

# Counter fraud fund

## Application form

**Supporting local authorities to boost their capability and capacity in tackling non-benefit fraud.**

This form should be submitted to [foia@communities.gsi.gov.uk](mailto:foia@communities.gsi.gov.uk) no later than **5pm on 5 September 2014**. Any queries about the fund should also be submitted to this address.

## Section A: Applicant contact information

Principal local authority name/name of bidding organisation:	Pendle Borough Council
Name of Contact(s):	Dean Langton
Position in authority:	Head of Central and Regeneration Service
Telephone number(s) of the contact(s):	Tel: 01282 661866 Mob: 07894 937351
Email address of the contact(s):	dean.langton@pendle.gov.uk

## Section B: Eligibility criteria

Please complete as appropriate:

The bid is from an English principal local authority	YES
All expenditure will be spent on counter fraud activities	YES
The bid is not dependent on a separate Counter Fraud Fund bid	NO
The bidding authority agrees to provide relevant project progress monitoring information to DCLG	YES
The proposal has been signed off by the relevant Section 151 officer and this proposal is accompanied by evidence to support this.	YES
The bid demonstrates that funding will support additional outcomes and/or service improvements.	YES

# Section C: Project description

**Short project title:** Please give the bid a short name, unique to any other counter fraud fund bids involving your organisation.

Council Tax Reduction Review Service (CTRRS)

**Short Project Description (75 words maximum):** Please give the bid a short description, outlining the key objectives and proposed outcomes of the proposal.

The project is a partnership consortium between 13 LA members and 2 private sector suppliers.

The key objective is to protect the public purse by targeting fraud and error within the Council Tax Reduction (CTR) caseloads of Local Authorities by applying sophisticated data matching and analytics.

The proposed outcomes include:

- Significantly reducing the levels of fraud and error in CTR
- Ensuring the vulnerable are protected
- Applying risk based targeting of interventions
- Scalability beyond the consortium

**Project Summary (500 words maximum):** Please provide a brief description outlining the rationale for the project, the key elements of the scheme planned and how the counter fraud fund funding will be used. You should demonstrate how the funding will be used to achieve additional outcomes and/or service improvements.

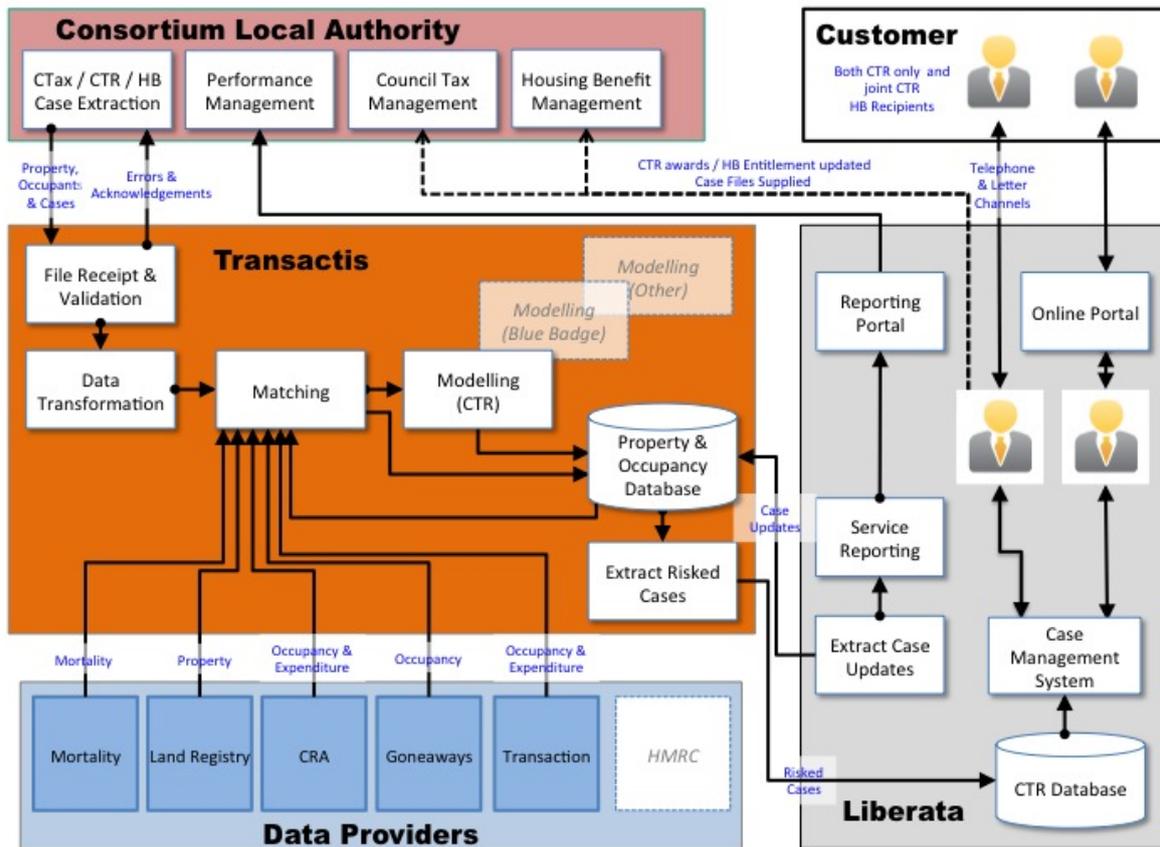
The **key rationale** is to ensure Consortium Members provide a CTR scheme that meets local needs whilst:

- Protecting the public purse
- Ensuring fraud and error is minimised
- Reinforcing requirements to report all change of circumstances in a timely manner
- Maximising assistance for those who are vulnerable
- Deterring the future growth of fraud and error

There are **four key elements** to this project.

