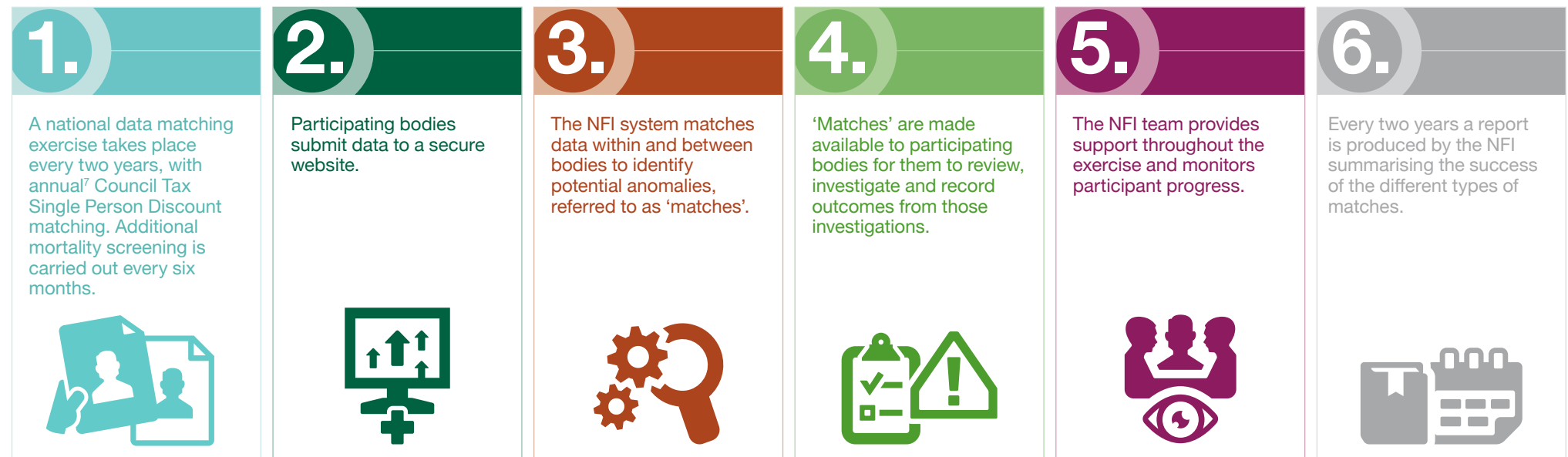
[6] NFI 2020/21 is the national data matching exercise. Data is collected in October 2020 and matches released in January 2021

The NFI services

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

1.
A national data matching exercise takes place every two years, with annual[7] Council Tax Single Person Discount matching. Additional mortality screening is carried out every six months.

2.
Participating bodies submit data to a secure website.

3.
The NFI system matches data within and between bodies to identify potential anomalies, referred to as 'matches'.

4.
'Matches' are made available to participating bodies for them to review, investigate and record outcomes from those investigations.

5.
The NFI team provides support throughout the exercise and monitors participant progress.

6.
Every two years a report is produced by the NFI summarising the success of the different types of matches.

nfi 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.

nfi AppCheck
AppCheck is a fraud prevention tool that helps organisations to stop fraud at the point of application, thereby reducing administrative and future investigation costs.
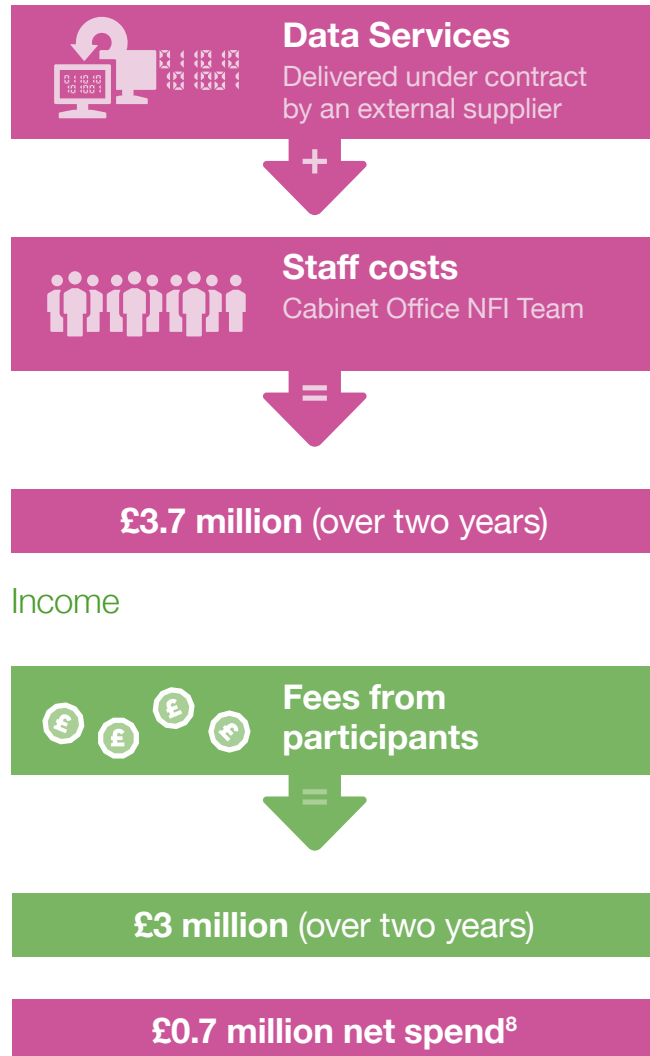
nfi ReCheck
ReCheck is a flexible batch matching tool that allows an organisation to repeat national batch matching at a time to suit them.

[7] Scottish bodies are mandated every two years

Cost of running the NFI

Main Expenditure

Data Services
Delivered under contract by an external supplier

+

Staff costs
Cabinet Office NFI Team

=

£3.7 million (over two years)

Income

Fees from participants

=

£3 million (over two years)

£0.7 million net spend[8]

£442.6 million outcomes

versus £3 million fee income

Example fees

2020/21 National
– London Borough Council **£4,200**
– County Council **£3,800**
– District Council **£2,450**
– Police **£1,200**
– NHS Foundation Trust **£1,150**

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

nfi
ReCheck
**£330** per dataset for 1-20 datasets, or **£275** per dataset (20+)

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

[8] This reporting period the NFI received additional government funding for COVID-19 work which led to a net spend of £0.7 million.

Fraud, overpayments and errors identified and prevented across the UK (1996 to 2022)

Results for the period 5th April 2020 to 31st March 2022

£14.9m

£4.4m

£416.8m

£6.5m

UK £442.6m
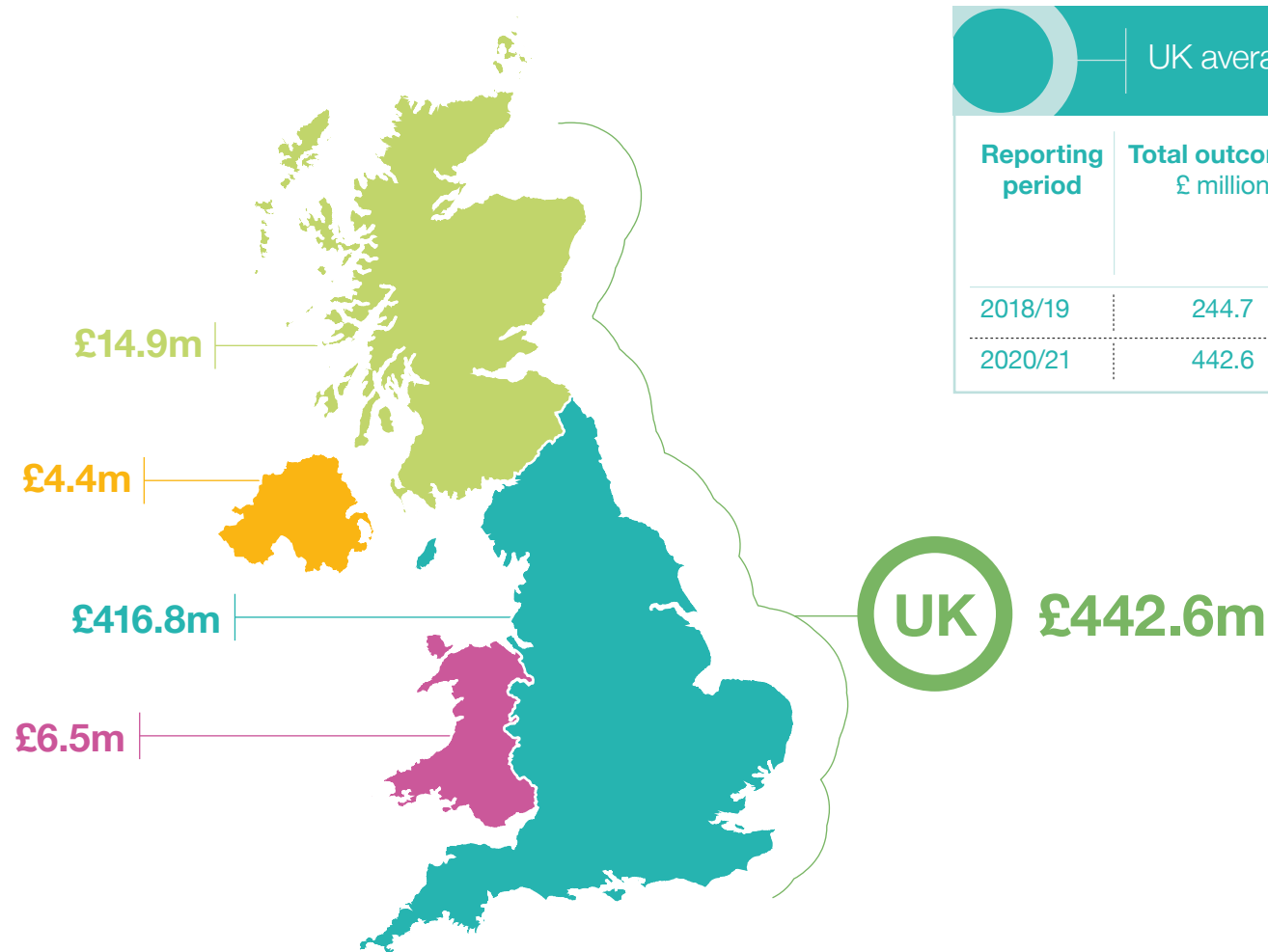
UK average financial outcomes per case

Reporting period	Total outcomes £ million	Number of cases categorised as error or fraud	Average outcomes per case	Percentage change
2018/19	244.7	304,423	£803.85	
2020/21	442.6	325,332	£1360.51[9]	69% increase

[9] The significant increase in the number and value of pension cases in this reporting period that related to 2018/19, has contributed to the percentage increase. Refer to page 14 for more details.

Cumulative fraud, overpayments and errors identified and prevented across the UK (1996 to 2022)

Cumulative NFI outcomes from 1996/97 to 2020/21[10]= £2.4 billion

Cumulative by Country

England
£2116.8 million

Scotland
£158.5 million

Wales
£49.4 million

Northern Ireland
£44.4 million

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.

