

# Outcomes from the Counter Fraud Fund



# Foreword

It is a pleasure to be able to publish this report which presents the outcomes from the Counter-Fraud Fund established by the Ministry for Housing, Communities and Local Government (MHCLG). It is truly remarkable what has been delivered from the modest investment by Government, and I applaud the foresight and the willingness to invest in this important area in these times of financial constraint. The financial returns alone demonstrate the value of the initiative, but the benefits are so much more than that, showing how well councils and other public bodies can work together when there is a shared commitment and the impetus to make this happen. Identifying and stopping fraud means that our scarce resources can be directed as intended: to provide key public services to those that depend on them.

The results set out in this report are testament to skills and ingenuity of the sector, in particular our counter-fraud professionals, who are dedicated to combatting fraud and abuse. I encourage all those involved in this work or responsible for the good use of public money to read the report and learn the lessons presented through the analysis and the interesting case studies presented here. The LGA will want to work with MHCLG to see how we can repeat these successes in subsequent similar initiatives, working with the sector.



**Councillor Peter Fleming**

Chair of the Improvement and Innovation Board, Local Government Association

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# Background

This report sets out the outcomes from the Counter Fraud Fund (CFF), established by the Ministry for Housing, Communities and Local Government (MHCLG), for which councils were able to bid in the autumn of 2014. The purpose of the fund was to support councils during the implementation of the Single Fraud Investigation Service (SFIS) as well as to increase the capacity and capability of local government to tackle losses from non-benefit fraud.

The Local Government Association (LGA) worked with the Chartered Institute of Public Finance and Accountancy (CIPFA) to capture the learning from the 60 successful bids from 52 lead authorities in terms of both how the fund was developed and managed at the local level together with the links with other relevant agencies (including MHCLG); the impact of the programme to date; and any lessons and insights that could be gained from participating councils that could feed into future activity in this area.

This report brings together the conclusions from the analysis provided by the CIPFA survey and provides an overview of activity, highlighting themes that run within or across projects as a whole, an indication of the extent of the savings accruing from activity made possible through the counter fraud fund and losses/costs avoided or recovered, together with some case studies. It also summarises the key findings from four projects looking specifically at the potential threat from serious and organised crime to publicly procured services in local government, sponsored by the Home Office.

# Executive summary

## Financial savings

There are some very positive outcomes from the Government's 'pump priming' work on counter fraud across councils through the CFF established by MHCLG. Research commissioned by the LGA on behalf of MHCLG has identified significant financial savings from a relatively low initial investment (the schemes received, on average, just over £250,000 each). Over £142 million of savings has been identified in the first two years alone, representing nearly a ten-fold return on the funding provided by MHCLG, with the expectation that in many cases the savings will continue and even increase in future years.

## Other benefits

As significant, there are other positive messages from the review of these projects, which should encourage future initiatives from within the sector and serve to demonstrate what can be achieved when there is a specific focus on the prevention and detection of fraud and an impetus to drive through new ways of thinking and working. These have included:

- Major success in partnership working. There has been a willingness to share experiences and resources to avoid duplication of effort.
- Increased joined up, collaborative working with other public and private sector organisations.
- The ability and willingness to share data both between departments within a council as well as between councils.
- Better resourcing of counter fraud teams both in terms of numbers and skills. The creation or strengthening of a team often led to much higher than anticipated levels of savings.
- MHCLG funding has enabled the establishment of entirely new teams which were then sustained by contributions from partner councils.
- Clear evidence of enthusiasm to innovate and drive change to improve detection rates, increase awareness and effectiveness in investigations and recover losses.
- The extension of anti-fraud work into new areas such as, a joined up national fraud investigation service, a class action to seek and obtain redress through the courts for a procurement cartel fraud and blue badge fraud.

## Key learning points

The key lessons, coming from the councils themselves, for consideration on how savings could be achieved more effectively in the future include:

- ensuring that software specifications are fit for purpose to avoid delays in procurement
- talking to procurement professionals in advance to ensure that the procurement process complies with legal requirements and standing orders
- agreeing governance arrangements and data sharing agreements well in advance of the start of the project
- taking care of the people issues in terms of recruitment and retention

- making sure that any legal or procedural issues have been thoroughly investigated before the project starts
- carrying out checks to ensure that the estimates for savings are as accurate as they can be
- retaining flexibility as the original area of fraud may not yield the expected results.

There are also learning points from the Home Office sponsored pilots where local police forces worked alongside councils with projects funded through the CFF. These highlighted how attractive public procurement could be to organised criminals. Having appropriate measures in place to protect public resources was considered essential.

Perhaps the most important 'lesson learned' message going forward is the need for senior level commitment and 'buy in' to the project and getting partners to all engage with the project at the outset. To be effective, fraud detection, investigation and recovery shouldn't be side-lined or 'niche', but integrated into systems and processes from the outset, with the willing engagement of senior management and key partners. The results from these projects show that only a small investment in counter fraud can reap great rewards.

# Key themes in successful bids

All councils in England were able to bid for funds either as individual councils or as consortia. Of those councils that bid, 52 were successful (covering 60 projects) and in total received funding of around £16 million for the financial years 2014/15 and 2015/16. Councils had a free hand in selecting projects, but successful bids had to demonstrate that they would meet the following criteria, as specified by MHCLG:

- financial savings and benefits of the proposal
- partnership working
- sustainability
- feasibility
- innovation.