1. The Consortium will provide Transactis with property, occupancy and CTR award data on a scheduled basis. Transactis will utilise their proprietary Datahealth matching engine to identify and assign unique match keys to individuals, households and addresses by combining third party and open data sources with Consortium members' data. This generates a Property and Occupancy Database of enhanced Consortium data
2. Transactis will develop a risk model that profiles each award to calculate a risk score, which reflects the entitlement criteria of the Consortium members. These risk scores will be validated using sample data to ensure the strength of the risk calculation. The scores will be banded into Red, Amber, and Green with control groups established to verify the effectiveness of the model. The risked cases will be supplied to Liberata's Capacity GRID for investigation and review.
3. Capacity GRID will initiate a review of the selected cases either via a bespoke portal (where an Electronic Communications Order exists) or via a paper based form. All correspondence will be individually tailored, informed by the confidence of the data provided through the Transactis modelling. Capacity GRID will handle the entire review process including enquiries, evidence and updating the LAs processing systems. This will include relevant amendments to CTR, Housing Benefit and providing information to adjust Council Tax Discounts and Exemptions. Intervention outcome data will be provided to Transactis, providing a continual source of fresh data to improve the effectiveness of the risk model.
4. Capacity GRID will provide activity, benefits and trend reporting functionality to all Consortium members through their Customer Portal. This will also provide the means to provide up-to-date progress reports to the Department on all areas of the project.

The diagram below highlights these key elements:



The **funding will be used** to develop each of the required component parts, including:

- Development and enhancement of analytic models to prioritise accounts for review
- Secure data processing and matching of third party and Consortium data to identify CTR error and fraud
- Workflow and reporting capabilities to support the efficient processing of CTR award reviews
- Experienced, skilled team conducting CTR award reviews for the Consortium
- Scalable service that additional Authorities can easily join

**Additional outcomes and service improvements** include:

- Accurate CTR awards allowing Authorities more confidence and control over their financial spend in this area.
- Opportunity to identify individuals with occupancies, and potentially awards, in multiple Authorities
- Increased revenue for the Authorities
- Enablement of informed adjustments to the design of future CTR schemes
- Opportunity to identify and remove other areas of LA fraud using the data held within the Property and Occupancy Database (POD)

**Grant Requirement:** Please state the total amount you are bidding for from the counter fraud fund.

2014/15: £393,000

2015/16: £788,000

Total grant sought: £1,181,000

**Bidding partners:** Please describe details of any proposed partnership arrangements, detailing the number and name of partners including any local authority matched funding and/or funding from other public or private sector organisations. If this proposal has been submitted on a single authority basis, please detail why it has not been possible to form a partnership, or provide an explanation as to why partnership working would not be appropriate.

The project is a partnership consortium between 13 LA members and 2 private sector suppliers as detailed below:

**Local Authorities:**

- Pendle Borough Council (Lead Authority)
- London Borough of Bromley
- London Borough of Hounslow
- London Borough of Hillingdon
- Hastings Borough Council
- Lewes District Council
- North Somerset Council
- Northumberland County Council
- Pembrokeshire County Council
- West Dunbartonshire Council
- Rother District Council
- Bracknell Forest Borough Council
- Eastbourne Borough council

**Private sector:**

- Liberata UK Ltd (Capacity GRID)
- Transactis

The Consortium has been developed as a result of existing relationships through Liberata's Capacity GRID, which provides services and products for the public sector. We were keen to develop a partnership that would demonstrate the value of our solution across all types of Local Authorities. The Consortium members therefore broadly represent a type, size and geographical mix of Authorities.

Our private sector partners, Capacity GRID and Transactis have committed to providing matched funding. They have agreed to forgo some of the development and implementation costs which will be incurred as well as making available existing infrastructures and systems free of charge to the Consortium. These include, for each organisation:

#### Liberata's Capacity GRID

- Utilisation of extensive experience in the development of public sector solutions and services
- Utilisation of the existing Capacity GRID infrastructure and systems to facilitate the management and delivery of the review service
- Leveraging the exiting Capacity GRID Shared Services Network to provide scale and resilience across the service, in particular the ability to manage peaks and troughs in work
- Utilisation of the Customer Portal to provide tracking and reporting capabilities
- The provision of K-Hub as a resource to share and exchange information across the Consortium
- Governance of the project, including attendance at relevant meetings
- Investment in the further development of the solution both in terms of improvements to the CTR service and the incremental expansion into new areas, such as blue badges and NNDR and opportunities created by the development of the Syndicated Property and Occupancy Database
- Development of a `payment by results` solution based upon the results and outcomes of the projects that will allow the members of the Consortium to continue to benefit from the service beyond the end of the funding period should they so wish.

Capacity GRID is part of the Liberata group providing flexible products and services to meet the specific requirements of public sector customers. They have a proven track record, with partnerships with over 150 Local Authorities in Scotland, England and Wales.

#### Transactis

- Utilisation of the Transactis award winning DataHealth™ matching engine
- Leverage Transactis in-house IBM Analytics platform and knowledge to create bespoke CTR models and scoring
- Utilising extensive experience of public sector data quality, matching rules and patterns of fraud and error
- Aggregation of 'best in class' data on up to date income, residence, household composition, assets, expenditure, contactability and identity

- Governance of the project, including attendance at relevant meetings

Transactis are a Small to Medium Enterprise (SME) specialising in the processing, matching and modelling of individual data for public and commercial sectors, with extensive experience of hosting and handling citizen data in a highly secure environment. Clients include HMRC, Cabinet Office, Big Lottery, Student Loans Company."

**Other bids:** If you are submitting other bids for counter fraud fund funding, please list all other bids specifying the name of the bid, lead bidding organisation, and the partnership arrangements of the bid.

LB of Hounslow is submitting a joint bid with LB Ealing

Bracknell Forest is submitting a joint bid with Reading

Lewes, Hastings and Eastbourne are part of an East Sussex joint bid

North Somerset is submitting a single authority bid for which they are the lead

## Section D: Financial savings and wider benefits

Your bid should provide reasonable estimates as to how the funds will result in financial savings that are at least equivalent to the funding requested.

