

Leaders' Committee

London Counter-Fraud Hub Update

Item 5

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Summary

The London Counter Fraud Hub, a London Ventures project, is nearing the conclusion of the pilot phase and is considered strongly likely to meet the standards required by the contract. The solution's technical operation is proven to find more fraud than existing data matching solutions and delivers a much higher proportion of successful leads. The four pilot authorities, Ealing, Camden, Islington and Croydon, are about to embark upon the final round of user acceptance testing. It is anticipated that this will be completed and the pilot signed off by July 2018.

The attached report has been prepared by Ian O'Donnell, Executive Director of Corporate Resources at the LB Ealing in collaboration with CIPFA, who have been contracted to provide the service with partners BAE Systems, Mazars, and Moore Stephens. Ian O'Donnell and Rob Whiteman, Chief Executive of CIPFA, will attend to present the report.

Recommendations Leaders' Committee is asked consider and note the report.

London Counter Fraud Hub Update

Background

1. The London Counter Fraud Hub (LCFH) was established to detect fraud across borough boundaries and maximise recoveries by sharing data and taking advantage of advanced analytics technology and automation.
2. A project in the first wave of the London Ventures programme, the hub was conceived by Ealing Council and developed with the assistance of a grant of £435,000 from Department for Communities and Local Government, which funded market research and an EU competitive tendering process.
3. The project made use of the London local authority professional networks to ensure a collaborative approach was established and agreed, and a memorandum of understanding was signed by all 33 London local authorities.
4. The contract was awarded to CIPFA, with partners BAE Systems, Mazars, and Moore Stephens. The solution has advanced data analytics capabilities and provides end to end fraud detection and investigation services as well as an enquiries service.
5. The commercial model makes use of payment by results to drive investment in innovation, and in the long term will result in a shift of focus for councils, moving away from detection of fraud to proactive prevention.
6. Four pilot authorities (Camden, Croydon, Ealing and Islington) are taking part in the proof of concept which will conclude at the end of June 2018. The pilot is testing the effectiveness of the solution for three fraud types: council tax single person discount, business rates, and housing tenancy.
7. The LCFH Oversight Board consists of the key decision makers from the pilot authorities. The contract sets out the minimum standards that the solution must achieve at pilot stage before it can be rolled out more widely.
8. The contract will run for 9 years subject to passing the pilot stage requirements

Initial Results

9. The initial results from product testing using data extracted from the four pilot authorities are set out in the following table:

Minimum Standards				
	Council SPD	Housing Tenancy	Business rates	
° Total Min. standard to be met (simple)	884	133	146	
° Total Min. standard to be met (complex)	3	17	30	
° Total	887	150	176	
Results To Date				
Authority	Council SPD	Housing Tenancy	Business rates (Without POI)	Business rates (With POI)
Camden	2664	467	63	725
Croydon	2817	151	291	439
Ealing	1905	289	67	393
Islington	2921	450	34	539
Cross Borough	31	11	0	0
Total Alerts generated by NetReveal	10338	1368	455	2096
Alerts Reviewed by POC participants	189	152	72	30
% of alerts considered suitable for investigation during POC	49%	33%	31%	57%
Estimated number of alerts suitable for investigation based on POC findings	5066	451	141	1195

10. The table shows that when testing has been completed the solution is likely to significantly exceed the minimum standards within the contract in respect of council tax, business rates and housing. Further work is being undertaken on business rates as only Islington was able to test the second set of outputs. Of particular significance is the high percentage of alerts generated in each area that are considered suitable for investigation. By way of comparison, the National Fraud Initiative and other data matching operations typically achieve around 5%. The hub will thus reduce the effort wasted by investigators on false positives and enable the automation of recovery processes.

Progress to date with the technical solution

11. The LCFH Oversight Board reviewed the latest pilot results across three fraud types and noted that following initial testing all four pilot authorities felt they had a reasonable degree of confidence in the technical solution. They noted that the first phase of testing had demonstrated that the solution was finding more fraud than other solutions already being used, with much lower levels of false positives. They agreed that the first phase of testing the technical solution could be signed off and they felt that following further user testing it

was strongly likely that they would be able to sign off the technical solution as meeting the minimum standards in the contract.