MHCLG was looking for bids that demonstrated an innovative and holistic approach to tackling fraud, encompassing detection, prevention and deterrence activities and was seeking to fund proposals that showed that the money would be used on genuine additional activities to achieve financial savings through counter fraud activities. Consequently the bids were diverse, and a full list is provided in Annex A<sup>1</sup>. The key themes in the successful bids are summarised as follows:

- In areas where Housing Benefit fraud was traditionally the only fraud looked at; setting up **shared services**, across counties, was a popular trend, demonstrating that the cost of dedicated fraud investigators was more easily shared across smaller districts and unitary councils, especially where fraudsters may be operating across council boundaries.

- Where councils were already looking at fraud on a wider scale, notably in London and other cities, shared services were more focused on **data analytics and sharing data**, to improve prevention and detection rates.
- There were more bids focusing on **improved detection** rather than prevention. In the main, the bids focused on the identified **high-risk areas** including Council Tax Reduction, discounts and exemptions, business rate discounts and reliefs, Right to Buy and procurement. **Tenancy fraud and council tax fraud** were extremely popular areas for project focus.
- Many of the bids were **multi-dimensional** including building a new team, awareness raising and data matching/analytics. Finally several of the partnership bids set up **boards** or similar governance arrangements to support the long-term sustainability of the projects.

More specifically, the bids are grouped into the following categories for the purposes of further analysis. Some bids covered more than one category, hence there are 65 bids listed here.

- Shared services (18 bids) – these were projects where councils (and sometimes other partners) came together to provide a counter fraud service in a joined up way, sharing data, systems, training and resources across organisations).
- Data hubs/analytics (13 bids) – often linked to the shared services these were projects that involved purchasing or developing systems to share and analyse data across organisations.

<sup>1</sup> [www.local.gov.uk/counter-fraud-hub](http://www.local.gov.uk/counter-fraud-hub)

- Combatting council tax fraud (five bids) – these projects were aimed at targeting fraud in areas where the risk of fraud is recognised to be high in council tax collection, such as discounts.
- No recourse to public funds (two bids) - these projects sought to tackle the problems caused by persons not ordinarily resident in the UK seeking services from councils and the NHS to which they are not entitled, using data matching and joint working.
- Fraud ‘app’ (two bids) – these projects involved developing apps which allow residents to quickly and easily report a range of issues requiring council intervention instantly through their smartphones .
- Tenancy fraud (four bids) – these projects sought to develop coordinated approaches to preventing, detecting and investigating tenancy fraud.
- Procurement fraud (four bids) – these projects sought to develop coordinated approaches to identified organised procurement fraud in contract letting.
- Establishing a corporate team (four bids) – these projects were intended to build capacity and capability to increase breadth and quantity of fraud investigation activity.
- Disabled parking – blue badge fraud (two bids) – these projects sought to develop processes and investigation capacity to combat fraud committed when people without blue badges park in disabled spaces.
- Fraud awareness/document training (two bids) – these projects provided training and document analysis to provide staff with tools to identify potentially fraudulent documentation.
- Other – including financial investigations, health tourism, sham marriages (nine bids).

# The methodology used in this evaluation

All councils submitting a successful bid were asked to complete a comprehensive survey. The survey sought information from the 52 successful councils, covering 60 projects, in terms of process, the impact of the programme to date, any lessons learned and the extent of the savings accruing from activity funded through the CFF. A desk-based analysis of the bids and the responses to the survey was carried out, as well as undertaking additional specific work at two further councils.

The questions included in the survey are included as Annex B<sup>2</sup>.

Information has been received and analysed from all of the projects that received funding from the CFF. From this analysis some key aspects have been distilled and provided in this report. Specifically:

A quantitative analysis of the costs and savings for each category of project has been undertaken, comparing the savings across the schemes in the above categories with the funding costs to provide a measure of the financial savings delivered for the costs incurred for each scheme and for the category as a whole. This is described in this report as the Return on Investment (RoI).

A qualitative analysis has also been undertaken across the projects to identify other issues encountered by the councils developing schemes to the challenges and opportunities presented through the CFF.

Some of these quantitative and qualitative issues have been explored further through a number of case studies, summarised in this report, with other case studies included on the LGA website. Four of the projects funded by the CFF included Home Office sponsored pilots looking specifically at the potential threat from serious and organised crime to publicly procured services in local government. The key messages from the Home Office evaluation have been summarised and integrated here.

Finally, some key lessons for the future have been distilled and some messages about how this work may be taken forward locally, drawing on the experience of those councils that have benefitted from the CFF to date.

The remainder of this report considers these aspects in turn.

