

Agenda

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Audit, Governance and Standards Committee

Date: Thursday 2 May 2019

Time: 7:30 pm

Place: Guildhall, Kingston upon Thames

Members of the Committee

Councillor Yogan Yoganathan (Chair)

Councillor Kim Bailey (Vice Chair)

Councillor Zain Abbas
Councillor Rowena Bass
Councillor Jaesung Ha

Independent Member Paul Eardley

Everyone is welcome to attend the meeting

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- **Interests** - Councillors must say if they have an interest in any of the items on the agenda. Interests may be personal or pecuniary. Depending on the interests declared, it might be necessary for the Councillor to leave the meeting. The detail on interests is in Part 5A of the Constitution - Members' Code of Conduct.

Minutes

The minutes briefly summarise the item and record the decision. They do not record who said what during the debate.

AGENDA

Apologies for absence

Declarations of Interest

Question Time

Up to 15 minutes are available at the start of the meeting to deal with questions which have been submitted to the Chair from members of the public. Questions should be submitted in writing before the meeting or handed in at the start of the meeting on the green forms provided. Where a full reply cannot be given orally at the meeting, a written reply will be sent to the questioner and members of the Committee.

Any questions directed to the external auditors – Grant Thornton - on which it is not possible to give an immediate response will be noted and responded to in writing.

1. Minutes

To confirm the minutes of the meeting held on 12 March 2019.

2. Annual Governance Statement Action Plan 2018/19 Appendix A

3. Update on Fraud Work Undertaken 2018/19 Appendix B

4. London Counter Fraud Hub Appendix C

5. Exclusion of the Press and Public

The following resolution is included as a standard item which will only be relevant if any exempt matter is to be considered at the meeting for which the Committee wish to resolve to exclude the press and public:

To exclude the public from the meeting under Section 100(A)(4) of the Local Government Act 1972 on the grounds that it is likely that exempt information, as defined in paragraph x of Part I of Schedule 12A to the Act, would be disclosed and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

6. Urgent Items Authorised by the Chair

Audit, Governance and Standards Committee

2nd May 2019

ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2018/19

Report by the Head of the Shared Audit Partnership

Purpose

To update the Committee on progress against the Action Plan agreed in July 2018 to address the areas of improvement identified in the 2017/18 Annual Governance Statement.

Recommendations

To Resolve that progress against the Annual Governance Statement Action Plan set out in Annex 1 to this report is noted.

Key Points

- A. Local authorities are required to prepare and publish an Annual Governance Statement (AGS) in accordance with the Solace/CIPFA framework which was published in July 2007 and updated in 2012 and 2016. This is necessary to meet the statutory requirement set out in regulation 6(1) of the Accounts and Audit Regulations 2015.
- B. The Audit, Governance and Standards Committee considered and approved the 2017/18 AGS at its meeting on 31st July 2018.
- C. A programme of work was drawn up and approved by the Committee to address areas of relative improvement in specific service areas and corporately that were identified in the AGS and this is recorded in the Annual Governance Statement Action Plan (2018/19).
- D. Progress against the Action Plan is monitored by SLT and this Committee on a regular basis and an update is provided at Annex 1.

Action Plan and Assurance Activity

- 1. One of the roles of the Audit, Governance and Standards Committee is to get assurance that any key governance weaknesses and areas for improvement are properly addressed. At its meeting on 21st November 2018, the Committee received a report on progress made in respect of the AGS Action Plan. This showed that whilst some progress had been made, there were still a number of areas where action was outstanding.

2. The action plan developed to support the Annual Governance Statement is attached as **Annex 1** to this report. It has been updated to reflect the progress in delivering the actions since the last meeting.
3. Reasonable progress has been made in taking forward the various actions with two completed and the majority of others nearing completion.
4. Any outstanding actions will be included within the Annual Governance Statement for 2018/19 which will be reported back to Committee on the 30th July 2019.

Environmental Implications

5. There are no specific environmental implications arising from this report.

Timescale

Implementation of the actions set out in the Action Plan will be monitored on an on-going basis and a final assessment will be included in the Annual Governance Statement for 2018/19 which will be reported to the Audit, Governance and Standards Committee in July 2019. Any actions still outstanding will be included within the AGS Action plan for 2019/20

Resource Implications

There are no particular resource implications arising from the implementation of the Action Plan other than officer time.

Legal Implications

The Annual Governance Statement (AGS) is produced on an annual basis to meet the statutory requirement set out in regulation 6(1) of the Accounts and Audit Regulations 2015.

Background papers – held by author Alix Wilson

AGS report to 31st July 2018 meeting of Audit, Governance and Standards Committee and update report to the meeting on the 21st November 2018.

Annual Governance Statement Action Plan 2018/19

Issue/Risk	Action	Current Status	Owner	Expected completion date or date completed
<p>Financial Management – Budget process needs to ensure that savings are achievable and service managers have signed them off</p>	<p>A Delivery Enablement Group has been set up by SLT to monitor progress on delivery of the No Stone Unturned (NSU) savings, reporting to SLT as required. Arrangements for monitoring and reporting non-NSU savings have been developed.</p> <p>The Council delivered the 2017/18 budget with a underspend position.</p> <p>The Council continues to face significant financial challenges</p>	<p>The Council’s forecast over spend for 2018/19 was £1.2m at Month 9. Expenditure restraint has been introduced and recovery plans continue to help reduce the in-year overspend. The Strategic Leadership Team review the budget position monthly. The Council has set a balanced budget for 2019/20 including ensuring it has adequate reserves and balances to manage the significant financial pressures.</p> <p>The Council introducing a budget readiness process from March 2019 to support officers in preparation for implementing the 2019/20 savings plans.</p>	<p>SI</p>	<p>Completed March 2019</p>
<p>Staff Declaration of Interests – process needs to provide for sufficient oversight by senior officers to ensure that interest do not impact on decision making</p>	<p>Policy has been updated and is available on the intranet. Consideration to be given to digitalising the process. Annual reminders to be sent to all staff.</p>	<p>We are currently designing a google form for Kingston and Sutton that will be sent to all staff on an annual basis. If staff have no interests to declare they will be required to confirm this on the form.</p>	<p>AH</p>	<p>April 2019.</p>

Annual Governance Statement Action Plan 2018/19

Issue/Risk	Action	Current Status	Owner	Expected completion date or date completed
<p>Human Resources – adequate capacity needed to support changes in business needs and the transformation programme</p>	<p>Ongoing</p> <p>Additional HR capacity was created as part of No Stone Unturned. The integrated HR Shared Service with Sutton also provides additional resilience to manage ongoing transformation.</p> <p>In terms of management capacity, the programme of recruitment is ongoing as part of the organisational redesign and we are progressing with the appointments to the Assistant Director and Corporate Heads of Service roles.</p>	<p>We are continuing to manage the transformation and organisational redesign taking place at Kingston.</p> <p>We should have recruited to all ADs and CHOS roles by early 2019.</p> <p>The implementation of DOT 4 and 5 is progressing and the service has over 50 reviews to manage across our clients. This will be an intensive period of activity for HR in addition to a reorganisation of the service starting in April 2019.</p>	<p>AH</p>	<p>April 2019</p>
<p>Mandatory training for staff – improvement still needed in terms of completion by staff of mandatory training (e.g. data protection and security).</p>	<p>Further improvement is still needed in terms of completion by all staff of mandatory training (e.g. data protection and security). This is being monitored by HR Business partners and the ISGB and</p>	<p>A more robust, centrally driven reporting process has been implemented, with requirements on HRBPs to push completion as far as they can with their DMTs.</p> <p>We are currently reviewing whether Refresher training should be every 2 years (which it</p>	<p>AH</p>	<p>October 2019.</p>

