

Counter Fraud Unit Business Case

Project Name:	Counter Fraud Unit		
Date:	9 June 16	Release:	Draft
Authors:	Kate Seeley, Emma Cathcart, Ruth Jones and Alex Lawson		
Owner:	Jenny Poole		
Client:	Cotswold District Council		
Document Number:	1.2		

Revision History

Date of next revision:

Revision Date	Previous Revision Date	Summary of Changes	Changes Marked
9 June 16	26 May 16	Drafting	

Approvals

This document requires the following approvals. A signed copy should be placed in the project files.

Name	Signature	Title	Date of Issue	Version
Jenny Poole		Head of GOSS and S151 Officer, CDC	5 May 16	Draft 1

Distribution

This document has been distributed to the following Officers:

Name	Title	Date of Issue	Version
Paul Jones	S151 Officer, Chelt BC	8 June 16	
Jo Walker	S151 Officer, Glos County Council	8 June 16	
Sandra Cowley	S151 Officer, Stroud DC	8 June 16	
Simon Dix	S151 Officer, Tewkesbury BC	8 June 16	
Jon Topping	S151 Officer, Glos City Council	8 June 16	
Frank Wilson	S151 Officer, West Ox DC	8 June 16	

Redistributed to Gate Review Meeting Attendees – Susan Gargett, Helen Pearce, Alex Lawson, Duncan Edwards, Carl Jones, Kate Righton, Theresa Mortimer and Ian Church.

Executive Summary

Introduction

In 2011/2012 Cotswold District Council, West Oxfordshire District Council and Cheltenham Borough Council started to informally work together to collate and apply a more consistent approach to counter fraud work through the Internal Audit Partnership; Audit Cotswolds.

In 2013/2014, the government announced that Local Authority responsibility for the investigation of benefit fraud was to be transferred, with the counter fraud investigation staff, to the Department for Work and Pensions. A successful counter fraud pilot project was initiated through the Cheltenham partner targeting tenancy fraud with Cheltenham Borough Homes; an arm's-length management organisation (ALMO). This enabled the partner Council's to assess the effectiveness of specialist counter fraud staff within other enforcement areas and consider retaining the resource within the organisation.

In February 2015, building on this pilot work, Audit Cotswolds successfully bid for £403,000 funding from the Department of Communities and Local Government (DCLG) on behalf of the Local Authorities in Gloucestershire and West Oxfordshire District Council to accelerate the development of a dedicated Counter Fraud Unit (the unit) within the partner organisations.

The funding is a one off payment to enable the introduction of a Gloucestershire and West Oxfordshire Counter Fraud Unit that is able to use data matching to gather intelligence and skilled investigators to help counter all forms of fraud against the Councils and Social Housing Providers in the region.

The bid set out a phased approach. The unit's first objective was to counter fraud through better intelligence and enhanced proactive partnership working in Gloucestershire and West Oxfordshire District Council with the aspiration to create a 'Gloucestershire Hub'. It built on the existing three authority partnership and introduced other partners namely: Gloucestershire County, Forest of Dean, Stroud, Tewkesbury and Gloucester City Council, plus Cheltenham Borough Homes Ltd and in time other registered social landlords.

The second phase of the project links the Gloucestershire Hub to other Hubs (Oxfordshire) through data sharing activity.

This business case translates the DCLG funded project into a permanent service model that is fully self-sufficient whilst continuing to manage and utilise the DCLG fund to set up the unit.

The business case sets out the roles and responsibilities of the new service and the financial strategy to ensure it is sustainable. It reflects upon the most effective and efficient use of resources and necessary governance structure to ensure it continues to deliver on service objectives.

Feasibility studies have been undertaken in financial years 2015/16 and 2016/17 to show that the unit can expect to generate revenue and provide risk assurance. In addition, the unit has identified additional areas of savings and loss avoidance, thereby adding value for all partners. The work included such legal documentation as data sharing and access agreements that enabled the feasibility studies to be undertaken and investigations to be conducted legally.

The S151 Officers form a significant role in terms of the unit's objectives, rationale and financial strategy but they also have a responsibility in the enabling of counter fraud activity within their own organisations.

The Audit Committees, as the body charged with governance, at each of the partner Local Authorities will be required to ensure Member level engagement is achieved and be a means for reporting of counter fraud activity. This will enable the Committee to confidently sign the annual declaration for the External Auditor in support of the accounts. It also provides a route for the unit to publicise activity, benefits and outcomes such as savings achieved and prosecution results.

The Counter Fraud Unit requires data matching and sharing, along with partner collaboration, to occur in an effective and efficient manner. Therefore the business case covers operational and strategic elements.

The business case is designed to describe the delivery of a fully self-sufficient service that counters fraud in Gloucestershire and West Oxfordshire from April 2017. It also ensures that the unit can engage with similar counter fraud departments such as Oxford City and Birmingham City.

This business case argues that the benefits of a counter fraud unit outweigh the costs of setting up and operating the unit. This is evidenced within the results shown in the feasibility study section. In addition, the benefits are summarised within this document and this business case recommends a Counter Fraud Unit that is resourced and embedded into the host organisations. The unit will be capable of delivering a full range of counter fraud and error detection services.

The business case explores three possible options for a counter fraud function within the organisations detailing the services which could be provided, benefits and dis-benefits and financial implications. These options are;

Option 1 – The provision of the minimum statutory requirements with no dedicated Counter Fraud Unit.

Option 2 – Counter Fraud Unit for the provision of an enhanced service to four partner Councils.

Option 3 – Counter Fraud Unit for the provision of an enhanced service to Gloucestershire District Councils, West Oxfordshire District Council and Gloucestershire County Council with the ability to work for third party organisations such as Registered Social Landlords.

Project Rationale

The project was developed to reflect the changes to the counter fraud arrangements nationally in 2014 brought about by the creation of the Single Fraud Investigation Service (operated by the Department for Work and Pensions) which subsumed the Council's responsibilities for investigating Housing Benefit Fraud.

Cotswold District Council and Cheltenham Borough Council retained investigator resources under the direction of Internal Audit. The Counter Fraud Unit has been building the operational, legal and data matching requirements to deliver the project along with actual operational investigation of fraud.