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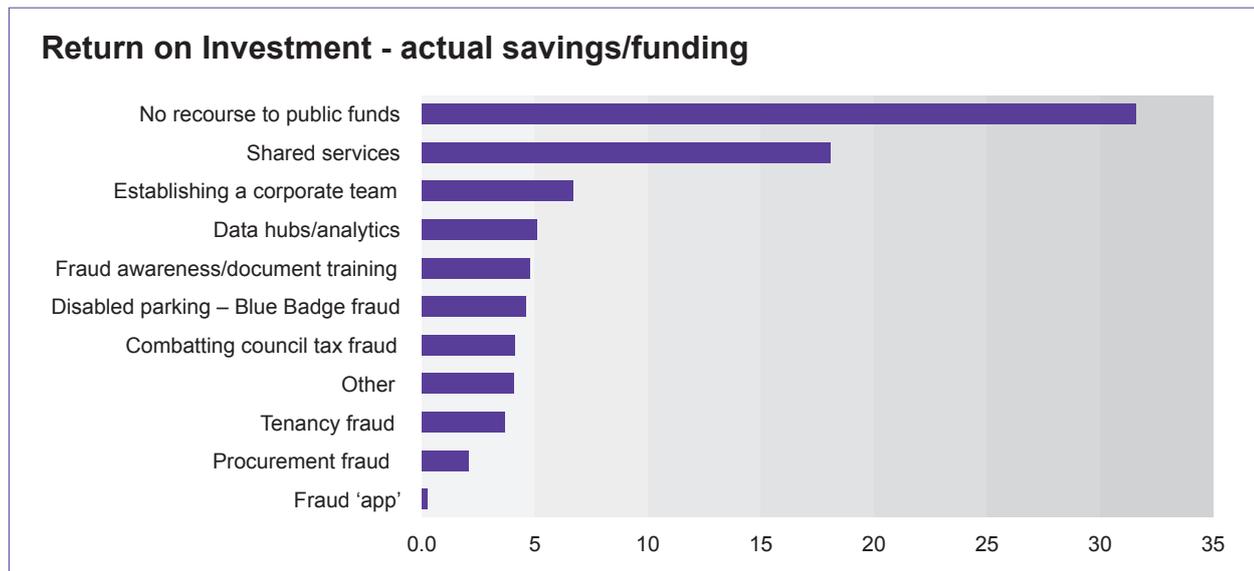
2 [www.local.gov.uk/counter-fraud-hub](http://www.local.gov.uk/counter-fraud-hub)

# Financial savings

Significant savings have been identified arising from the investments made through the funding from the CFF. Overall savings of £142.6 million have been identified from an investment of £15.7 million, giving an overall Return on Investment (RoI) of 9.1. The savings have been defined as recorded actual savings in 2015/16 and 2016/17 and the investments have been defined as the actual CFF provided in 2014/15 and 2015/16. The savings, as well as the direct cost savings, sometimes include an estimate of the level of fraud detected or losses avoided. Clearly the investments are non-recurring whilst the savings are generally expected to be recurrent. Indeed for many councils that received CFF the estimated savings have increased in future financial years.

Moreover, in some cases there was a longer lead time for the investments to yield benefits, with the savings not materialising in 2015/16 or 2016/17, but identifying savings in 2017/18 and onwards. Actual savings are slightly higher than had been expected (£142.6 million compared with £125.5 million), reflecting the higher incidence of fraud detected compared with that expected. This is particularly the case in some categories of projects as demonstrated below. The analysis shows some quite stark differences in RoI between the categories of projects, as set out in Table 1.

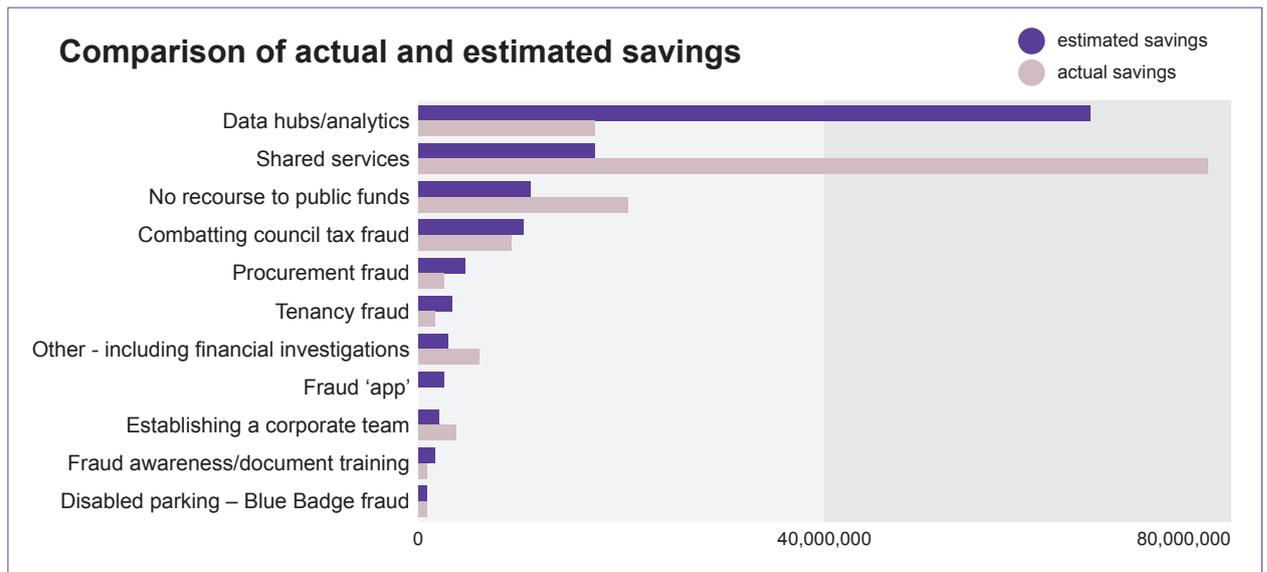
**Table 1:** RoI for categories of project



The RoI varies between 31.7, for 'no recourse to public funds' projects, to 0.2, for the 'Fraud App' projects. The other projects with a notably high a RoI are shared services projects (RoI=18.1). The RoI for 'setting up a data hub/analytics' is shown as 5.1, which is still a significant return, but has the potential to be much higher as for a large number of these schemes the RoIs as calculated on the above basis are negligible, reflecting the long lead time for the benefits from such schemes. This is also true for procurement fraud schemes, where some authorities anticipate very significant savings will materialise once ongoing cases are brought to fruition through the courts.

Table 2 compares the actual savings with those estimated across the project categories.