Annual Governance Statement Action Plan 2018/19

Issue/Risk	Action	Current Status	Owner	Expected completion date or date completed
	<p>the Council will ensure that this training is repeated on an annual basis.</p>	<p>currently is) or annual. It is probably likely that it will be annual for some.</p> <p>We are also reviewing our learning systems to ensure that they are fit for purpose and able to record and provide the data needed</p>		
<p>Business Impact Assessments – Business Impact Assessments are needed in relation to key services (e.g. accommodation) to facilitate the completion of the ICT Disaster Recovery Plan.</p>	<p>ICT has upgraded the storage of core systems in the Council which will start to improve the business continuity arrangements of the Council. A minor review was undertaken of the business impact analysis and has fed into an update of the ICT Business Continuity Plan, however further work is required here to embed across the Council.</p> <p>The Council has formally approved the Digital Strategy.</p>	<p>Currently undertaking a review of the core infrastructure and looking at the requirements for the future. Initial options appraisal for moving the on premise data centre to the Cloud has been completed.</p> <p>Preparing business case and more detailed costs for the migration to the cloud.</p> <p>ICT Disaster Recovery Plan has been finalised and subsequently reviewed and links into the overall Business Continuity Plans.</p> <p>Digital & IT have completed table top exercises for cyber security.</p>	<p>ML/HoS (Heads of Service)</p>	

Annual Governance Statement Action Plan 2018/19

Issue/Risk	Action	Current Status	Owner	Expected completion date or date completed
		<p>All London Boroughs have signed up to the Emergency Planning 2020 & Standardisation Plan, which will see a new command and control structure introduced from November 2018 and a complete refresh of business continuity arrangements to reflect this and in preparation for Brexit on 29 March 2019.</p> <p>This will require all services to undertake new Business Impact Assessments.</p>		
<p>Internal Audit Recommendations – to ensure that all Priority 1 recommendations are dealt with expeditiously.</p>	<p>Regular update reports will continue to be provided to the Audit, Governance and Standards Committee and officers will be asked to attend where recommendations have not been implemented in accordance with agreed timescales.</p>	<p>There were 10 Priority 1 recommendations outstanding and reported to the March Audit, Governance and Standards Committee. Priority 1 recommendations will continue to be subject to robust follow up and monitoring arrangements.</p>	<p>SI</p>	<p>Ongoing</p>

Annual Governance Statement Action Plan 2018/19

Issue/Risk	Action	Current Status	Owner	Expected completion date or date completed
<p>Scheme of Delegation – this is to be updated to reflect the new governance arrangements.</p>	<p>The Scheme of Delegation is being reviewed as part of the ongoing Governance review.</p>	<p>A new scheme of delegation was agreed by Council on 11th December to be implemented from 1st March 2019</p>	<p>SI</p>	<p>Complete and implemented from 1st march 2019</p>
<p>Achieving for Children (AfC) - A major issue going forward is the financial pressures on the Dedicated Schools Grant (DSG) and other demand led budgets. This is not uncommon to AfC but is a national issue although particularly acute in Kingston. This is against a national context of significant pressure on services for children. Whilst this does not directly affect AfC's internal control framework, it does demand a very high standard of budgetary control and AfC are having to develop new strategies in relation to managing demand.</p> <p>In support of the Kingston schools budget for 2018/19 the Department for Education</p>	<p>A Recovery Board and Recovery Plan have been established and a review of the contract, governance and financial control arrangements are being undertaken.</p> <p>As part of the arrangements for dealing with the DSG overspend, RBK are to review the financial arrangements with AfC through an Education Commission.</p>	<p>SEND transformation plan has been agreed by the Health and Wellbeing Board. This will be reviewed and reshaped throughout the three year programme and regularly reported to Strategic Committees</p> <p>The Education Commission will be published in June 2019.</p>	<p>SI/PM</p>	

Annual Governance Statement Action Plan 2018/19

Issue/Risk	Action	Current Status	Owner	Expected completion date or date completed
<p>provided an additional £3m of Dedicated Schools Grant (DSG) in support of Special Education Needs (SEN). This is an advance of money provided on the basis that the Council will address the issues associated with the overspend on SEN which is outlined above. This is an advance on money but the Government have not stated when it will need to be returned. However, it is likely that this will need to be repaid. This means that the High Needs block for Kingston will be £23.4m next year and increase of 23.7% and the DSG as a whole will be £ 137.7m, an increase of 7.7%</p>				
<p>Risk Management - Whilst processes are in place to record and manage key risks, there is a need to review wider corporate risks and to better align these with the manifesto</p>	<p>A proposal is being developed to establish more robust risk management processes</p>	<p>Quarter 3 risk reporting was undertaken, with each directorate DMT reviewing its risk register. Escalated risks to the corporate risk register were reviewed by SLT in February ahead of going to Audit, Governance &</p>	<p>SE</p>	<p>April 2019</p>

Annual Governance Statement Action Plan 2018/19

Issue/Risk	Action	Current Status	Owner	Expected completion date or date completed
commitments of the new administration as well as key corporate objectives.		Standards Committee on 12 March, together with more detailed reports covering ICT cyber-security and legacy systems, Brexit and Emergency Planning preparations.		
		<p>It was decided by committee members to continue with a quarterly review of the corporate risk register until arrangements are in place to report to all strategic committees those risks relevant to their remits. A short presentation was made before the meeting to provide members with an overview of current risk management arrangements and next steps to further improve these. A new risk management framework has been drafted and this will be reviewed at a SLT risk management workshop on 4 April.</p> <p>An audit of risk management arrangements will be undertaken in 2019/20 to assess how well the</p>	SE	April 2019

Annual Governance Statement Action Plan 2018/19

Issue/Risk	Action	Current Status	Owner	Expected completion date or date completed
		new arrangements have been embedded.		
<p>GDPR - The challenges of delivering effective data security management requires constant review to ensure that the Council keeps data safe and secure. GDPR placed additional responsibilities on the Council.</p> <p>Council has undertaken a major review of information governance, data protection and records management over the last 12 months in advance of GDPR requirements, further work is required to ensure this is embedded into the Council and full compliance.</p>	<p>☐ Work is continuing to embed good Information Governance into the business as usual culture for the Council.</p> <p>☐ The commissioning cycle is being reviewed with guidance and templates being updated to ensure that Data Protection Impact Assessments (DPIA) are carried out early in the Commissioning and/or project lifecycle where the process may involve the processing of personal data.</p> <p>☐ The Council's Contract Management framework will also be updated to</p>	<p>The AD Digital & IT has coordinated the work across the Council in these areas through the work in the Information Security Governance Board attended by all areas of the Council. The Council was compliant with the core areas of GDPR for the May 2018 deadline</p> <p>Significant progress has been made in the creation and review of:</p> <ul style="list-style-type: none"> ● all relevant policies; ● creation of Information Asset Register; ● updated website to inform the public of their rights; ● Privacy notices updated and published online; ● review of when 'consent' is required, and recorded; ● Data Retention and Disposals; 	<p>ML</p>	<p>Majority completed but ongoing</p>