### Expenditure

Please use this box to detail the funding requested and how the funding will spent. Proposals should work on the basis of approximately one third of the total funding to be allocated in 2014/15 with the remaining two thirds in 2015/16. Additional rows can be added as necessary.

We have provided details of the funding requested below. We are able to provide a more detailed breakdown of these costs should they be required.

Description of expenditure	2014/15 Funding requested (£)	2015/16 Funding requested (£)	Total funding requested
Setup and development – data analytics platform, creation of a	£231,000	£0	£231,000

Syndicated Property and Occupancy Database, CTR models and scorings and data testing			
Set-up and development of the workflow system – system scripts, document templates, workflows, work segmentation and routing and activity reporting	£96,000	£0	£96,000
Set-up and development of the reporting and governance system – outcome reporting, access to Portal and project management	£30,000	£0	£30,000
Operational implementation – connectivity, user acceptance testing, telephony, mail set-up, training and procedures	£54,000	£0	£54,000
Data costs (third party)	£40,000	£118,000	£158,000
Service Delivery – data management, analytics and modelling	£32,000	£116,000	£148,000
Service Delivery – resources required to undertake the reviews including mail handling, processing and contact centre (6 FTE), print and mail, account management and support	£148,000	£316,000	£464,000
<b>Total funding requested</b>	<b>£631,000</b>	<b>£550,000</b>	<b>£1,181,000</b>
<b>Matched Funding (from LA's)</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>
<b>Funding from Private Sector Partners</b>	<b>£315,000</b>	<b>£100,000</b>	<b>£415,000</b>

The nature of the project is such that a relatively high proportion of the expenditure will be incurred within the first 5 months of the project. We are aware that the Department is likely to award one third of the funding in 2014/15 and two thirds in 2015/16. We do not wish to delay the start of the project and the subsequent savings due to the profile and timing of the funding awards. Therefore Capacity GRID and Transactis have agreed to defer payment for the proportion of the year one costs that will not be covered by funding due to the way in which the payments will be apportioned. They will defer payment until early year 2 and will meet the cost of the cash flow impact on their business though this has not been accounted for within the Matched Funding calculations.

On the basis that the funding will allocated as described (one third 2014/15 and two thirds 2015/16), our funding requested on this profile is shown below:

<b>Total funding requested</b>	<b>£393,000</b>	<b>£788,000</b>	<b>£1,181,000</b>
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Please use the box below to provide:

- an explanation of why you believe the costs to be reasonable, and confirmation that all costs associated with the project have been identified;
- that financial risks have been identified and mitigation plans are in place (a risk register can be attached);
- the nature and agreement on governance arrangements and project management arrangements, necessary to take forward this project.

The Consortium is confident that all costs associated with the development, implementation and delivery of the project have been identified. The costs have been established with both Liberata's Capacity GRID and Transactis and have been through several challenges and iterations.

The costs of the project have been based upon the significant experience of Capacity GRID and Transactis in the development and delivery of similar services including for example, Single Person Discount Reviews servicing over 20 Councils per year, New Homes Bonus Reviews servicing over 75 Councils per year and the HMRC EFAC project, dealing with Fraud and Error in Tax Credits.

In order to further validate both the costs and potential benefits of the project, we are running a pilot using Pendle's data. This work to date has helped us to qualify the processes, costs, benefits and timescales for the project.

Transactis have undertaken a pilot analysis of Pendle data using an extract from the Revenues & Benefits database and a range of 3<sup>rd</sup> party data sources. The analysis has identified the following cases where discrepancies between Authority data and the 3<sup>rd</sup> party data sources indicate that there is a risk of error or fraud:

Category	Cases	Description
<b>CTR plus CTR/HB</b>	10,529	
<b>Multi-occupancy</b>	536	Multiple individuals resident at an address in receipt of CTR
<b>Mortality</b>	13	Individuals in receipt of CTR where there is a high confidence they are deceased
<b>Goneaways</b>	50	Individuals in receipt of CTR no longer resident at the address and known to be resident elsewhere
<b>Multiple claims</b>	320	Individuals with multiple instances of CTR
<b>Modelled income</b>	485	Individuals whose apparent income exceeds that which would entitle them to CTR

Capacity GRID are investigating these to establish those that require intervention to help refine the selection criteria

We have also identified a significant number of cases where there is apparent

change of circumstances. Further work is being undertaken to establish clear criteria for those that are not related to operational practice.

We expect this initial pilot to be completed during October 2014.

We are aware that the level of our funding application is not insignificant. The cost to develop and implement this solution however, will not only deliver significant direct savings to the 13 Authority Consortium members but will provide the basis of a national infrastructure for other Local Authorities to join on a payment-by- results (PBR) basis. We believe that this will maximise the investment made by the DCLG over a much longer term and beyond the Consortium and is a critical distinction to make in the assessment of the costs of the project.