**Table 2:** Actual and estimated savings across project type



Shared services and 'no recourse to public funds' projects have generated significantly higher level of savings than anticipated, whilst data hubs/analytics have generated significantly lower levels to date, probably because of the longer lead time as identified above.

# Qualitative analysis

Alongside the financial benefits there were many other benefits arising for those councils that developed schemes supported by the CFF. Some of the key messages are as follows:

- Many councils reported major success in partnership working. The award of funding gave purpose for partner councils to meet and buy-in to the projects. This has often resulted in a level of partnership working that had not previously been possible. There has been a willingness to share experiences and resources to avoid duplication of effort.
- Increased joined up, collaborative working with other public and private sector organisations. Key examples included Registered Social Landlords, the Department for Work and Pensions, Her Majesty's Revenue and Customs and the police service as well as private sector suppliers.
- The ability and willingness to share data both between departments within a council as well as between councils. This applied particularly with regard to housing, housing benefits and council tax as well as to other systems such as adult social care.
- Better resourcing of counter fraud teams both in terms of numbers and skills. The creation or strengthening of a team often led to much higher than anticipated levels of savings.
- MHCLG funding has enabled the establishment of entirely new teams which were then sustained by contributions from partner councils.
- Clear evidence of enthusiasm to innovate and drive change to improve detection rates, increase awareness and effectiveness in investigations and recover losses.

- The extension of anti-fraud work into new areas such as a joined up national fraud investigation service, a class action to seek and obtain redress through the courts for a procurement cartel fraud and Blue Badge fraud. This also led to working with entirely new partners such as the British Transport Police.

However councils faced a number of challenges in being able to develop their proposals, with these sometimes impacting on their ability to:

- realise the anticipated level of savings
- meet the original objectives of the project, meaning that the scope of the project sometimes needed to be changed
- deliver to the anticipated timescales
- deliver the expected innovations.

These are shared below so that others can be aware of potential difficulties, and how these may be overcome, mitigated or avoided.

Overall the projects did achieve the expected level of savings, as explored in the previous section of this report. But where this was not the case, the main reasons for not achieving the anticipated level of savings were as follows:

- problems with software (particularly for data matching/analytics), including delays in procuring systems; software not fit for purpose; and technical problems with data matching
- delays in data matching, largely caused by agreeing governance and protocols for data sharing
- inability to recruit and retain key staff
- partners withdrawing from the project

- inaccurate projections for the levels of fraud.

Almost all councils indicated that the projects had met their objectives, at least partly, and the majority indicated that they had done so to a large extent. The main reason for not fully meeting the original objectives was when councils decided that alternative approaches would generate savings quicker and more effectively. A common finding from the research was that it took longer to deliver the savings than originally anticipated, for the reasons set out above, however participating councils have identified real and lasting benefits from forging new partnerships and new ways of working that will continue and are expected to deliver financial benefit in the longer term.

In general, the projects were successful in delivering to their original timescales and in delivering innovations. Where this was not the case the reasons are those set out immediately above, ie difficulties in engaging and agreeing priorities and protocols with partners, difficulties in procuring and putting in place new software and difficulties in recruiting and retaining key staff.

It is clear that many of the councils participating in these projects found the initiative helpful in forging new and effective relationships across partners. It was also helpful in reducing the duplication of effort and providing economies of scale.

# Case studies

# Thurrock Council: multi-agency self-sustaining counter fraud and investigation service

## Background and context

Thurrock Council launched the Counter Fraud and Investigation Directorate (CFID), a new function designed to deliver the full counter fraud lifecycle to protect the council, its partners and the wider public sector from fraud. The project included working with the College of Policing to ensure the council had appropriate capabilities and resources.

## Issues, challenges and barriers

To deliver the required benefits CFID put in place revised and higher levels of security and personnel vetting clearances; developed enhanced sanction routes for prosecution and information sharing; transferring its ICT from the gov.uk network to the police.uk network. However some barriers still remain to the function in the conduct of national law enforcement activity by a local government agency, particularly around the Local Government Act 1972, section 222 powers, as well as the status of its officers undertaking covert activity and road traffic legislation.

## Outputs and outcomes

CFID has developed a five year strategic intelligence assessment to direct its work in the most productive areas. All the council's policies supporting the overall counter fraud strategy have been reviewed. Through the sharing of intelligence some immediate achievements have been delivered, including:

- collaboration with the national police Regional Organised Crime Unit network, hosted with the Eastern Region Special Operations Unit (ERSOU) for Organised Crime and Counter Terrorism
- the safeguarding of 45 children identified as being at risk of paedophile activity

- 117 arrests of individuals for serious crime, including organised fraud and corruption, child grooming and the creation and dissemination of indecent images of children
- apprehension of 31 insider threats working in local government committing serious crime around the country
- intervention to prevent the awarding of a contract to a supplier where there was an insider threat of leaking confidential information.

## Impact

The scheme received £594,000 in funding from the CFF and delivered savings of £24.4 million, yielding a RoI of 41.1.

Since CFID was formed in 2014, it has provided technical and operational capabilities to 31 public bodies, including three police forces, 20 councils, five housing providers and three government departments. The function has also worked overseas in the USA and supported foreign states including the government of Malawi investigate serious corruption.

In 2018, CFID became the National Investigation Service (NATIS), a member of the Eastern Region Specialist Operations Unit. This collaboration sees seven police forces, HM Revenue & Customs (HMRC) and NATIS join together to fight serious and organised crime in the East of England region and beyond. The collaboration recognises the capabilities NATIS built in criminal intelligence, surveillance, cyber & economic crime and digital forensics disciplines.

