

Counter Fraud Unit Business Case

Project Name:	Counter Fraud Unit		
Date:	13 January 2017	Release:	Final
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Client:	Cotswold District Council		
Document Number:	1.4		

Revision History

Date of next revision:

Revision Date	Previous Revision Date	Summary of Changes	Changes Marked
22 May 2016	N/A	Drafting (Gate Review)	
9 June 2016	22 May 2016	Drafting (S151 Officers)	
31 Dec 2016	9 June 2016	Revised Business Case for results or consultation and final proposals for permanent unit for review by Jenny Poole	
13 Jan 2017	31 Dec 2016	Incorporating updates from Jenny Poole	

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	13 Jan 2017	Final

Distribution

This document has been distributed to the following Officers:

Name	Title	Date of Issue	Version
Paul Jones	S151 Officer, Chelt BC & Forest of Dean DC	31 Jan 2017	Final
Jo Walker	S151 Officer, Glos County Council	31 Jan 2017	Final
Sandra Cowley	S151 Officer, Stroud DC	31 Jan 2017	Final
Simon Dix	S151 Officer, Tewkesbury BC	31 Jan 2017	Final
Jon Topping	S151 Officer, Glos City Council	31 Jan 2017	Final
Frank Wilson	S151 Officer, West Ox DC	31 Jan 2017	Final

Background Information

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, Cotswold District Council 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 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 would be approached.

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.

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 original business case explored 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 were;

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 / Borough 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 to build 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, gaining an understanding in relation to available resources, high risk areas and collaborative working.

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.

Business Case

In February 2015 Cotswold District Council was successful in the Bid for £403k funding from the Department of Communities and Local Government (DCLG) on behalf of the Local Authorities in Gloucestershire and West Oxfordshire District Council.

The funding was a one off payment to enable the introduction of a Gloucestershire wide Counter Fraud Unit that is able to use data matching to gather intelligence and skilled investigators to help counter all forms of fraud and misuse of public funds against the Councils and Social Housing Providers in the region. The unit has been operating as a pilot project to provide evidence to support the business case for a permanent unit.

In 2015, when responsibility for the investigation of housing benefit fraud transferred to the Department for Works and Pensions (DWP), Cotswold District Council and Cheltenham Borough Council retained investigator resources. The Investigators transferred to work on the Counter Fraud Unit pilot project. The pilot Counter Fraud Unit has been building the operational, legal and data matching requirements to deliver the project along with actual operational investigation of fraud. This has also included building the partnership network in the region and understanding what resources each authority had to contribute to the unit.

The team has been undertaking feasibility work (both strategic and operational) on behalf of a number of Gloucestershire Authorities, West Oxfordshire District Council, Cheltenham Borough Homes and Ubico. A summary of this work is included in **Appendix 1** to the business case and has been reported to Audit Committees quarterly. The work has 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 shared legal team at Cotswold, Forest of Dean and West Oxfordshire District Councils and One Legal, on behalf of Cheltenham and Tewkesbury Borough Councils, Ubico and Cheltenham Borough Homes have been engaged to develop the legal documentation necessary to underpin the data sharing and data use, along with the access, accountability and authority provisions required at each organisation involved. Work is also underway at Gloucestershire County Council via the Head of Audit Risk Assurance (ARA) and Insurance Services.

The Counter Fraud Unit is in the process of creating a range of new policies and procedures to enable data matching and criminal investigations to be legally undertaken and in support of each service area. It is anticipated that the service will be a value adding unit that supports all enforcement sections including Revenues, Planning and Licencing, etc. In addition, the team may tackle fraud as it is discovered with new intelligence/data matching software and by reacting to normal referrals of fraud and whistleblowing.

Finally, the Counter Fraud Unit is in the process of developing agreements and memoranda of understanding with the Police, Trading Standards and other enforcement agencies to aid in the early prevention/detection of fraud and to promote the efficiencies of collaborative working.

This work was undertaken as a pilot and in June 2016 a business case and financial detail was drafted to reflect the financial sustainability of creating a permanent Counter Fraud Unit which will serve the partner Councils across the region. Corporate Management Teams, Audit Committees and Cabinets

at each partner site have been considering regular updates on the Unit's progress and have considered their participation in a shared permanent Counter Fraud Unit.

Options for the Unit

The Background Information sets out the background and the rationale which supports the need for a Counter Fraud Unit function 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.

The following options were considered by partner Councils across the region:

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.

The minimum statutory requirement is for liaison between the Council and the DWP. Under this option, the existing counter fraud staff positions would become redundant.

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.
- Local arrangements would need to be put in place for the capture and return of statutory data, transparency reporting, annual audit returns, Regulation of Investigatory Powers Act reporting etc. and Single Point of Contact (SPOC) role to liaise with DWP.