1993

1996/97
£19m

1998/99
£42m

2006/07
£140m

2004/05
£111m

2002/03
£83m

2000/01
£54m

2008/09
£215m

2010/11
£275m

2012/13
£229m

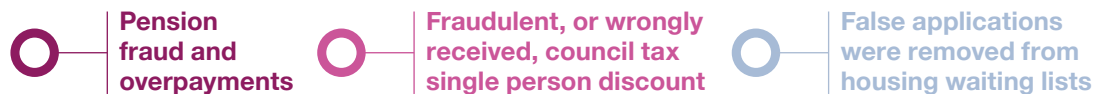2020/21
£443m

2018/19
£245m

2016/17
£292m

2014/15
£222m

[10] This report captures outcomes recorded against 2020/21 matches (released in January 2021) up until 31st March 2022. Outcomes recorded against 2020/21 matches after 31st March 2022 will be reported in 2024.

Results in England for 2020 - 2022

The results in England[11] for 2020 - 2022 total: **£416.8 million**

£21.8m

£44.7m

£250m

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

○ **Pension fraud and overpayments**

○ **Fraudulent, or wrongly received, council tax single person discount**

○ **False applications were removed from housing waiting lists**

The £416.8 million also includes a number of pilot matches totalling **£39.7 million[13]**. More details about pilots can be found on page 34.

The exercise produced the following significant results in England:

225,710
Concessionary travel passes were cancelled as the pass holder was deceased

42,393
Blue badges were cancelled as the badge holder was deceased

32,669
Incorrect claims for council tax single person discount

6,736
False applications were removed from housing waiting lists

3,000
Cases where Council Tax reduction had been claimed incorrectly

1,648
Cases where housing benefit had been claimed fraudulently or incorrectly

68[12]
Cases where payments to a care home had continued after the death of the resident

25
Social housing properties were recovered as a result of illegal subletting or succession

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[11] Scotland, Wales and Northern Ireland publish their own NFI results and are available at www.audit-scotland.gov.uk, www.wao.gov.uk and www.niauditoffice.gov.uk

[12] These are cases reported late from NFI 2018/19 matches, i.e. after 4 April 2020. Due to a legislative change, the NFI stopped processing patient data in 2020

[13] This figure excludes HMRC and FraudHub outcomes as they are attributed to existing datasets e.g. CTSPD

Recovery rates in England

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

In this reporting period, public bodies had taken action to recover **85%** of total frauds detected from NFI matches (Table 1).

This is a significant achievement when considering the economic and social climate during the reporting period to March 2022, and is only slightly lower than the equivalent period to the end of March 2020 (89%).
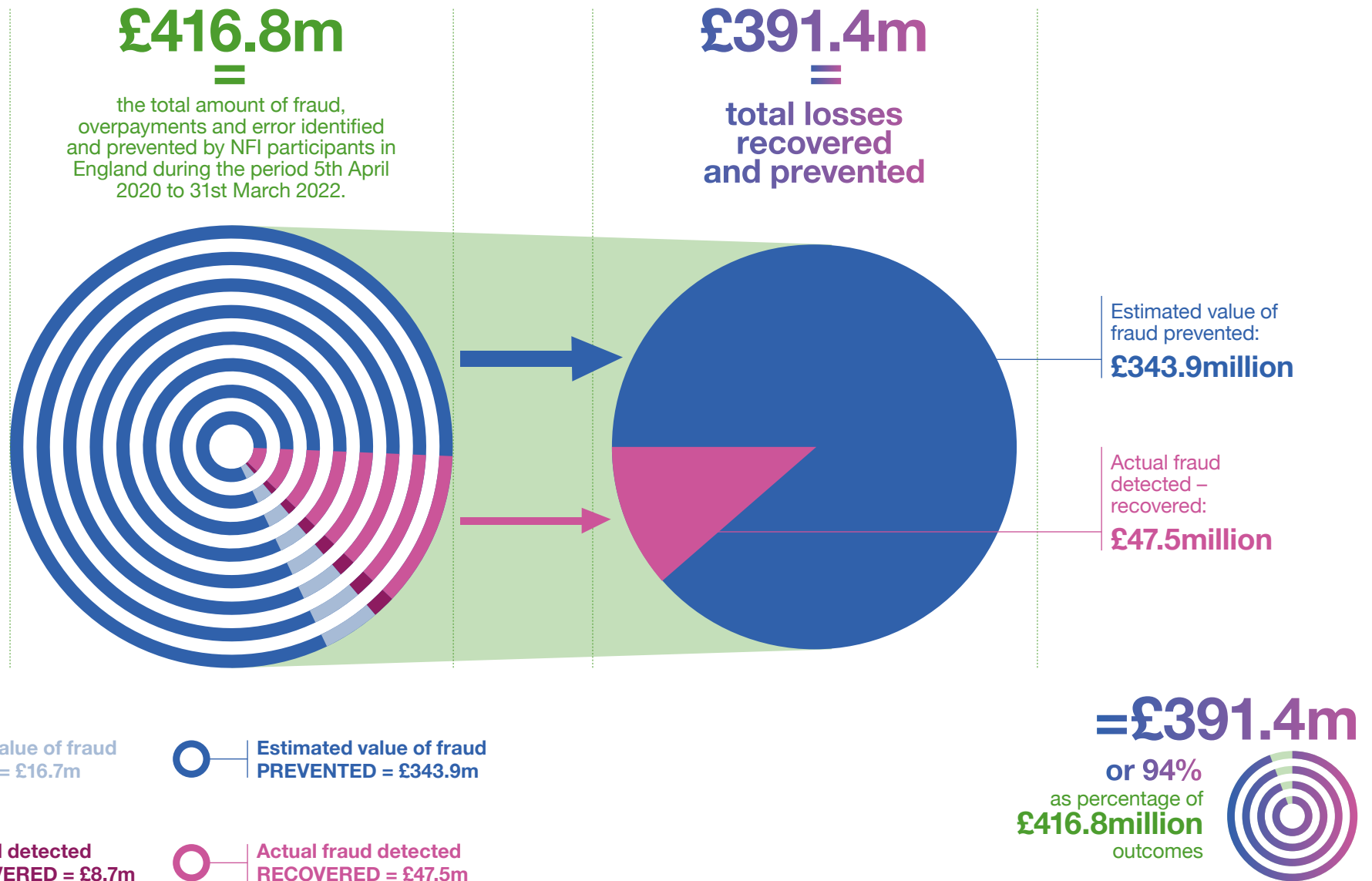
Table 1 - Recovery rates in England from NFI data matches (rounded)

Dataset	Fraud detected (actual not estimated) £ million	Amount in recovery £ million	Recovery rate %
Housing Benefit	11.2	9.8	87%
Council Tax Single Person Discount	17.2	16.3	95%
Pensions	9.3	8.3	89%
Creditor Payments	6.1	5.9	98%
Council Tax Reduction	3.7	3.3	88%
Residential Care Homes[14]	0.3	0.3	100%
Other	0.4	0.4	93%
Payroll	0.2	0.1	68%
Pilots (excluding HMRC pilot)	6.9	2.3	33%
Procurement	0.8	0.8	100%
Total	**56.2**	**47.5**	**85%**

[14] These are cases reported late from NFI 2018/19 matches, i.e. after 4 April 2020. Due to a legislative change, the NFI stopped processing patient data in 2020.

Impact of fraud detected and recovered for public finances 2020-2022

£416.8m
=
the total amount of fraud, overpayments and error identified and prevented by NFI participants in England during the period 5th April 2020 to 31st March 2022.

£391.4m
=
total losses recovered and prevented

Estimated value of fraud prevented: **£343.9million**

Actual fraud detected – recovered: **£47.5million**

Estimated value of fraud DETECTED = £16.7m

Estimated value of fraud PREVENTED = £343.9m

Actual fraud detected NOT RECOVERED = £8.7m

Actual fraud detected RECOVERED = £47.5m

=£391.4m
or 94%
as percentage of
£416.8million
outcomes

Outcomes in England by risk area (rounded)

Grand total

2022
£416.8m

2020
£215.8m

2022 £250m | 2020 £55.5m
Pensions

2022 £44.7m | 2020 £43.9m
Council Tax

2022 £14.4m | 2020 £35.0m
Housing Benefit

2022 £24.4m | 2020 £26.9m
Blue Badges

Housing Waiting List
2022 £21.8m | 2020 £20.1m

Council Tax Reduction Scheme
2022 £5.2m | 2020 £6.5m

Housing Tenancy
2022 £2.3m | 2020 £5.6m

Residential Care Homes[15]
2022 £0.9m | 2020 £5.1m

Trade Creditors
2020 £5.1m | **2022 £6.1m**

Pilots and Grants tools (excluding HMRC)
2020 £3.5m | **2022 £39.7m**

Concessionary Travel
2020 £3.4m | **2022 £5.5m**

Personal Budgets[15]
2020 £2.1m | **2022 £0.1m**

Right to Buy
2020 £1.8m | **2022 £0.2m**

Other
2020 £0.8m | **2022 £0.4m**

Payroll
2020 £0.6m | **2022 £0.3m**

Procurement
2020 - | **2022 £0.8m**

[15] These are cases reported late from NFI 2018/19 matches, i.e. after 4 April 2020. Due to a legislative change, the NFI stopped processing patient data in 2020

Main categories of fraud for 2020 to 2022 by dataset

This section sets out the results of the NFI in England[16] across the main categories of fraud, as set out on page 13.

Pensions: **£250 million**

Individuals obtaining pension payments relating to a deceased person (known as mortality screening) and incorrect claims for injury benefit and pension abatements.

Office for National Statistics data[17] finds that the membership of occupational pension schemes (active, deferred and pensioners) was 43.2 million in Q3 of 2021, split between the private sector (36.2 million) and the public sector (7 million). This represents an increase of 8.3% on equivalent Q3 2019 figures (39.9 million). By comparison, the NFI receives around 6.6 million occupational pension records for matching, around 15% of total occupational scheme membership.

The number of deaths in England over the past 5 years ranged from 498,664 in 2017 to 548,815 in 2021. The year on year percentage change in deaths reached 17% between 2019 and 2020 during the peak of the COVID-19 pandemic, when 575,407 deaths were recorded. Deaths decreased again in 2021, but remained significantly higher than pre-2020 levels. The population during this period increased by only 1% and remained fairly consistent[18].

There was an increase in the number and value of pension cases from £55.5 million in 2018/19 to £250 million in this reporting period. Of the £250 million, £248.3 million related to mortality screening matches, as reported by 86 participants. Furthermore, three large public sector pension schemes that take part in the NFI on a voluntary basis contributed £225.3 million of the £248.3 million across 10,476 cases.

The majority of this increased amount can be attributed to work with one large public sector scheme to secure a breakdown of overpayments relating to investigations from 2018/19 and 2020/21. This equates to £205.1 million (7,255 cases) being reported in 2020/21 (Table 2), 64.9% of which related to pensioners that were aged 85 or over, 20.7% were aged between 84 and 70 and 14.4% aged under 70.