The team have engaged with partners across the region building an understanding in relation to available resources, high risk areas and collaborative working. In July 2015 a Project Manager was recruited (2 days per week) to assist with project delivery across the multiple partners.

It was anticipated that the service would become a value adding unit that supports all enforcement sections including Revenues, Planning and Licensing. In addition, the team would tackle fraud with new intelligence/data matching software and react to referrals of fraud, whistleblowing and money laundering.

The project would use an evolutionary (literally) and holistic approach starting with a limited number of partners and grow as capabilities and line of business systems became available; leading to the development of intelligence led counter fraud capability that services contracts for third parties such as Registered Social Landlords and Housing Providers.

Finally, the project would lead to the development of agreements or memoranda of understandings with the Police, HM Revenue and Customs, the National Health Service and other enforcement agencies to aid in the early prevention and detection of fraud and savings to the public purse, for the benefit of the wider community.

National Picture

In 2011, the Cabinet Office Counter Fraud Taskforce issued a report on 'Illuminating Public Sector Fraud' which outlined four strategic priorities;

- Collaboration,
- Assessment of Risk,
- Prevention and
- Zero Tolerance.

"The scale of fraud against Local Government is extensive and hard to quantify with precision. Fraud costs UK public services an estimated £21 billion per year, of which £2.1 billion is the estimated cost to Local Government. A further £14 billion is lost to tax fraud and vehicle excise fraud and £1.9 billion to benefit and tax credit fraud. Reducing this is now a major priority across all areas of government." *Cabinet Office 2016*

The National Fraud Authority and the Audit Commission have closed. However fraudsters are becoming increasingly sophisticated. All public services organisations are more vulnerable than ever to criminal activity.

Although resources remain stretched, the reduction of fraud within the public sector is a priority and is reflected by the CIPFA Counter Fraud Centre which was launched in 2014 to lead and coordinate the fight against fraud and corruption across local and central government amongst other sectors. CIPFA are currently undertaking a national survey to gather and benchmark fraudulent activity within local government.

Digitisation of public services is increasing the opportunities for criminals, and counter fraud experts believe prevention is the best policy when tackling this.

Regional Picture and Local Impact of the Project

The National Policing Fraud Strategy 2015 recognised that the key role in the policing of fraud is played at the local level. Public Sector bodies do see Counter Fraud Units as a cost, but it is an investment in a much greater return.

The Local Government Counter Fraud and Corruption Strategy 2016–2019, supported by CIPFA, builds on the previous publications and provided the incentive for Local Authorities to shift their focus from benefit fraud to other areas that present high risk losses, to include those which arise unintentionally from national directives such as the Right to Buy legislation.

The project was focused on the four strategic objectives outlined above in the national picture; collaboration, risk assessment, prevention and zero tolerance. Further, the project sought to deliver this innovatively. Locally the 2020 Partnership, which is providing shared services across Cotswold District Council, Cheltenham Borough Council, Forest of Dean District Council and West Oxfordshire District Council and the Regulatory and Environmental Services Transformation project (Cheltenham Borough Council only) aim to improve efficiency. However it inevitably means the loss internally of resources to tackle other forms of misappropriation for which the Councils remain responsible. The unit can therefore seek to provide support and address this across all partners through collaboration and data sharing. Areas of fraud high risk across the region can be identified and a single solution applied to promote best practice and uniformity whilst remaining flexible in relation to individual requirements.

Proposed Outcomes

- Produce real and demonstrable savings for partners from intelligence based counter fraud activity.
- Pursue criminals with an effective, self-sufficient and robust fraud investigation team, which can operate locally with partners or with third parties and other public bodies.
- Continue to operate and adapt to any reorganisation, restructure or political change.
- Fight local fraud by matching datasets across all demographics.
- Fight regional fraud by legally exchanging data

Overarching Goals

- Detect abuse of public services.
- Be a self-financing unit.
- Prevent the public purse being abused.

Strategic Alignment to Organisational Objectives

A Counter Fraud Unit would support a number of drivers which are reflective of the challenges facing all of the project partners and addresses each one of these as follows:

- **Financial:** the need to respond to long-term financial pressures by assuring money is not lost through illegal fraudulent activity.
- **Efficiency:** the need to continue to find ways of delivering value for money by assessing risk, promoting best practice and adding value through loss avoidance.
- **Resilience:** each authority needs a wider pool of expertise and greater capacity to respond to events by retaining counter fraud specialists who can be both reactive and proactive in relation to criminal activity.
- **Impact:** more depth in strategic capacity is needed to support the drive towards service improvement and wider social and economic benefits by publicising a zero tolerance approach to abuse and misappropriation of public funds.
- **Democracy:** each authority needs to have sufficient resources to be able to exercise choice and community leadership so that it can champion local needs and priorities by identifying local high risk areas which can be proactively tackled.

Feasibility Studies

To evidence the financial aspect of the business case, the unit has undertaken corporate and strategic work for the partner Councils; Cotswold District Council, West Oxfordshire District Council and Cheltenham Borough Council. Proactive feasibility work has also been carried out for the partner authorities and third parties; Cheltenham Borough Homes and Tewkesbury Borough Council. The unit is also fully engaged with Gloucestershire County Council in relation to collaborative working. A summary of the areas of pilot work and the results are set out below.

Audit Partnership Work – Cotswold District Council, West Oxfordshire District Council and Cheltenham Borough Council

The unit has tried to illustrate the effectiveness of a centralised counter fraud unit with responsibility for counter fraud corporate strategy, policy drafting, centralised and uniform data collation, fraud awareness, specialist training and legislative updates and reactive planning to emerging threats.

- Legal framework for operation

Secondment Agreements (S113 Local Government Act 1972), for two Investigation Officers, drafted by the team and approval gained from legal representatives at Cotswold District Council, West Oxfordshire District Council and Cheltenham Borough Council. One Internal Audit Officer mitigating the need for any additional legal documentation in relation to employment.