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

A small Counter Fraud Unit which could 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 would be 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.

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

A shared 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.

Capacity for collaborative working is maximised and 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. This would reduce the burden on services such as payroll, creditors, elections, revenues and benefits;
- Data matching of internal and external data sets for fraud and error across the region and beyond; Oxfordshire, Worcestershire etc.;
- 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 etc.;
- 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.

Outcome

The result of the consultation is that there is unanimous support for option 3, the establishment of a permanent enhanced and flexible service with the ability for third party work.

Partners and Clients

Cheltenham Borough Council

Cabinet Decision 6 December 2016 – supported the Authority's participation in the establishment of a permanent Counter Fraud Unit and recommended the preferred option 3 and associated financial, governance and employment arrangements.

Investigation Officer Days: 210 (maximum)

Cheltenham Borough Homes

Agreement received from the Head of Finance and Reporting for the continued procurement of counter fraud services from 1 April 2017 at a charge of £16,500 per annum.

Investigation Officer Days: 70

Cotswold District Council

Audit Committee Decision 28 June 2016 – Supported that the Authority be the host partner, that the Authority participate in the establishment of a permanent Counter Fraud Unit and recommended the preferred option 3 and associated financial, governance and employment arrangements.

Investigation Officer Days: 210 (maximum)

Forest of Dean District Council

Cabinet Decision 15 December 2016 – Approved the Authority's participation in the establishment of a permanent Counter Fraud Unit and recommended the preferred option 3 and associated financial, governance and employment arrangements.

Investigation Officer Days: 210 (maximum – subject to budget restrictions)

Gloucester City Council

Currently in discussions.

Gloucestershire County Council

Agreement received from the Head of Audit Risk Assurance and Insurance Services for the procurement of counter fraud services from 1 April 2017 at a charge of £16,500 per annum.

Investigation Officer Days: 70

Stroud District Council

Currently in discussions.

Tewkesbury Borough Council

Audit Committee Decision 14 December 2016 – Approved the Authority's participation in the establishment of a permanent Counter Fraud Unit and recommended the preferred option 3 and associated financial, governance and employment arrangements. Council meeting 24 January 2017 for final decision.

Investigation Officer Days: 210 (maximum)

Trading Standards

Memorandum of Understanding and charging model to be finalised with the Counter Fraud Unit. The agreement will allow the provision of Financial Investigators to introduce Proceeds of Crime Act activities at partner organisations.

Exploration of shared intelligence database relating to regulatory functions.

UBICO Ltd

Agreement received from the Commercial Director for the continued procurement of counter fraud services from 1 April 2017 at a charge of £235 per day.

Investigation Officer Days: As required

West Oxfordshire District Council

Cabinet Decision 11 January 2017 – Approved the Authority's participation in the establishment of a permanent Counter Fraud Unit and recommended the preferred option 3 and associated financial, governance and employment arrangements.

Investigation Officer Days: 210 (maximum)

Financial Implications

The details below were presented to each partner and relate to Cabinet decisions accordingly.

	Base £	Year 1	Year 2	Year 3	Year 4
8 Investigators	280,000				
Strategic Lead	10,000				
CFU Team Leader	47,000				
Full Time Data Analyst	50,000				
Full Time Admin Support	30,000				
Supplies and Services	20,000				
Support Services - GOSS & Legal	10,000				
Data Warehouse Annual Maintenance	10,000				
SPOC Resource for all partners	30,000				
Overheads	207,000				
Total Costs	487,000	487,000	487,000	487,000	487,000
Fixed Contributions:					
Partnership Contribution to SPOC		(30,000)	(30,000)	(30,000)	(30,000)
Partnership Contribution to fixed overheads		(177,000)	(177,000)	(177,000)	(177,000)
		207,000	207,000	207,000	207,000
Draw down DCLG funding		(40,000)	(30,000)	(20,000)	(10,000)
Partners Contribution to Fixed Overheads		167,000	177,000	187,000	197,000
Partner Contribution for Investigation Work					
CBH		(16,500)	(16,500)	(16,500)	(16,500)
Partnership Authorities		(263,500)	(263,500)	(263,500)	(263,500)
		(280,000)	(280,000)	(280,000)	(280,000)
Net Contribution per Authority for fixed overheads and 210 days of Investigation work		53,813	55,063	56,313	57,563
Fixed Overheads per Authority		17,125	18,375	19,625	20,875
SPOC per Authority		3,750	3,750	3,750	3,750
Investigation Officer Costs - 210 days		32,938	32,938	32,938	32,938
		53,813	55,063	56,313	57,563

Governance and Legal Implications

It is recommended that Cotswold District Council would be the employing authority for reasons of project continuity, knowledge and existing financial accountability to DCLG for the one-off grant. Officers carrying out Counter Fraud work must be Local Authority employees to ensure that their relevant statutory powers remain intact.