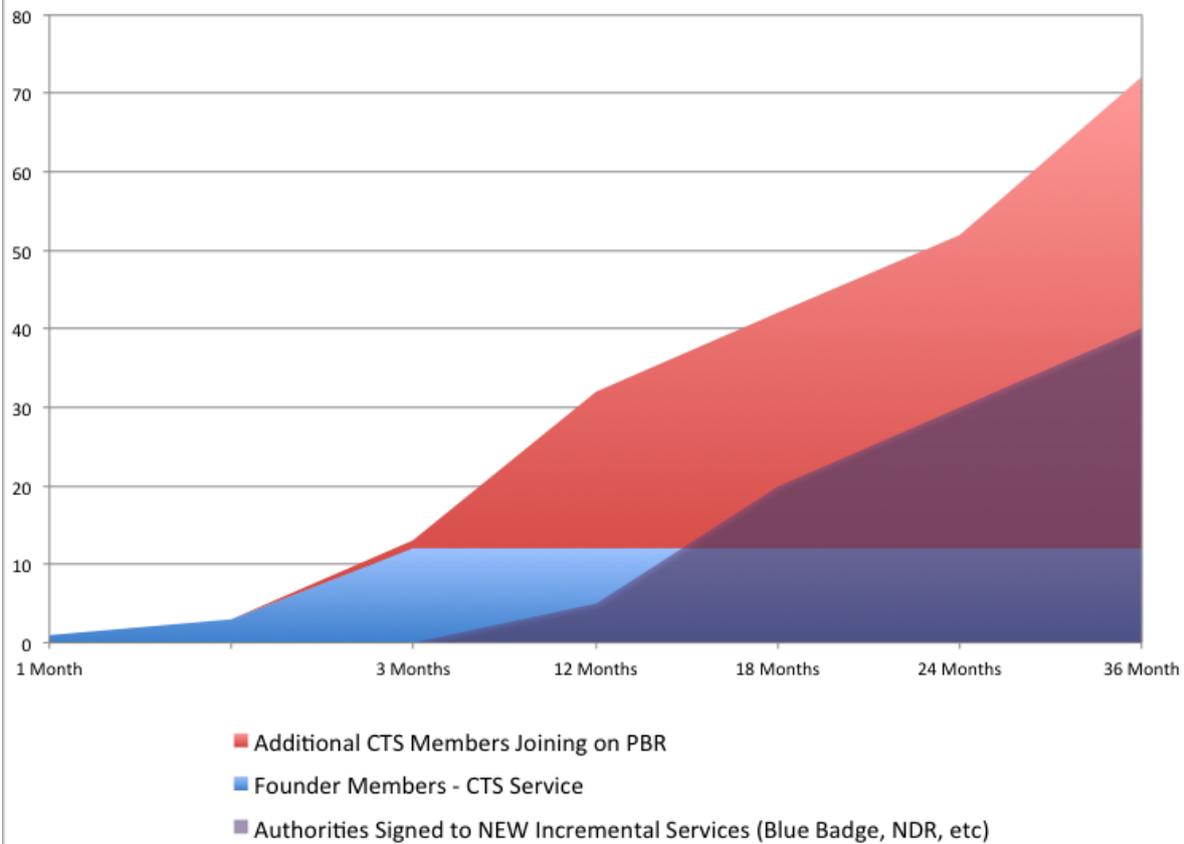
The initial investment of £1,181,000 will provide the 13 Authority Consortium members (£90,846 per LA) with a 335% return on investment over the 17 month period of the funding alone.

The solution is being developed on a self-funding basis meaning that the Consortium members and other Authorities will continue to benefit from the service way beyond the funding period should they so wish. The systems, services, analytics platform and the Property and Occupancy Database that will be developed for the CTR Review Service will be reusable across other areas of Local Government to prevent, detect and deter fraud and error. We are confident the service will deliver significant savings on an on-going basis, not only in relation to CTR but other discounts, exemptions and services, including for example, NNDR, blue badges and social care assessments. Our private sector partner's confidence is demonstrated by their commitment to continue to develop the service, not only for Consortium members who wish to take advantage of opportunities in other areas for fraud and error, but for potentially all UK Authorities, on an entirely payment-by-results basis.

They will develop a payment-by-results model for the CTR Review Service within the first 6 months of the service based upon the outcomes of the work within the Consortium. This means that new Authorities joining the service will pay a commission for a saving achieved. It is expected that there will likely be an initial `discovery` period to allow for appeals and reconsiderations, with the gain share arrangement based upon actual savings and reduced losses to the participating Authorities.

The chart below indicates anticipated service adoption, beyond the consortium, for both the CTR Review Service and new services.

## Anticipated Service Adoption



### Risk Register

We have a risk register and have attached our financial risk with controls and mitigations.

### Project Governance

The Consortium will establish a Governance Board to oversee the project which will meet on a monthly basis and will be responsible for:

- Reviewing and managing progress against the project plan
- Monitoring and managing risks, issues and mitigation plans
- Monitoring project outcomes with a focus on savings
- Making recommendations for changes and improvements
- Producing update reports to the DCLG and on behalf of the Consortium

Capacity GRID will be responsible for project management, including reporting to the Board. The Project Manager will also provide weekly project updates to all Consortium Members.

In addition, each individual Authority member of the Council will be responsible for local account level activity governance, including the monitoring of any customer complaints. It is anticipated that any account level issues will be dealt with at an operational level, but if and when necessary escalated to the Governance Board. The Authority Consortium members require that Liberata's Capacity GRID will provide Account Management and Executive Sponsorship to support the project.

Live reporting of activities and outcomes will be made available to all Consortium members via the Capacity GRID Customer Portal. Liberata's KHub will be utilised as the means by which the Consortium can share information, ideas, issues and developments and will be the repository for all documents including RAIDD, meeting records, reports, updates and plans.

## Matched funding

If this proposal is to be supported by matched funding, please detail the amount and source of the matched funding in the table below, including the level of organisational and financial commitment and any dependencies.

Due to current constraints on Local Authorities finances, consortium members are not in a position to provide match funding in cash terms but, like our private sector partners believe the project will yield real results. We recognise that while the majority of effort associated with the project will be expended by our partners, resources will be required to work with them to establish the data collection, schedule in the monthly returns and provide effective governance and we confirm that we are not requesting funding to cover this time and effort. This will be provided as matched funding by the authorities within the Consortium.