Table 2 - Analysis of outcomes from 2018/19 and 2020/21 reported by the large pension scheme (rounded)

	Number of cases	Actual overpayments (£ millions)	Estimated value of future losses prevented[19] (£ millions)	Total (£ millions)
2018/19	5,180	3.7	150.8	**154.5**
2020/21	2,075	0.9	49.7	**50.6**
Total	**7,255**	**4.6**	**200.5**	**205.1**

[16] The NFI results in Scotland are available at www.audit-scotland.gov.uk, in Wales at www.wao.gov.uk, and in Northern Ireland at www.niauditoffice.gov.uk

[17] ONS, Dataset Funded occupational pension schemes in the UK, March 2022

[18] ONS, Monthly mortality analysis, England and Wales: February 2022, February 2022

[19] The NFI estimate for future losses prevented is based on the annual pension multiplied by the number of years until the pensioner would have reached the age of 85

Main categories of fraud for 2020 to 2022 by dataset
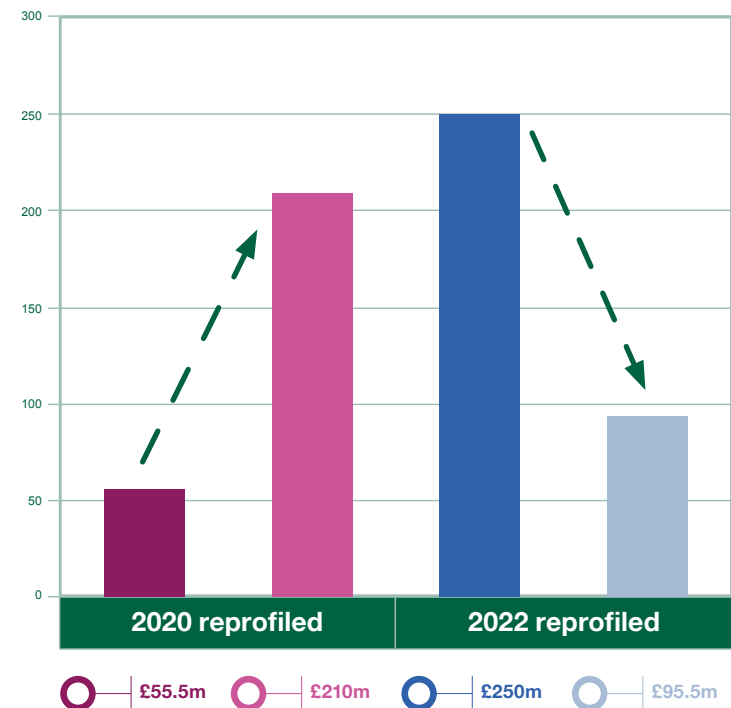
Pensions: **£250 million**

The uncertainty of voluntary participation makes it difficult to compare outcomes across NFI exercises as they are dependent on whether the participant wishes to submit data for just the national exercise or for the additional screening twice each year. The introduction of an automated method of recording outcomes for mortality screening matches has also simplified the process for large schemes which could have impacted on the increase in the number of cases recorded.

Although it is normal for some investigations to cross reporting years, with this being such a large scheme, Figure 1 demonstrates the effect this would have had in 2020 and 2022, had the cases been reported in the correct years. From January 2022, this pension scheme has been undertaking bespoke monthly screening, which will alert them to deaths earlier, supporting them in reducing the amounts overpaid. If successful, we may look to make this tool available more widely in future.

The average outcomes per case remains consistent with 2018/19 at around £20,000 per case: (Table 3).

Figure 1 - Pension outcomes reprofiled to show the effect of 2018/19 outcomes reported late

| 2020 reprofiled | 2022 reprofiled |

£55.5m   £210m   £250m   £95.5m

[19] The NFI estimate for future losses prevented is based on the annual pension multiplied by the number of years until the pensioner would have reached the age of 85

Main categories of fraud for 2020 to 2022 by dataset

Pensions: **£250 million**

Table 3 - Comparison of total pension overpayments between 2014/15 and 2020/21

	2014/15	2016/17	2018/19	2020/21
Number of cases	3,592	3,763	2,876	12,098
£ millions	85.1	136.9	55.5	250
Average outcome per case	£23,692	£36,381[20]	£19,289	£20,661

Pension overpayment dating back to 2016

The London Borough of Brent reviewed 92 pension matches where an NFI match indicated the pensioner had died. In eight of these cases they were not aware of the death, including a case going back to 2016. Payments were stopped and recovery of overpayments totalling over £32,000 is in progress.

[20] Some large pension schemes had a backlog of investigations in 2014/15 that came through in 2016/17

Main categories of fraud for 2020 to 2022 by dataset

Pensions: **£250 million**

NHS Business Services Authority

The NHS Business Services Authority prioritises identifying and preventing fraud in the services that we administer. Taking part in regular exercises with the NFI provides us with assurance that any potential overpayments in the NHS Pension Scheme created through fraud, or a late notification of death, are identified at the earliest opportunity, allowing us to take the necessary actions to prevent additional overpayments from occurring. The recent addition of a Bulk Outcomes function, allowing us to quickly and easily update matches to member records in one import rather than individually closing each match, has been extremely beneficial, and resulted in a significant reduction in processing times. For an organisation which routinely deals with 1,000's of matches a year, this has been a much-welcomed improvement, and I have found the NFI team to be both engaging and receptive to feedback in the roll out of this new feature.

A spokesperson from the NHS Business Services Authority

London Fire Brigade pension reduced going back 24 years

A match between injury benefit payments to pension data identified a case for London Fire Brigade where the Department for Work and Pension had been paying an injury benefit that had been paid to one of their pensioners since 2019. Pensioners are required to declare relevant state benefits (industrial injuries disablement benefit, incapacity benefit, employment and support allowance) that may remove or reduce entitlement to the enhanced pension. This particular injury payment award in 2019 had been backdated for 24 years and upon review of this information an overpayment of pension in excess of £35,000 was identified along with a reduction in the pensioner's ongoing entitlement.

Main categories of fraud for 2020 to 2022 by dataset

Council Tax: **£44.7 million**

Individuals falsely declaring they live alone or who fail to notify when a second adult moves into the property. Therefore, they do not qualify for the Council Tax Single Person Discount they have claimed.

According to the Valuation Office Agency Valuation List, as at 14 September 2020, there were 24.8 million dwellings in England, an increase of 0.9% since 9 September 2019. Of these, 24.1 million were liable for Council Tax and 8.0 million were entitled to a discount as a result of being occupied by a single adult. This represents 32.2% of all dwellings[21].

Across the UK, the CIPFA 2020 Fraud and Corruption Tracker[22] concludes that Council tax Single Person Discount (SPD) is the second fastest growing fraud area for local authorities after housing fraud. Between 2018/19 and 2019/20, there was an estimated £9.6m increase in Council Tax SPD fraud, leading to an estimated £29 million for cases detected/prevented in 2019/20. While the estimated value increased, the number of cases decreased by 45%, raising the average case value from £440 to £1,205.

The annual NFI match between Council Tax and Electoral Register data to tackle Council Tax SPD abuse has once again provided substantial returns for councils. Outcomes from the 2020/21 and 2021/22 exercises are £44.7 million (32,669 SPDs cancelled) compared to £43.9 million reported for the 2018/19 and 2019/20 (37,000 SPDs cancelled). This suggests that the average cost per case has increased by 15.4% (Table 4).

Figure 2 sets out how the total outcomes are made up over the various match types.

Table 4 - Comparison of Council Tax Single Person Discount outcomes

Period (April-March)	Volume	£ million	Average per case	
2020-2022	32,669	44.7	£1,368	**15.4% increase**
2018-2020	37,00	43.9	£1,186	

[21] Ministry of Communities and Local Government, Local Authority Council Tax base England 2020 (Revised), 1 March 2021
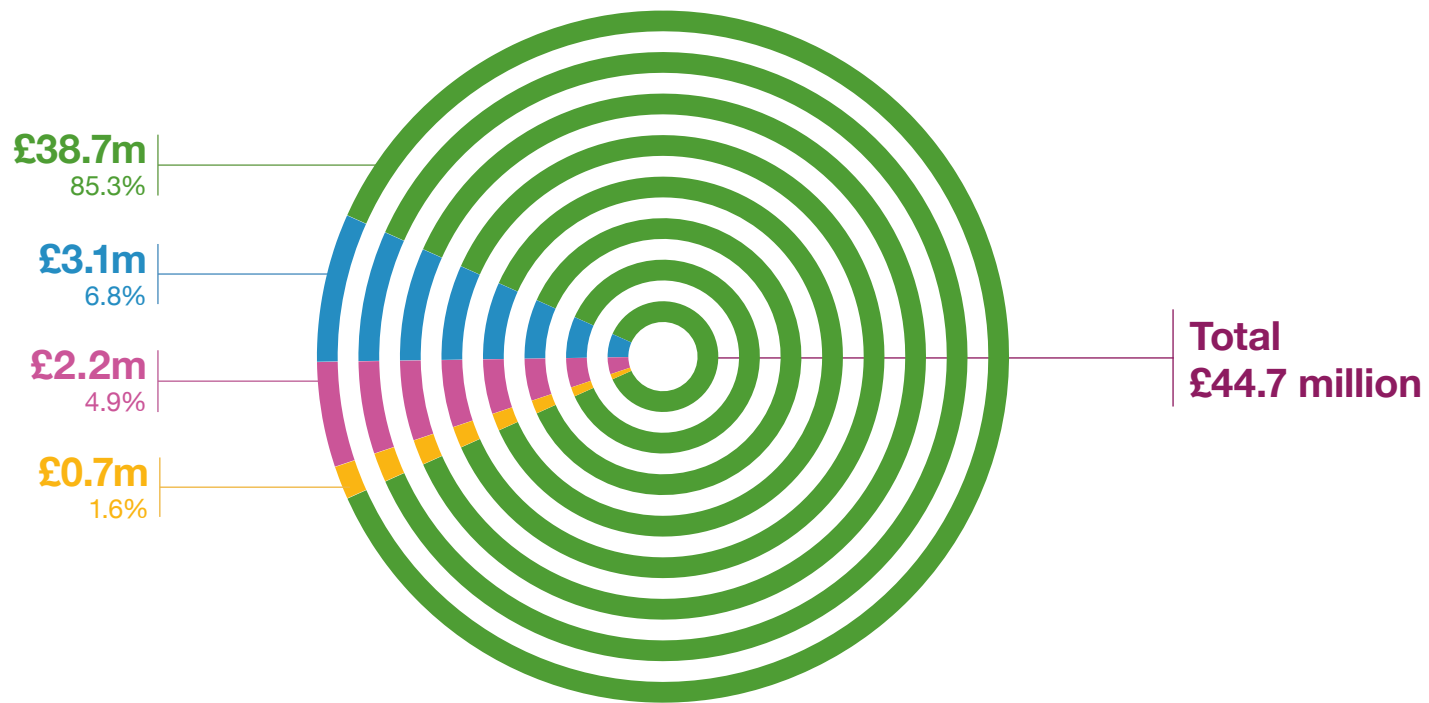
[22] CIPFA, Fraud and Corruption Tracker 2020

Main categories of fraud for 2020 to 2022 by dataset

Council Tax: **£44.7 million**

Figure 2 - Analysis of Council Tax outcomes by report area

£38.7m
85.3%

£3.1m
6.8%

£2.2m
4.9%

£0.7m
1.6%

**Total
£44.7 million**

Council Tax to Electoral Register

Premium SPD

Council Tax Rising 18s

Council Tax to Other NFI Data

Main categories of fraud for 2020 to 2022 by dataset

Council Tax: **£44.7 million**

Phase two of the HMRC information sharing pilot generated £0.9 million in additional overpayments from matches that provided information on individuals residing at an address. This has fallen due to unexpected challenges and delays with this workstream[23]. Further savings are expected to be realised in the next reporting period. We continue to seek to evaluate additional data sources that can further identify additional undeclared individuals in a household. The proposed tenancy pilot may assist with this aim. Further information about this tenancy pilot can be found on page 41.