- Work April 2015 to date
 1. 2 internal referrals received in relation to alleged theft and corruption against the Council (not internal staff, external attempts). These are currently on-going.
 2. Referrals received via Internal Audit in relation to staff investigations where criminal offences are identified. Reports and recommendations are being referred to the appropriate Director at suitable intervals.
 3. Transparency data capture and general fraud data recording and reporting across all partners to ensure consistency and bench marking where appropriate.
 4. Training and Advice;
 - i. Internal employee investigation training provided to Internal Audit and Human Resources staff.
 - ii. Criminal Procedure and Investigations Act refresher and updates being provided across the County and West Oxfordshire for all Enforcement, Legal and Internal Audit members of staff.
 - iii. Regulation of Investigatory Powers Act; refresher and updates being planned and rolled out across the County for all Enforcement, Legal and Audit members of staff.
 - iv. Proceeds of Crime Seminar planned with Barristers from Albion Chambers for all Enforcement, Legal and Audit members of staff across the County.

- v. Member of the Gloucestershire Tenancy Fraud Forum promoting best practice and tenancy fraud work undertaken by the team. The work has been credited nationally at various conferences.
5. Policies;
- i. The drafting of a Counter Fraud and Anti-Corruption Policy and full approval process completed. The policy has been approved by all partner Audit Committees and adopted by Cabinet at all three authorities. Staff and Member awareness training to commence to include a fraud referral process.
 - ii. A new Regulation of Investigatory Powers Act policy has been drafted to cover new legislation in relation to staff obtaining Communications data; approval across the partnership has commenced. Following approval, training with Enforcement staff and Authorising Officers to commence.
 - iii. The team has been given responsibility for the Whistle Blowing Policy which needs to be redrafted for use by all partners.
 - iv. The unit is also reviewing Anti-Money Laundering and Proceeds of Crime Policies, Prosecution Policies and Regulation of Investigatory Powers Act (Surveillance) Policies across the partners.
6. The drafting and implementation of Fair Processing Notices and Statements to reflect legislative requirements and any future data matching.
7. The drafting and implementation of Lone Working protocols for Investigation Officers.

Overview of Cheltenham Borough Council results and significance

The unit undertook additional specific proactive work for Cheltenham Borough Council. It should be noted that Cotswold District Council and West Oxfordshire retained additional enforcement resource within the Revenues and Housing Support Department and as such the unit was not engaged within this area.

During the course of the year the unit was engaged in a publicised fraud case, working collaboratively with the Police and the Department for Work and Pensions. The defendants were handling fake currency and hoarding contraband tobacco. During the course of the investigation, the Council were asked to investigate allegations of benefit fraud. The defendants were recently sentenced and received custodial terms. In addition, the Court awarded a Proceeds of Crime Confiscation Order and the Council should receive compensation of approximately £21,000.

- Legal framework for operation

Two Investigation Officers conducted the work; both are directly employed by Cheltenham Borough Council therefore mitigating the need for any additional legal documentation in relation to employment and system access.

Provision of the required data sharing agreements to allow work on the Home-Seekers Housing Application List Review; this included the drafting of the agreements, legal approval and required signatures / consent from the affected system administrators.

- Work April 2015 to date

1. Single point of contact role for Department of Work and Pensions liaison following the transfer of Benefit Fraud Investigation to the Single Fraud Investigation Service.
2. Council Tax Reduction Scheme; criminal investigation, interview under caution and appropriate sanction/prosecution action on behalf of the Revenues and Benefits Section.
3. Home-Seekers Housing Application List Review on behalf of Housing Options Team (Cheltenham Borough Homes). The team undertook an exercise to verify the application details and confirm that the criteria had been met for the relevant band in to which the application had been placed.
4. A sample Single Person Discount Review was undertaken on behalf of the Revenues Department. 50 cases were subjected to more robust verification.
5. Service of court documentation on behalf of Housing Benefit debt recovery.
6. Sample of absconded debtors passed to the team to be traced prior to debt write off.

- Results

1. 141 Housing Benefit and Council Tax Reduction Scheme referrals received, 83 referred on to the Department for Work and Pensions, 4 referred on to Housing Provider/Registered Social Landlord and 34 cases opened for investigation by the team. 20 referrals were rejected.
2. Of the 34 cases investigated by the team;
 - i) Overpayments identified totalling £16,738 to be recovered.
 - ii) 4 individuals prosecuted and sentenced; 1 prosecution listed for trial.
 - iii) 2 Administrative Penalties applied totalling £796 to be recovered.
 - iv) 2 Formal Cautions given.
3. The housing list review resulted in 51 cancelled applications (7 Gold Band and 44 Silver Band) representing £918,000 in loss avoidance. Each cancelled application represents a property which can be reallocated to another eligible family. For each reallocation, a figure of £18,000 per annum can be identified as a loss avoidance figure because there is no need for temporary accommodation to be utilised. £18,000 is the Audit Commission figure for the average annual cost to a Local Authority when housing a family in temporary accommodation. In addition 56 applications have been downgraded to Bronze band. The result of this reprioritisation is that those families who are correctly banded have a greater chance of being housed and more speedily.
4. Discounts were removed retrospectively and for the financial year 2016/2017. The investigation of only 50 cases generated £37,000 in additional Council Tax liability. It should be noted that the major beneficiary of this will be the County Council who receive the majority of the revenue collected. Council Tax Penalties were not administered. However, had they been applied at the legislative value of £70 then approximately £3,000 would have been generated for collection and for retention and use by the Local Authority alone.
5. Debt Recovery:
 - i. £634 paid in full.
 - ii. £870 paid, arrangement agreed for outstanding £300.

- iii. £906, arrangement agreed and £211 paid to date.
- iv. £1858, arrangement of £40 per month agreed.
6. 24 cases passed for investigative trace. Utilising only free consent data checks, further contact/residency information identified in 18 cases.

- Review

1. On-going liaison with the Benefit Section Manager and the Single Fraud Investigation Service, Department for Work and Pensions.
2. On-going liaison with the Benefit Section Manager. Proactive work can be undertaken if needed.
3. The team have prepared a detailed report evaluating the housing list review to include recommendations regarding future processes and system reviews. We are awaiting updates and further instruction from Cheltenham Borough Homes.
4. The team have prepared a report reviewing the Council Tax discount work to include recommendations regarding future processes and system reviews. We are awaiting updates and instruction in relation to further discount and/or exemption fraud drives.
5. On-going instructions received from the Benefit Team.
6. Recommendations made to the Accounts Receivable Team within GO Shared Services that the team consider results and future collaboration.

