

Cheltenham Borough Council
Cabinet – 6 December 2016
Counter Fraud Unit Business Case

Accountable member	Cabinet Member Corporate Services, Councillor Roger Whyborn
Accountable officer	Paul Jones, Chief Finance Officer
Ward(s) affected	All
Key/Significant Decision	No
Executive summary	<p>In 2014 Cheltenham Borough Council supported the successful DCLG bid to fund the set-up of a Gloucestershire wide Counter Fraud Unit tasked with preventing and detecting fraud and the misuse of public funds.</p> <p>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 within the business case (to June 2016) and is reported to Audit Committee quarterly.</p> <p>This work has been undertaken as a pilot and the attached business case and financial detail 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>If a company is subsequently set up by the employing Council, these arrangements may change and each partner will be consulted about the revised arrangements at the appropriate time.</p> <p>Audit Committee were asked to review the business case and comment thereon to aid decision making. At the meeting on 21 September 2016 it was recommended that Cabinet be recommended to approve Option 2 with a note that Option 3 was the preferred Option.</p> <p>Cabinet is asked to review the business case and approve the Authority's</p>

	participation in the establishment and financial arrangements for a permanent Counter Fraud Unit.
Recommendations	<p>That Cabinet:</p> <ol style="list-style-type: none"> 1. Review the attached business case and supporting financial documentation. 2. Approves this Authority's participation in the establishment of a permanent Counter Fraud Unit and recommends the preferred option 3 and associated financial, governance and employment arrangements.
Financial implications	<p>The base budget held by the Council for counter fraud related work is £62,300. The proposals within the business case will generate a base budget saving of at least £14,000. It is recognised that the potential income and loss avoidance savings will be difficult to map back to actual counter fraud activity as the proceeds are realised through the collection fund surplus. It is however acknowledged that surpluses within the collection fund over the last 2 financial years have been significantly higher than anticipated. Part of the financial contribution which equates to £55,600 (£11,120 per annum for a maximum period of 5 years) is funded via housing benefit subsidy administration grant which was specifically earmarked for fraud preventative work.</p> <p>Contact officer: Paul Jones, S151 Officer, Cheltenham BC</p> <p>Paul.Jones@cheltenham.gov.uk</p>
Legal implications	<p>The proposed arrangement will require appropriate delegation of functions, officer secondments and data sharing protocols.</p> <p>Contact officer: Shirin Wotherspoon, Head of Law (Commercial) One Legal</p> <p>shirin.wotherspoon@teWKesbury.gov.uk 01684 272017</p>
HR implications (including learning and organisational development)	<p>Cheltenham BC currently has two employees employed on fixed term contracts who are seconded to the project. The end date for the fixed term contracts is currently 31st March 2017. It is anticipated that the employees will be offered permanent contracts with the CFU if the proposals are accepted.</p> <p>If the CFU is not established then the fixed term contracts will come to their natural end and the two employees will receive redundancy payments.</p> <p>Contact officer: Julie McCarthy, HR Manager (West)</p> <p>Julie.McCarthy@cheltenham.gov.uk</p>
Key risks	<p>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.</p>

Corporate and community plan Implications	<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.</p> <p>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>
Environmental and climate change implications	None directly arising from the report.
Property/Asset Implications	<p>None directly arising from the report.</p> <p>Contact officer: David Roberts, Head of Property Services</p> <p>david.roberts@cheltenham.gov.uk</p>

1. Background

- 1.1. In February 2015 Cotswold District Council 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 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.
- 1.2. Cotswold District Council and Cheltenham Borough Council retained investigator resources that transferred to work on the project. This 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.
- 1.3. 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 cover the data sharing and usage requirement, 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
- 1.4. 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.
- 1.5. 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. Consultation

2.1 The Gloucestershire Chief Finance Officer Group is the Governance Group for the project and

has received quarterly updates on progress. West Oxfordshire District Council is also updated. The Officers received a copy of the draft business case on 9 June 2016 and have agreed to consult with individual Corporate Management Teams, Audit Committees and Cabinet Members.

2.2 Decisions are to be received by Cotswold District Council as the lead authority by January 2017.

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Appendices	<ol style="list-style-type: none">1. Risk Template2. Counter Fraud Unit Business Case3. Additional Financial Cost Update

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	Chief Finance Officer	December 2014	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.	March 2017	Chief Finance Officer	
2	Without dedicated specialist staff in place, the Council may be unable to take effective and efficient measures to counter fraud, potentially resulting in authority suffering material losses due to fraud and error	Chief Finance Officer	September 2016	3	4	12		Retain a specialist Counter Fraud Unit to tackle the misuse of public funds on behalf of the Council.	March 2017	Chief Finance Officer	
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											