Annual Governance Statement Action Plan 2018/19

Issue/Risk	Action	Current Status	Owner	Expected completion date or date completed
	<p>ensure robust controls are in place.</p> <p>☐ All arrangements are being reviewed to confirm where personal data is being processed and where the Council is the controller to ensure that there is an updated written contract in place</p> <p>☐ The readiness plan to ensure GDPR compliance will be monitored by the Information Security Governance Board (ISGB) to ensure that action is taken in accordance with agreed timescales.</p>	<ul style="list-style-type: none"> ● DPIA reviews - reviews are being undertaken as part of major changes and new systems; ● Staff Training and awareness - communications plan and Intranet pages; ● annual mandatory training for all staff; ● targeted training for specialised roles such as DPO and SAR training. ● training and support for Councillors; ● update of key contracts (further work progressing); ● engagement with business areas <p>A recent Internal Audit has recognised the progress on Records Management, Information Governance and Data Protection and the few remaining steps.</p>		

A11

Initials	Officer
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Official

Annual Governance Statement Action Plan 2018/19

Annex 1

SI	Sarah Ireland
AH	Alison Hackett
ML	Mark Lumley
PM	Pauline Maddison
SE	Stephen Evans

Audit, Governance and Standards Committee

2 May 2019

UPDATE ON FRAUD WORK UNDERTAKEN

Report by the Head of the South West London Audit Partnership

Purpose

To provide the Audit, Governance and Standards Committee with an update on the fraud work undertaken in 2018/19 by the South West London Fraud Partnership (SWLFP).

Recommendation**To RESOLVE that :**

1. The fraud work undertaken and performance results for 2018/19 are noted.

BACKGROUND

1. One of the responsibilities of the Audit, Governance and Standards Committee is to “Maintain an overview of the effectiveness of the Council’s arrangements for corporate governance, particularly those concerned with risk management, internal control, financial governance, treasury management, and counter fraud and corruption; obtaining assurance that appropriate action is being taken on any issues raised;”.
2. This report is intended to provide the Committee with assurance over the arrangements for protecting the Council against fraud and corruption. Kingston Council entered into a shared fraud investigation service, known as the South West London Fraud Partnership (SWLFP), with Merton, Richmond, Sutton & Wandsworth Councils from 1 April 2015 to ensure that an effective fraud investigation and prevention service would be maintained following the transfer of benefit fraud investigation to the Department for Work and Pensions (DWP).

3. The bringing together of retained knowledge and expertise under a single team strengthens resilience for individual authorities, enabling a collaborative approach to fraud investigations and introduces the ability to undertake regional proactive counter fraud exercises. Individual partner authorities retain responsibility for ensuring that its affairs are managed in accordance with proper standards of financial conduct and for preventing and detecting fraud and corruption.
4. For 2017/18 the SWLFP investigation team comprises 14.5 posts, with a mixture of expertise from both within and outside local government. 12 officers hold relevant Accredited Counter Fraud Specialist qualifications. The SWLFP has the ability to deploy flexible resources with knowledge and experience to provide coverage across a range of counter-fraud activities.
5. Priority areas of coverage for individual partner Councils are agreed through consultation with the Heads of Audit. SWLFP continues to work with social landlords via the Social Housing Investigation Partnership (SHIP), a forum that is accessible to social housing providers who have property within at least one of the fraud partnership authorities. Partnership working provides a sound framework to help identify and respond to tenancy fraud and abuse. This has resulted in the recovery of misused tenancies which can be assigned to those in genuine eligible need thus reducing the call upon temporary housing provided by local authorities.

SUMMARY OF FRAUD INVESTIGATION AND PERFORMANCE RESULTS

6. The Tables below summarise the fraud work undertaken for Kingston Council during 2018/19. Table 1 below provides a breakdown of the 244 fraud/abuse (148 new cases, with 96 cases c/f from 2017/18) referrals that have been worked on since April 2018.

Table 1: Investigation Caseloads

2018/19 - to 30/09/18	Open Cases b/fwd	New Cases in Year	Total Cases (17/18 in bracket)	Closed No Sanction	Closed With Sanction	Open Cases c/fwd
Tenancy Fraud	18	34	52 (76)	31	10	11
Housing Applications	0	27	27 (44)	1	25	1
Right to Buy	17	16	33 (38)	14	9	10
Permit Fraud	0	15	15 (15)	8	2	5
Internal/Employee	5	1	6 (10)	3	1	2
External – CTR/SPD	52	48	100 (121)	63	16	21
External - Other	4	7	11 (n/a)	2	3	6
Totals	96	148	244 (276)	67	19	78

7. The number of referrals received is a reflection of the effectiveness of the implementation of the Council's Anti-Fraud and Anti-Corruption Strategy. This indicates a reasonable level of general fraud awareness by officers across all the Council's departments.
8. **Objectives and Key Performance Indicators 2018/19:** Details of performance against key objectives and performance targets in relation to fraud are shown in the tables 2 to 4 below.

Table 2: Performance against Service Plan targets for 2018/19

Activity	Performance Indicator	Target	Actual @ end of September 2018
Work with Housing Associations and Housing teams to establish and deliver a programme of proactive fraud checks including illegal subletting	Properties brought back into Housing Associations/ Council control following identification of fraud	14 properties	10 (+ 2 properties where recovery is pending, with notices issued and/or cases with legal)
Develop joint working with Housing teams to proactively identify housing fraud	Housing applications withdrawn as a result of fraud work	20 applications	25 applications cancelled
Delivery of the Fraud Plan	% delivery	100% delivery by 31 st March 2018	89.66% (Two vacant posts being held for the Fraud Apprenticeship Scheme. Expected in 2019/20)

Table 3: Summary of savings (comparison with 2017/18 & 2016/17)

* notional savings figures as per Audit Commission estimates	2018/19 to Sept '18 £	2017/18 £	2016/17 £
Social Housing (notional @ £18k per property recovered*)	180,000 (10 props)	180,000 (10 prop)	180,000 (10 prop)
Housing applications cancelled (notional £6k per application cancelled)	150,000 (25 apps)	258,000 (43 apps)	90,000 (15 apps)
Right to buy (notional @ £100k discount)	900,000 (9 apps)	1,200,000 (12 apps)	1,700,000 (17 apps)
Outstanding debts recovered	2,941	n/a	17,000
Permit Fraud e.g. Blue Badges (incl. notional @ £500 per case)	1,000	1,830	1,500
School Admissions (£6,000 per placement)	12,000	0	6,000
Internal (notional £10k per case*)	10,000	20,000	10,000
Corporate Sanctions – CTRs	20,637	74,735	34,954
Revenues SPD Review	193,000	257,000	194,000
Total Savings	1,469,578	1,991,565	2,214,454