Our private sector partners, Capacity GRID and Transactis have committed to providing matched funding. They have agreed to forgo some of the development and implementation costs which will be incurred as well as making available existing infrastructures and systems free of charge to the Consortium. These include, for each organisation:

### Liberata's Capacity GRID

- Utilisation of extensive experience in the development of public sector solutions and services
- Utilisation of the existing Capacity GRID infrastructure and systems to facilitate the management and delivery of the review service

- Leveraging the existing Capacity GRID Shared Services Network to provide scale and resilience across the service, in particular the ability to manage peaks and troughs in work
- Utilisation of the Customer Portal to provide tracking and reporting capabilities
- The provision of K-Hub as a resource to share and exchange information across the Consortium
- Governance of the project, including attendance at relevant meetings
- Investment in the further development of the solution both in terms of improvements to the CTR service and the incremental expansion into new areas, such as blue badges and NNDR and opportunities created by the development of the Syndicated Property and Occupancy Database for use by Consortium members if they so wish
- Development of a `payment by results` solution based upon the results and outcomes of the projects that will allow the members of the Consortium to continue to benefit from the service beyond the end of the funding period should they so wish

Capacity GRID estimated that they have made investments in the development of these areas of over £2m in the last 2 years. Though it is difficult to quantify the value of the utilisation of the existing expertise, infrastructure and systems, Capacity GRID estimate that if we were to develop them from scratch to support the CTR Review Service, we would likely incur additional expenditure of in the region of £165,000. In addition, Capacity GRID will provide on-going developmental resources. It is our intention to develop a commercial service moving forward, but Capacity GRID will take the risk of this development cost which they estimate to be at least £100,000 of resources over the period of the funding.

#### Transactis

- Utilisation of the Transactis award winning DataHealth™ matching engine
- Leverage Transactis in-house IBM Analytics platform and knowledge to create bespoke CTS models and scoring
- Utilising extensive experience of public sector data quality, matching rules and patterns of fraud and error
- Governance of the project, including attendance at relevant meetings
- Utilising proven error and fraud business rules, process improvements and modelling
- Utilising pre-existing development and links and into over 25 third party data sources
- Access to and use of a secure hosting environment for all data

Transactis has undertaken significant investments within the last two years of over

£1m including:

- Enhancement of the operational performance of the DataHealth matching engine
- Upgrade to the IBM Analytics platform
- Provision of a secure hosting platform and maintenance of the ISO 9001, ISO 14001, and ISO 27001 accreditations essential for the responsible management and protection of client data

To provide these from scratch, the elements utilised to support CTR Review would require additional expenditure in the region of £150,000.

## Estimated savings

Please use this box to identify the financial savings that will result from the funding. The savings identified below must be additional to those that would be realised through those counter fraud activities currently planned. Additional rows and columns can be added as necessary.

Description of financial saving	Estimated financial saving (£)				
	2015/16	2016/17	2017/18	2018/19	2019/20
CTR financial savings	3,951,856	2,470,601	2,470,601	2,470,601	2,470,601
<b>Total financial savings</b>	<b>3,951,856</b>	<b>2,470,601</b>	<b>2,470,601</b>	<b>2,470,601</b>	<b>2,470,601</b>

***Please note:*** We have included in 2015/16, savings that will be delivered in 2014/15, which have been calculated at an authority level from the expected date of implementation.

Please use the box below to provide reasonable estimates of how the estimated financial savings have been calculated, including any evidence to support your estimates.

At the present time there are no nationally available figures for the level of fraud and error within the CTR caseload since it was only introduced in April 2013. Therefore, our estimates of savings have been drawn from a number of different sources.

The majority of LA's continue to administer CTR as a means tested benefit relying largely on the Default Regulations produced by DCLG which closely mirror the previous Council Tax Benefit (CTB) regulations. For its part, CTB operated in almost exactly the same way as HB with differences only in the level of the taper and elements relating to rental liability.

According to the Audit Commission's report "Protecting the Public Purse 2013", local government bodies detected fewer frauds in 2012/13 compared with the previous years. This included Council Tax Benefit (CTB) fraud which, coupled with Housing Benefit fraud, accounted for over two-thirds of the total fraud loss value in 2012/13, at £120 million, but accounted for only 44% of the total cases detected. While the Report by the Comptroller and Auditor General, into the DWP 2013-14 Annual Report and Accounts, confirms the figures relating to CTB fraud have been removed as its replacement CTR is obviously now the responsibility of DCLG rather than DWP. However, based on the latest figures available for HB, featured within that report, the estimated level of overpayments attributed to fraud and error has in fact risen from 5.3% in 2012/13 to 5.8% in 2013/14.

While, in some ways, a parallel may be drawn with CTR and CTB there is a further parallel which may be drawn with Council Tax discounts and exemptions since CTR is not a benefit but a reduction. The Audit Commission report highlights the fact that council tax discount fraud, together with tenancy fraud, is one of the highest areas of financial loss to local government with their research showing that between 4 and 6% of Council Tax Single Person Discounts are fraudulently claimed.

As LAs re-design CTR schemes to become less mean-tested and more akin to the range of other CTAX discounts and exemptions currently available, with arguably simpler rules and less robust validation at the gateway, the level of fraud and error within CTR could rise unless resources are invested to prevent this.

While we have used the sources outlined above, as a starting point to estimate the opportunity and projected savings from this project, we also believe that working with Transactis will noticeably increase the ability for fraud and error to be detected. This is based on a number of projects they have recently been involved in where they have succeeded in achieving a significant uplift in strike rates. The EFAC (Error & Fraud Adding Capacity) trial for HMRC related to two loss groups for Tax Credits (both involving similar attributes to CTR) and involved matching 25 datasets to cleanse and enhance client data, then developing and applying a risk model to prioritise cases to be worked. The results included increasing strike rates for the 2 loss groups from 11% and 32% (HMRC in house figures) to 62% and 64% respectively (EFAC results), increased productivity from being able to work an average of 8 cases per day to over 20 and more than doubled the amount of 'average losses prevented' in terms of yield from error & fraud (£2.5K to £5.5K). Also, once again by using a wide range of data sources, they were able to increase validation of grant applications for Big Lottery from 70% (as it was by using 1 CRA data) to over 90% (by using 12 data sources). This ultimately allowed more applicants to be verified at source and allowed internal resource to be focused on the smaller percentage of applicants that were either incorrect or potentially at risk of error and fraud.

