

**Cheltenham Borough Council**  
**Cabinet – 19 April 2016**  
**Counter Fraud Project Update**

<b>Accountable member</b>	Cabinet Member Corporate Services, Councillor John Walklett
<b>Accountable officer</b>	Mark Sheldon, Director of Corporate Resources and Projects
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>No</b>
<b>Executive summary</b>	<p>In February 2015, Cabinet approved an evolutionary approach for the establishment of a Counter Fraud Team, to be managed by Audit Cotswolds. This included the creation of a Counter Fraud Officer post within phase 1 of the project.</p> <p>The 1 FTE post was to be funded by contributions from Cheltenham Borough Homes Ltd and some of the residual benefits administration grant for 2015/2016 with review to be undertaken during the financial year.</p> <p>In addition, the Director of Resources was authorised to enter in to such documentation as is necessary to enable the establishment of the Counter Fraud Team. This included agreements with Cotswold District Council as the host authority for Audit Cotswolds and the successful DCLG Counter Fraud Bid.</p> <p>The project is progressing and work to date is attached at Appendix 2.</p> <p>A review of the Counter Fraud Officer post and the funding of the counter fraud project have been undertaken.</p>
<b>Recommendations</b>	<p><b>That Cabinet:</b></p> <ol style="list-style-type: none"> <li><b>1. Approves the financial arrangements for the Counter Fraud Project funding of £55,600 to cover the period from April 2015 to March 2020.</b></li> </ol>

<b>Financial implications</b>	<p>The financial contribution from Cheltenham Borough Council equates to £55,600 (£11,120 per annum for a maximum period of 5 years) and is funded via housing benefit subsidy administration grant which was specifically earmarked for fraud preventative work.</p> <p><b>Contact officer: Paul Jones, S151 Officer, Cheltenham BC</b></p> <p><a href="mailto:Paul.Jones@cheltenham.gov.uk">Paul.Jones@cheltenham.gov.uk</a></p>
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<b>Legal implications</b>	<p>None arising directly from this report other than to note that from 1<sup>st</sup> April 2016 the Counter Fraud Unit functions transferred to the 2020 Partnership Joint Committee in accordance with the Inter- Authority Agreement dated 11<sup>th</sup> February 2016.</p> <p><b>Contact officer: Shirin Wotherspoon, Head of Law (Commercial) One Legal</b>  <a href="mailto:shirin.wotherspoon@teWKesbury.gov.uk">shirin.wotherspoon@teWKesbury.gov.uk</a> 01684 272017</p>
<b>HR implications (including learning and organisational development)</b>	<p><b>Contact officer: Julie McCarthy, HR Manager (West)</b>  <a href="mailto:Julie.McCarthy@cheltenham.gov.uk">Julie.McCarthy@cheltenham.gov.uk</a></p>
<b>Key risks</b>	<p>Without appropriate strategy and resources in place the Council is at risk of losses as a result of fraudulent activity.</p>
<b>Corporate and community plan Implications</b>	<p>In administering its responsibilities; this Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate and community plans.</p>
<b>Environmental and climate change implications</b>	<p>None directly arising from the report.</p>
<b>Property/Asset Implications</b>	<p>None directly arising from the report.</p> <p><b>Contact officer: David Roberts, Head of Property Services</b>  <a href="mailto:david.roberts@cheltenham.gov.uk">david.roberts@cheltenham.gov.uk</a></p>

## 1. Background

- 1.1. In February 2015 Audit Cotswolds was successful in the 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 is 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 against the Councils and Social Housing Providers in the region.
- 1.2. Cotswold DC and Cheltenham BC retained investigator resources under the direction of the Head of Audit Cotswolds. This team (Audit Cotswolds Investigations) 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 hub.
- 1.3. In July 2015 a Project Manager was recruited (2 days per week) to help manage the project across the multiple partners and the 2 year life span of the project.

- 1.4. Cheltenham BC (and Cheltenham Borough Homes) has been the pilot authority for testing some of the legal and operational requirements.
- 1.5. Legal teams at Cotswold DC and Cheltenham BC have been engaged to cover the data sharing and usage requirement, along with the access, accountability and authority provisions required at each organisation involved.
- 1.6. Audit Cotswolds Investigations 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. Reasons for recommendations

- 2.1. The DCLG funding did not materialise for this project until 5 months after the expected due date and after the Cabinet decision in February 2015. The project has evolved significantly since that previous decision.
- 2.2. Two members of staff were retained by Cheltenham Borough Council and are funded by the DCLG bid (held at Cotswold District Council).
- 2.3. Cheltenham Borough Homes provided £16,500.00 towards the project for 2015/2016, the same has been agreed for 2016/2017. This funding will support the work being undertaken whilst the project is being set-up. There are ongoing negotiations in relation to charges and work plan for 2017/2018 to be carried out following the success of the business case to retain the service.
- 2.4. An additional £11,120.00 per annum is to be contributed from the residual benefits administration grant for a maximum period of 5 years.

## 3. Consultation

- 3.1 The Gloucestershire Chief Finance Officer Group is the Governance Group for the project and receives quarterly updates on progress.

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<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Template</li> <li>2. Counter Fraud Project Update</li> </ol>

**Risk Assessment**

**Appendix 1**

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	The authority suffers material loss and reputational damage due to fraud	Director of Corporate resources and projects	11/12/14	3	3	9	Reduce	Introduce a Counter Fraud Team to reduce the likelihood of the risk materialising and also to help recover losses, thus reducing the impact.	31 <sup>st</sup> March 2017	Head of Internal Audit	

**Explanatory notes**

**Impact** – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

**Likelihood** – how likely is it that the risk will occur on a scale of 1-6

(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

**Control** - Either: Reduce / Accept / Transfer to 3rd party / Close