Table 4: Summary of Sanctions

	2018/19 To Sept'18	2017/18	2016/17
Total number of social housing properties recovered	10	10	10
Housing Applications cancelled	25	44 #	15
RTB Applications withdrawn	9	12	17
Corporate Sanctions			
- Council Tax	16	15	10
- Parking Permit Fraud	2	3	3
- Employee/Disciplinary	1	2	4
- Other	3		
Total Sanctions	69	79	59

Results achieved following a one-off pro-active fraud drive involving data-matching

9. **Closed Investigations:** Annex 1 provides a brief summary of the completed investigations into fraud and financial irregularity that have resulted in a sanctioned outcome. The variety of the type of referrals received are a reflection of the effectiveness of the implementation of the Council's Anti-Fraud and Anti-Corruption Strategy and indicates a reasonable level of general fraud awareness by officers across all the Council's departments.
10. It should be noted that a number of investigations are currently ongoing or are awaiting prosecution. These will have a future impact on sanction and overpayment figures.

REGULATION OF INVESTIGATORY POWERS ACT (RIPA)

11. The Regulation of Investigatory Powers Act 2000 (RIPA) sets out the circumstances in which councils may instigate covert surveillance activity in order to obtain private information about an individual. The ability to use surveillance is an essential investigation tool and can be the only pragmatic method for securing sufficient evidence of suspected offences to enable sanctions or prosecution, where necessary.
12. Where offences do not attract the potential sentence of 6 months or more of imprisonment, surveillance can still be undertaken but it is no longer possible to obtain the full RIPA shield. This includes the investigation of offences such as the misuse of a disabled person's Blue Badge (an offence under Section 117 of the Road Traffic Regulations Act 1984). In such instances the full RIPA process is followed to demonstrate full consideration of the necessity and proportionality for the need to deploy surveillance but without the final approval stage from a justice of the peace. These are classified as Non RIPA applications.
13. Oversight and authorisation of full RIPA applications is undertaken by a designated RIPA authorisation officer from Kingston and oversight and authorisation of a Non RIPA application is undertaken by the Head of the SWLFP. A summary of RIPA and Non RIPA applications made since 1st April 2016 is shown in Table 7 below.

Table 7: Summary RIPA and Non RIPA applications

	2018/19	2017/18	2016/17
Full RIPA applications	1	Nil	Nil
Non RIPA applications	1	4*	2*

* All Non RIPA applications were in relation to suspected Blue Badge misuse under Section 117 of the Road Traffic Regulations Act 1984

FRAUD PREVENTION AND DETECTION

14. **London Counter Fraud Hub (LCFH):** Whilst London Councils have a good record in investigating fraud and in collaboration to counter and prevent fraud there is always the need to respond to technological developments as innovation is as important in fighting fraud as any area of council activity to keep ahead of fraudsters and prevent resources being taken away from delivering services to those who need them.
15. The principles for maximising collaborative and smarter working through data sharing are behind the development of the LCFH. This hub is intended to provide a powerful fraud detection solution, combining advanced data matching with intelligent analytics and local government counter fraud expertise. As is common with most new initiatives there are some initial costs and resource implications to ensure that the Council can benefit from participation within the LCFH.
16. The hub's development has passed the initial proof of concept stage, and further functionality testing is being undertaken by four pilot authorities. Once completed it will be offered to all London Councils. Unlike the NFI it does not have a statutory basis that requires all authorities to provide their data so will require a decision from each Council. This will be an invest to save scheme, with Councils' able to offset the initial additional resource input against future cashable savings.
17. **National Fraud Initiative (NFI) 2018:** The NFI, which started in 1996, continues to prove an effective tool for detecting and preventing fraud and error across the UK. Analysis of the financial outcomes from the most recent NFI 2016/17 data matching exercise shows that the NFI exceeded its highest level of fraud, error and overpayments achieved in any two-year reporting period since it began in 1996. Cumulatively the NFI has now enabled participants to prevent and detect fraud and overpayments totalling £1.69 billion.
18. Participation is mandatory with all local authorities providing datasets for the NFI, Part 6 of the Local Audit and Accountability Act (LAAA) 2014. The SWLFP coordinate the submission of the required datasets, during October and November, and distributing matches to front line service teams. Where fraud is suspected cases are referred back to the SWLFP for investigation.
19. **On-line Fraud Awareness Training:** An on-line fraud awareness training package, aligned to Kingston's policies and procedures, has been made available to all officers to increase awareness and understanding of fraud and to who suspicions of fraud or irregularity should be reported. With continual changes in staffing and staff roles regular reminders on fraud awareness helps support and robustly maintain the Council's Anti-Fraud and Anti-Corruption Strategy and Culture.

LOCAL GOVERNMENT TRANSPARENCY CODE

20. Under the code the Council is required to publish the following data regarding its Fraud Investigation activity. Listed below are 2018/19 figures to 30 September (with 2017/18 comparative figures shown within brackets)

- Accredited number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers

	18/19	(17/18)
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Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014	12	(8)
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The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013	3	(14)
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- Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud

	Absolute	FTE
Fraud Investigation - SWLFP #	15 (15)	14.5 (14.5)

- Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists

PINS trained Fraud Specialist	7 (6)	7.0 (6.0)
CIPFA Certificate in Investigative Practices	1 (2)	1.0 (2.0)
CIPFA Accredited Counter Fraud Specialist	4 (4)	4.0 (4.0)

- Total amount spent by the authority on investigation and fraud prevention

	18/19	(17/18)
Fraud Partnership	£143.8k	£140.9k

- Total number of fraud cases investigated.

Housing/Tenancy related Investigations	79	123
Right to Buy	33	38
Permit Fraud Investigation	15	15
Other Investigations	117	131
TOTAL	244	276

21. To ensure that sufficient knowledge and capability for fraud investigation was maintained Kingston entered into a partnership with four neighbouring boroughs, the SWLFP. For 2018/19, the number of Fraud Investigation Officers and Officers with specialist fraud qualifications relates to the pool of officers within the SWLFP # that

can be called upon although Kingston's funding contribution equates to 2.375FTE investigators.

CONCLUSION

22. The use of technology and ongoing improvements to accessing key systems, intelligence sources and records, has meant that the fraud response capability has been able to manage and address the increase in reported fraud referrals. As most referrals are received from in-house teams, this is a good indication that a responsible level of fraud awareness exists across all Council staff supported by the Council's Anti-Fraud and Anti-Corruption Strategy and culture.
23. The Council has made suitable provision for the investigation and prevention of fraud and corruption.