The optional enhanced Council Tax SPD service that combines both public and private sector credit reference agency data has also achieved good results - identifying £3.1 million overpayments by the 25 councils that utilised it. This service is available in addition to the mandatory annual matching and is charged for on a per record basis.

Effective use of the NFI Premium Service

Enfield Council has more than 120,000 Council Tax accounts. Nearly a third of these households claim a single person's discount. Enfield Council has recently established a specialised team to proactively review their SPD and disregard claims. Assisted by the Counter Fraud Team, the CT Review Team has utilised the Premium SPD Service which identified 1,300 high-risk cases.

With the help of the NFI service data and the investigation of the 1,300 high risk cases identified by the Council Tax Review team, we have increased income due by an estimated £284,000. The estimated saving has been calculated as follows: 618 households where SPD is no longer valid x £1,841 x 25% discount (£1,841 being the average Council Tax Band D charge).

Torbay Rising 18s

Torbay Council, like many other councils, prioritised reviewing the 'Rising 18s' report to identify fraud and ensure customers receive the correct benefits and allowances. An additional adult in a household can have an effect on household finances. Where a single adult has been claiming Council Tax Single Person Discount, this would be withdrawn as a child reaches 18. A change to Housing Benefit and/or Council Tax Reduction Scheme is possible as a non-dependant deduction can be made to entitlement. There are also circumstances where the charge payer advises that the 18-year-old has vacated and that could result in changes for another household.

[23] HMRC Council Tax household composition matches were released in November 2021

Main categories of fraud for 2020 to 2022 by dataset

○— Blue Badges: **£24.4 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, or use of a stolen badge.

As at 31st March 2021, there were 2.35 million Blue Badges held in England according to Department for Transport statistics[24]. There were 698 prosecutions for misuse of Blue Badges between 1st April 2020 and 31st March 2021, a decrease of 49% since March 2020. The majority of prosecutions (97%) in England were still targeted at non-badge holders using another person's badge. The drop in prosecutions may relate to the effects of the pandemic on behaviour, local authority enforcement practices, and availability of resources such as the courts.

During this reporting period, the number of blue badges cancelled decreased to 42,393 from 46,750 in 2018/19. The estimated value of blue badges cancelled therefore decreased by 9.3% from £26.9 million to £24.4 million. The number of local authorities that recorded outcomes had however increased by 24.8% (Table 5).

The decrease is likely due, as with many areas across the NFI 2020/21 exercise, to the impact of the reprioritisation of work within local authorities' during the pandemic. Many local authority employees were required to support front-facing services as part of the COVID-19 response. For a long period of time there was also a halt to non-essential travel.

Following the redeployment of staff back to their original posts, investigation of NFI matches has re-commenced and passes are now being recorded as having been cancelled. These will be reported on in 2024.

With systems being updated, the data extracted for the forthcoming NFI 2022/23 exercise will be more accurate, helping to ensure the matches returned relate to unknown deaths.

Table 5 - Analysis of the number of passes cancelled by participants

Year	Number of cases	Number of bodies
2018	31,223	90
2020	46,750	109
2022	42,393	132

[24] Department for Transport, Blue Badge Statistics, England: 2021, 25 January 2022

Main categories of fraud for 2020 to 2022 by dataset

Housing Waiting List: **£21.8 million**

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

The most recent Department for Levelling Up, Housing and Communities housing statistics[25] show that as at the end of March 2021, there were 1.2 million households on social housing waiting lists in England - similar levels to 2020. Removing applicants who are not eligible will help enable councils to allocate social housing to those in genuine need.

The CIPFA Fraud and Corruption Tracker 2020[26] reported that the largest growing fraud area across the housing sector was 'other tenancy frauds' including succession and false applications. An estimated £60.1 million is thought to have been lost in 2019/20 compared to £47.7m in 2018/19.

Housing waiting list matching has resulted in 6,736 ineligible applications for social housing having been removed. These applications were removed by 102 councils, 7.8% more councils (94 councils) than in 2018/19, which led to the increase overall. Applying the Cabinet Office fraud or loss prevented estimate of £3,240[27] per property, this equates to £21.8 million for 2020/21 compared to £20.1 million for 2018/19.

[25] Department of Levelling Up, Housing and Communities, Table 600: numbers of households on local authorities' housing waiting lists, by district, England, from 1997, 27 January 2022

[26] CIPFA, Fraud and Corruption Tracker 2020

[27] See 'Report calculation methodology 2020 to 2022 - England' on page 48 for more details about the NFI estimate methodology

Main categories of fraud for 2020 to 2022 by dataset

Housing Benefit: **£14.5 million**

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

In May 2021 the Department for Work and Pensions (DWP) reported that out of the £17.3 billion in Housing Benefit (HB) expenditure, there was a 6% overpayment rate due to fraud and error (£1 billion)[28]. This compares to 6.3% (£1.3 billion) in 2018/19.

Of the £1 billion, £0.5 billion of HB overpayments were recovered. The DWP reports the main cause of overpayments on HB is incorrect information about earnings and employment.

In April 2013, the DWP introduced Universal Credit to replace six existing benefits, one of which was HB. Therefore, the number of people receiving HB has decreased from 5.1 million[29] in February 2013 to 2.7 million claimants in February 2022. In contrast there were 4.7 million people on Universal Credit in February 2022[30].

Housing Benefit outcomes are £14.5 million, compared with £35 million in 2018/19. These outcomes were recorded by local councils and the DWP.

This decrease in outcomes of 58.6% is likely attributable to:

- the redeployment of DWP staff during the pandemic

- the significant movement of caseload from Housing Benefit to Universal Credit (UC) resulting in data volumes reducing by 24.4% between NFI 2018/19 and 2020/21

It is expected that the move to UC will continue to impact the level of outcomes from NFI HB matches. We will work closely with Local Authorities and the DWP to ensure we evaluate the benefits of the NFI HB matching, terminating this matching if appropriate. In the interim, we will seek to avoid duplication with the HB data matching undertaken by the DWP through the Verify Earning and Pensions Service (VEPS)[31]. An example being, HB to payroll and pensions matches were not released to local councils in 2020/21 as the DWP confirmed that this matching was undertaken on a regular basis through VEPS.

Table 6 shows how outcomes have been reported by local councils and the DWP between 2018 and 2022.

[28] DWP, Fraud and error in the benefit system for financial year ending 2021, 13 May 2021

[29] DWP, Housing Benefit caseload statistics, Table 1: Housing Benefit claimants by Region and Local Authority, May 2018

[30] DWP, Universal Credit statistics, 29 April 2013 to 14 April 2022 - GOV.UK, May 2022

[31] 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 categories of fraud for 2020 to 2022 by dataset

Housing Benefit: **£14.5 million**

Table 6 - Analysis of Housing Benefit overpayments by source (includes estimates)

		Outcomes from local councils	Outcomes from DWP	Total
2018	2014/15 reported after 31 March 2016	£14.0m	-	**£14.0m**
	Reported between 1 April 2018 and 31 March 2018	£8.0m	£3.0m	**£11.0m**
2020	2016/17 reported after 31 March 2018	£3.0m	£8.0m	**£11.0m**
	Reported between 1 April 2018 and 4 April 2020	£10.0m	£14.0m	**£24.0m**
2022	2018/19 reported after 31 March 2020	£3.0m	£3.1m	**£6.1m**
	Reported between 5 April 2020 and 31 March 2022	£6.7m	£1.6m	**£8.3m**

HB overpayments identified through matching to student loans continue to represent a high proportion of overall HB outcomes. Excluding the cases referred to the DWP, local councils identified 962 cases linked to individuals in receipt of a student loan with an overpayment value of £6 million (excluding estimated forward savings). This represents 83.5% of the total £7.1 million HB overpayments recorded by councils. This is a significant shift from the previous reporting period (45% of £8.9 million) and is the possible consequence of the fact, as mentioned above, that housing benefit to payroll and pensions matches were not released to local councils.

Overpayments to landlords that did not inform the council that the property was empty

Birmingham City Council identified two cases where a tenant appeared to be resident at a property within its boundaries and also at a property within another council's boundaries. In both cases the tenant and landlord had failed to notify Birmingham City Council that the property in Birmingham had been vacated resulting in the continuance of Benefit payments directly to the landlord. Overpayments of £13,600 and £12,000 are being recovered.

Review of Housing Benefit to Student Loans matches revealed nearly £1m in overpayments

The London Borough of Barnet carried out a thorough review of 330 Housing Benefit to Student Loan cases and identified £942,000 of recoverable overpayments. Individuals were asked to provide full details of their undeclared student income and their Housing Benefit was reassessed. In many cases this meant the entitlement to Housing Benefit was reduced or withdrawn completely. In a number of cases overpayments were in excess of £40,000.

Main categories of fraud for 2020 to 2022 by dataset

Trade Creditors (including Procurement): **£6.9 million**

Trade creditors - A range of reports that aim to either identify duplicate creditor reference numbers that increase the potential for suppliers to obscure fraudulent activity, or duplicate payments for the same goods/services, which may have arisen as a result of fraudulent activity by suppliers and/or staff.

Procurement *- Employees that have potentially not declared interests in companies that have given a pecuniary advantage or employees who appear to be registered directors of companies that the employing body has traded with.*

On 8 June 2020, the Ministry of Housing, Communities and Local Government (now DLUHC) published a review into the risks of fraud and corruption in local government procurement[32]. This review highlighted that councils in England spend around £55 billion a year on goods, works and services. The review noted the importance of working together and building an anti-fraud and corruption culture in tackling fraud, including the need for effective data sharing and collaborative working across councils, law enforcement and central government.

HM Treasury reported[33] that health and social care procurement expenditure in England for 2019-20 was estimated to be £76 billion, an increase of £12 billion from 2018-19.