In order to arrive at a reasonable savings calculation, we have gathered information from across the Consortium and have made a series of assumptions based on a combination of reported levels of fraud and error, which we have described above,

and our experience in both the Pendle pilot for CTR Reviews and other similar projects.

We have very detailed workings in terms of our projected savings down to case and individual Authority level, which we can make available to the Department if required. We are also more than happy to meet and discuss in detail our expenditure and savings calculations.

The high level working volumes for the basis of our calculations are show in the table below. These volumes and values represent the CTR caseload, projected spend, and average case level award for the Consortium Authorities. We have applied our estimated level of fraud and error of CTR of 5.8%, as described above to the total spend to calculate the assumed value of fraud and error in the Consortium caseload.

CTR Caseload	CTR Funding 2014/15	Assumed Value of Fraud and Error (5.8% of spend)	Average CTR Case Value
183,964	£136,293,450	£7,905,020	£740.87

We have assumed that approximately 30% of the total caseload will have some level of fraud and error. We have assumed that we will review 10% of the total caseload and focus on high and medium risks cases.

The high level summary of a full year calculations is shown below. We have been conservative in the average strike rate and yield. Our partners experience in similar projects would suggest that the average strike rates are 65%. We would expect the strike rates to increase over time as we refine the CTR rules and data modelling, based on results on reviews undertaken. We would however, expect the number of cases and potential case values to reduce over time as fraud and error is removed and cases are reviewed more regularly. We have assumed that these factors will balance each other out and that the net annual savings will therefore remain static over the 5 year term.

	High Risk Cases (30% of total cases reviewed)	Medium Risk Cases (70% of total cases reviewed)	Totals
Volume of cases to be reviewed (10%)	5,519	12,877	18,396
% of cases that are reviewed in which fraud and error will be identified (Strike Rate)	60%	30%	

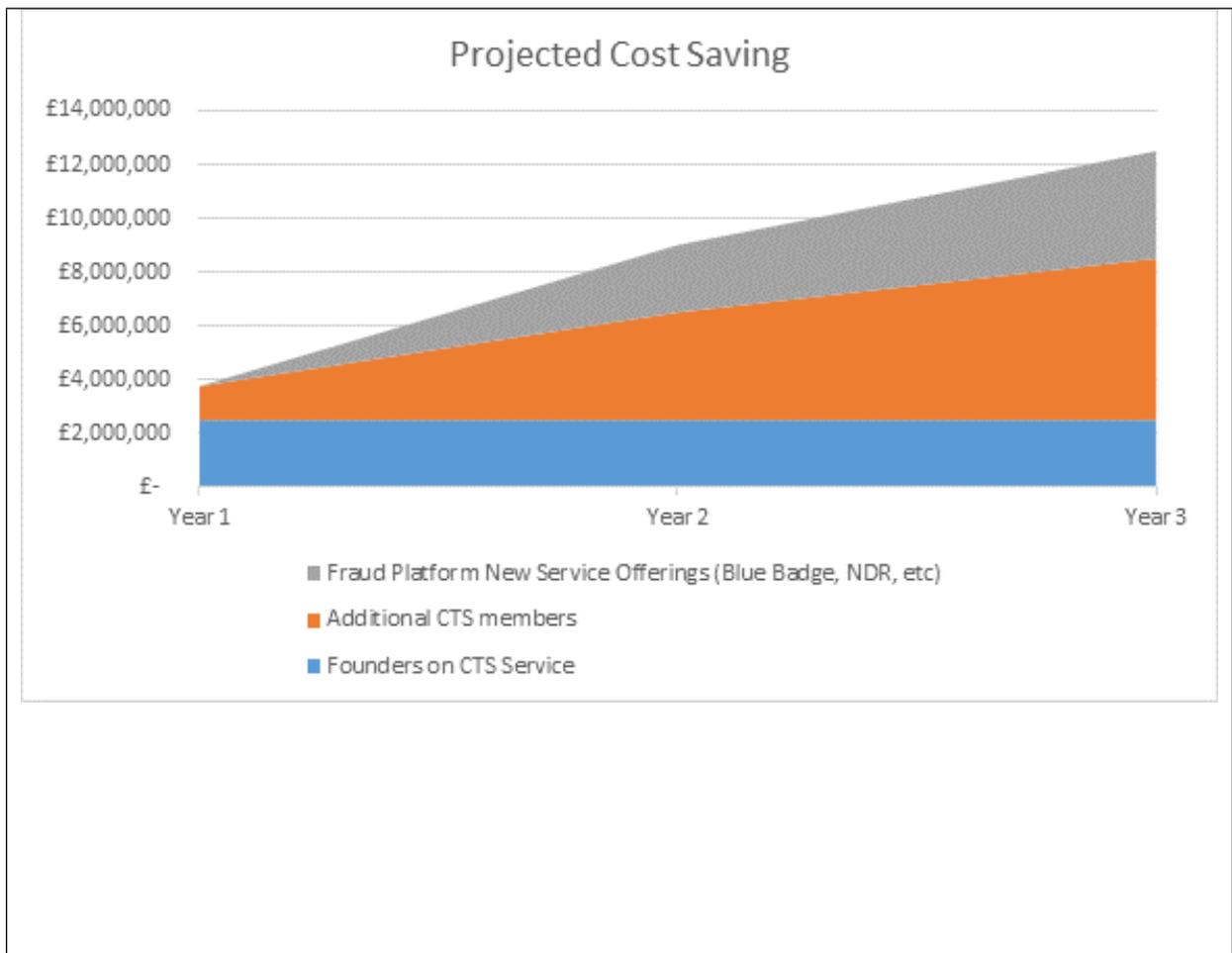
Number of cases in which fraud and error will be identified	3,311	3,863	7,174
% of average CTR Case Value that will be removed due to fraud and error (Yield)	60%	35%	
Average value of fraud and error which will be identified (case level)	£444	£259	
Total Value of fraud and error identified	£1,470,084	£1,000,517	£2,470,601

We have assumed that all 13 of the Consortium Authorities will be live and fully operational by February 2014, with implementation commencing in November 2013. The values in the table above represent one full year. In the Estimated Financial Savings Table we have also included savings that will be delivered in 2014/15, which have been calculated at an authority level from the expected date of implementation.