Background papers – held by the Authors of this report:

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Alix Wilson – Head of the South West London Audit Partnership (SWLAP) Tel: 020 8547 5125, e-mail: alix.wilson@richmondandwandsworth.gov.uk

Glossary

CIPFA	Chartered Institute of Public Finance and Accountancy		
CTR	Council Tax Reduction	DWP	Department for Work and Pensions
FTE	Full Time Equivalent	LAAA	Local Audit and Accountability Act
LCFH	London Counter Fraud Hub	NFI	National Fraud Initiative
PINS	Professionalism IN Security	RIPA	Regulatory of Investigators Powers Act
RTB	Right to Buy	SHIP	Social Housing Investigative Partnership
SPD	Single Person Discount	SWLFP	South West London Fraud Partnership

FRAUD, CORRUPTION AND FINANCIAL IRREGULARITIES – RESULTS OF CASES CLOSED 2018/19

Offence/irregularity, sanctions and redress	Key outstanding actions
<p>Tenancy:</p> <p>1. (0668) Suspected subletting: Referred by housing with concerns that tenant has moved away and left adult son in property. Investigation checks and out of hours visits confirmed tenant's links to West Sussex where she has a joint tenancy with her partner and is registered for council tax. Further investigations found a subtenant, not a relative, had been recently evicted and a witness statement was taken confirming tenant did not reside in the property. Notices served but no contact from tenant. Following lengthy legal proceedings vacant possession was obtained and property released for others in need of social housing.</p>	None
<p>2. (2768) False succession claim: Referral from housing with concerns over whether applicant met the succession criteria. Applicant claimed to be tenant's partner. Investigations carried, but partner had no link to the address, they were not declared on the tenant's HB claim and SPD was in place on the council tax account. Notices served and following further legal action the court awarded possession to the Council and property was released for others in need of social housing.</p>	None
<p>3. (2915) Suspected subletting: Referred by housing with concerns that tenant is not living in the property and is subletting his one bedroomed property. Credit checks carried out which confirmed other names linked to the property. Early morning visit found a male, not the tenant, in occupation who said he was decorating the property. On leaving a neighbour mentioned that two women lived in the property and both had left for work that morning. Information passed back to housing who served Notices on the tenant and subtenants. Following further legal action the court awarded possession to the Council and property was released for others in need of social housing.</p>	None
<p>4. (3578) Suspected abandonment: Referred by PA Housing as no contact with tenant and post had not been collected from the communal post box and rent arrears were accumulating. Visits undertaken whilst no response achieved there was evidence that someone may have entered the property. Information received that tenant has an Australian passport. Background checks undertaken but no evidence of others linked to the property and no alternative address for the tenant obtained. Notice served with no response and following further legal action vacant possession obtained and property was released for others in need of social housing.</p>	None

Offence/irregularity, sanctions and redress	Key outstanding actions
5. (3633) Suspected Abandonment: Referred by housing management suspecting that tenant had moved away. Investigation enquiries confirmed an address in Humberside supported by financial spend activity in that area. Property visited and a male who claimed to be the tenant's son seen. He claimed to live there with the tenant who was away visiting sick relatives in Leeds. Tenant requested to attend for formal interview during which they claimed that they were looking after sick relatives but acknowledge they did not intend to return so returned the property which was released for others in need of social housing.	None
Offence/irregularity, sanctions and redress	Key outstanding actions
6. (3984) False succession claim: Referred by housing, tenant's son applied for succession stating he had been resident for relevant period of time. Investigations identified that he had been registered at other addresses and did not meet the eligibility requirement. Once the evidence was seen by the applicant he withdrew his claim. Property recovered and released for others in need of social housing.	None
7. (4033) Subletting: Referral from Housing. Allegation of abandonment with reported drug usage/dealing at property by third parties. Investigation identified sub-letting of property. Via Gum Tree, and during investigation tenant was arrested, and jailed, for drug dealing. Property recovered.	None
8. (4331) Abandonment: Allegation of abandonment, but initial attempts to contact tenant resulted in daughter claiming her mother was staying with her while she recovered from a broken wrist. Checks established that tenant has returned to Iraq, and had been out of country for a year. Housing Benefit cancelled and property recovered.	None
9. (4519) False Succession: Following death of tenant, son tried claiming succession to property. Investigation identified that that son had not been living at property, but at an address in Wimbledon for last 3 years. Succession denied and property recovered.	None
10. (4970) Abandonment: Notification received from HB team that they had been advised that tenant had been moved into a rehab centre in Wales and would be there for 12-18 months. Checks carried out confirmed this and NTQ documentation was completed. Property recovered.	None
Right to Buy: 11. During April 33 RTB applications have been reviewed. Priority is given to applications where the tenants are receiving Housing Benefit. Following intervention, including visits,	The SWLFP continues to review right to buy applications referred and carry out visits or

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Offence/irregularity, sanctions and redress	Key outstanding actions
<p>14 referrals have been closed with no further action required and 9 referrals have been closed with the applicants withdrawing their RTB application (3143, 3414, 3492, 3676, 3870, 3871, 4149, 4383 & 4567). Work is ongoing for the remaining 10 referrals, with applicants' details being cross-checked with other Council systems and visits being arranged where needed.</p>	<p>interviews with applicants to help validate their application</p>
<p>Corporate Internal</p> <p>12. (1138) Employee, false timesheets: Management referral as a sessional worker suspected of submitting inflated timesheets. Investigation confirmed instances of inflated timesheets and officer requested to attend a formal interview. At interview, whilst initially denying that timesheets had been inflated, when confronted with evidence obtained, they accepted that there had been occasions where times claimed were incorrect. Being a sessional worker call upon their service was ended. Case considered for further action but unable to progress as officer moved with no forwarding details.</p> <p>13. (3609) Possible abuse of a position: Officer sought a placement for a relative who was later confirmed as not being RBK's responsibility. Council accepted that the officer only acted in the best interest of the relative so no further action taken. Placement cost is being confirmed and will be recharged.</p> <p>14. (3924) Agency Worker False Representation: It has been identified that the subject has failed to declare previous convictions for fraud and had produced a forged letter of reference whilst applying for employment. The worker's contract was terminated, and the matter was reported to the Police. SWLFP await the Police decision and the matter is still ongoing terminated.</p>	<p>None</p> <p>None</p> <p>None</p>
<p>Corporate External</p> <p>15. CTR and SPD Fraud and Abuse: During 2018/19 the SWLFP have reviewed 100 applications for CTR and/or SPD where there has been suspicions that claimants have made false statements or withheld material information to secure a benefit or discount that they would not be entitled to. Where other national benefits are involved case are offered for joint working with the DWP. Following investigations, 63 referrals have been closed with no further action required and 16 referrals (0773, 0935, 3311, 3451, 3514, 3562, 3645, 3568, 3883, 3949, 3951, 3971, 4322, 4511, 4785 & 4920) have been closed with the</p>	<p>None</p>