The NHS Counter Fraud Authority 2020/21 Annual Report[34] stated that of the £54.1 million identified through prevention and enforcement work, £1.9 million was from procurement prevention.

The NFI matches trade creditors' data to identify duplicate payments. In this reporting period, 955 duplicate payments of £6.1 million were identified, £6 million of which were recovered. This represents a 19.7% increase from the 2020 reported amount (£5.1 million). It is notable that the amount identified from 2018/19 cases investigated after April 2020, increased by £0.8 million compared to 2016/17 cases reviewed after April 2018 (Table 7).

Apart from the financial benefits, data matches help to improve the efficiency with which organisations maintain their creditor payment systems. A further 846 duplicate supplier standing data records have been corrected or deleted.

In the same period one significant procurement fraud case was found by a hospital trust. An outline of this case is set out below.

Table 7 - Analysis of trade creditor duplicate payments

	2020		2022	
	2016/17 reported in 2018/19	2018/19	2018/19 reported in 2020/21	2020/21
Duplicate Payments	£1.0m	£4.0m	£1.8m	£4.3m

[32] Ministry of Housing, Communities & Local Government, Review into the risks of fraud and corruption in local government procurement, 8 June 2020

[33] This includes current and capital procurement spending. HM Treasury, Public Expenditure Statistical Analyses 2019, 2019

[34] NHS Counter Fraud Authority, NHSCFA Annual Report and Accounts 2020-2021, January 2022

Main categories of fraud for 2020 to 2022 by dataset

Trade Creditors (including Procurement): **£6.9 million**

Using trade creditors data to find procurement fraud

A Payroll to Companies House match identified an IT manager working for a hospital trust in Essex who was also a sole director of two companies.

The directorships had not been declared so an investigation by the Local Counter Fraud Specialist (RSM), NHS Counter Fraud Authority and HMRC followed. These investigations revealed that the employee had filed non-trading accounts for both companies during their existence. However, he then produced fraudulent invoices from the two companies all under his own £7,500 authorisation limit, sending them by email from fictitious employees, to obtain £674,000 from the trust. He even added VAT of £132,000 to make the invoices more plausible. A dismissal and prosecution followed and he was sentenced to five years and four months imprisonment. Confiscation proceedings are underway to try to recover the funds.

A Clinical Commissioning Group (CCG) identifies three large duplicate trade creditor payments

The Counter Fraud Services provider for NHS Hammersmith & Fulham CCG was given access to the CCGs internal payments system, allowing them to thoroughly review the NFI trade creditor matches. As a result, three duplicate payments totalling £36,000 were identified. Recovery of these duplicate payments is in progress.

Main categories of fraud for 2020 to 2022 by dataset

Concessionary Travel Passes: **£5.5 million**

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

The English National Concessionary Travel Scheme is a national scheme by the Department for Transport for English residents who have attained pension age or are eligible disabled. This provides free off-peak bus travel on weekdays and all day at weekends and bank holidays. From 1 April 2008, the scheme extended the provision of free bus travel from within individual areas to allow travel throughout England. Concessionary travel is administered locally by Travel Concession Authorities (TCAs). Since 1 April 2011 County Councils, Unitary Authorities, Passenger Transport Executives and London Boroughs have been classified as TCAs. In London, residents aged 60 - 65 can obtain a 60 plus Oyster card. This allows free travel on bus, tube, tram, the DLR, London Overground, TfL Rail and most National Rail services.

In 2020/21, the Department for Transport reported there were 8.9 million older and disabled concessionary travel passes in circulation and that the net spend was £1.1 billion[35]. In total there were 272 million concessionary bus journeys in England in 2020/21. This was a 68.5% reduction from 2018/19.

The number of concessionary passes cancelled[36] in 2020/21 was 225,710 - an increase from 151,815 in 2018/19. The estimated value of fraud losses prevented in the same reporting period in turn increased from £3.4 million in 2018/19 to £5.5 million in 2020/21.

Around 15% of the total passes cancelled (33,951) were recorded by one voluntary participant. This participant submits data for the national matching exercise and intermittently for half-yearly screening. A further 39% of passes cancelled (136,827) were recorded by four Passenger Transport Executives[37], who are mandatory participants. The remaining 46% were recorded by County Councils with responsibility for the administration of concessionary passes. Figure 3 shows the number of passes cancelled between 2012 and 2022. The fluctuations between reporting periods reflect the impact the voluntary body has when they use the NFI more frequently in some years and not others.

[35] Department for Transport, Concessionary Travel Statistics 2020/21, 3 November 2021

[36] This includes passes that are updated, stopped or 'hot-listed' (a term used where a pass has been deactivated for a specific reason), in this case as the person is believed to be deceased

[37] Passenger Transport Executives (PTEs) are local government bodies which are responsible for public transport within large urban areas. They are accountable to Combined Authorities, which were created between 2011 and 2016 and took the role of Integrated Transport Authorities (ITAs)

Main categories of fraud for 2020 to 2022 by dataset

Concessionary Travel Passes: **£5.5 million**

Figure 3 - Analysis of concessionary passes cancelled between 2012 and 2022

Number of passes cancelled
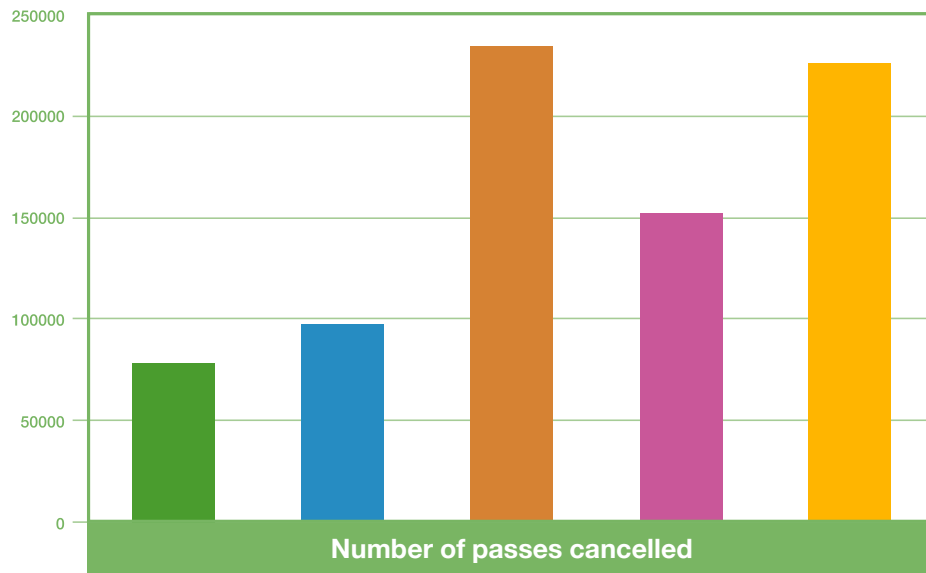
2012/13 = **78,443**
52.17% increase

2014/15 = **97,064**
23.7% increase

2016/17 = **234,154**
141.2% increase

2018/19 = **151,815**
35.2% decrease

2020/21 = **225,710**
48.7% increase

London Councils regularly take part in the National Fraud Initiative to ensure that fraud is identified in concessionary travel pass data and the Customer Management System is kept up to date in terms of the eligibility. As well as the national exercise, we provide data for additional matching to provide extra assurance. We work with the NFI team to make sure that data transfer and receipt of the resulting matches runs smoothly.

Fatmira Hoxta, Principal Data Analyst, London Councils

Main categories of fraud for 2020 to 2022 by dataset

Council Tax Reduction: **£5.2 million**

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

Since 1 April 2013, local authorities in England have been responsible for administering Council Tax Reduction Schemes (CTRS) in their own areas (also referred to as Council Tax Support)[38]. Some authorities chose to adopt the default scheme[39].

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 government provided an additional grant of £670 million[40] in May 2021 in recognition of the anticipated additional cost of providing CTRS in 2021/22, at a time when more households were likely to be facing financial difficulties as a result of the pandemic. This was in addition to the £71 million Local Council Tax Support Administration Subsidy Grant for 2021/22[41] (£66 million in 2019/20[42]).

In 2020/21 the number of Council Tax reduction claimants increased for the first time since 2013/14, in part because of the financial hardship caused by COVID-19.

Outcomes from Council Tax reduction matching have decreased from £6.5 million in 2018/19 to £5.2 million in 2020/21 across 3,000 cases (2,688 cases in 2018/19). Despite an increase in the number of cases the average reported saving per case has decreased to £1,247 (excluding estimated forward savings), compared to £1,578 in 2018/19.

Our research indicates that the reduction in outcomes, excluding those from HMRC data matches, is likely linked to the diversion of staff and resources usually dedicated to following up the NFI matches, to support front-facing services as part of the COVID-19 response.

Phase two[43] of the HMRC information sharing pilot identified £0.4 million overpayments of Council Tax reduction. This is lower than the £3.1 million from the initial pilot in 2018/19 due to a delay in the release of the matches. We expect outcomes to continue to be reported throughout 2022.

[38] HM Government, The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, November 2012

[39] HM Government, The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, December 2012

[40] Ministry of Housing, Communities and Local Government, Letter: Local Council Tax Support Schemes grant for 2021-22, May 2021

[41] Ministry of Housing, Communities and Local Government, Local Council Tax Support Administration Subsidy grant 2021-22, March 2021

[42] Ministry of Housing, Communities and Local Government, Localised Council Tax Support Admin Subsidy Grant to Local Authorities, July 2019

[43] HMRC Council Tax reduction scheme property ownership, household composition, undeclared earnings and capital matches were released in October and December 2021

Main categories of fraud for 2020 to 2022 by dataset

Council Tax Reduction: **£5.2 million**

Council tax reduction scheme match resulted in recovery of a council property

A Council Tax Reduction Scheme (CTRS) match highlighted an individual who was claiming from both Sandwell Metropolitan Borough Council (MBC) and a neighbouring council.

As Sandwell MBC's Counter Fraud Unit takes a wider and holistic approach to potential fraud investigations, when looking into this case the individual was also found to be a tenant living in social housing provided by Sandwell MBC. Therefore, there appeared to be a linked tenancy fraud as after acquiring a tenancy in Sandwell, the individual had purported to be homeless to the neighbouring council. The neighbouring council subsequently temporarily housed them before awarding a tenancy.

As the Sandwell tenancy was still a non-secure status, the match allowed Sandwell to identify the fraud quickly enough to serve a Notice to Quit before the tenancy became secured. This resulted in a more cost-effective recovery process. Within six weeks of reviewing the match the fraud was identified, the tenancy was terminated and the property was recovered. The property has since been allocated to an individual who needed social housing.

The NFI match not only allowed the property to be allocated to someone in genuine need, but also resulted in the CTRS claim being cancelled and provided the council's Debt Recovery Officers with a forwarding address of the individual to pursue outstanding Council Tax of £500 and rent arrears of £2,500. The value of fraud detected and prevented for his case totals £96,000 including recovery of the property.