For clarity, we have only factored in savings associated with CTR reductions. We have not accounted for additional savings in respect of other CTAX discount and exemptions or reductions in Housing Benefit. These savings are in addition to the savings described in this section.

#### Potential Future Savings beyond the Consortium

We have described in this application our intention to offer this service moving forward to Authorities outside the Consortium. We are projecting that we will have an additional 20 Authorities using the service by the end of the first 12 month period. The graph below shows our projected savings (using the same rationale as that for the Consortium) assuming the addition of both new Authorities on the CTR Review Service and the development of new service offerings, within three years of service implementation.



## Wider benefits

If this proposal seeks to achieve wider benefits, for example reducing the social costs that result from types of fraudulent activity, these should be documented and quantified as far as possible.

The primary focus of this project will be to reduce fraud and error in CTR expenditure and ensure that those who are receiving CTR are receiving only that to which they are entitled. There will be however, wider benefits to the project, which we have highlighted below:

### Impact on CTR Schemes and CT Collection

The Authority Consortium members will likely see an increase in revenue generated through the collection of Council Tax in addition to the reduction in CTR expenditure. While CTR schemes cannot be altered mid-year, the savings made and data collected will enable us to make more informed decisions about future schemes. We expect that the project will provide data and information for example, on areas of schemes which are prone to abuse thus leading to changes to safeguard against fraud and error. The financial design of the schemes may also change as money saved is recycled, allowing for more generous awards to be made to those legally

entitled and those who are particularly vulnerable. This has an overarching benefit in terms of the Authority's aims regarding anti-poverty.

### Digital by Default

Where Authority members have an Electronic Communications Order in place, the review process may be undertaken electronically. This will further re-enforce the "digital by default" environment which will ultimately help Authorities make future savings and support them in their channel migration activities.

### National Review Service and New Fraud and Error Areas

We have explained our ambitions throughout this application to develop the solution beyond that for which we seek funding support. The solution is being developed on a self-funding basis meaning that the Consortium members and other Authorities will continue to benefit from the service way beyond the funding period. We are confident the service will deliver significant savings on an on-going basis, not only in relation to CTR but other discounts, exemptions and services, including for example, NNDR, blue badges and social care assessments.

Capacity Grid's confidence is demonstrated by their commitment to continue to develop the service, not only for Consortium members, but for potentially all UK Authorities, on an entirely payment-by-results basis. We are also keen to further engage with those Authorities from within the Devolved Administrations. Though we recognise that the financial savings may not directly impact the individual Authorities in the same way as those in England, there is without doubt a saving to be achieved at devolved Government level.

### Impact on Housing Benefit

Our project will deliver significant savings in relation to CTR. We fully understand that the funding is not aimed at benefits fraud and so we have not described in any detail the financial impact on Housing Benefit in terms of the business case. We firmly believe however, that the wider impact on Housing Benefit cannot be ignored. The vast majority of Local Authorities administer Housing Benefit and CTR within a single function. There are a number of reasons for this including:

- The technologies in place do not easily allow for the two areas to be handled separately. Different rules can be applied to CTR and HB but these are generally parameter based and the data and information collected for each are handled and stored as a single `claim`.
- A single application process has been in place for many years, with a customer providing relevant information only once
- Many CTR schemes have yet to move towards a much more simplified approach, often because the financial impact cannot be fully quantified which opens Authorities to significant risk

This means, that in the short term, when we review a CTR award, we will also be reviewing that individual customers housing benefit entitlement at the same time. Not only will this generate significant reductions in expenditure for the DWP, but will ensure that cases transferring to Universal Credit are more accurate.

Using the same rationale as we have applied to calculate the CTR savings, we estimate the level of fraud and error that we will identify in the HB Caseload of the Consortium Authorities to be over **£20m** during the funding period, as summarised in the table below:

<b>HB Only Fraud and Error</b>	
Annual Value Identified for Consortium Members	<b>£ 15,488,500</b>
Return (as % of level of fraud and error in system)	<b>33.9%</b>
Funding Period Return – Nov 2014 to Mar 2016	<b>£ 20,153,101</b>

#### Wider use of the Property and Occupancy Database

The development of the Syndicated Property and Occupancy Database will, in of itself, become an asset. Having 13 Authorities in the Consortium will build a data rich environment including the aggregation of ‘best in class’ data on up to date income, residence, household composition, assets, expenditure, contactability and identity. The more Authorities that sign up the service, the richer this data becomes. This can be used not only across other areas of Local Government as we’ve described, but could be utilised across Central Government with clear advantages for departments such as the DWP or HMRC. We appreciate that data matching already exists, with initiatives such as the Housing Benefit Matching Service (HMBS) and National Fraud Initiative (NFI), but our solution will use enriched data matching and analytics, on a more frequent and regular basis that we believe would add additional value. In addition, drawing on their knowledge gained in other sectors (e.g. retail) the approach adopted by Transactis will enable members to potentially reduce costs and provide a better service with increased efficiencies through the utilisation of predictive strategies on process and communication.