Offence/irregularity, sanctions and redress	Key outstanding actions
<p>claimants benefit or discount being withdraw and arrangements put in place to recover amounts owed totalling £20,637. In one instance the claimant was issued with an administrative penalty in addition to having to repay the value of discount received that they were not entitled to. 21 referrals are still being examined.</p>	None
<p>16. (4271) Freedom Pass: Referral from another local authority fraud team raising a concern over potential misuse of a Kingston issued Freedom Pass. Investigation confirmed that the holder of the Freedom Pass was a former borough resident but had moved away so should have surrendered the pass and applied for a new one from the borough that they now reside within. The pass was recovered and cancelled.</p>	None
<p>17. (4761) Blue Badge Misuse: During pro-active drive to identify Blue Badge abuse, a vehicle was seen arriving and parking near Town Hall. Driver, and sole occupant of vehicle, displayed no signs of disability and upon return to vehicle the driver was challenged. Badge identified as being issued to driver's wife. Badge seized and driver cautioned.</p>	None
<p>18. (4159, 4710) Schools Admissions: Two cases of individuals using other family members addresses to try and gain school places for their children at preferred schools. Investigations identified true home addresses of individuals and applications rejected and children placed in schools within the catchment area of their actual home address.</p>	None

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Glossary

CTR	Council Tax Reduction	DWP	Department for Work and Pensions
HB	Housing Benefit	PA	Paragon and Area Housing
RBK	Royal Borough of Kingston	RTB	Right to Buy
SPD	Single Person Discount	SWLFP	South West London Fraud Partnership

Audit, Governance and Standards Committee

2 May 2019

LONDON COUNTER FRAUD HUB

Report by the Head of the South West London Fraud Partnership

Purpose

The report outlines the fraud prevention and detection opportunities that fraud hub membership brings, and an indication of the additional resources needed to realise the benefits from being a member. The London Counter Fraud Hub (LCFH) seeks to enhance fraud prevention and detection through the application of smart data analytics and improved collaborative working.

Recommendation

The Committee is recommended to note this report which outlines the proposals for utilizing smart data analytics as a fraud prevention measure under the remit of the London Counter Fraud Hub

SUMMARY

1. London Councils have a good record in investigating fraud and with collaborating with others to enhance fraud prevention and detection but there is always the need to respond to technological developments. Innovation is important to fighting fraud, especially at a time of finite resources, and the use of smart analytics can improve the Council's ability to tackle fraudsters thus prevent resources being taken away from delivering services to those who need them.
2. The principles for maximising collaborative and smarter working through data sharing are behind the creation of the LCFH. This hub is intended to provide a powerful fraud detection solution, combining advanced data matching with intelligent analytics and local government counter fraud expertise.
3. The hub has passed the initial proof of concept stage, with the involvement of four pilot authorities, and is being prepared for roll out to all London Councils. Unlike the National Fraud Initiative (NFI) it does not have a statutory basis that requires all authorities to provide their data, so decision on whether to become a member of the hub is required from each Council.

4. This report outlines the fraud prevention and detection opportunities that fraud hub membership brings, and an indication of the additional resources needed to realise the benefits from being a member.

BACKGROUND

5. The Local Government Fighting Fraud and Corruption Locally strategy (2016-2019) is based upon three core values, Acknowledge, Prevent, and Pursue, where:
- **Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
 - **Prevent:** preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
 - **Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.
6. Local authorities continue to face a significant fraud challenge and at a time when resources are becoming ever more scarce, all of us involved in delivering local public services are looking at ways of maximising the return on the time and resource invested. Acknowledging the risk of fraud and committing resources to tackle it through taking steps to prevent fraud and pursuing offenders is part of the answer. In 2014 the Audit Commission estimated that fraud costs local authorities over £2.1bn a year, broken down into the following areas (these figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss):

Housing Tenancy Fraud	£845m
Procurement Fraud	£876m
Payroll Fraud	£154m
Council Tax Fraud	£133m
Blue Badge Scheme Misuse	£46m
Grant Fraud	£35m
Pension Fraud	£7m

7. Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a need to maintain a tough stance against fraud. This includes tackling cross boundary and organised fraud and corruption attempts, as well as addressing new risks and utilising technology to detect and prevent fraud.

Data sharing to detect and prevent fraud:

8. For many years local authorities have funded and participated in the National Fraud Initiative (NFI); a periodic data matching exercise that identifies potential fraud cases for local authorities to investigate. Whilst successful NFI only occurs every two years, leaving local authorities pursuing further opportunities to use their data to prevent and detect fraud, to take advantage of changes in technology and to take advantage of an appetite of other organisations willing to collaborate.
9. London Councils have a good record in investigating fraud and in collaboration to counter and prevent fraud but now need to respond to technological developments as innovation is as important in fighting fraud as any area of council activity to keep ahead of fraudsters and prevent resources being taken away from delivering services to those who need them.

Using data analytics to detect and prevent fraud:

10. These include advanced data analytics, having an availability to include third party data whilst addressing new fraud risks associated with the channel shift within local authorities towards increased online customer contact. Funding for the procurement of a London Counter Fraud Hub (LCFH) came from a grant awarded to the London Borough of Ealing (the lead authority) by the (then) Department for Communities and Local Government (£430,400). In 2015 Kingston signed a Memorandum of Understanding, signed by all London local authorities, making a non-binding commitment to the project.
11. Following a detailed specification and competitive procurement exercise, LB Ealing let a nine-year contract (December 2016) to CIPFA to operate the hub. This hub is intended to provide a powerful fraud detection and prevention solution, combining advanced data matching with intelligent analytics and local government counter fraud expertise. The enhanced data analytics have been designed to reduce the number of false positives associated with traditional data matching exercises resulting in more focused cases of high risk fraud being highlighted for investigation.
12. The core service consists of a data integration and analytics solutions which facilitate data sharing and risk analysis, combining multiple data sources to create richer data sets for detecting multiple fraud types whilst building a picture of potential fraud, the entities involved and a network of their relationships. The intended solution will provide a comprehensive holistic view of identified risks to assist investigators with rapid referral triage and decision making. It has the potential to include automated detection and alert generation that can be embedded into Council business processes to enable maximum exploitation of the capability for fraud detection and prevention.

13. Initially the hub will tackle three fraud types, single person discount (SPD), tenancy fraud, and business rate but it is intended that this will be expanded during the life of the contract to address all significant fraud risk to Councils. As with all new initiatives this is likely to generate a significant volume of smart referral in the first instance which will reduce to a more manageable level over time. New fraud match types will be rolled out to ensure the hub remains an effective fraud detection and prevention tool.
14. The hub passed the initial proof of concept stage, having successfully concluded with all minimum contract standards achieved with the four initial pilot authorities (Camden, Croydon, Ealing and Islington) and is ready to be rolled out across all London Councils, a copy of the pilot evaluation report has been circulated to all London Councils Finance Directors. Testing carried out by the 4 pilot authorities suggest that if all 33 boroughs were to sign up, in the first year of operation London would save a net £15m (worst case) to £30m (best case) and recover circa. 1,500 council homes that are currently illegally sub-let.
15. In order to move forward to the next stage, and as planned within the initial tender, the hub provider (CIPFA) now need to formally obtain commitments from Council that will join the service.