Initially, from April 2017, Counter Fraud Unit employees will be seconded to each partner as set out in the provisions of Section 113 Local Government Act 1972, which enables the employing Council to make its Officers available to other Councils. For the purpose of the secondment, the secondee becomes an Officer of the Council to whom he or she is seconded.

The governance and reporting arrangement for this team would be via partner Corporate Management / Senior Leadership Teams, individual partner Audit Committees / Cabinet as appropriate. It is also recommended that the Client Officers (all S151 Officers) receive updates and assurance at agreed intervals and support the governance arrangements.

Policy and corporate strategy will be determined by each partner individually and the Counter Fraud Unit will report bi-annually to each partner Audit Committee.

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.

The provision of data sharing agreements will be undertaken by the Counter Fraud Unit; this includes the drafting of the agreements, obtaining legal approval and required signatures / consent from the affected system administrators.

2020 Partnership

If the Counter Fraud Unit is subsequently transferred to one of the 2020 Partnership companies, these arrangements may change and each partner will be consulted on the revised arrangements at the appropriate time.

Procurement

An initial commitment by all parties will be represented by way of a Participation Agreement confirming that a service is to be established and that the service will be delivered by S113 Agreements (as detailed above).

A draft agreement is attached at Appendix 2.

Each partner will need to agree to waiver local Contract/Procurement Rules for this contract. For partners who have adopted the standard GO Shared Services Contract Rules, it is recommended that the Contract Rules are waived due to the following circumstance:

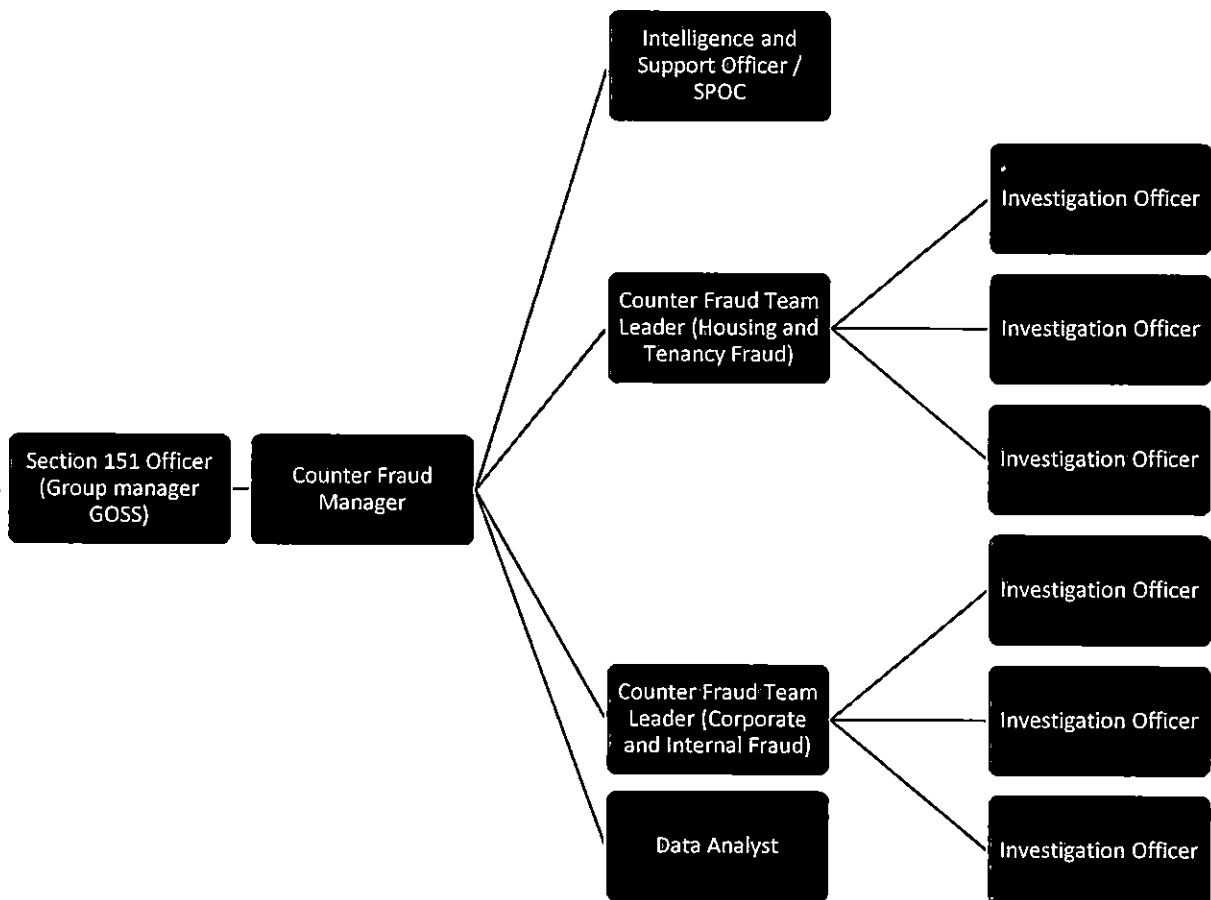
That the delivery of the service requires specialist consultants, solicitor, barrister, agents, artist or professional advisers are required and:

- There is no satisfactory alternative; or
- Evidence indicates that there is likely to be no genuine competition; or
- It is, in the opinion of the Authorised Officer, in the Authority’s best interest to engage a particular consultant, solicitor, barrister, agent, artist or adviser.’

An example of the form to be completed is attached at Appendix 3.

Staff Requirements

The proposed future structure provides for fixed management positions for corporate delivery and flexible and scalable resourcing in relation to the number of investigation officer staff.



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

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

Responsible Manager – Counter Fraud Manager

- 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 – Team Leaders

- 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.
- Assistance and support to Counter Fraud Manager in relation to service delivery.

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.

Support Roles – Intelligence and Support Officer / Single Point of Contact (DWP) Officer

- 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 (possibly 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.

Work Plan (Draft)

An annual plan will be agreed with each partner. This will include areas of high risk relating to that individual partner considering demographic, economic and cultural differences.

Core financial functions will form part of the annual plan and the provision of internal disciplinary investigations. Flexibility will be built in to accommodate extraordinary fraud investigations and specialist support provision to enforcement teams. Work is also distributed between quarters one/two and quarters three/four to allow for minimal service disruption.

Policy drafting and related specialist training will also be set out.

An example work plan is set out below.

Counter Fraud Unit Annual Work Plan 2017/2018 - Client Cotswold District Council

Service Area	Specific Work area	Estimated Days	CFU Manager	Team Leader	Investigator/ Intel officer	Proposed start	Estimated Completion
Annual work							
Specialist Enforcement Officer training	Provide/facilitate training for enforcement staff in all areas of criminal legislation as required. To include training on the RIPA (comms) Policy and procedure adopted by the Council; training on the updated CPIA provisions; the implementation of the new General Data Protection Regulations; and all other areas of new/updated legislation as they are implemented.	5	1	4		Apr-17	Mar-18
Planning Enforcement	Work with Planning enforcement and Legal Services to increase the use of Proceeds of Crime Act legislation to generate increased revenue for the Authority - scrutiny of prosecution files and referral and liaison with Financial Investigator.	20	1	10	9	Apr-17	Mar-18
Revenues and Benefits	Provision of the Department for Work and Pensions Single Point of Contact	20			20	Apr-17	Mar-18
Human Resources	To react to internal cases of fraud and misconduct - to include investigation, interviews, witness statements, criminal case file preparation and attendance at Tribunal/Court as necessary	50	3	35	12	Apr-17	Mar-18
Policy Review	Update and review of fraud and enforcement policies and procedures.	5	3	2		Apr-17	Mar-18
Extra-Ordinary work	As referred	10		2	8	Apr-17	Mar-18
Contingency	Allocated as required	5		2	3	Apr-17	Mar-18
RIPA Co-ordination work	Collating & reporting on the use of RPA within the Authority.	3	3			Apr-17	Mar-18
Quarters 1&2							
Training & Development	Development and delivery of Fraud awareness training for all staff/new starters, to include members. To provide information on fraud awareness and reporting mechanisms; the Council's Whistleblowing policy and procedures; and an understanding of the Counter Fraud and Anti-Corruption Policy strategy and impact.	10	1	9		Apr-17	Jun-17
Revenues and Benefits	Council tax Discount review - verification of properties exempt/discounted to ensure exemptions correctly applied. To include application of penalties and any associatedd prosecution/enforcement work and assistance with collection of revenue generated.	20		3	17	Apr-17	Aug-17
Council data	National fraud Initiative - review of the data provided by the Cabinet Office, and necessary action across all departments as indicated.	10			10	May-17	Jun-17
Revenues and Benefits	Business rates (NNDR) drive(s) e.g - on all properties listed as empty and exempt from NNDR; Small Business Rates exemption review; Charitable exemptions review	25		5	20	May-17	Sep-17
Quarters 3&4							
Human Resources	Review of the Council's Recruitment procedures to ensure robust verification and selection of new staff and work with HR to develop any necessary forms, incorporating the online fraud awareness training as a compulsory element.	4	1	3		Oct-17	Dec-17
Procurement/Contracts	A proactive exercise reviewing ongoing contracts to ensure legal compliance and comply with money-laundering, bribery and anti-corruption policies and procedures.	10	1	4	3	Oct-17	Dec-18
Homeless Provision	Review of the Council's Housing application list to verify applications and ensure all individuals have received the correct grading (Emergency/Gold/Silver etc)	10		2	8	Jan-18	Mar-18
Risk Analysis	Risk analysis - In consultation with Service Heads and Internal Audit across the Authority.	3	3			Jan-18	Mar-18
Totals		210	17	81	110		