#### Research

As CTR is an area which is not currently subject to data matching and active fraud/error detection we would also undertake to provide a research paper into any trends we find within the cases we examine. This will naturally be part of our continuous improvement programme to refine the data matching but we would propose to go beyond this and provide a research paper identifying any links to other, non CTR related fraud and local effects. This would also supplement the regulator progress reports and be provided at the project conclusion.

## Section E: Sustainability

Please provide evidence (up to 250 words) of how the funding requested will result in financial savings, and any wider benefits, beyond the funding period.

We firmly believe that this project is sustainable well beyond the funding period. As we have described, it is our intention that the solution be self-funding for:

- New Authorities joining the CTR Review Service
- Consortium Authorities beyond the funding period
- All Authorities for new areas of fraud and error

The creation of a cross-authority, syndicated Property and Occupancy Database enables this sustainability by:

- Regularly processing award files to determine continued entitlement
- Enabling analysis of cross authority data to identify and create additional counter-fraud solutions in other area such as NNDR, blue badges, financial assessments, grant assessments and housing.

The funding and investment will be maximised by the provision of these future services on a payment-by results basis with no joining fee, upfront investments or on-going costs for Authorities. Any payment for services will be on the basis of a commission on the actual savings or reduction in losses generated. Whilst many Authorities believe that they should be undertaking proactive reviews in these areas, the reality is that they are unable to secure resources to deliver the work with the financial pressures that they face. Even though it is likely even a limited amount of activity would generate some yield for an individual Authority they are not in a financial position to take the risk of failure. Capacity GRID and Transactis will instead take this risk with Authorities only paying for services on a commission basis beyond the funding period.

## Section F: Innovation

Please provide an assessment (up to 250 words) on the level of innovation in the proposal and how this approach could be transferred to other local authorities and partnerships.

Our project is highly innovative and we are specifically developing the solution to be transferable to other Authorities without the requirement for additional funding. Our proposal is innovative and transferable for the following reasons:

- A unique partnership across a broad cross section of LAs (size, geography and type) and highly experienced private sector specialists

- Applying Transactis' capabilities to CTR by utilising, in-house data, open-source and 3rd party data to leverage intelligent matching that greatly exceeds results achievable through generic platforms whilst reducing false positives.
- Utilisation of sophisticated analytic models to provide a risk score to target cases that have a high fraud/error potential, using outcomes to continually improve effectiveness.
- Utilisation of a national grid of experienced professionals through the virtual Capacity GRID network developed and maintained by Liberata to ensure effective and efficient delivery of the CTR review service.
- Application of bespoke customer communications, informed by the confidence in the data, with digital communication being one option utilising customer segmentation.
- Creation of a unique cross-authority, syndicated Property and Occupancy Database
- A fully scalable, sustainable and self-funding service that will be made available to Authorities across the UK on a gain share basis.
- Development of additional counter-fraud solutions in other area such as NNDR, blue badges, financial assessments, grant assessments and housing for Authorities who wish to participate
- The Consortium will become a member of the Counter Fraud Centre (CCFC), the UK's national centre of excellence on counter fraud, to facilitate the sharing of good practice

## Section G: Procurement Strategy

Where applicable, please outline any procurement strategy including evidence of compliance with European Procurement Rules as relevant.

The lead Authority, Pendle BC has an existing contract with Liberata which covers the services within this project.

In addition, Consortium members will sign a Letter of Intent, which though not legally binding, describes their commitment to the Consortium and the solution described within this document. We can provide a copy of the Letter of Intent if required.

## Section H: Other Information

Please use this section to provide any additional information that you think the assessors may require to evaluate your bid. Please limit your comments to no more than 250 words (Arial font, size 12).

The primary outcome of the proposal is to significantly reduce the level of fraud and error in CTR.

We have already invested in the development of a pilot, which we will continue to work throughout the decision making period. The early results are encouraging though unfortunately we do not yet have sufficient data to provide as part of this application. We can provide additional information if required and should be in a position to provide early results for some cases in the next 4 weeks. The pilot will mean that we will already have a strong indication of the appropriate reference datasets, matching rules, output and associated processes that we will apply should our funding application be successful, meaning that we will be in a position to mobilise quickly.

Transactis create, host and maintain a Single Citizen View containing 2.5bn records for HMRC. Multiple HMRC datasets are matched against 20+ additional sources, validating movers against credit and transactional information. As a Consortium, we intend to seek approval from HMRC to utilise this dataset and would also recommend sharing this with central government departments. We have already started discussions with HMRC data guardians and using an agreed process we have officially requested the approval of HMRC data in writing. This would fit with existing plans regarding RTI and the recommendation made by the National Audit Office to allow greater use of this data source.

# Section I: Approval

**Approval:** Bid approved and signed off by Section 151 officer (or authorised person in other public sector partners) for each partner to the bid.

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**Disclaimer**

There shall be no expectation of grant until authorities have been formally notified in writing by the department. All the Applicant's costs and charges incurred as a result of making this application shall be for the applicant's account and cannot be claimed as part of the project.

**The Data Protection Act: Freedom of Information Act 2000**

The Department for Communities and Local Government undertakes to use its best endeavours to hold confidential any information provided in any application form submitted, subject to our contracting obligations under law, including the Freedom of Information Act 2000. If you consider that any of the information submitted in the application form should not be disclosed because of its sensitivity then this should be stated with the reason for considering it sensitive. The department will then consult with you in considering any request received under the Freedom of Information Act 2000 before replying to such a request.

Applicants should be aware that the following conditions will also apply to all bid applications:

- We may use your information for the purposes of research and statistical analysis and may share anonymised information with other government departments, agencies or third parties for research and statistical analysis and reporting purposes.
- Our policies and procedures in relation to the application and evaluation of grants are subject to audit and review by both internal and external auditors. Your information may be subject to such audit and review.
- We propose to include light touch monitoring by the department utilising publicly available information. We would encourage applicants to regularly publicise progress on their websites and disseminate good practice.
- The department will publish summaries of all successful bids.