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# London Borough of Wandsworth: south west London fraud partnership

## Background and context

The project concerned the development of an effective service model that was able to address the differing investigation and prevention needs across five London boroughs (Wandsworth, Merton, Richmond, Sutton, and Kingston and their social housing providers), whilst ensuring sufficient expertise and resource resilience was maintained following the loss of experienced fraud investigators when staff were transferred to SFIS.

## Issues, challenges and barriers

The five boroughs, whilst neighbours, have separate cultures and systems in use to manage the delivery of public services to their residents and clients. One of the greatest and ongoing challenges is maintaining access and knowledge of the differing IT systems in use.

Having secured support from members and senior officers the next key challenge was to secure support and buy-in from investigators who were transferred into the service. Funding was used to obtain case management software, IT hardware (to enable officers access records and systems from multiple sites) and support the development of management information to service the reporting requirements for each borough. Staff skill sets were reviewed, and training provided.

Whilst the service has access to data across the five boroughs, barriers in terms of differing systems, differing levels of data quality and information governance regimes has meant that fraud prevention work using data matching has not progressed as fast as initially expected.

## Outputs and outcomes

By having a central pool of investigators, the service could be managed by one officer, areas of expertise developed, and knowledge shared to both enhance fraud awareness and prevention whilst maintaining capability to respond to the expansive variety of frauds that could be perpetrated against the London boroughs.

The fraud response capability is increased for the five boroughs who are therefore more able to target resources where and when they are needed without the need to have a significant contingency balance and costly management structure. Targeted anti-fraud drives across the boroughs have been able to identify trends and fraudsters who are making applications across all boroughs.

The service continues to explore joint working initiatives and was one of the pilot organisations to explore legal gateways and information sharing to enable joint working with the Department for Work and Pensions (DWP), initially in two areas. Because of this shared development work, joint working with the DWP is now available to all councils.

## Impact

The establishment of a suitably skilled fraud service has resulted in a significant increase in the number of fraud referrals recorded and investigated. This is not necessarily the result of increased fraud but the result of an improved fraud reporting mechanism and fraud awareness and prevention work. In the first three years of operation the service has undertaken 4,192 investigations that resulted in 1,123 sanctions (26.8 per cent) which include:

- 276 properties recovered
- 177 housing applications rejected

- 38 employee related sanctions (dismissals, resignations, final warnings)
- 147 criminal prosecutions (includes blue badge, tenancy, CTR)
- 198 cautions, recommendations made.

The scheme received £472,000 in funding from the CFF and the sanctions achieved, after applying cashable and notional savings to the fraud types, delivered savings of £24,002,000, yielding a RoI of 50.9.

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# Royal Borough of Greenwich: Blue Badge Fraud

## Background and context

The project was concerned with improving Blue Badge fraud prevention and detection and providing an on-going deterrence by creating a new team in the Royal Borough of Greenwich responsible for investigating allegations of Blue Badge fraud in both Greenwich and Bromley councils.

Until this point there was little work done by Greenwich in tackling Blue Badge fraud, there were very few investigations and even fewer prosecutions. There had been limited resources to be able to tackle Blue Badge fraud.

## Issues, challenges and barriers

Proving blue badge fraud can be difficult and time consuming, particularly if convictions are to be secured at court. It is clear that the resources and effort placed into securing a prosecution far outweighs the financial value of the fine at court. It is difficult to convince some that the time and effort is worthwhile, given that councils have so many other areas of responsibility many of which are under significant pressure.

The council sought to implement a joint approach internally between parking services and anti-fraud staff. Evidence was gathered correctly, penalty charge notices were issued, Blue Badges were confiscated and the individual was taken to court where appropriate. However, Greenwich was investigating on behalf of two boroughs the investigators were working to two different sets of parameters. Even today there may be similar cases where a simple caution might be administered by Greenwich based on its policy. Yet were the offence to be committed in the London Borough of Bromley the case would potentially be considered more suitable

for prosecution. Although not insurmountable, this was an issue for the initiative.

## Outputs and outcomes

The project highlighted the problems of Blue Badge misuse and enabled both councils to focus on the level of resources and the manner by which they were/should tackle Blue Badge misuse. A dedicated free phone and email address were created by both councils so that misuse can be reported.

Parking services in Bromley subsequently ran a further Blue Badge campaign on their own which was extremely successful and won a national award. The Royal Borough of Greenwich provides assistance with this campaign by conducting interviews under caution and taking the cases to court on behalf of Bromley. Both councils see Blue Badge misuse as an important issue and this is exemplified by prosecutions at court and the surrounding publicity which has an ongoing deterrent factor.

## Impact

Work in this area continued post 2015/16 and has been funded by each council. The profile of Blue Badge fraud in both councils is now high, particularly so in Bromley. The legacy from the bid is that Blue Badge fraud has become an integral part of the work undertaken by the Internal Audit & Anti-Fraud function. There have been 618 referrals to date and 201 prosecutions, 23 Cautions and 176 Advisory Notices. Total grant received: £40,000 with savings of £562,000, yielding a RoI of 14.1.

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# Hertfordshire County Council: shared anti-fraud service in Hertfordshire

## Background and context

This project was to create a shared anti-fraud service for the county and a number of district councils for prevention, detection and investigation of non-benefit fraud. The aim was to be self-funding and to use data analytics and data sharing through a data hub.

Allegations of fraud were investigated and brought to a satisfactory conclusion across a wide range of areas, from numerous low value matters such as Blue Badge abuse reported by members of the public and housing benefit/council tax fraud identified by revenues teams, to high-value or high-risk cases involving internal fraud, social care or housing/tenancy fraud.