Overview of Cheltenham Borough Homes results and significance

- Legal framework for operation

Two Investigation Officers conducted the work; both are directly employed by Cheltenham Borough Council therefore mitigating the need for any additional legal documentation in relation to employment and system access. Any investigations undertaken were in relation to properties owned by Cheltenham Borough Council only.

- Work September 2014 to date

In addition to the details below, the housing list review on behalf of Cheltenham Borough Council was conducted and the review report is with Cheltenham Borough Homes.

1. Tenancy Fraud investigation work has been on-going for approximately 18 months and the team received 23 referrals from varying sources during the period (Cheltenham Borough Homes staff, anonymous informants, One Legal, Housing Benefit Team, Police and other internal systems).
2. National Anti-Fraud Network Membership – introduction to the not for profit organisation which provides data and intelligence to system users.
3. Fraud Referral Process – drafting of a generic referral form and mechanism for referral with agreed key decision points for investigation and interview under caution and to proceed to prosecute.
4. Reporting plan; content and frequency to include Audit and Risk Committee reports and presentation.

- **Results**

1. 5 cases referred for prosecution (details below) and a further 8 properties withdrawn or recovered back in to the housing stock. There are 9 open cases currently under investigation.
 - i) 1 prosecution for Right to Buy Fraud – the sale of the 4 bedroom property was prevented, the property recovered and returned to the housing stock. The individual concerned received a 16 week suspended sentence, 200 hours community service order and was ordered to pay £200 costs.
 - ii) 1 prosecution for application fraud – the property was recovered and returned to the housing stock. The individual concerned received a 100 hours community service order and was ordered to pay costs of £700.
 - iii) 1 prosecution for application fraud – the individual was removed from the housing list and received a £200 fine and was ordered to pay £170 costs.
 - iv) 1 prosecution for Right to Buy Fraud listed for trial in July 2016.
 - v) 1 prosecution for application fraud referred for trial and subsequently withdrawn due to inadequate data capture processes.

As detailed previously, each recovered property represents a loss avoidance figure of £18,000. Additionally where the sale of a property through the Right to Buy scheme is prevented the Audit Commission stated that a loss avoidance figure of £150,000 should be reported, representing the average rebuild cost. The work undertaken in this area therefore represents a loss avoidance figure of £444,000.

2. System use for trace and debt recovery work.
3. Referral mechanism in use.
4. Awaiting decision in relation to Senior Management reports and frequency.
Agreement in relation to Audit and Risk Committee plan received.

- **Review**

Reports have been written and submitted for consideration in relation to the following:

- i) Risks – highlighting the impact of Universal Credit, Housing Benefit regulation changes, Right to Buy criteria changes, the introduction of the 1% rent reduction for social landlords and the compulsory pay to stay scheme.
- ii) Strategy – highlighting areas in which the counter fraud team can add value to include use of the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, targeted fraud drives and proactive work within high risk areas, Right to Buy verification checks and home-seeker verification checks.
- iii) Assistance with Policy review, drafting and implementation to include training in relation to Counter Fraud, Bribery and Corruption, Whistleblowing, Use of Social Media for intelligence gathering and Lone Working.
- iv) Consideration in relation to internal investigations where fraud is alleged.

Overview of Tewkesbury Borough Council results and significance

- Legal framework for operation

Secondment Agreements (S113 Local Government Act 1972), for two Investigation Officers, drafted by the team and approval gained from legal representatives at Tewkesbury Borough Council and Cheltenham Borough Council.

Provision of the required data sharing agreements to allow work on the Home-Seekers Housing Application List Review; this included the drafting of the agreements, legal approval and required signatures / consent from the affected system administrators.

- Work October 2015 to date

1. Home-Seekers Housing Application List Review on behalf of Housing Options Team. The team undertook an exercise to verify the application details and confirm that the criteria had been met for the relevant band in to which the application had been placed.
2. A Single Person Discount review has been undertaken by Tewkesbury Borough Council. The team are carrying out more robust checks on the replies received on behalf of the Revenues Department.
3. Engagement with Internal Audit in relation to the adoption of Policies and fraud referral mechanism to ensure consistency across the partnership.
4. Reporting plan; content and frequency to include Audit Committee reports and presentation.

- Results (Figures pending, both exercises commenced March 2016)

1. The housing list review has identified 150 applications that appear to have been banded incorrectly or are ineligible. The cases have been referred to the Housing Options Team for review. Currently there have been 3 cancelled applications (all Gold Band) representing £54,000 in loss avoidance. In addition 2 applications have been downgraded to a lesser band.
2. Approximately 60 responses have been received to date. The team have requested further information in each case.
3. Legal agreement received in relation to the adoption of the Counter Fraud and Anti-Corruption policy.
4. To be advised, updates to be presented to Chief Finance Officer and Internal Audit. Attendance at Audit Committee agreed if necessary.

Overview of Gloucestershire County Council results and significance

- Legal framework for operation

The team have undertaken the drafting of Secondment Agreements (S113 Local Government Act 1972), for two Investigation Officers. Legal representatives at Gloucestershire County Council and Cheltenham Borough Council have given final approval in relation to costs. However, final approval is pending in relation to the inclusion of an insurance indemnity clause. Following joint approval, the secondment agreements can be signed and operational work can be commenced.

- Work September 2015 to date

Pending the secondment approval, meetings have been held with Head of Audit, Risk Assurance and Insurance Services and key team members. Collaboration and work plan agreed to include the following:

1. The provision of assistance with internal investigations being investigated and prosecuted by the County Council not the Police and the Crown Prosecution Service.
2. A generic document pack for criminal investigation, interview under caution and internal prosecution.
3. Joint referral and joint reporting mechanisms in relation to fraud allegations and results.
4. District reporting to the County Council in relation to loss avoidance and revenue generation.

Business Options

The executive summary sets out the background and the rationale which supports the need for a Counter Fraud Unit functioning within Local Authorities.

The feasibility studies confirm that a Counter Fraud Unit can generate income, assist in relation to risk assurance, control and management, prevent loss and provide specialist investigation skills.

