

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	14 December 2016
Subject:	Counter Fraud Unit Business Case
Report of:	Simon Dix, Head of Finance and Asset Management
Corporate Lead:	Deputy Chief Executive
Lead Member:	Councillor D J Waters, Lead Member for Finance and Asset Management
Number of Appendices:	Three

Executive Summary:

The purpose of the report is to present the Audit Committee with a summary of the activity undertaken by the Counter Fraud Unit in order to provide assurance over the counter fraud activities of the Council and the on-going counter fraud project.

Following the successful DCLG bid to fund the set-up of a Gloucestershire wide Counter Fraud Unit, the team has been undertaking feasibility work (both strategic and operational) on behalf of a number of Gloucestershire Authorities, West Oxfordshire District Council and Cheltenham Borough Homes.

This work has been undertaken as a pilot and the attached business case has been drafted to reflect the financial sustainability of creating a permanent Counter Fraud Unit which will serve the partner Councils across the region including Cheltenham Borough Council.

Recommendation:

- 1. To CONSIDER the progress to date of the Counter Fraud Unit.**
- 2. To RECOMMEND TO COUNCIL the approval of option 3 of the business case to establish a permanent Counter Fraud Unit, subject to similar approval being made at all partner authorities; should all necessary approvals not be forthcoming, option 2 will be this Council's default position.**

Reasons for Recommendation:

The formation of a permanent Counter Fraud Unit tackling issues of fraud on a Countywide basis provides the Council with the best opportunity to have an effective, corporate-wide fraud prevention and detection function. It is estimated that fraudsters cost local government £2.1bn every year and therefore it is of paramount importance that this Council strives to protect the public purse and ensure resources are directed to this activity.

Resource Implications:

The base budget currently held by the Council for Counter Fraud work is £39,346. The

recommended option of full integration of all partners would result in a total cost of £53,813 for this Council, an increase over the approved base budget of £14,467. Whilst this will be an increase in the base expenditure of the Council from 1 April 2017, it can effectively be found from the increased ongoing income resulting from the successful work already undertaken. The business case also illustrates the potential additional income that could be generated from detecting and preventing fraud through the establishment of a permanent unit.

Should all authorities not join the unit the option 2 model would result in an increased cost of £3,029 but would only release 70 days of investigatory time as opposed to 210 under option 3.

Legal Implications:

The proposed arrangement will require appropriate delegation of functions, officer secondments and data sharing protocols as referenced in the report and business case.

Risk Management Implications:

If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation. Without appropriate strategy and resources in place the Council is at risk of losses as a result of fraudulent activity.

Performance Management Follow-up:

The Counter Fraud Unit will provide quarterly updates on activity to the Audit Committee as well as ongoing liaison with Council officers.

Environmental Implications:

None

1.0 INTRODUCTION/BACKGROUND

- 1.1** In 2013/14 the government announced that local authority responsibility for the investigation of benefit fraud was to be transferred to the Department of Works and Pensions with only a referral role being retained by Councils. All other aspects of fraud detection and prevention remained with the Council.
- 1.2** In February 2015, Cotswold District Council was successful in a bid for £403k funding from 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.
- 1.3** Tewkesbury Borough Council retained investigator resources under the direction of the Head of Revenues and Benefits. The Council's fraud investigator has been working alongside the Counter Fraud Unit 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 hub.
- 1.4** The shared legal team at Cotswold District Council and West Oxfordshire District and One Legal, on behalf of Tewkesbury Borough Council, have been engaged to cover the data sharing and usage requirement, along with the access, accountability and authority provisions required at each organisation involved.

1.5 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 reacting to normal referrals of fraud and whistleblowing. It is also in the process of developing an agreement with the Police and other enforcement agencies to aid in the early prevention/detection of fraud.

2.0 PROGRESS UPDATE

2.1 The work undertaken for all authorities in Gloucestershire and West Oxfordshire is summarised in Appendix A. In addition to the fraud and error detection detailed, a number of policies recently approved including the Counter Fraud and Anti-Corruption Strategy have been prepared by officers from the Counter Fraud Unit.

2.2 All of the work undertaken within the pilot has been carried out with existing resources supported by additional resources funded from the government grant.

3.0 BUSINESS CASE

3.1 Attached at Appendix B is the business case for the permanent establishment of the Counter Fraud Unit. Appendix C details the latest financial forecast of the partnership costs.

3.2 The work to date of the Counter Fraud Unit has been undertaken as a pilot and the attached business case and financial detail have been drafted against the early findings of the pilot work to reflect the financial sustainability of creating a permanent Counter Fraud Unit which will serve the partner Councils across the region including Tewkesbury Borough Council.

3.3 The Counter Fraud Unit will be a Support Service reporting to the Chief Finance Officer at each partner site. The employing partner will be Cotswold District Council and day to day management of the Unit will be undertaken by the same.

3.4 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.

3.5 In relation to governance arrangements, policy and corporate strategy; all will be determined by each partner individually and the Counter Fraud Unit will report quarterly to each partner Audit Committee.

3.6 The business case outlines three potential options to the Council – carry on as is; partial formation of a Countywide unit; full formation of a Countywide unit – including the pros and cons of each option and the financial costs and benefits associated with each option.

3.7 Given the performance to date and the potential for further counter fraud work to be undertaken, it is the Officers' view that this Council should be supportive of the option to form a unit comprising all authorities resulting in 210 days of investigatory time being allocated to each partner. This is, of course, subject to each partner agreeing the same; in the event that not all are able to do so, it is suggested that the Council fall back to the

second option and support the partial creation of a Countywide unit with effect from 1 April 2017.

4.0 CONSULTATION

4.1 The work to date of the Counter Fraud Unit and the business case for the permanent establishment of the Unit have been presented and discussed with both Exec/CLT and the Transform Working Group. In both cases, Members were impressed with the output of the Unit and supportive of its permanent establishment.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 The Council has a number of fraud, anti-corruption and recovery strategies in place. There is also a requirement within the Financial Procedure Rules for adequate resources to be dedicated towards the prevention and detection of fraud.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 None

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 If the business case is approved by Council there will be a requirement for formal TUPE consultation to commence with the officer currently employed by the Council to undertake counter fraud related activity.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 The proposed formation of a Countywide Counter Fraud Unit provides a platform for the most cost effective solution for the detection and prevention of fraud.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None

Background Papers: None

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Appendices: Appendix A – Counter Fraud Unit Update
Appendix B – Business Case
Appendix C – Financial Update