Main categories of fraud for 2020 to 2022 by dataset

Housing Tenancy: **£2.3 million**

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

The CIPFA Fraud and Corruption Tracker 2020[44] reported that housing fraud detection, such as illegal subletting, has been in steady decline - from £55.8 million in 2017/18, £41.8 million 2018/19 to £31.6 million in 2019/20. However, social housing providers report that tenancy fraud is still a challenge with increases during COVID-19 in unlawful succession applications, tenants avoiding meetings with housing officers and delays in progressing cases to court[45].

During COVID-19, measures were taken to protect tenants from being evicted[46] by extending the notice periods. This is further supported by the Mortgage and Landlord possession statistics for July to September 2021[47] that reported a reduction in the number of social landlord repossessions, to 21% of all claims (2,148) in Q3 2021. For the same quarter in 2019, 62% (17,629) of all landlord possession claims related to social landlords.

The 2020/21 tenancy matches resulted in 23 properties being recovered, a decrease of 58.9% from the 60 recovered in 2018/19. This reverses the previous trend of slight increases (2018/19 was 1.8% higher than 2016/17). This is believed to be due to the substantial reduction in the number of housing tenancy reviews and due diligence checks that were able to be carried out during the pandemic.

Although the numbers of properties recovered are lower, outcomes were still significant and each recovered property can be reallocated to those in genuine need. The NFI will continue to seek ways to help councils fight social housing fraud, such as through repeating the HMRC information sharing pilot (see page 36 for more details) and working with local councils on ways to secure a wider range of data sources.

[44] CIPFA, Fraud and Corruption Tracker 2020

[45] Network homes, BLOG: Tackling social housing fraud | Network Homes, December 2021

[46] A section 21 notice under the Housing Acts of 1988 and 1996

[47] Ministry of Justice, Mortgage and landlord possession statistics: July to September 2021 - GOV.UK, 11 November 2021

Other case studies

Payroll - two full time jobs and unfit for work

A payroll match identified an employee who had joined Birmingham City Council but also held a casual role as bank staff at a local NHS Trust. The match highlighted that the salary for the casual role was higher than expected. Initial enquiries established that the employee was working full-time for both organisations. An investigation found that both roles were being undertaken whilst working at home, allowing the fraudulent claims to be made. It also identified a period where the individual had worked for one organisation whilst claiming to be unfit for work at the other. The employee was dismissed from both organisations. Recovery of the salary paid by the council, in excess of £16,500, is being pursued.

Payroll - two full time jobs

Another payroll match identified an individual who appeared to be employed by two different local authorities, both on a full-time basis. In this case, the investigation identified that the individual was actually employed by the two local authorities. Although the hours of work did not overlap, one job was Monday to Friday 9am to 5pm, the other was to provide night and weekend cover. The individual had not declared to either employer that they had also taken up the other employment, as required by declaration policies. Authority A's declaration policy requires employees to seek permission to undertake any other role alongside their 'main' job with the council. The two jobs were not compatible and the request would not have been approved. The individual resigned. Authority B issued a final written warning.

Payroll - new starter failed to accept post but got paid

A county council is in the process of recovering a £30,000 overpayment of salary after the NFI identified an individual who appeared to be employed by two different local authorities, both on a full-time basis. The investigation established that the individual had applied and been offered a job at one authority, however they did not accept or start employment. Despite this, they were set up on the payroll and monthly payments were made. The individual did not query the payments. This was not picked up by internal controls due in part to the fact that the role was in a team managed by the NHS but funded by the council.

Matches benefitting other public sector participants

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

Many of the public bodies that participate will benefit directly from submitting data to the NFI and investigating the resulting data matches. Others may not benefit to the same extent or in the same ways, but the data they provide may still deliver significant outcomes on a wider local or national scale. For example, NHS bodies receive matches from the payroll data they provide, but this data is matched to all of the payroll data submitted and this may result in the recovery of an overpayment or salary linked to a dismissal or resignation at a council.

In this reporting period, public bodies, both within and outside England[48] were able to take action on 5,962 cases, with actual overpayments of £17 million[49] (Table 8) as a result of receiving matches relating to other NFI participants. Despite there being a decrease in the number of cases between 2020 and 2022, there was an 18.9% increase in actual outcomes. Most of these outcomes are from cross-body housing benefits, council tax reduction and pension matches.

Table 8 - Analysis of UK outcomes arising from data provided by participants within and outside of England

	2022 Cases	2022 Actual Outcomes	2020 Cases	2020 Actual Outcomes
Local Government	3,598	£8.3m	5,456	£8.0m
Central Government	1,829	£6.1m	3,265	£5.1m
NHS	513	£2.6m	468	£0.6m
Other	22		181	£0.6m
Total	**5,962**	**£17.0m**	**9,370**	**£14.3m**

[48] The NFI results in Scotland are available at www.audit-scotland.gov.uk in Wales at www.wao.gov.uk and in Northern Ireland at www.niauditoffice.gov.uk

[49] This is based on 2020/21 actual overpayments only, excluding outcomes recorded at report level and excluding estimates of fraud prevented

The NFI pilots, 2020 - 2022 innovation programme and future plans

Using technology at the core, the NFI has always sought to evolve to ensure that an enhanced use of data saves taxpayer money and creates efficiencies where they are needed most. This has been central to the NFI providing a vital service for so many organisations over the last 25 years. Over the last two years, the scale and speed of NFI innovation has increased significantly. This is as a result of two factors:

- Additional funding

- Response to new fraud risks and challenges arising out of the government Covid-19 support schemes

Additional funding has enabled the NFI to create a specific team to deliver projects outside of the NFI mandated exercise, with a focus on innovation. This has allowed the NFI to prioritise concept testing through data matching pilots, exploring and designing non-mandated tools and working with the private sector to reduce fraud risks, by providing a gateway to NFI data.

Over the last two years, the NFI has initiated a comprehensive innovation programme. This has included a review of risk scoring, improved management information, carrying out user engagement to provide input into the modernisation of the user interface and work toward extending AppCheck to help target procurement fraud. This programme of work will help us in better understand how additional datasets can target fraud.

The section below outlines the NFI's pilots and innovation work. It also sets out the NFI's plans for the next two years.

STRATEGIC OBJECTIVE
Increasing both the volume and frequency of data that is used in, or accessed through, the NFI.

COVID-19 work

During the 2020 - 2022 reporting period, councils had to play a vital role in the COVID-19 response, supporting the management and distribution of significant volumes of COVID-19 business support grants. In response to this, the NFI mandated the provision of COVID-19 grants data from councils as part of the NFI 2020/21 work programme. This allowed a data matching pilot to be undertaken that aimed to flag potential fraud where companies received multiple grants or where fraudsters impersonated genuine businesses in order to access grants. The NFI worked closely with the Department for Business, Energy and Industrial Strategy (BEIS), local councils and the National Anti-Fraud Network (NAFN) to progress the pilot and the follow-up of matches. We quickly shared data on known attempts to defraud the system by matching fraud watchlist data maintained by NAFN and BEIS to the wider grants data submitted to the NFI by local councils.

To assist with fraud prevention, the NFI worked with the credit reporting company Experian to secure access to key private sector data, launching a new and innovative tool to help councils verify bank accounts and determine the active status of a company. This unique tool allowed organisations to specify the date at which checks are undertaken, thereby making it applicable for a range of emergency funding packages from several government departments, each with varying dates of eligibility.

The NFI pilots, 2020 - 2022 innovation programme and future plans

Matching data from the initial business support grants identified £7 million overpayments in England. £2.2 million of this has been recovered up to the end of March 2022 (Figure 4). The tool has since been used elsewhere in government and has been integrated into established government grant due diligence checks. The future role of these checks within the NFI services will be evaluated.

Additional grant data was collected in quarter four of 2021/22 and this will be used to identify further potential fraud.

Figure 4 - Analysis of fraud detected/prevented and recovered from the Duplicate Grants and Impersonation fraud and Bank Account Verification and Active Company Status tools - England UK

Duplicate claims for small business grants

Tameside Metropolitan Borough Council received a match that showed that they had paid a Small Business Grant Fund (SBGF) grant to a business that had also received a SBGF grant from another council. The match identified that the bank account where the grants had been paid was the same. Subsequent investigation established that the business had at least four other locations and the size of the business meant that there was no entitlement to a SBGF grant. The business had also been in receipt of Small Business Rate Relief (SBRR) since 2017. SBRR is designed for small businesses that only use one property. The entitlement to the SBGF grant and SBRR were removed and over £40,000 will be reclaimed from the business.

Duplicate Grants and Impersonation fraud

£2.1 million
Fraud detected/prevented

£1.7 million
Overpayments recovered

Bank Account Verification and Active Company Status

£4.9 million
Fraud detected/prevented

£0.5 million
Overpayments recovered

Total Fraud detected/prevented £7 million

Total recovered £2.2 million

The NFI pilots, 2020 - 2022 innovation programme and future plans

HMRC information sharing pilot

The initial information sharing pilot with HMRC from spring 2019 onwards, successfully identified £8.8 million in outcomes as reported in our previous NFI National Report. Following on from that, we commenced our second pilot using HMRC data and continued to target the three fraud risks:

Undeclared property ownership

Undeclared earnings & capital; and

Undeclared persons in a household

Phase 2 was expected to deliver outcomes in excess of Phase 1 due to the improved timing of the release and some changes to the matching logic. However, delays with the project meant that matches were released to councils later than expected (between October and December 2021). Reported outcomes total £3.5 million for the period 1st April 2020 to 31st March 2022 (Table 9). We expect outcomes to continue to accumulate throughout 2022/23 as reviews and investigations of potential fraud are progressed by local councils.

The four NFI datasets that produced the vast majority of the results are Council Tax Reduction, Council Tax SPD, Housing Benefit and Housing Tenancy.

Table 9 - Analysis of outcomes from the HMRC information sharing pilot - England (rounded)

Dataset	Number of Fraud and Error cases	Actual Outcomes (£m)	Estimated Outcomes (£m)	Total Outcomes (£m)	Amount under Recovery (£m)
Council Tax Reduction	481	1.5	0.4	1.9	1.8
Housing Benefit	44	0.2	-	0.2	0.2
Housing Tenancy	5	-	0.4	0.4	n/a
Council Tax SPD	817	0.3	0.6	0.9	0.3
Phase 1 outcomes reported after 31st March 2020[50]	1	0.1	-	0.1	0.1
Total	**1,348**	**2.0**	**1.4**	**3.5**	**2.3**

The HMRC information sharing pilot will be evaluated internally over 2022, and the NFI will consider how HMRC data can best be used to help target fraud over 2022/23 and beyond.