Each Local Authority has a duty to protect the public purse and there are options in relation to how this is undertaken. The Section 151 Officer has a statutory responsibility to ensure proper arrangements for the Council's financial affairs. This is detailed in full within the Counter Fraud and Anti-Corruption Policy recently adopted by the Councils.

The options are set out below.

Option 1 – Minimum statutory requirement

The provision of the minimum requirement means that full responsibility for counter fraud rests with each individual Council. There will be no resource for collaborative working and any costs and efficiencies will not be shared.

Any existing counter fraud staff will become obsolete and/or redundant however the Local Authority will need to resource a post within the Benefit Section for the liaison between the Council and the Department for Work and Pensions.

Taking this option is likely to result in the following

- Fraud activity within Local Authority may not be detected or managed as thoroughly.
- Mechanisms for reporting and recording fraud data may be inconsistent and dispersed throughout the Council becoming labour intensive.
- The remainder of the DCLG grant may be returned to source.

Benefits

- Full local control of counter fraud resources and activities within district, borough or city boundaries.
- Minimum overheads and expense.
- The possible reallocation of the remaining DCLG grant monies across the appropriate partners (if allowable under the provisions of the grant).

Dis-benefits

- The potential to not meet statutory requirements exposing the Council to risk and financial loss.
- No ability for expansion or innovation to generate income.
- Additional pressure on Internal Audit and Human Resources staff to react to and manage fraud activity and risk.
- No scales of economy.
- No capacity for collaborative working.
- The loss of specialist investigative skills in relation to criminal offences.
- The potential return of the remaining DCLG grant monies, £300,000, if it is not utilised for the purpose for which it was granted.
- A loss of confidence from the public due to a lack of overt counter fraud activity.

- The responsibility for the Department for Work and Pensions single point of contact remains within the Benefit Section to include the cost of recruitment, training and any related overheads.
- A loss of investment and return on the project to date.
- Loss of expertise for relevant policy and procedure drafting and implementation.

Staff Requirements

- One part time member of staff (approximately 16 hours per week) in an administrative role within the Benefit Section to undertake the statutory single point of contact role for the Department for Work and Pensions.

Governance and Legal Requirements

- Local arrangements for staff management.
- Local arrangements for the capture and return of statutory data; transparency, annual audit returns, Regulation of Investigatory Powers Act reporting etcetera.

Financial Implications

- Potential loss of DCLG grant monies (approximately £300,000).
- Cost of staff redundancy for two members of staff at Cheltenham Borough Council (approximately £16,000).
- Cost of Benefit Section member of staff for single of point of contact role. The cost is outside of the bid but within existing budgets (approximately £15,000 per Local Authority subsidised by the Department for Work and Pensions Administration Grant which is in the region of £2,000 per annum).
- No resource provision within the unit.
- Loss of potential revenue and savings (unquantifiable).

Option 2 – Counter Fraud Unit for four partners only – Enhanced Service

A small Counter Fraud Unit which can service four partner authorities. The partners could delegate statutory counter fraud duties to the unit thus facilitating the capture and reporting of legislative fraud data.

There is a limited capacity for collaborative working across the agreed partners who would share costs and resources to include the procurement of data warehouse software and a case management system.

Services Provided

- Proactive fraud drives in relation to Council Tax discounts and exemptions to generate revenue through liability and penalties.
- Data matching of internal data sets for fraud and error.
- Provision of the single point of contact for the Department for Work and Pensions Housing Benefit work.
- Council Tax Reduction Scheme investigation, interview and sanction or prosecution (currently not undertaken at Forest of Dean).
- Housing List review in relation to allocation and where appropriate, investigation, interview, sanction or prosecution.
- Right to buy application investigation and verification; where appropriate interview, sanction or prosecution (Local Authority owned property therefore Cheltenham Borough Council only).
- Tenancy fraud investigation, interview, sanction or prosecution (Local Authority owned property therefore Cheltenham Borough Council only).
- Internal employee investigation in relation to criminal offences.
- Drafting and implementation of related policy and procedure.
- Collection and reporting of fraud related statistics and data.
- Staff and Member awareness training.
- Partner wide counter fraud related work where resource allows e.g. Contract and Procurement Fraud or Grant abuse etcetera.

Benefits

- Full local control of counter fraud resources and activities within the partner district and borough boundaries.
- Shared staff overheads and expenses.
- Statutory requirements met limiting the Council's exposure to risk and financial loss.
- Reduced pressure on Internal Audit and Human Resources staff to react to and manage fraud activity and risk.
- Some economies of scale achieved.
- Introduction of enforcement in relation to Council Tax Reduction Scheme at Forest of Dean.
- Some collaborative working.
- Specialist investigative skills in relation to criminal offences are retained.
- Utilisation of the remaining DCLG grant.
- Increased awareness and confidence from the public due to some counter fraud activity.
- The responsibility for the Department for Work and Pensions single point of contact could be provided entirely by the unit rather than each partner therefore reducing the cost of recruitment, training and any related overheads.
- A continued return on the investment in the project to date.

- The retention of expertise for relevant policy and procedure drafting and implementation.

Dis-benefits

- Cost of staff overheads and expense.
- Collaboration within only partner Councils.
- Limited to no ability for expansion of the service to include other Local Authorities within the region or Gloucestershire County Council through delegation of duty secondment agreements to provide an additional income stream.
- No ability for innovative working to secure service and goods contracts with third parties to include Registered Social Landlords and Housing Associations to provide an additional income stream.
- Limited to no capacity to pursue any discussion or implementation in respect of joint working with other public bodies such as the Gloucestershire Constabulary, HM Revenue and Customs or the National Health Service.
- Limited resource for extraordinary investigations within the partner authorities.
- Due to limited staff resource there will be no additional capacity to react to emerging fraud trends.
- Due to the constraint of only working for the partner authorities, there is a risk that the unit is not robust and enable to adapt to changes in the political and business climate.

Staff Requirements

- Three full time Counter Fraud Investigators (to include Team Leader).
- One part time member of staff (approximately 16 hours per week) in an administrative role.
- One part time member of staff (approximately 16 hours per week) as a data analyst / ICT resource for the operation of the data warehouse software.

Governance and Legal Requirements

The governance and reporting arrangement for this team would be via partner Corporate Management / Senior Leadership Teams, and either the 2020 joint committee or via individual partner Committees as appropriate.