## Issues, challenges and barriers

The main challenge has been in making the data hub solution effective. The data hub was at the heart of the bid and more time could have been spent talking to the market to find a product that was more proactive and intelligent than the one procured. The system in place has worked but has required a lot of work to get it operate at the required level.

## Impact

The scheme received £366,000 in funding from the CFF and delivered savings of £5,839,000, yielding a RoI of 16.0, in its first two years. The service has now become established and self-funded locally. Now, in its fourth year, the service has expanded to include a unitary council and several housing providers, fraud savings and identified losses are set to exceed £15 million over four years.

## Outputs and outcomes

The project achieved its stated objectives in terms of improving the effectiveness and resilience of anti-fraud arrangements and delivered significantly higher levels of savings than estimated. The data hub enables more effective data sharing both across Hertfordshire and has led to an improved data sharing with other organisations including other law enforcement agencies.

As well as proving an effective and successful fraud detection investigation service, driven and managed through a data hub, which has delivered significant financial savings, there are a number of wider benefits and opportunities, such as the freeing up of housing for people on council waiting lists; bringing empty properties back into use; and the development of partnership working amongst councils in the Hertfordshire area, even those not formally part of the service.

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# London Borough of Enfield: fraud prevention programme

## Background and context

A detailed fraud risk assessment across the council to identify potential fraud vulnerabilities within all services, with a particular focus on those services scheduled for re-engineering.

## Issues, challenges and barriers

Initially, the main challenge was to gain buy-in from management as there was already a significant transformation programme in progress.

There was some difficulty with building the counter-fraud checks and controls developed as part of the project into the IT systems that were being implemented as part of the transformation programme. Ideally, the IT systems would have been configured to include more real-time counter fraud management information needs, identified by the counter fraud project but this did not prove practical.

The counter fraud risk registers are now owned by the management in each department. This was initially met with some resistance. However, the risk registers are now embedded in the organisation and are reviewed and updated periodically.

A point of learning from the analysis of data sets and additional counter fraud activities is the impact of discovering potential fraud and anomalies. The counter-fraud team at Enfield is small and the additional workload created by data analysis 'hits' has been challenging given the team's limited resources.

## Outputs and outcomes

Workshops were held with staff from business areas across the council, as well as representatives from other nearby councils, to identify key fraud risks and assess the scale, impact and likelihood of occurrence of each

identified risk in their services. The outputs from these workshops were risk registers for key business area across the council. These fraud risk registers were used by the council's transformation programme to identify opportunities to design new fraud resilient controls into the re-engineered processes.

A proprietary data tool was used by the counter fraud team, working together with the council's data management team, to analyse data to identify potential fraud and anomalies which realised some savings at the beginning of the project.

However, the workshops and risk registers served as a springboard to spark discussions that resulted in the co-location of Counter Fraud Investigators within the Right To Buy and No Recourse to Public Funds teams on a full-time basis which has led to significant savings to the Council on an ongoing basis.

A fraud risk awareness e-learning module has been developed by the team, and this is intended to be a mandatory course for all staff, helping to create a fraud aware culture in the council.

The team also developed a fraud risk assessment toolkit based on the learning from the project at Enfield.

## Impact

The scheme received £195,500 in funding from the CFF and delivered savings of £954,100 yielding a RoI of 4.9. Staff awareness of fraud has been significantly improved as a result of the project. The counter fraud team runs regular fraud risk awareness and "Fraud Talk" sessions throughout the year.

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# Eastbourne Borough Council: fighting fraud in East Sussex

## Background and context

The hub was established to draw together five district (three rural and two urban) and one county council across East Sussex to develop and share an anti-fraud culture and investigate the emerging areas of known corporate fraud following the audit commissions 'protect the public purse' report.

## Issues, challenges and barriers

Issues were initially found with the quality of data held by some authorities which were insufficient or out of date for data matching purposes. This resulted in additional resources being used to cleanse data which wasted time and fees already paid out for software.

Procurement is an area that was highlighted as a high value area of risk to the authorities; however progress within this has been slow with very little highlighted cases found across the hub. This in part is down to the complexity of the cases and also limited knowledge and expertise within the authorities undertaking this work.

Barriers have been found as the hub has progressed with the differing approaches and priorities of each council which has caused disagreement over the direction and use of remaining funding. This has particularly become apparent with the councils who retained an investigation resource and those that did not, following the implementation of SFIS.

## Outputs and outcomes

The hub has managed to drive knowledge and share best practices in approach and ideas by bringing together the councils who share similar risks (ie those with a housing stock). This has also allowed a more consistent approach to communication with the public with a centralised hotline, website and case reporting mechanisms. The hub has exceeded the initial expected savings through preventative work and recovery action, in financial savings the hub has a whole has been successful.

## Impact

The scheme received £365,000 in funding from the CFF and delivered savings of £9,635,000 in 2015/16 and 2016/17, yielding a RoI of 26.4. However the savings have continued since this point and the hub has so far delivered preventative savings and cashable income through the return of council stock, prevention of Right to Buy purchases, council tax discounts, small business rates, grants, blue badges and associated housing benefit interventions to reach a figure of £16 million in savings to date.

It is highly unlikely the individual councils would have reached such a figure without the impetus of the grant funding and conjoined approach.

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# Lincolnshire County Council: counter fraud partnership

## Background and context

The Lincolnshire Counter Fraud Partnership (LCFP) created a framework for a county-wide anti-fraud approach and a forum for counter fraud specialists and subject area experts from Lincolnshire County Council, the seven district councils and the Police and Crime Commissioner (PCC) (from 2016/17) for Lincolnshire and Lincolnshire Police to develop and deliver proactive exercises and investigate fraud.