Progress to date with automation

12. The solution will enable the processing of single person discount fraud cases to be automated. The LCFH Oversight Board noted progress at Ealing in identifying a viable technical solution for file transfer into the Northgate Council Tax system, and that with further work this should provide an automation solution that meets the minimum standards requirement. The other pilot authorities are currently mobilising to design and test automation.

Value for Money

13. Benefit calculators are being developed for each fraud type, to show the unit costs that will be incurred on average in comparison to the average amounts that will be recovered. In combination with the outputs from the testing of the technical product, these calculators will provide the basis for the VFM test. Initial estimates of the gross savings from fraud detection and prevention that would be achieved for London if the hub is successfully deployed to all boroughs put the total at £0.5 billion over the nine year life of the contract. A user satisfaction survey also forms part of the minimum requirements test, and this has been drafted.

Data Protection and GDPR

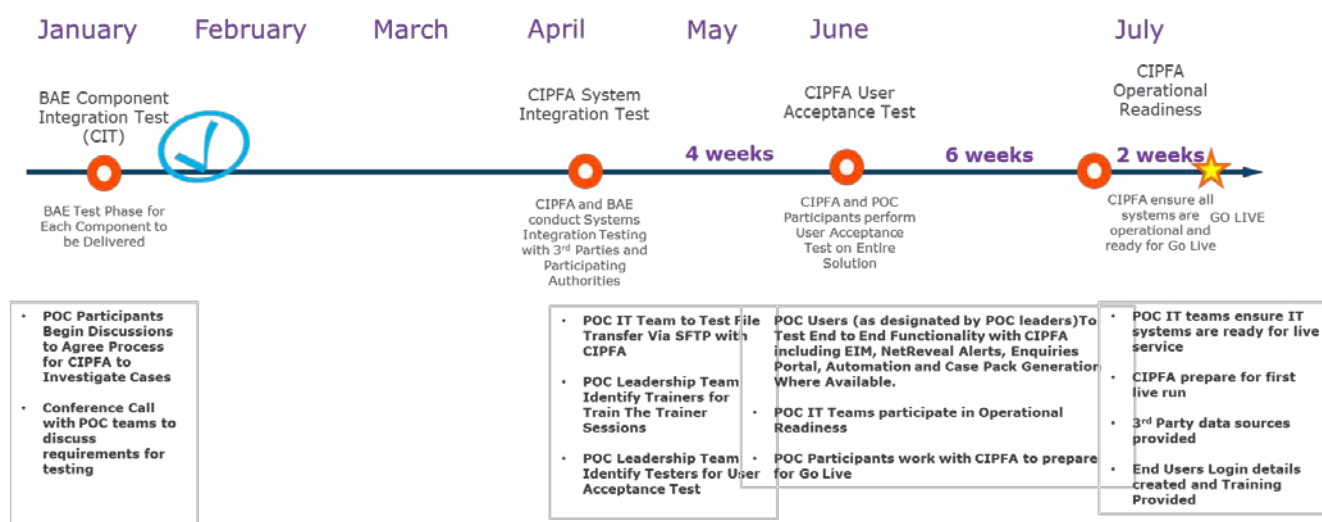
14. Legal advice has been obtained concerning the hub's compliance with the law in relation to data protection and data subject rights. This advice confirms that the way the hub operates is within the law and sets out the actions that must be carried out by participating authorities, including the formal notices and agreements required.

User Acceptance Testing

15. The next phase of testing will enable pilot authorities to gain further confidence in the quality of the outputs of the hub, as well as test the case management system, user journey experience and processing.

Next Steps

16. The chart below shows the timeline for the remaining work. If the user testing goes to plan the hub will “go live” in July with the pilot authorities and the first wave of on-boarding 10 further councils three months after that in October.



Recommendations

17. Leaders' Committee is asked consider and note the report.

Financial Implications for London Councils

None

Legal Implications for London Councils

None

Equalities Implications for London Councils

None