It is recommended that Cotswold District Council would be the employing authority for reasons of project continuity, knowledge and budget situation. Officers may undertake work via S113 Secondment Agreements delegating the necessary functions. Officers must be Local Authority employees to ensure that their statutory powers remain intact.

Group Manager – Head of GOSS and S151 Officer for Cotswold District Council / Head of Internal Audit

- Sets the medium term strategy for the unit and directly manages team leader.
- Represents unit at Senior Management Meetings.
- Strategic point of contact for the S151 Officers of partner Council's.

Responsible Manager – Counter Fraud Unit Team Leader

- Represents unit for reporting and negotiations at all levels.
- Responsible for the day to day management of the team.
- Responsible for legislative compliance of operations.
- Responsible for plan based work scheme across the four partners.
- Responsible for policy and procedural drafting, implementation and training.

Senior Counter Fraud Investigation Officers / Investigation Officers

- Investigation of alleged criminal offences across the partnership.
- Interviews under caution and case preparation for appropriate sanction and prosecution.
- Witness Statement preparation and Court attendance.
- Proactive fraud drives across the partnership.

Administrative Support Role

- Responsible for the collation of team results and statistics.
- Case preparation and set up.
- General administration.
- Single point of contact work for the Department for Work and Pensions.

Data Analyst / ICT Support Role (within ICT, financial contribution made)

- Collection of data sets from across the partnership.
- Collation of data sets within the data warehouse.
- Operation and maintenance of data warehouse and case management systems.

Financial Implications

- Potential loss or redistribution of some DCLG grant monies as not utilised fully across the County and West Oxfordshire in accordance with the original bid (unknown).
- Loss of third party revenue and savings (unquantifiable).
- Cost of current overheads including management, part time administrative support and part time data analyst (approximately £106,000).
- Cost of operational staff 2 Investigation Officers (approximately £60,000).
- One off cost of data warehouse and case management software to be met by DCLG fund (£100,000 maximum).
- Annual costs of data warehouse maintenance and support (£10,000 maximum).
- Saving in relation to Single Point of Contact roles across the partnership (approximately £15,000 per Local Authority totalling £60,000). This is an existing resource and may reflect a saving or be used to fund the unit.
- Income Cheltenham Borough Homes (£16,500).
- Partnership Contribution per authority for 70 days per annum (£24,875 maximum plus SPOC role).
- Use of DCLG grant monies to support the set-up of the team and to subsidise partner contribution for the first four years (£40,000 reducing by £10,000 per annum).
- Cost of an exit strategy should the unit be disbanded to be shared across the partner authorities.

Potential Income

- Feasibility Study Income CTRS Overpayments (£16,737 x 4) £67,000.
- Feasibility Study Income Administrative Penalties (£796 x 4) £3,200.
- Feasibility Study CTAX Revenue Generation (£40,000 x 4) £160,000.

Potential Loss Avoidance

- Feasibility Study Loss Avoidance Housing List Review (£918,000 x 4) £3,672,000.
- Feasibility Study Loss Avoidance Tenancy Fraud Work Recovered Property £144,000.
- Feasibility Study Loss Avoidance Right to Buy £300,000.

Option 2 – Counter Fraud Unit for four partners only – Enhanced Service

	Base	Year 1	Year 2	Year 3	Year 4
	(£)	(£)	(£)	(£)	(£)
Overheads	106,000				
Operational Costs	60,000				
Data Warehouse	10,000				
Total Costs	176,000				
CBH income	(16,500)				
Fixed Partner Contribution (4 x £15,000)	(60,000)				
Total Income	(76,500)				
Net Cost of CFU Option 2	99,500	99,500	99,500	99,500	99,500
Partner Contribution (70 days)	£24,875				
Option to draw-down from DCLG Fund		(40,000)	(30,000)	(20,000)	(10,000)
Net Cost of CFU Option 2		59,500	69,500	79,500	89,500
Partner Contribution (70 days)		£14,875	£17,375	£19,875	£22,375

Experience of income generation and loss avoidance (per Partner):

	(£)
Income Generation	57,550
Loss Avoidance	1,029,000

N.B. Potential loss of some DCLG Grant monies and no third party income

Option 3 – Counter Fraud Unit for Gloucestershire and West Oxfordshire District Council – Enhanced and Flexible Service with ability for third party work (Recommended)

A Counter Fraud Unit with the ability to expand, recruit and develop which can service the four partner authorities and the wider Gloucestershire region to include the County Council, other district authorities and third party organisations such as Registered Social Landlords.

This allows the delegation of statutory counter fraud duties to the unit, facilitating the capture and reporting of legislative fraud data for a wider demographic.

There is an unlimited capacity for collaborative working and shared costs and resources to include the procurement of data warehouse software and a case management system for multiple users and organisations.

Services Provided

- Proactive fraud drives in relation to Council Tax discounts and exemptions to generate revenue through liability and penalties to include the three additional Local Authorities.
- Proactive work in relation to National Non Domestic Rates to increase revenue in preparation for full retention in 2020.
- Assistance in relation to the National Fraud Initiative (centralised point of contact undertaking reviews and sifting of the matches where necessary) across the partner Councils.
- Data matching of internal and external data sets for fraud and error across the region and beyond; Oxfordshire, Worcestershire et cetera.
- Provision of the single point of contact for the Department for Work and Pensions Housing Benefit work to include the three additional Local Authorities if required.
- Council Tax Reduction Scheme investigation, interview and sanction or prosecution (currently not undertaken at Forest of Dean) to include the three additional Local Authorities.
- Housing List review in relation to allocation and where appropriate, investigation, interview, sanction or prosecution to include the three additional Local Authorities.
- Right to buy application investigation and verification; where appropriate interview, sanction or prosecution. This function can be undertaken for Local Authority owned property therefore Cheltenham Borough Council and Stroud District Council and in addition by way of goods and services contracts for Registered Social Landlords.
- Tenancy fraud investigation, interview, sanction or prosecution Local Authority owned property therefore Cheltenham Borough Council and Stroud District Council and in addition by way of goods and services contracts for Registered Social Landlords.
- Internal employee investigation in relation to criminal offences across the region to include Gloucestershire County Council.
- Drafting and implementation of related policy and procedure across the region to promote efficiency, continuity and collaborative working.
- Collection and reporting of fraud related statistics and data across the region for benchmarking and publication.
- Staff and Member awareness training across the region to promote efficiency, continuity and collaborative working.