## Issues, challenges and barriers

Each of the organisations has limited fraud resources, different cultures, different priorities and political agendas. These have been overcome by:

- establishing the LCFP on a project footing by a dedicated counter fraud resource to deliver outcomes
- establishing an overarching governance structure involving key officers which oversees progress and agrees a pro-active Fraud Work Plan
- maintaining collaborative working and regular fraud liaison through regular, responsive and effective communication with the key partners.

## Outputs and outcomes

Key areas include:

- developing and coordinating targeted fraud awareness campaigns using all media channels and tailored presentations to a wide range of audiences (staff, management and members). Example provided of a council tax fraud/error media release
- developing a county-wide solution for fraud e-learning
- sharing fraud best practice and sharing expertise
- leading on pro-active joined up approaches to address shared goals
- providing easy access to counter fraud related information – acting as a ‘one stop shop’ or single point of contact for fraud concerns
- sharing lessons learned from cases to improve controls.

## Impact

The work is putting fraud on the agenda and is providing momentum and focus to develop an effective county-wide fraud response and providing greater fraud resilience. LCFP work:

- delivered savings have been generated from counter fraud pro-active exercises around council tax and business rates – savings are being re-directed in to front line services

- improved fraud intelligence – around 1,500 Lincolnshire County council users have completed the training. Feedback from users has been consistently positive
- increase number of calls to the Whistleblowing Line about concerns of possible wrong-doing (includes conduct, not just limited to fraud issues)
- seen staff vigilance increase – increased reporting of scam attempts
- fraud learning is being transferred to partners - better able to respond to existing and emerging fraud risks
- more effective use of resources avoiding duplication of effort.

The scheme received £200,000 in funding from the CFF and delivered savings of £1,236,000 in 2015/16 and 2016/17, yielding an RoI of 6.2. Since receiving the grant, a funding contribution has been secured from each of the partners to continue LCFP's work. Gross cumulative savings total to date are around £2,500,000.

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# London Borough of Ealing: Council Tax Single Person Discount

## Background and context

The London Borough of Ealing commenced work to further enhance the proven functionality of 'SNAP' software to deliver the agreed savings for Ealing and the councils of London who were joint partners. The scope of the project was to revise and develop the existing software in order that it could be deployed within Ealing for their use and for the use of other council partners in order to maximise fraud detection; provide early identification of vulnerable families; and maximise electoral registration.

## Issues, challenges and barriers

- difficulty in gaining the necessary technical expertise on-board to implement the data requirements/solution
- difficulty in gaining access to the relevant sources of information with the best data, a lot of confusion over who had the rights to access the relevant data and for what purpose
- once a solution once the solution was up and running, it has been a slow process to educate internal stakeholders on the opportunities presented by cleansed, quality data, with good providence, and how to use it to identify cost savings, cost avoidance in the council.

## Outputs and outcomes

- weekly updates from source systems to verify Council Tax Single Person Discount Provision (SPD)
- initial 2,500 investigable cases were discovered
- Monthly standard process approximately about 200 new cases are passed to the service
- around 10 per cent result in SPD cancellation

- some monthly gains made in terms of cleaning the ER
- now cleaning main source systems to realise further efficiencies
- Business as Usual (BAU) process twice yearly to clean addresses to avoid school placement offer fraud
- re-use of master data management (MDM) repository in additional external anti-fraud applications
- additionally being used to clean CRM for digital transformation
- Empty Homes Initiative - Side benefit is to use same methods to avoid homes in the borough being left empty.

## Impact

The scheme received £746,000 in funding from the CFF and delivered savings of £161,000 in 2015/16 and 2016/17, yielding a RoI of 0.22. However significant savings have been identified since, totalling over £1,400,000, as analysed below.

Following the delivery of the Proof of Concept fraud reports from the vendor Visionware, Revenues indicated a £769,000 actionable fraud figures for Single Person Discount subject to caveats, such as more representative data with weekly updates.

Initial proof of concept for Freedom Passes, in identifying fraudulent, duplicate an out of date freedom passes, yielded £590,400 savings.

Efficiency savings of £46,846 per annum for schools team in reducing time taken to identify fraudulent school applications.

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# Procurement fraud and Home Office sponsored projects

Four of the schemes funded by the CFF included Home Office sponsored pilots looking specifically at the potential threat from serious and organised crime to publicly procured services in local government. The Home Office worked with these councils and police forces in seven areas in England over an 18 month period to firstly examine whether there were links between local government procurement and organised crime groups and secondly to address resulting vulnerabilities.

Home Office and MHCLG ministers wrote out to all council chief executives disseminating the main outcomes from the pilots in December 2016 highlighting that further success on tackling procurement fraud in local government is conditional on high levels of council and police engagement and data sharing. The pilots highlighted how attractive public procurement could be to organised criminals and emphasised having appropriate measures in place to protect public resources. A small number of links were found that highlighted supplier sectors more likely to be vulnerable to organised crime. Where links have been found, the council and police have been working jointly to ensure the links between organised crime and council suppliers are disrupted.

It was recommended that councils should consider completing a 'Serious and Organised Crime Checklist' which enables councils to assess the serious and organised crime risks within their organisation. This may be supplemented by undertaking a 'Serious and Organised Crime Audit'; this is a more developed methodology that allows councils' internal audit teams to scrutinise business operations to establish where there may be vulnerabilities.

