Digital Innovation & Efficiency Committee

Report title:	Counter Fraud Hub
Date of meeting:	14 November 2018
Responsible Chief Officer:	Simon George – Executive Director, Finance and Commercial Services

Strategic Impact

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. Any money that a local authority loses to fraud reduces its capacity to support the community. Fraud and corruption are a drain on local authority resources and can also lead to reputational damage.

While it is difficult to quantify the precise value of fraudulent or erroneous public-sector expenditure and lost income across Norfolk it is in the order of millions of pounds every year.

The technological investment proposed in this report builds upon investigations into the scale of the problem and the possible solutions that have been under review since late 2017.

Executive Summary

In September 2017 Cipfa and BAE systems presented a summary of the London Counter Fraud Hub and discussed how a similar approach could be taken in Norfolk or even the East of England region.

Since then Norfolk County Council has been working with Cipfa to help clarify the extent of fraud and error on local government expenditure and lost income.

The council has also engaged Norfolk district & borough colleagues in reviewing the Cipfa / BAU system and services used in London to develop a proposed scope and cost for the county. With this is a benchmark for functionality and cost, a further soft market review has been undertaken which has recently identified a new Cabinet Office Fraud Hub system as a potentially compelling option for the County.

Due to the nature of the challenge, it is difficult to clearly and accurately state how much money is being lost across Norfolk due to fraud and error. However, it has been possible to review Norfolk fraud figures where they have been published and to consider national and regional figures provided by sources such as Cipfa (the public-sector accountancy institute) and the Cabinet Office.

Based upon the analysis of various reports and published data, it is proposed that the priority areas for a technological system are as follows:

1. Maximising Business Rates income.
2. Maximising Council Tax Collection, incorporating reduction of single person's discount cases where it is not justified.
3. Reduction in procurement fraud and error related to Social Care payments.

The county council maintains a revenue budget assigned to funding activities with Norfolk's districts and boroughs to maximise Council tax and business rates collection which could be used to fund the implementation of a county wide fraud hub.

Recommendations:

Digital Innovation & Efficiency Committee is recommended to:

1) **Direct officers to assess the suitability of the Cabinet Office NFI Fraud Hub system for Norfolk's needs and its financial benefit potential (in conjunction with district and borough colleagues).**
2) **Delegate authority to the Head of IMT in consultation with the chair and deputy chair of this committee, to implement the Cabinet Office System if the cost is less than £100k and has an expected return on investment of less than 3 years.**

1. Introduction

1.1. The Digital Innovation and Efficiency Committee are asked to consider the proposal to implement a regional fraud and error detection hub. This proposal is built upon learning gathered from the work carried out with London Boroughs, Cipfa and BAE systems. Subsequent Norfolk specific studies into local fraud & error related losses as well as soft market testing to find suitable systems were also incorporated. This work should be considered against the background of the government counter fraud and corruption strategy which is summarised below.

2. The local government counter fraud and corruption strategy 2016 - 2019

2.1. "Fighting Fraud and Corruption Locally" is the new counter fraud and corruption strategy for local government. It provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. By using this strategy local authorities will develop and maintain a culture in which fraud and corruption are understood to be unacceptable, understand their fraud risk and prevent fraud more effectively, use technology to improve their response, share information and resources more effectively to prevent and detect fraud loss, bring fraudsters account more quickly and efficiently, and improve the recovery of losses.

2.2. Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage.

2.3. Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tougher stance. This includes tackling cross boundary and organised fraud and corruption attempts, as well as addressing new risks. In addition to the scale of losses, there are further challenges arising from changes in the wider public-sector landscape including budget reductions, service remodelling and integration, and government policy

changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

3. The Proposed Business Case

3.1. The business case for Norfolk County Council will need to consider the scale of the financial opportunity against the cost to implement and resource the hub.

3.2. The initial scope of the system is on the following (a) reduction of expenditure on social care budgets where ineligible or over payments are made due to fraud or error (b) maximisation of council tax income through reduction of ineligible single person discounts (c) maximisation of business rates income through identification of new businesses and rateable assets.

3.3. The proposed system would be made available for use by Norfolk County Council, all Norfolk districts, boroughs and city councils along with Anglia Revenues Partnerships. All organisations have volunteered officer time to participate in workshops to assess potential solutions and have been very positive regarding the opportunities that a shared system, data and closer joint working could provide.

3.4. For NCC the emerging risk of adult social care fraud has grown year on year since the introduction of the Care Act in 2014 and currently sits at £5.6m nationally according to the Cipfa Fraud & Corruption tracker summary. The actual scale of this fraud is unknown due to a lack of capacity for detection work in this area locally and nationally.

3.5. The recent National Fraud Initiative (NFI) report, identified £0.5 million where LA's have not been informed when care home residents are deceased, this has led to overpayments being made and when those payments continue (fraud by failure to disclose). For NCC in the 2016 NFI exercise it was identified (across a sample data set) that there was an average overpayment to care homes of £2800 per service user. Although this is clawed back it was evident the council is dependent on the care home to inform them that the service user is deceased thus increasing the risk of fraud or error.

4. Recommendations

4.1. The Digital Innovation and Efficiency Committee are asked to approve the implementation of a counter fraud hub system for the county subject to the technical suitability of the proposed system and its expected return on investment.

5. Financial Implications

5.1. The cost of the proposed system appears to be well under £100k to implement and run for 1 year. It is proposed that this funding comes from the existing Council Tax and Business rates collection budget held by Norfolk County Council. Futures years expenditure would depend on the system proving itself within the first year.

6. Issues, risks and innovation

6.1. The usual data sharing and protection issues are negated in this case by the statutory use for counter fraud purposes.

6.2. Cyber security concerns are minimised through re-use of existing NFI related assets which are already in use by Norfolk local authorities.

6.3. Financial risks are minimised by the relatively low cost of the proposed solution and the short contract period for which commitment is required.

7. Background Papers

7.1. Background papers relevant to the preparation of this report are set out below.

7.2. www.gov.uk/government/publications/fighting-fraud-and-corruption-locally-2016-to-2019

7.3. https://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker

7.4. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/737146/National-Fraud-Initiative-Report-2018.pdf

8. Officer Contact

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