- Region wide counter fraud related work e.g. Contract and Procurement Fraud or Grant abuse etcetera to include the necessary recruitment of staff.
- Expansion of collaboration with the County Council in relation to public services provided to include blue badge abuse, school admission abuse, misuse of social care funding etcetera.
- Third party contractual work for academies, housing providers and other public bodies.
- Implementation of ISO 27001 to provide assurance that data held is secure accessed only for counter fraud purposes.

Benefits

- Ability to comply fully with summary of drivers.
- Full local control of counter fraud resources and activities within the partner district boundaries and the attached region.
- Shared staff overheads and expenses.
- Statutory requirements met limiting the Council's exposure to risk and financial loss.
- Reduced pressure on Internal Audit and Human Resources staff to react to and manage fraud activity and risk on an increased scale.
- Increased economies of scale achieved.
- Introduction of enforcement in relation to Council Tax Reduction Scheme at Forest of Dean District Council, Stroud District Council and Gloucester City Council.
- Extensive collaborative working.
- Specialist investigative skills in relation to criminal offences are retained.
- Utilisation of the remaining DCLG grant.
- Increased awareness and confidence from the public due to a zero tolerance approach to the misuse and fraudulent abuse of public funds across the region.
- The responsibility for the Department for Work and Pensions single point of contact could be provided entirely by the unit rather than each partner therefore reducing the cost of recruitment, training and any related overheads, extended across the region.
- A continued return on the investment in the project to date.
- The retention of expertise for relevant policy and procedure drafting and implementation.
- Easier to expand the service to include other Local Authorities within the region or Gloucestershire County Council through delegation of duty secondment agreements to provide an additional income stream.
- Easier to innovatively work to secure service and goods contracts / ability to trade with third parties to include Registered Social Landlords and Housing Associations to provide an additional income stream.
- Increased capacity to pursue any discussion or implementation in respect of joint working with other public bodies such as the Gloucestershire Constabulary, HM Revenue and Customs or the National Health Service.
- Resource for extraordinary investigations within the partner authorities.
- Additional capacity to react to emerging fraud trends.
- A robust unit which is flexible and adaptable and which can respond effectively to business changes, devolution, unitary or other political changes.

Dis-benefits

- Cost of staff overheads and expense.
- Risk exposure for staff who are lone working across a large region and management of safety and whereabouts

- Short term impact on partner support services (ICT, Legal and Human Resources) for unit set up.
- Complexity of the management of staffing over a large region.
- Management of work delivery over a significant remit.

Staff Requirements

- Scalable number of Counter Fraud Investigators (to include Team Leaders); the model is based on 8 FTE staff.
- One full time member of staff in an administrative role.
- One full time member of staff as a data analyst / ICT resource for the operation of the data warehouse software.

Governance and Legal Requirements

The governance and reporting arrangement for this team would be via partner Corporate Management / Senior Leadership Teams, and either the 2020 joint committee or via individual partner Committees as appropriate. It is also recommended that a Client Officer Group (all S151 Officers) receive updates and assurance at agreed intervals and provide appropriate governance.

It is recommended that Cotswold District Council would be the employing authority for reasons of project continuity, knowledge and budget situation. Officers may undertake work via S113 Secondment Agreements delegating the necessary functions. Officers must be Local Authority employees to ensure that their statutory powers remain intact.

Goods and services contracts with appropriate professional indemnity insurance may be used to undertake work for third parties. In time services may be provided through the medium of a Local Authority trading company.

Group Manager – Head of GOSS and S151 Officer for Cotswold District Council / Head of Internal Audit

- Sets the medium term strategy for the unit and directly manages team leader.
- Represents unit at Senior Management Meetings.
- Strategic point of contact for the S151 Officers and other clients.

Responsible Manager – Counter Fraud Unit Team Leader

- Represents unit for reporting and negotiations at all levels.
- Responsible for the day to day management of the team.
- Responsible for legislative compliance of operations.
- Responsible for plan based work scheme across the partners.
- Responsible for policy and procedural drafting, implementation and training.

Senior Counter Fraud Investigation Officers / Investigation Officers

- Investigation of alleged criminal offences across the partnership.
- Interviews under caution and case preparation for appropriate sanction and prosecution.
- Witness Statement preparation and Court attendance.
- Proactive fraud drives across the partnership.

Administrative Support Role

- Responsible for the collation of team results and statistics.
- Case preparation and set up.
- General administration.
- Single point of contact work for the Department for Work and Pensions.

Data Analyst / ICT Support Role (within ICT, financial contribution made)

- Collection of data sets from across the partnership.
- Collation of data sets within the data warehouse.
- Operation and maintenance of data warehouse and case management systems.

Financial Implications

- Full retention of DCLG grant monies (£300,000).
- Third party revenue RSL Contribution (£99,000).
- Cost of current overheads including management, full time administrative support and full time data analyst (approximately £160,000).
- Cost of operational staff 8 Investigation Officers (approximately £240,000).
- One off cost of data warehouse and case management software (£100,000 maximum).
- Annual costs of data warehouse maintenance and support (£10,000 maximum).
- Saving in relation to Single Point of Contact roles across the partnership and extended region (approximately £15,000 per Local Authority totalling £105,000) This is an existing resource and may reflect a saving or be used to fund the unit.
- Income from third party; Cheltenham Borough Homes (£16,500).
- Possible contribution from Stroud District Council in relation to tenancy fraud work (£16,500).
- Partnership contribution per authority for 210 days per annum (£34,000 maximum plus SPOC role) to reduce with inclusion of third party income
- Use of DCLG grant monies to support the set-up of the team and to subsidise partner contribution for the first four years (40,000 reducing by £10,000 per annum).
- Cost of an exit strategy should the unit be disbanded to be shared across the partner authorities.

Potential Income

- Feasibility Study Income CTRS Overpayments (£16,737 x 7) £117,159.
- Feasibility Study Income Administrative Penalties (£796 x 7) £5,572.
- Feasibility Study CTAX Revenue Generation (£40,000 x 7) £280,000.