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Insurance

Cotswold District Council warrants that it has in place Officials Indemnity and Professional Negligence Insurance in respect of the employees of the Counter Fraud Unit and that it will indemnify partner authorities and third party businesses against any costs, claims or damages incurred as a result of liability arising from the acts or omissions of the Counter Fraud Unit employees when performing the Services, providing this is not as a consequence of an instruction by a manager or a colleague of the partner authority or third party business.

The exact policy wording can be seen in Appendix 4.

Risks

The following risks should be considered and evaluated in relation to the establishment of a permanent Counter Fraud Unit:

- Ability to recruit the necessary resource – not anticipated to an issue as there is an active market for staff with the necessary skills, knowledge and experience.
- Ability to be fully funded – the business case has been updated to reflect commitments from partners and the feasibility work demonstrates ability of unit to become self-financing.
- Short term impact on partner support services (ICT, Legal, HR) for continued set up – the 2020 Programme continues to consume support service resource, however, there is funding available for backfill.
- Management of work delivery over a significant remit (e.g. geography, unforeseen demand) – sample workplan included in business case – will be agreed with each client as appropriate. Plan contains contingency days to manage unforeseeable demand).
- Risk of partners withdrawing from the shared service – this will be mitigated through the legal agreements which will include clauses on exit and notice period.

Appendix 1

Summary of feasibility work for the Counter Fraud Unit Project

Cheltenham Borough Council

1. The Counter Fraud Officers currently undertake the single point of contact role and acts as the Department of Work and Pensions liaison following the transfer of Benefit Fraud investigation to the Single Fraud Investigation Service, Department for Work and Pensions. The team also investigate any allegations related to the Council Tax Reduction Scheme (or Council Tax Support) offences on behalf of the Revenues and Benefits Department.

The unit has administered the following sanctions:

- 2 Cautions.
- 4 Administrative Penalties generating £1,100.
- There have been 6 Prosecutions working jointly with the Department for Work and Pensions involving Council Tax Support and Housing Benefit.
 - Sentence - 8 month's imprisonment.
 - Sentence – (2 offenders received 2 years and 4 years imprisonment respectively. The Council were awarded £21,500 in compensation via Proceeds of Crime Confiscation Order.
 - Sentence – Fined £75 / Costs £75
 - Sentence – Fined £800 / Costs £250
 - Sentence – 21 month's imprisonment; suspended for 2 years.
- There is a further trial listed for April 2017.

From cases investigated, in the region of £25,000 in overpaid Council Tax Support has been identified and subsequently re-billed. (Resulting Housing Benefit overpayments are not recorded as this is not within the remit of the CFU).

During the project period, the Counter Fraud Unit received 231 fraud referrals in relation to Housing Benefit and the Council Tax Reduction Scheme. These are referred to the Department for Work and Pensions where appropriate or investigated by the Counter Fraud Unit in relation to the Council Tax Reduction Scheme.

2. Service of Court documents on behalf of Housing Benefit debt recovery:-
 - Customer debts totalling in excess of £20,000 have been served papers.
3. The Counter Fraud Unit has received referrals for 4 extraordinary cases of alleged misconduct and/or fraud; 2 external attempts and 2 internal cases relating to employees. Reports have been issued in relation to findings where appropriate.
4. A review of the Housing Applications list for Cheltenham Borough Council was undertaken:
 - 51 applications were cancelled (7 Gold Band and 44 Silver Band) = £561,000 loss avoidance.

- 56 applications were downgraded to Bronze banding (low priority need).

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 the Cheltenham Borough this rate would be considerably lower, approximately £11,000 per year as indicated in the figure above. In addition the result of the band reprioritisation is that those families who are correctly banded have a greater chance of being housed and more speedily.

Following this exercise a review report was produced to summarise the work and make recommendations regarding future processes and system reviews.

5. A sample single person discount review was undertaken for the Revenues (Council Tax) Department. 50 cases were subjected to more robust verification; discounts were removed retrospectively and for the financial year 2016/2017. This increased future liability by £17,500 and generated £22,000 retrospectively.