[50] Matching to Residential Care Home and Right to Buy data was only undertaken in the initial pilot and was not repeated in the second pilot

The NFI pilots, 2020 - 2022 innovation programme and future plans

Working with the private sector to target fraud

Fraudsters target all kinds of organisations across the UK in both the public and private sectors. The NFI seeks to partner across all sectors, using data to help identify potential fraud. As part of this, the NFI has worked with a number of private sector bodies to facilitate use of NFI data to help them prevent and detect fraud. This has resulted in £33 million of fraud being prevented or detected (Figure 5). This includes highlighting where applicants for services misrepresent their identity, or their residency.
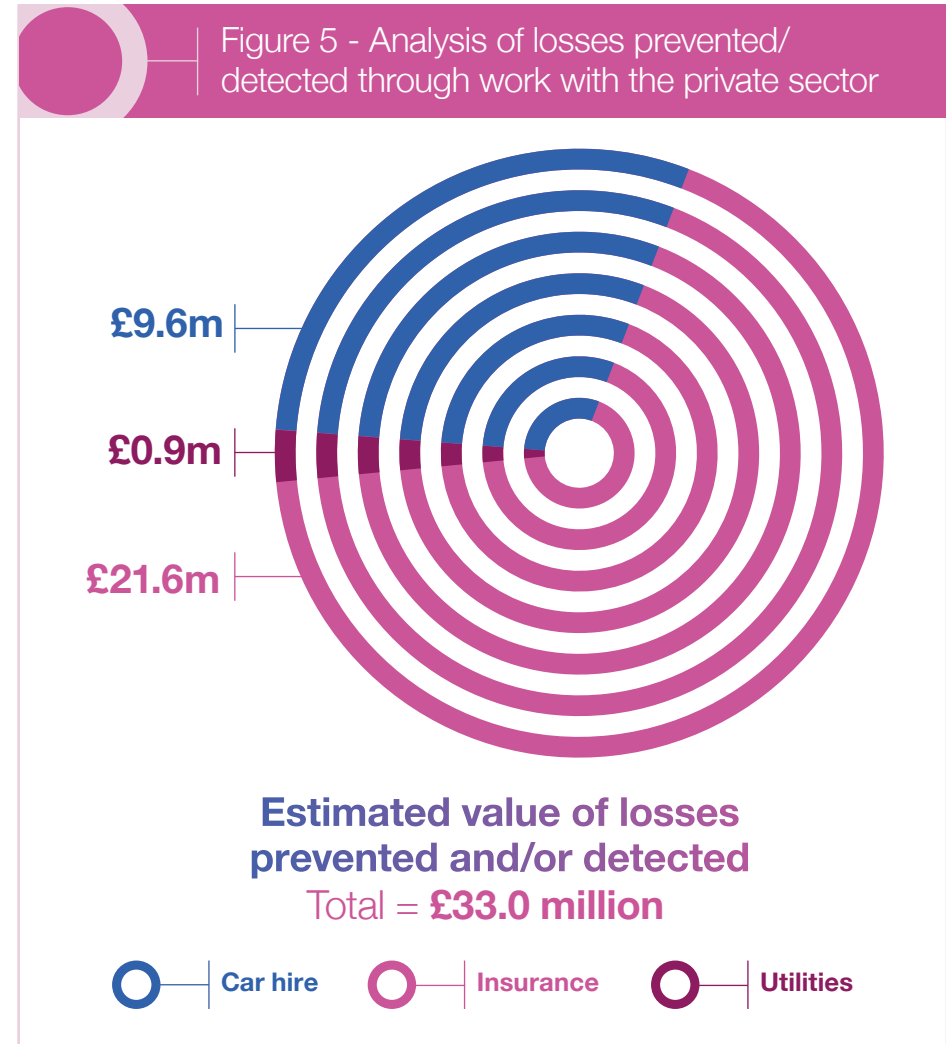
Car rental businesses, insurance companies and the water industry have utilised insights from the NFI data in this way and continue to make use of the data as part of their normal business processes. The way we interact with the private sector makes use of the latest technology to share data efficiently and proportionately.

We continue to explore the ways in which data held by the private sector can also further help to target fraud in the public sector, such as the housing tenancy pilot mentioned below.

Economic Crime Plan 2019 - 2022

One of the Economic Crime Plan's[51] seven strategic priorities is to "pursue better sharing and usage of information to combat economic crime within and between the public and private sectors across all participants". The above mentioned work by the NFI is an example of improved data sharing between the private and public sectors to fight fraud, by providing real-time access to public sector data thus helping private sector bodies flag potential fraud at the point of application.

This is even more important when considering the Economic Crime Plan 'Statement of Progress' (April 2021) stated that the pandemic drove many fraudsters to quickly adapt by moving activity to online platforms.

Figure 5 - Analysis of losses prevented/detected through work with the private sector

£9.6m

£0.9m

£21.6m

Estimated value of losses prevented and/or detected
Total = **£33.0 million**

Car hire   Insurance   Utilities

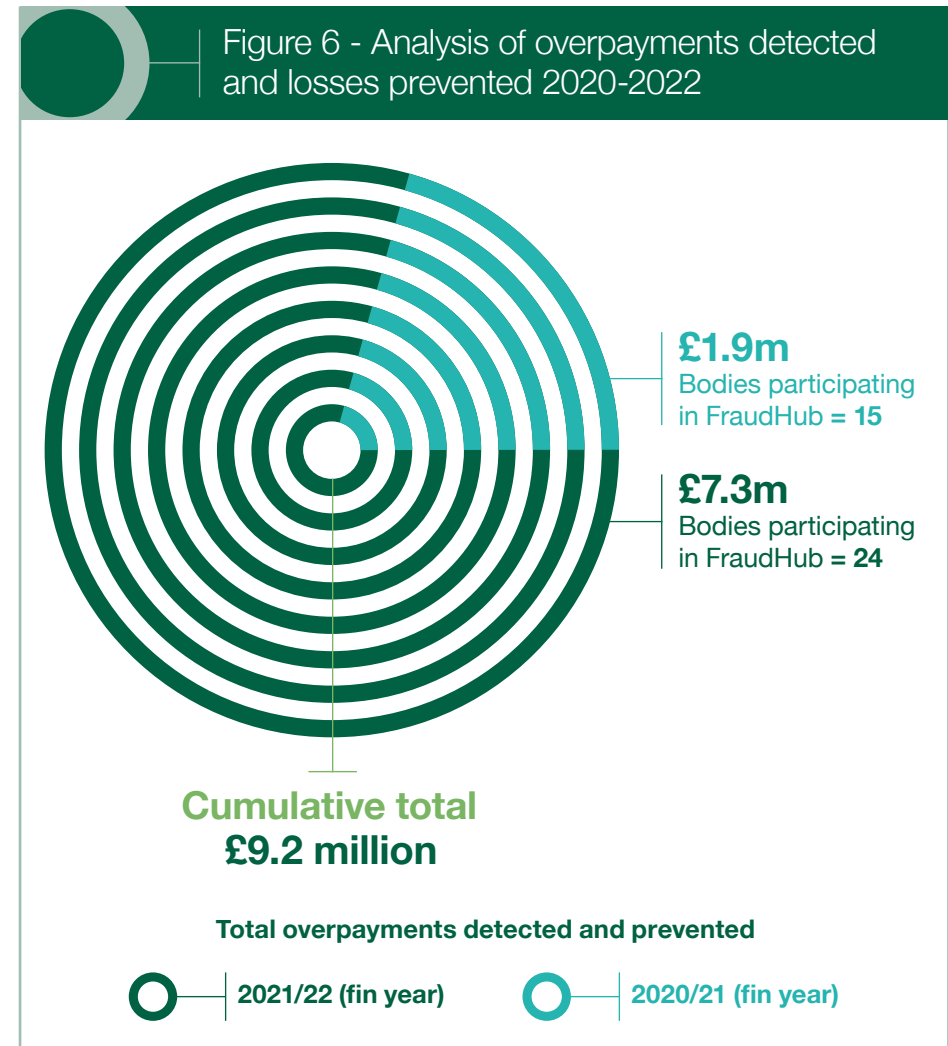# The NFI pilots, 2020 - 2022 innovation programme and future plans

The NFI FraudHub - building new partnerships to target fraud

The NFI FraudHub provides local authorities and other public sector organisations with the opportunity to work together and share data in the existing secure NFI environment.

During 2021, the NFI FraudHub has seen significant growth, with new organisations joining existing hubs and new FraudHubs launching. As at 31st March 2022, 24 organisations had an active FraudHub membership. As at 30th September 2022, membership had grown to 35 organisations, with several others also about to join. Over the last year, the NFI has liaised closely with the London Borough Fraud Investigators Group (LBFIG) to increase membership from across London, with a view to establishing a London-wide FraudHub.

FraudHubs are already preventing and detecting fraud and error for their member organisations. As the new hubs establish themselves, outcomes are expected to continue to grow, as they work proactively to target specific fraud problems. We continue to promote the advantages of FraudHub across the UK and look forward to further expansion and continued participation in 2022/23 and beyond.

FraudHub outcomes were mainly in relation to pension mortality screening which for 2021/22 were £5 million of the £7.3 million reported (Figure 6). This is often the first fraud problem new FraudHub members target, due to the potential for significant results.

Figure 6 - Analysis of overpayments detected and losses prevented 2020-2022

£1.9m
Bodies participating in FraudHub = 15

£7.3m
Bodies participating in FraudHub = 24

Cumulative total
£9.2 million

Total overpayments detected and prevented

2021/22 (fin year)   2020/21 (fin year)

The NFI pilots, 2020 - 2022 innovation programme and future plans

STRATEGIC OBJECTIVE
Improving engagement and communication with users to better understand and meet customer needs.

User engagement and communication

The NFI continually reviews its communications and engagement activities, to ensure it has an up-to-date and comprehensive understanding of NFI participant needs and requirements. This is in order to be able to best meet them, and to ensure that participants have the information they need to operate within the NFI as effectively as possible. In recent years, the NFI has given particular attention to this using a variety of approaches.

As part of these activities, the NFI formed the FraudHub User Group in June 2021 to facilitate discussions between representatives from active FraudHubs, those interested in the product, the NFI team and the NFI's supplier on all aspects of the product. The forum meets regularly, focussing on developing the product to meet the needs of users and sharing good practice.

The NFI team engages regularly with users through a broad range of channels, responding to feedback and providing support, guidance and advice. In April 2022, the NFI ran a full consultation on fees and the work programme for 2022/23, the consultation also gave users another opportunity to feed back on the NFI.

The NFI produces a newsletter for users, to raise awareness of the work in the NFI, communicate operational updates, and provide other information. The newsletter is sent by email to all users and is also available within the secure web application. A special edition celebrating 25 years of the NFI and reaching £2 billion in outcomes was also published in August 2021. The NFI receives positive feedback on the newsletter and continues to develop it in line with user feedback. The NFI also utilises the web application to share regular updates with NFI participants in an easy-to-access format, including on how the web application is being reviewed and updated, and to share guidance with users.

Over the years ahead, improving engagement and communication will remain a core NFI objective. A series of user engagement activities are planned, including workshops and training sessions, and exhibiting at conferences and surveys to further explore user needs.

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STRATEGIC OBJECTIVE
Embracing new technologies and techniques to improve existing NFI products and develop new ones.