Potential Loss Avoidance

- Feasibility Study Loss Avoidance Housing List Review (£918,000 x 7) £6,426,000.
- Feasibility Study Loss Avoidance Right to Buy (Stroud and Cheltenham) £600,000.
- Feasibility Study Loss Avoidance Tenancy Fraud Work Recovered Property (Stroud and Cheltenham) £288,000.

Option 3 – Counter Fraud Unit for Gloucestershire and 2020 Partnership –
Recommended

	Base	Base + Bid	Year 1	Year 2	Year 3	Year 4
	(£)	(£)	(£)	(£)	(£)	(£)
Overheads	160,000					
Operational Costs	240,000					
Data Warehouse	10,000					
Total Costs	410,000					
Cheltenham Borough Homes	(16,500)					
Stroud District Council	(16,500)					
Fixed Partner Contribution (7 x £15,000)	(105,000)					
Total Income	(138,000)					
Net Cost of CFU Option 3	272,000	272,000	272,000	272,000	272,000	272,000
Partner Contribution (210 days)	£34,000					
Potential RSL Contributions (6 as per Bid)		(99,000)	(99,000)	(99,000)	(99,000)	(99,000)
Option to draw-down from DCLG Fund			(40,000)	(30,000)	(20,000)	(10,000)
Net Cost of CFU Option 3		173,000	133,000	143,000	153,000	163,000
Partner Contribution (210 days)		£21,625	£16,625	£17,875	£19,125	£20,375

Experience of income generation and loss avoidance (per Partner):

	(£)
Income Generation	57,550
Loss Avoidance	1,045,000

N.B. There is the potential to increase third party income.

Justification of Option 3

Key Benefits

Benefit and Value	Description	How Measured	Business change required	Value
Ability to comply with summary of drivers and ability to trade.	Financial savings, efficiency, resilience, impact and democracy. Revenue and income through collaboration and innovation.	Success of feasibility work with 2020 partners, Cheltenham Borough Homes, Tewkesbury Borough Council and Gloucestershire County Council.	Continued partner engagement and implementation of legal agreements (already drafted and approved).	Income and revenue generation through trade.
Ability to expand and be robust.	Recruitment where resource is required. Continued delivery regardless of business or political change.	As required and managed according to need.	As above and recruitment.	Adaptable and resilient partner resource.
Exceeds statutory requirement thereby mitigating risk exposure to Local Authorities in their duty to prevent fraud.	Requirement mandated by government that authorities accountable for public funds should protect those funds from abuse. Provision of fraud function above the statutory duty.	Assessment of statutory criteria against services delivered. Benchmarking and collective reporting.	Agreement for the provision of service for remuneration where appropriate.	Reduced overheads and shared expenses in relation to management and services.
Unit is cost neutral	Unit operates to cover costs and overheads derived from planned work.	Unit budget reporting.	Approval of unit and continued pursuit of partners and work streams.	No cost to benefitting partners.

Counter fraud and anti-corruption culture across the region	Common policies and procedures. Staff and Member awareness training. Publicity and public awareness.	Quantity of Councils adopting the same.	Councils to adopt policy and cultural changes where required.	Public perception and region continuity resulting in large scale fraud deterrence.
Increased fraud reporting and detection.	A year on year increase of fraud results and monitoring to measure against the national picture.	Consistency across the region in relation to data capture for comparison.	Fraud reporting methods put in place and maintained: - 1) Email group mail box 2) Fraud hotline advertised 3) Posters in staff areas 4) Intranet pages 5) Training 6) Data capture and publication	Identification of high risk areas leading to swift preventative action and control. National recognition and standards.
Retention of specialist skills.	Specialist Counter Fraud staff trained to undertake criminal investigations.	Vast experience.	Retention and recruitment.	Resource to undertake criminal investigations rather than contracting third party providers. Sharing of knowledge through specific training.

Project Milestones

Milestone	Due Date	RAG	Owner
Secure legal basis for operations	31/03/2016	Green	EC
Complete personal protective equipment	31/05/2016	Amber	EC
Interim resourcing complete	30/06/2016	Green	JP
Data sharing with initial authorities	01/04/2016	Green	IC
Anti-fraud and corruption policy	01/05/2016	Green	EC
Gate review of Business case	26/05/2016	Green	AL, JP
Data sharing agreement within 2020	01/05/2016	Green	IC
CFO's consider business case	09/06/2016	Green	JP
Senior Management consider business case		Green	CFOs
Period of Business Case consultation (Audit Committees / Joint Committee, Cabinet and Full Council where appropriate)	28/02/2017	Green	EC, JP/CFO's
Partner council approval	28/02/2017	Green	CFO's
Compliance with political process and formal decision making in relation to unit approval	28/02/2017	Green	EC, JP/CFO's
Case management system ready	TBC		AL
Data warehouse system ready	TBC		AL

Major Risks

The following risks were evaluated and scored at the last project board which sat on the 26th April 2016.

This risk register is based on the 5 x 5 scoring model.

Risk description	Risk Owner	Date raised	I	L	Sc	Control	mI	mL	mS
If the CFU does not generate enough income to sustain operations then the unit will be downsized or deleted.	Jenny Poole	Jul-16	5	4	20	1) Actively seek new partners 2) Gather evidence for operational activity	5	3	15
If continued pressure of work is maintained due to 2020 program then GO, IT and other service providers will not be able to service CFU project needs at critical times leading to delay.	Jenny Poole	Feb-16	4	4	16	1) Good communications with service providers to understand work load 2) Feed into business planning process.	4	3	12
If the project will not gain the support from the CFO's stakeholders then the project will be closed.	Jenny Poole	Feb-16	5	3	15	1) Demonstrate success feasibility operations 2) Develop business case	5	2	10
If the unit becomes oversubscribed with work then there could be a failure in capacity to deliver	Jenny Poole	Jan-15	4	3	12	Mitigate through proactive recruitment	4	2	8
The contract for Data warehouse and Case management system will be longer than the current life of the project, there is a risk that the project will be cancelled and leave this contract in force with nobody to use it	Jenny Poole	Dec-15	2	5	10	Tolerate	2	5	10