Council Tax Penalties were not administered but could have been where appropriate generating £70.00 per account approximately £3,000 in fines. There was also the potential to levy a penalty on occupiers who failed to respond to the requests for information – approximately 368 accounts which would have generated £26,000 in fines. In these instances the single person discount of 25% could also have been removed from the start of the financial year generating further liability.

Engagement with Senior Management across the Council has now commenced to establish areas in which the Counter Fraud Unit could focus.

Tewkesbury Borough Council

1. A sample single person discount review was undertaken for the Revenues (Council Tax) Department. 53 cases were subjected to more robust verification; discounts were removed retrospectively and for the financial year 2016/2017. This increased future liability by £17,000 and generated £4,700 retrospectively.

A further data match was undertaken comparing electoral role details and single person discount awards. This increased future liability by £8,600 and generated £8,200 retrospectively.

Council Tax Penalties were not administered but could have been where appropriate generating £70.00 per account.

2. A review of the Housing Applications list for Tewkesbury Borough Council was undertaken:
 - 63 applications were cancelled (3 Emergency, 3 Gold Band and 57 Silver Band) = £630,000 loss avoidance.
 - 32 applications were downgraded to Bronze banding (low priority need).

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 the Tewkesbury Borough this rate would be considerably lower, approximately £10,000 per year as indicated in the figure above. In addition the result of the band reprioritisation is that those families who are correctly banded have a greater chance of being housed and more speedily.

Following this exercise a review report was produced to summarise the work and make recommendations regarding future processes and system reviews.

3. The Counter Fraud Unit is in the process of completing a review of the list of exempt and empty business units. To date £132,000 of additional revenue has been charged to 31 March 2017 although this is still subject to the provision of various reliefs where applicable. In addition a number of units are still subject to internal decisions or have been referred to the Valuation Office for rateable value.

Overall in the region of £275,000 has been identified by the Unit and referred to the Revenues Team to consider billing or referral.

4. The Counter Fraud Unit is now working with the Environmental and Housing Services Team with the investigation and prosecution of fly-tipping offenders and some proactive deterrent work.
5. A joint investigation with Gloucestershire County Council is underway in relation to care provision and alleged abuse of the Council Tax Reduction Scheme.

West Oxfordshire District Council

The Counter Fraud Unit has received referrals for 5 extraordinary cases of alleged misconduct and/or fraud; all internal cases relating to employees. Reports have been issued in relation to findings where appropriate. 1 Caution has been administered.

Engagement with Heads of Service across the Council has now commenced to establish areas in which the Counter Fraud Unit could focus.

Cotswold District Council

The Counter Fraud Unit has received referrals for 4 extraordinary cases of alleged misconduct and/or fraud; 2 external attempts and 2 internal cases. Reports have been issued in relation to findings where appropriate.

Engagement with Heads of Service across the Council has now commenced to establish areas in which the Counter Fraud Unit could focus.

Forest of Dean District Council

The Counter Fraud Unit received 1 referral of attempted fraud; external attempt. A report has been issued in relation to findings where appropriate.

Gloucestershire County Council

Planning with regard to a verification exercise / proactive fraud drive in relation to social care provision, specifically direct payments, is underway.

Stroud District Council and Gloucester City Council

Discussions to be held in relation to the provision of counter fraud services with both authorities.

GO Shared Services (Cotswold, Forest of Dean and West Oxfordshire District Councils / Cheltenham Borough Council)

Sample of debts checked via the National Anti-Fraud Network to assist in debt recovery on behalf of the Accounts Receivable Team to reduce the number of debts passed for write off.

This was a small sample of 24 cases to test the merits of the exercise. Utilising only the free consent data check on the system, further information was found in 18 cases out of 24 – including email addresses, phone numbers and confirmation in many cases that the debtor was still resident at the address held, and also indications that some customers may have used a false name when registering.

This pilot piece of work is now the subject of an enhanced feasibility study. All Cheltenham Borough Council debts are being passed to the Counter Fraud Unit for trace details prior to write off. Figures will be recorded to include costs and debt recovery with a view to rolling the work out to all other GOSS partners if successful.

UBICO

The Unit is providing counter fraud services where needed. 2 extraordinary cases of alleged misconduct and/or fraud; both internal have been received.

Cheltenham Borough Homes

In partnership with CBH the unit has worked to prevent incorrect or fraudulent applications for properties under the 'Right to Buy' scheme.

The Audit Commission (Protecting the Public Purse report 2014) detailed that the average cost to a Local Authority replacing a Social Housing property lost through the Right to Buy scheme would be in the region of £150,000.

In addition, future rental income is lost and emergency housing costs are increased because the property is no longer available for housing provision and allocation. With insufficient properties to meet demand, more costly temporary accommodation must be found.

To date the Unit has assisted in the prevention/recovery of 5 CBH properties – representing £750,000.