How the NFI innovates

The NFI programme of innovation has focussed several distinct areas:

User Interface and User Experience
A user experience review of the web application has taken place consisting of a survey and interviews. A programme of improvements has been designed based on this feedback. While this will initially focus on FraudHub, it will extend out to all parts of the web application in due course.

Improved Management Information
An overhaul of the management information within the NFI web application is in progress. This will enable users and the NFI Team to better analyse the metrics behind the NFI matches and provide the option to build bespoke reports directly from the web application to access that data.

FraudHub functionality
The potential introduction of changes to allow organisations to match datasets that are not standard NFI datasets. This will utilise existing NFI data matching routines to highlight potential frauds. Organisations will undertake this matching using their own legal powers rather than the Local Audit and Accountability Act 2014.

AppCheck
An extension of the AppCheck product to test how it might assist with the identification of procurement fraud by verifying company information. This will call on relevant datasets from within the NFI including trade creditors data, and incorporate external data sources such as Companies House and Food Standards Agency data. Other datasets will also be considered to provide additional insight.

Automation of Processes
The exploration of how efficiencies can be made in the processing of data by the NFI, through increased automation and improvements to the data matching methods.

Risk Scoring
A continuing focus on using predictive analytics to generate risk scores, which will allow the NFI to provide matches to participants in priority order. The methodology behind risk score calculations will be reviewed for the NFI 2022/23, and how they can be best displayed to users.

The NFI will continue to work closely with stakeholders to develop and test NFI products as we take them forward.

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STRATEGIC OBJECTIVE
Better targeting of existing and new fraud risks.

The NFI pilot pipeline

The NFI continues to maintain a pipeline of pilots which are prioritised and delivered according to available resources. Most recently there has been a focus on responding to new fraud risks presented by COVID-19. However, alongside this we have continued to pilot data matching of different types of datasets to address a broad range of existing and new fraud risks, for example the data sharing pilot with HMRC and a tenancy fraud pilot.

Targeting tenancy fraud

The NFI launched Phase 1 of an innovative tenancy fraud pilot in 2022, that will bring public sector data and private sector data together to target tenancy fraud, such as subletting and illegal succession.

Our aim is to identify cases where the tenant appears to no longer reside in the tenancy address, but appears to be living elsewhere. We will also identify where other individuals appear to be residing at the tenancy address.

We expect that the data sources used for this pilot will prove valuable additions to the NFI. We will continue to consider how other datasets can be integrated into the solution to provide a strong household composition tool that will be applicable to other fraud problems.

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> **STRATEGIC OBJECTIVE**
> Extending the NFI to areas in addition to fraud to increase its usage and impact.

Extending the NFI data matching purposes

In 2021 the Cabinet Office led a comprehensive consultation on whether and how the NFI should be extended to a range of new areas in addition to fraud. This formal consultation supplemented a period of engagement with a range of organisations, including current NFI participants, on the question of extending the NFI to new areas.

Based on feedback, the NFI chose to focus on four areas in the formal consultation. These were whether the NFI should be extended to assist with the prevention and detection of errors and inaccuracies generally; in the recovery of debt owed to public bodies; in the apprehension and prosecution of offenders; and in the prevention and detection of wider crime, in addition to fraud.

The consultation was extremely useful in outlining the range of views on extending the NFI to the various purposes being considered, and on how any extension should be implemented. Almost 400 responses were provided. The NFI has reviewed the feedback and assessed interest in and support for extension of the NFI to new areas.

The feedback on the extension was variable. While many public sector bodies supported extension, there were many others who raised concerns. In light of this, and given the Government's commitment to doing more to prevent and detect fraud and help bodies in enhancing their fraud response, fraud will remain the focus of the NFI in the coming years and the service will not be extended to additional areas at this time.

The Cabinet Office will review this decision in due course and will continue to welcome feedback from stakeholders and interested parties on the question of extending the NFI data matching service to tackle other issues.

The full Government response to the consultation has been published and is now available on GOV.UK[52].

[52] Cabinet Office, Consultation on the expansion of the National Fraud Initiative (NFI) Data Matching Powers and the new Code of Data Matching Practice - GOV.UK, February 2021

The NFI pilots, 2020 - 2022 innovation programme and future plans

Future plans

Public Sector Fraud Authority (PSFA)

The establishment of the Public Sector Fraud Authority in August 2022 marks a step change in the Government's counter fraud strategy. With increased investment in counter fraud capability, the PSFA will help the Government to increase the support services it can offer on fraud, including through advanced data analytics. The PSFA will also scrutinise cross-government activities on fraud, aiming to hold Government Departments to account. This investment and associated increased counter fraud activity offers an opportunity for the NFI to play an enhanced role in the fraud landscape. The NFI will support the work of the PSFA, and link into new data analytics services to enhance the techniques and data utilised to target fraud.

NFI IT service delivery contract

The NFI contract with our current supplier has been extended to December 2024. This provides clarity on the delivery model for the NFI 2022/23 exercise.

During 2022/23, the service requirements for the NFI 2024/25 and beyond will be reassessed. Feedback will be sought from stakeholders and NFI users on the future shape of the NFI, and the planned activities set out earlier in this report, particularly around applying new techniques and technologies into the NFI service offer.

Comparison of NFI outcomes in England by risk area 2020 to 2022

Dataset	Example activity area	2022 £ million	2020 £ million
Pensions	Individuals obtaining the pension payments of a dead person	250.0	55.5
Council Tax	Individuals who did not qualify for the council tax single person discount because they were living with other countable adults	44.7	43.9
Pilots	Various (excludes HMRC information sharing)	39.7	3.5
Blue badges	Potential misuse of blue badge parking passes belonging to someone who has died	24.4	26.9
Housing waiting lists	Social housing waiting list applicants who were not entitled to social housing	21.8	20.1
Housing benefits	Individuals claiming housing benefit who failed to declare an income or change of circumstances	14.4	35.0
Trade creditors	Traders who intentionally or unintentionally submitted duplicate invoices for payment	6.1	5.1
Concessionary travel passes	Potential misuse of concessionary travel passes belonging to someone who has died	5.5	3.4

Comparison of NFI outcomes in England by risk area 2020 to 2022

Dataset	Example activity area	2022 £ million	2020 £ million
Council tax reduction scheme	Individuals claiming Council Tax reduction who failed to declare an income or change of circumstances	5.2	6.5
Housing tenancy	Social housing tenants who were subletting or had multiple tenancies unlawfully	2.3	5.6
Residential care homes[53]	Payments to private care homes by a council for the care of a resident where the resident had died	0.9	5.1
Procurement	Employees that have potentially not declared interests in companies that have given a pecuniary advantage or employees who appear to be registered directors of companies that the employing body has traded with.	0.8	-
Other	Miscellaneous outcomes not linked to other specified categories	0.4	0.8
Payroll	Employees working for one organisation while being on long-term sick leave at another	0.3	0.6
Right to Buy	Social housing tenants who were not entitled to right to buy because they had multiple tenancies unlawfully	0.2	1.8
Personal budgets[53]	Individuals claiming a personal budget who failed to declare an income or change of circumstances or were deceased	0.1	2.1
Total[54]		416.8	215.8

[53] These are cases reported late from NFI 2018/19 matches, i.e. after 4 April 2020. Due to a legislative change, the NFI stopped processing patient data in 2020

[54] 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 area 2020 to 2022

	2022 Number of cases	2020 Number of cases
Pensions Pension payments stopped/adjusted	12,098	2,876
Council Tax single person discount Council Tax single person discount claims stopped	32,669	36,728
Housing benefit fraud, error and overpayments relating to: – Local government employees – Central government pensioners – Individuals receiving a local government pension – Students – NHS employees – Other	80 77 95 966 40 390	754 1,281 1,852 1,055 282 679
Social housing/Right to Buy – Properties recovered – Right to Buy wrongly awarded – Applicants removed from a housing waiting list	25 5 6,736	60 17 6,092
Transport – Blue badges cancelled – Concessionary travel passes cancelled	42,393 225,710	46,750 151,815

Comparison of NFI outcomes in England by case area 2020 to 2022

	2022 Number of cases	2020 Number of cases
Social care[55] – Residential care homes – Personal budgets – Other social care	68 6 -	292 92 50,027
Payroll Total employees dismissed or resigned	19	21
Creditor payments Duplicate creditor payments	955	1,062
Council tax reduction scheme	3,000	2,688
Total	**325,332**	**304,423**

[55] These are cases reported late from NFI 2018/19 matches, i.e. after 4 April 2020. Due to a legislative change, the NFI stopped processing patient data in 2020

Report calculation methodology 2020 - 2022 – England only

Dataset	Amount Detected £ million	Estimated value of future losses prevented £ million	Total £ million	Basis of calculation of estimated outcomes
Pensions	9.3	240.6	250.0	**Mortality screening:** Annual pension multiplied by the number of years until the pensioner would have reached the age of 85 **Injury benefit:** Weekly reduction in pension x 260 weeks **Pension abatement:** Provided by the participant
Council tax single person discount	17.2	27.6	44.7	Annual value of council tax single person discount multiplied by two years.
Blue badges	-	24.4	24.4	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	-	21.8	21.8	£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.
Housing benefit	11.2	3.2	14.4	Weekly benefit reduction multiplied by 21 weeks.
Trade creditors	6.1	-	6.1	Not applicable.
Concessionary travel passes	-	5.5	5.5	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.
Council tax reduction	3.7	1.5	5.2	Weekly change in council tax discount multiplied by 21 weeks.
Housing tenancy	-	2.3	2.3	£93,000 per property recovered based on an 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.

Report calculation methodology 2020 - 2022 – England only

Dataset	Amount Detected £ million	Estimated value of future losses prevented £ million	Total £ million	Basis of calculation of estimated outcomes
Residential care homes[56]	0.3	0.5	0.8	£7,000 per case based on average weekly cost of residential care multiplied by 13 weeks.
Procurement	0.8	-	0.8	Not applicable.
Other	0.4	-	0.4	Not applicable.
Payroll	0.2	0.1	0.3	£5,000 per case where the employee is dismissed or resigns.
Right to Buy	-	0.2	0.2	£84,200 per application withdrawn based on average house prices and the minimum right to buy discount available. A regional variation applies in London of £112,300 per application withdrawn, to reflect the maximum value of Right to Buy discount available.
Personal budgets	0.0	0.0	0.1	Monthly reduction in personal budget payment multiplied by 3 months (the average duration that personal budget payments continue following the death of the recipient).
Sub Total	**49.3**	**327.8**	**377.2**	
Pilots (excluding HMRC)	6.9	32.8	39.7	Water utility companies - Resident at an address when property declared as void uses the annual water charge; Incorrectly claimed discounted tariff uses the average amount of annual discount across the 3 most popular discounted tariffs.
Grand Total[57]	**56.2**	**360.6**	**416.8**	

[56] These are cases reported late from NFI 2018/19 matches, i.e. after 4 April 2020. Due to a legislative change, the NFI stopped processing patient data in 2020.

[57] 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

For more information about the NFI please visit our website:

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

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