Council procurement and legal teams may want to consider the inclusion of specific statements in the Official Journal of the European Union (OJEU) notice and the invitation to tender for procurements in areas considered to be at risk from serious and organised crime in their local area. The contracting authority would carry out the evaluation of tenders in the usual manner, but the procurement team would also aim to verify that the prospective winning supplier has provided truthful responses to the selection questionnaire in respect of the mandatory exclusion grounds, in particular in relation to serious and organised crime involvement (working closely with the fraud investigation team and with local police).

More case studies along with tools and template statements are available from the LGA's dedicated counter fraud hub [www.local.gov.uk/counter-fraud-hub](http://www.local.gov.uk/counter-fraud-hub).

The councils involved in these projects have been very positive about the impact and wider benefits of improving their defences to procurement fraud in collaboration with the police. In some cases the savings have taken more time to identify than originally envisaged, mainly because of the difficulties in obtaining data in the right format and being able to analyse and process this data effectively. However some councils have highlighted that significant savings are expected in due course and all have highlighted the benefits in improved systems for procurement and contract management that are very likely to have reduced the risk of procurement fraud.

# Lessons learned and taking this forward locally

There are some very positive messages from the review of the successful bids, which should encourage future initiatives from within the sector and serve to demonstrate what can be achieved when there is a specific focus on fraud and an impetus to drive through new ways of thinking and working.

The key lessons, coming from the councils themselves, for consideration on how savings could be achieved more effectively in the future include:

- Ensuring that software specifications are fit for purpose to avoid delays in procurement of tools for data analytics. Some councils found that they had not taken the time they should to set out the required specification or to understand fully the functionality of the systems they procured. Improved specifications, with greater thought being given to the required functionality of the systems will help to ensure that the software is appropriate for the task and that implementation is completed on time.
- Talking to procurement professionals in advance to ensure that the procurement process complies with legal requirements and standing orders. These projects often involve complex procurement of software and systems, which are likely to exceed OJEU limits and are made more complex when purchasing for use across a number of bodies. Some councils have identified that they should have recognised these difficulties earlier and engaged procurement specialists.
- Agreeing governance arrangements and data sharing agreements well in advance of the start of the project. This should also help to minimise the risks of partners withdrawing. Different councils and other organisations each have different governance requirements and needs and expectations for the projects. Giving this more thought up front would have been helpful, rather than seeking to resolve difficulties as they arose.
- Taking care of the people issues in terms of recruitment and retention as this aspect is fundamental to the success of any project. The schemes rely on having sufficient skilled and dedicated staff in place. Making sure that teams are properly resourced and any key gaps are identified and filled as early as possible is important. At least one project was knocked off course with the loss of an externally appointed project manager part way through the project. It is important to recognise any key dependencies and have contingencies in place.
- Making sure that any legal or procedural issues have been thoroughly investigated before the project starts. This issue is linked to the governance issues referred to above; given the complex shared working across partners it is important that early thought is given to how contracts with third parties will be organised and whether there are differences in approach between different organisations that need to be resolved in advance.
- Carrying out checks to ensure that the estimates for savings are as accurate as they can be. Do not accept national reports or statistics at face value as they may not apply locally. Some councils relied too heavily on national estimations for potential savings that may be out of date or unsubstantiated, for instance some old data previously generated by the Audit Commission.

- Retaining flexibility as the original area of fraud may not yield the expected results. More lucrative areas for investigation may come to light and the flexibility to switch funds to another area may be more beneficial. Some councils started with the intention of investigating one area of suspected fraud, with a view to improving their systems and processes, ie in tenancy fraud, but then realised that their systems and early indications were suggesting another area would be more fruitful, ie council tax discounts. They found that being flexible in this way led to generating greater savings than continuing with the original proposition.

When councils did experience difficulties in delivering against stated objectives these related mainly to delays, usually because of difficulties in acquiring fit for purpose software for data analysis. However, in these cases benefits have been found in different aspects of fraud to that originally specified, demonstrating the importance of being responsive and redirect resources to areas where the most benefit can be derived. In some cases where the introduction of complex technology had caused problems, there were still identified benefits from the projects through forging new partnerships and an anticipation that the new systems and ways of working would continue and that the financial benefits would accrue in the longer term.

Projects involving partnership working are particularly susceptible to delays and a change of focus. This may be caused by partners withdrawing from a project entirely or simply because the partners are unable to agree on shared objectives and priorities. Where delays occurred, there was often a change in the area of fraud to be investigated and a shift of resources to those areas where the greatest financial reward could be obtained. Overall this demonstrates an ability to adapt readily to change and to build on the foundations of a project long after the initial implementation period.

At the corporate level there is also an identified need for effective communications and marketing. But perhaps the most important message for taking this initiative forward is the need for senior level commitment and 'buy in' to the project and getting all partners to engage with the project at the outset.

To be most effective, fraud detection, investigation and recovery shouldn't be considered as a 'side-line' or 'niche', but an essential tool to be integrated into systems and processes from the outset, with the willing engagement of senior management and key partners.

Mandatory counter fraud training for all staff together with simple tools to help staff on the front line to recognise potential fraud could go some way in helping all councils fight fraud more effectively and safeguard their increasingly scarce resources. But what has generated the benefits in these projects has been developing teams of well-trained fraud investigators, using data driven technology to focus attention on those areas most vulnerable to fraud. The results have been impressive and point to the need for further investment in this area.

We hope that everyone reading this report and looking through the case studies here and on the LGA website will find something to take away and use in their own council or in partnership with others in the fight against fraud locally.



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