The Unit has also worked with CBH Housing Officers to provide intelligence and investigate abandoned or illegally sub-let property, general tenancy fraud allegations and any suspicious applications for social housing.

This has led to 13 properties being recovered/not allocated – a loss avoidance figure of £143,000 (as per the £11,000 figure for the cost of housing a homeless family from the waiting list).

There is also a very real non-monetary value in ensuring that social housing properties are being let to those tenants who are genuinely in need of assistance and not those who are abusing the system for gain.

There have been 5 successful prosecutions for housing offences and one case is currently listed for Crown Court trial.

Sentence – 21 month's imprisonment; suspended for 2 years

Sentence – Fined £200 / Costs £170

Sentence – 100 hours Community Service / Costs £700

Sentence – 12 month Supervision Order

Sentence – 16 weeks imprisonment; suspended and 200 hours Community Service / Costs £200

Detailed reports have been issued to Cheltenham Borough Homes suggesting high risk areas and proactive fraud drives which the team could assist with. The team also produced a review of work undertaken so far highlighting any risks and learning points with remedial recommendations.

Cross- Cutting Work

Training

Human Resources, Internal Audit and Investigation staff across the County in relation to undertaking employment and criminal investigations internally. To incorporate any relevant updates or process changes, the team are working with Human Resources.

Criminal Procedure and Investigations Act; refresher and update training being rolled out across the County for all Enforcement, Legal and Internal Audit members of staff.

Regulation of Investigatory Powers Act; refresher and update training being rolled out across the County for all Enforcement, Legal and Internal Audit members of staff.

Proceeds of Crime Seminar conducted by Barristers from Albion Chambers organised for Enforcement, Legal and Internal Audit members of staff across the County. To provide an overview and highlight where this legislation could be utilised within the Councils.

Staff and Member Awareness is being undertaken to introduce the Counter Fraud Team, the new policies which the team have drafted, to include where these are applicable, and general fraud awareness.

Data Warehouse Software

The Counter Fraud Unit is working with Procurement, Legal and ICT Departments and Corporate Management in relation to the procurement of the software and related data sharing agreements.

Specification documentation has been drafted and the tender process is planned for 2017.

This area also involves a large work stream with regard to Fair Processing notices on the internet and paperwork across all partnership Councils.

The team has drafted more extensive fair processing notices and statements to reflect legislative requirements and any future data matching. Draft documentation is being

presented to Corporate Management / Senior Leadership Teams for implementation throughout the partner Council's.

Policies

A Counter Fraud and Anti-Corruption Policy has been drafted and approved at a number of the partner authorities.

A Regulation of Investigatory Powers Act (Communications) Policy has been drafted and is undergoing the appropriate consultation and approval process at a number of the partner authorities.

Whistle-Blowing Policy has been drafted and is undergoing the appropriate consultation and approval process at a number of the partner authorities.

A Council Tax, Council Tax Reduction Scheme and Housing Benefit Penalty and Prosecution Policy is being drafted. Consultation and approval process to commence.

Further policies are planned – Prosecution Policy, A Regulation of Investigatory Powers Act (Social Media) Policy, Proceeds of Crime and Anti-Money Laundering Policy.

Other Work Streams

Work is planned in relation to a generic document pack for Gloucestershire for criminal investigation to include all the relevant investigation, interview under caution and prosecution processes.

Paperwork received in relation to signing the memorandum of understanding with HM Revenue and Customs – liaison with all enforcement teams pending.

A work stream to engage the Police and enter into an appropriate joint working mechanism is to be commenced.

A work stream to engage Trading Standards and enter into an appropriate joint working mechanism commences 30 November 2016.

A work stream to engage NHS Counter Fraud Team and enter into an appropriate joint working mechanism to be commenced.

Work on transparency reporting for fraud work – again this involves capturing information from around the organisations across the different sites.

Housing Associations and Registered Social Landlords. Draft Goods and Services Contract developed for engagement with Registered Social Landlords for the provision of Tenancy Fraud work. This work stream is on hold pending business case consideration. Agreement received from Cheltenham Borough Homes to support and endorse this based on results and work undertaken by the team.