Fraud risks addressed by the hub:

16. The national strategy for councils on fighting fraud, 'Fighting Fraud and Corruption Locally' recommends the use of data analytics as a tool for detecting and preventing fraud. Councils are vulnerable to fraudsters claiming discounts on services and local taxation that they are not entitled to, and fraudsters are constantly revising and sharpening their techniques meaning local authorities need to do the same. Taking a tougher stance against fraudsters includes using technology to tackle cross boundary and organised fraud and corruption attempts, as well as addressing new risks. The hub has been developed to provide a response to the current and future threat of losses from fraud. The pilot focussed on three types of fraud perpetrated against councils: council tax single person discount fraud, business rates fraud, and council housing fraud.
17. The hub serves to increase the local tax base by removing fraudulently claimed discounts and reliefs (e.g. single person discount on council tax, small business rate relief), and, for business rates, additionally identifying property not yet in rating. Kingston Council already successfully delivers counter fraud work in relation to these areas, with details reported to this Committee. The hub has been designed to provide a further source of leads to follow up, leading in turn to the identification of more Fraud.

Invest to Save:

18. As is common with most new initiatives there are some initial costs and resource implications to ensure that the Council can benefit from participation within the LCFH. The proposed model is based upon an invest to save scheme, with Council's able to offset the initial additional resource input against future cashable savings.
19. To benefit from joining, some additional review and investigation resources will be required to manage this initial surge in referral output, until the real time matching and volume of referrals falls to a manageable level. Where Councils' are unable to provide this additional resource, under the contract, CIPFA offer an investigation service based upon a fixed fee charge per fraud investigation.

LCFH Membership - cost and responsibilities:

20. The investment in technology was financed with private sector risk capital, and almost certainly could never have been achieved if councils had been asked to provide the capital themselves. However, to make the arrangement commercially viable, 26 of the 33 local authorities in London need to join. It is anticipated that the hub will expand over time to include authorities bordering London, housing associations and other public sector bodies. The project has a profile with Cabinet Office and MHCLG and is an opportunity to demonstrate that London is delivering data sharing and collaboration.
21. To become a LCFH Member, each Council's is required to pay a one-off on-boarding fee of £75k, an annual subscription fee of £70k and are requested to sign a Deed of Adherence to the LB Ealing contract with CIPFA. There will be a reduction in the annual subscription fee, still to be confirmed, for Council's without a Housing Revenue Account (HRA).
22. The initial contract was let for nine-years so Councils will be signing up for the remainder of the contract, for seven-years commencing 1st April 2019. The intention is that membership of the LCFH and the investigation of the hub output will not cost Councils as membership and investigation resource inputs can be accrued and offset against future fraud savings once realised.
23. The contract contains an exclusivity clause that will prevent Councils from entering into new data-matching agreements but will not require them to terminate any pre-existing data matching contracts. This is to support a co-ordinated approach to using data matching technology and data analytics to identify and prevent other existing fraud risks and to tackle new emerging fraud risks. It would however restrict any small local third party or small business from providing new fraud risk data-matching initiatives.
24. Council's will be required to provide the requested data-sets on a regular basis. For the initial three fraud types, seven data-sets have been requested and once fully on-boarded it is intended that these will be provided monthly.

Additional resource input and return on investment (ROI):

25. CIPFA and the London Borough of Ealing have developed value for money (VFM) forecasts, based around information that Councils provide through statistical returns and the expected outputs extrapolated from the four pilot Councils results obtained during the proof of concept stage. The forecast provides a ROI that is based around assumed savings as a percentage of the cost LCFH membership and additional investigated resource. The VFM forecast provide a best and worst case scenario, in terms of the expected hub referral outputs, see Table 1 below.

Table 1: Hub referral outputs, worst and best case scenario

	Council Tax (SPD)		Housing - Tenancy		Business Rates	
	Worst	Best	Worst	Best	Charities	SBR*
KINGSTON	193	787	18	30	0.8	20
Merton	230	939	0	0	1.3	21
Richmond	250	1,021	0	0	1.4	24
Sutton	276	1,125	23	38	0.7	21
Wandsworth	447	1,825	65	109	1.6	32
TOTAL	1,396	5,697	106	177	5.8	118

26. Table 2 below provides details on the return on investment for each Council within the Shared Fraud Partnership. Investigation costs assume that all SPD matches will go direct to and be dealt with by the Council Tax Revenue Teams and that the investigations for the Housing Tenancy and Business Rate referrals will be undertaken by the Shared Fraud Partnership. This allows for efficiency savings in the management and supervision of investigations.

Table 2: Year-1 ROI for smart referrals for the five Councils included within the South West London Fraud Partnership

	Worst Case				Best Case			
	Estimate savings £ (A)	Investigation & Hub Costs £ (B)	Residual Savings £ (C = A-B)	ROI % (C/B)	Estimate savings £ (D)	Investigation & Hub Costs £ (E)	Residual savings £ (F=D-E)	ROI % (F/E)
Kingston	271,793	133,522	138,271	103.6%	600,596	149,854	450,742	300.8%
Merton *	174,452	97,065	77,387	79.7%	426,208	97,065	329,143	339.1%
Richmond *	209,437	101,284	108,153	106.8%	525,149	101,284	423,865	418.5%
Sutton	264,137	141,552	122,585	86.6%	634,975	161,967	473,008	292.0%
Wandsworth	539,994	214,910	325,084	151.3%	990,296	274,794	715,502	260.4%
TOTAL	1,459,813	688,333	771,480	112.1%	3,177,224	784,964	2,392,260	304.8%

NB * Estimate £14,000 annual subscription deduction for Councils without HRAs, exact reduction still to be confirmed.

27. Council Tax – SPD: The savings estimates take account of the impact of differing council tax charges by each authority and include an assumption that the bulk of the additional staffing resource will be met by existing council tax revenue teams with no call upon the Shared Fraud Partnership. However, like most new initiatives the savings achieved from the first-year matches are likely to be higher than those obtained in future years.
28. Housing and Business Rates (NNDR): To realise savings from the Housing and Business Rate matches some additional investigation resource will be required. It is envisaged that the additional investigation resource can be mostly delivered through the recruitment of Fraud Investigator Apprentices, on two-year fixed term contract, but these will need to be supported by experienced Fraud Investigation Officers drawn from the existing pool of investigators and partnership funding. Alternative referral investigation costs are available under the LCFH contract, by fraud type and per referral, and details of these costs are provided separately as background information . However, these costs are significantly higher when compared to utilising an enhanced in-house Shared Fraud Partnership resource.
29. Other costs: Other, as yet to be quantified, costs include: the monthly provision of the requested data-sets (these should be minimal once correct extract script are agreed); and the cost of collection as some cases might require legal action to secure sanction outcomes.

Governance Arrangements:

30. The London Borough of Ealing hosts the contract management team, which is funded through a contract mechanism that top-slices revenues from the contractor's charges. The competitive dialogue procurement procedure conducted by the London Borough of Ealing complied with the Public Contracts Regulations 2015 (as amended) (PCR 2015) and Ealing's Contract Procedure Rules were followed.
31. Regulation 38 of the PCR 2015 permits contracting authorities such as the London Borough of Ealing to jointly procure services and on behalf of other named contracting authorities. Kingston Council was one of those named parties. The contract was let as a single contract, as opposed to a framework agreement (which would have been limited in its length), and the council can join the Agreement with the provider through a Deed of Adherence.
32. The contract is for a period of 7 years effective with no options to extend. The hub has been set up and operated in a manner that is compliant with the General Data Protection Regulation 2018 and the Data Protection Act 2018. There is no allowance within the current subscription model for new fraud type development funding. Any development will be subject to further agreement with the contractor and may be subject to additional charges.