Appendix 2

COUNTER FRAUD UNIT

PARTICIPATION AGREEMENT: HEADS OF TERMS

List of Participating Partners

- Each Local Authority which is participating in this arrangement will be listed

Background

- Cotswold District Council (“Cotswold”) has established a Counter Fraud Unit
- The other Participating Partners wish to secure the provision of Counter Fraud Services
- Cotswold has agreed to provide Counter Fraud Services to the other Participating Partners

Definitions and Interpretation

- Expressions used in the Participation Agreement will be defined as necessary

Agreement

- The Participation Agreement will be for a term of one (1) year from the 1st April 2017 to the 31st March 2018

Appointment

- The Participating Partners will appoint Cotswold as the Lead Authority

The Lead Authority’s Obligations

- Cotswold will make the Counter Fraud Officers employed by it available to each Partner Authority individually, under Secondment Agreements made under Section 113 of the Local Government Act 1972, to perform Counter Fraud Services for that Partner Authority as agreed

The Other Authority's Obligations

Each Partner Authority is to:

- pay Cotswold for the Counter Fraud Services which it receives; and
- make available to Cotswold all such information, resources, accommodation and other things reasonably required to enable the Counter Fraud Services in question to be provided

Miscellaneous Provisions

The Agreement will contain such other provisions (in a usual format) as are required, including (without limitation) provisions dealing with:

- Warranties
- Severance
- Proper law and jurisdiction
- Costs
- Third Party Rights
- Data Protection
- Freedom of Information
- Dispute Resolution

Appendix 3

<p>CONTRACT WAIVER REPORT</p> <p>Contracts Rules</p>

<p>Waiver Report dated (<i>dd mm yyyy</i>) prepared by (officer's name & job title) (Authorised Officer)</p>	
<p>Contract for (<i>details of contract</i>)</p>	
<p>Reason for report</p>	
<p>The contract will exceed the £10,000.00 threshold and in order to comply with Council's Contract Rules (Rule 5.1), three written quotations/tenders should be obtained.</p> <p><i>(details of background to proposed contract)</i></p>	
<p>Summary of goods, works or services</p>	
<p><i>(details of proposed contract)</i></p>	
<p>Price, Quotes or Tenders</p>	
<p><i>(details of quote already received)</i></p>	
<p>Reasons why a Waiver is required</p>	
<p>Under Contract Rule 6.1 (<i>delete those that are not applicable</i>)</p>	
<p>6.1.1</p>	<p>Where the goods, materials, works or services are of a unique or specialised nature or are identical or similar to or compatible with an existing provision so as to render only one or two sources of supply appropriate, including:</p>

	<ul style="list-style-type: none"> • an upgrade or • where the contract concerns, wholly or mainly, repairs to or the supply of parts for existing proprietary machinery, plant or equipment and the repairs to or the supply of parts cannot be carried out practicably by alternative contractors; <p>or</p>
6.1.2	The goods or materials to be purchased are proprietary articles or are sold only at fixed prices or
6.1.3	The price of services, goods or materials to be purchased is controlled by trade organisations, or if for other reasons there would be no genuine competition; or
6.1.4	Where in the opinion of the Authorised Officer in consultation with the s151 Officer and the Council Solicitor considers that the services to be provided or the work to be executed or the goods or materials to be purchased are urgent (subject to the action being reported to the next Cabinet meeting); or
6.1.5	Specialist consultants, solicitor, barrister, agents, artist or professional advisors are required and: <ul style="list-style-type: none"> • There is no satisfactory alternative; or • Evidence indicates that there is likely to be no genuine competition; or • It is, in the opinion of the Authorised Officer, in the Authority's best interest to engage a particular consultant, solicitor, barrister, agent, artist or advisor; <p>or</p>
6.1.6	The goods or materials to be purchased are within a bulk purchasing agreement made between the Authority and a consortium or other organisation approved by the Authority; or
6.1.7	The works to be executed or the goods or materials to be purchased can only be carried out or supplied by a statutory body.
because:-	
In this case (<i>reason for this waiver</i>)	
•	
Recommendation	
To accept (<i>the quote of Exx (excluding Vat) from (contractor) for (insert details of works or services)</i>)	

Recommendation approved in accordance with Contract Rule 6.2.3 by:
Budget Holder Signed:
Date:
s151 Officer (Consultee) Signed
Date:
Council Solicitor (Consultee) Signed
Date:

Appendix 4

Section C. Officials Indemnity

Cover

Negligent Acts and Omissions

We will indemnify You in respect of sums which the You may become legally liable to pay as damages for Financial Loss directly caused by a negligent and accidental act or omission committed or alleged to have been committed within the Territorial Limits, by an Employee or member in the normal execution of their duties for the Business for which a claim is first made against the Insured and is notified to the Insurer during the Period of Insurance.

In addition, We will also pay Costs and Expenses.

Section E. Professional Negligence

Cover

We will indemnify You in respect of all sums which You may become legally liable to pay as damages for Financial Loss arising from breach of professional duty by reason of any negligent act, negligent error or negligent omission committed or alleged to have been committed by an Employee in providing the Services within the Territorial Limits of the Policy, and for which a claim is first made against the Insured and is notified to the Insurer during the Period of Insurance.

In addition, We will also pay Costs and Expenses.