33. The hub will be operated by CIPFA, who won the contract successfully through competitive tender, under the direction of an:
- Oversight Board - made up of 4 Finance Directors from selected participating authorities;
 - Independence Panel - made up of 8 representatives from participating councils' fraud and investigation teams; and
 - Stakeholder Board - with 1 representative from all participating authorities.
34. The Oversight Board, which currently consists of Finance Directors from the four pilot authorities, has been established with the purpose of reporting on the effectiveness of the hub and providing a joined-up approach between the lead authority, London Borough of Ealing, and other local authority stakeholders, and the wider stakeholder pool affected by the implementation of the hub.
35. Joining the LCFH is through a Deed of Adherence, which is also signed by CIPFA and the lead Authority. Once the Deed of Adherence has been entered into the Council becomes a party to the Agreement.
36. Termination rights can be exercised if the level of performance of the contractor, during the contract period, is below service delivery expectation in respect of any Key Performance Indicators (KPIs). The KPIs are currently being refined, to be agreed by a special working group within the Society of London Treasurers (SLT), and in addition, a process for councils to receive subscription credits should the hub match outputs fail to meet the expected volumes.
37. The planned approach has been for an incremental roll-out of the solution across all the London boroughs. This provides an opportunity to iron out any implementation issues before most boroughs join the hub. It will also serve to manage the capacity of the provider for on-boarding all the London Boroughs as effectively as possible.
38. Data quality is a key factor in the success of the hub, and it is recognised that, as with all data matching exercises, this will be a potential limitation to the success of the project. However, the feedback provided will enable councils to improve their own data quality, and so in turn will lead to more accurate identification of potentially fraudulent activity as well as ancillary improvements to other services.
39. It will be critical that the hub can provide an effective and prioritised list of potential leads. If it cannot then considerable resources will be spent following up cases that do not contain any fraud, and whilst an element of this is inevitable with any data matching tool, their success depends on getting this prioritisation right. LB Ealing, as the lead authority, considers this risk to be low level as the product has been tested by the pilot authorities and demonstrated to meet the necessary performance standards as well as meeting data security requirements.

Future Developments and Potential Benefits:

40. Most new fraud initiatives will have the greatest impact within the first-year of operation as match results will identify historic as well as current potential fraud cases. The hub model includes the development of additional fraud match types so as fraud identification from one fraud type is exhausted it can be removed and replaced by a new fraud match type. Changes to fraud match types will be subject to approval by the Oversight Board and may have an impact upon the annual subscription rate.
41. The success and accuracy of the hub output is linked to the quality and accuracy of the source data-sets. Working through the hub matches will provide Councils with an opportunity to cleanse and improve the quality and accuracy of their data-sets which may assist with future decisions around service delivery in addition to better focused fraud match outputs.
42. The need to be able to verify residents' and clients' on-line identity is becoming more important as access to Council services is increasingly via an on-line portal. The LCFH has the potential to the need to provide a verification tool and an application checker for several council services which should enable Councils' to achieve resource savings through removal of some initial application checking control processes such as housing, right to buy, as the smart data analytics will provide these functions.

Current Fraud Resource:

43. Kingston Council has a good record for fraud detection and fraud prevention. It has been part of a shared fraud investigation service, the SWLFP, for over three years who during this time, across the partnership, have investigated 4,192 cases and achieved 1,123 (26.8%) sanctions. This is a slightly above 1 in 4 return on cases investigated and represents a substantial positive return on resources applied.

CONCLUSIONS

44. The results from the VFM forecast (refer Table 2) provides indications of positive returns on investment at both the best and worst case hub output forecasts. These calculations are based upon the assumptions provided by CIPFA and LB Ealing as to the likely volume of positive smart referrals and forecast savings, and that all savings will be realised. In reality it would be unrealistic to expect that 100% of savings will be recovered. Using the figure shown in Table 2 above, Kingston would be required to achieve a 51% recovery rate on year-1 savings estimates from the worst case hub output scenario to achieve breakeven.
45. The LCFH, unlike NFI, will not have the statutory basis that requires all authorities to provide data, but the strength of any fraud hub is directly linked to the number of participants and becomes diluted where differing fraud hubs enter into competition with each other. Similar initiatives exist within the private sector for areas such as insurance and banking, but these took considerable time to achieve the necessary buy-in from the various financial institutions.

46. Whilst there are significant advantages of being part of a London fraud hub, the exclusivity clause and the length of contract (seven years) without the option for a break clause could potentially inhibit further technical developments in combating fraud as some small niche external providers usually develop their fraud detection products with individual Councils. The hub's development of new analytics across differing fraud types will be linked to common fraud risks which whilst similar across London, may not proceed at a pace desired by any individual Council.
47. In the absence of a break clause, the Council will be reliant upon the robust nature of the KPIs designed to ensure the contractor performs satisfactorily, delivering the forecast volumes of smart fraud matches. However, these KPIs are still being finalised and any decision for joining the LCFH will be subject to the Director of Corporate and Commercial satisfaction that these measures are suitable to protect the Council's interests.

IMPACTS AND IMPLICATIONS

Financial:

48. The cost of membership of the LCFH will be £70k per annum (for a period of seven-years) plus one-off on-boarding payment of £75k. The additional first full year investigation costs to process the increase in smart fraud referrals is likely to be in the region of £54k, if additional resources are applied to the shared fraud partnership, rising to £194k if investigations are to be undertaken by CIPFA (based upon a mid-point, worst to best, smart referral output for Housing and a 75% success rate for Business Rate matches). The engagement of additional investigative resource would be rolled out proportionately in relation to the number of smart referrals generated by the fraud hub.
49. The investigation and subscription costs can be offset against future savings that will accrue from the additional fraud recovery savings envisaged through the identification of smart fraud referrals. Costs associated with the detection, investigation and recovery of housing tenancies can be charged to the Housing Revenue Account (HRA) and costs associated with the detection, investigation and recovery of wrongly applied single person discounts and falsely claimed NNDR can be charged to the Collection Fund.

Legal:

50. Were the Council to proceed with hub membership legal advice on the contract and the Deed of Adherence would be sought.

Background papers – held by the Authors of this report:

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GLOSSARY

CIPFA	Chartered Institute of Public Finance and Accountancy
DCLG	Department Communities and Local Government (now MHCLG)
HRA	Housing Revenue Account
KPIs	Key Performance Indicators
LCFH	London Counter Fraud Hub
MHCLG	Ministry of Housing, Communities and Local Government
NCA	National Crime Agency
NFI	National Fraud Initiative
NNDR	National Non Domestic Rate
PCR	Procurement Contract Regulations
ROI	Return on Investment
SBR	Small Business Relief
SPD	Single Person Discount
SLT	Society of London Treasurers
SWLFP	South West London Fraud Partnership
VFM	Value for Money