

To: Audit & Governance Committee

Date: 23rd April 2015

Report of: Head of Finance

Title of Report: Investigation Team Update

Summary and Recommendations

Purpose of report:

1. To report to Members the activity and performance of the Investigation Team for the period 1 April 2014 to 31 March 2015, and the plans for the development of the Investigation Service going forward.

Key decision Yes

Executive lead member: Councillor Ed Turner

Policy Framework: None

Recommendation(s): That the report be noted

Appendices

Appendix 1 – Internal Investigations – Exempt from publication

Background

1. The remit of the Investigation Team is to protect Oxford City Council against fraud through prevention, detection, deterrence and redress. Minimising losses through fraud provides increased assurance that resources within the Council are being used for their intended purpose and that public funds are protected.

Performance

2. There are two Service Performance Indicators which are used to track performance on a monthly basis. Performance against these targets for the financial year ending 31st March 2015 is shown in the table below.

Table 1 :Investigations Team Performance for the Financial Year 2014/15			
Measure	Annual Target	Achieved	Comment
Number of returned Social Housing dwellings through civil and criminal proceedings.	20	15	The performance is below target for a number of reasons <ul style="list-style-type: none"> • Staffing issues • Lower than anticipated number of returned properties in tenancy amnesty However, there are 14 properties under notice or with Legal Services within Law and Governance pending repossession
Number of successful outcomes, increasing revenue for Council Tax and Business Rates	240	130	This was a new area of work for team in 14/15 and activity increased in second half of year. <ul style="list-style-type: none"> • Increased Revenue value £258,777 • £58,187 additional NNDR identified for 2015/16

The second target in the above table was set based on data held from previous years. The value of increased Council Tax and Business Rates income arising from investigation activity surpassed expectations and is a better measure of performance and will be used going forward.

3. The total value of losses identified, income generated, and savings achieved by the Investigation Team over the year was £2,608,700 shown in the table below

Table 2: 2014/2015 Losses identified, income generated, savings made	
	£'s
Housing Benefit Overpayments **	617,600
Council Tax Reduction Scheme Overpayments	108,100
Housing Benefit savings (using 32 week multiplier) **	773,500
Council Tax Reduction Scheme savings (using 32 week multiplier)	77,700
Other Welfare Benefits	2,000
Council Tax Discount / Exemptions	121,900
Non Domestic (Business) Rates Reliefs / Exemptions	137,000
Recovered Properties (x Cost of Temp Acc @ 18,000 pa)	270,000
Stopped Right to Buy Applications	385,000
National Fraud Initiative	3,400
Financial Investigations	112,500
Administrative Penalties & Profit Orders	9,100
TOTAL	2,608,700

** With effect from February 2015 welfare benefit investigations will no longer be undertaken by the Council

4. Despite issues including new staff undergoing training, protracted staff absence, and the resource intensive transfer of Housing Benefit cases to the Department for Work and Pensions, it is felt that performance against the service plan targets was good.

5. Other areas of activity undertaken during the year included:
 - a. 28 cautions and 5 Administrative Penalties administered in respect of Housing Benefit and / or Council Tax Reduction Scheme offences,
 - b. 1 Profit Order from a social housing sublet fraud.
 - c. 18 successful prosecutions within the year, all of which had press releases issued and associated publicity. The Team will continue to publicise every conviction in order to raise awareness and to act as a deterrent.
 - d. 5 Right to Buy applications stopped by the Investigation Team.

Staffing

6. The Investigation Team has been restructured following the introduction of the Single Fraud Investigation Service (SFIS) early in 2014. The permanent establishment is 5.6 FTE
7. Following the successful bid submitted in respect of the Fraud and Error Reduction Incentive Scheme (FERIS) additional fixed term staff are being recruited to deliver the project which is explained in more detail below.

Single Fraud Investigation Service Update

8. From 1st February 2015, the responsibility for investigation of Housing Benefit fraud in Oxford was transferred to the Department for Work and Pensions. One member of the team transferred to the DWP under TUPE like arrangements. The transfer involved secure electronic and clerical migration of cases after liaison with the DWP project team, and local DWP contacts. Service Level Agreements for the future exchange of information have been agreed. The process was resource intensive but was managed successfully and the transfer took place as scheduled.
9. The Team retained a number of ongoing Housing Benefit investigations which they will see through to conclusion. Legal powers to investigate Housing Benefit fraud will not be removed from local authorities until March 2016.

Department for Communities and Local Government Grant (DCLG) Funding / Fraud Hub

10. The first tranche of the £407,000 grant funding from DCLG was received in December 2014.
11. Implementation plans were devised in January and a number of actions have taken place to move the project forward. After a procurement exercise, Intec for Business was awarded the contract to provide the data warehouse & case management systems. Implementation of the system is due in June 2015.
12. The systems include "Single View of Debt" functionality which is planned for utilisation in debt recovery. The data warehouse system also includes integrated credit reference agency searching which will assist with investigating and risk profiling match results.
13. 4 Fixed term investigation staff together with a part time Legal Officer will be recruited by August 2015 to deliver the project.

Fraud and Error Reduction Incentive Scheme (FERIS)

14. The Council submitted a bid for £14,000 to the Department for Work and Pensions in relation to the FERIS scheme. The Council was notified that it had been successful in February 2015.

Working With Other Organisations

15. Oxfordshire County Council were successful in their £81k bid to DCLG and were awarded funding based on a link with the City bid. The aim is for the City Investigation Team to provide an investigation resource to the County to tackle high risk areas that have not previously been addressed, such as Social Care. Liaison meetings with the County have taken place and training for City staff in County processes and procedures is due to take place in the near future.
16. Further work with the County Council is underway and the option for the Investigation Team to conduct the Single Person Discount review exercise, currently undertaken by Capita, is being considered. The data warehouse would be used to facilitate this and the exercise could be conducted at a county wide level. Legal issues, cost benefits and deliverability are being discussed before a decision is made to proceed.
17. Liaison meetings with South Oxfordshire and Vale of White Horse District Councils have taken place for future joint working arrangements to provide resources for corporate investigation work in their respective districts. High risk areas identified for investigation include Council Tax discounts, Non Domestic Rates, and Council Tax Reduction Scheme cases. The previous partnership working arrangement with South and Vale identified £116,000

in overpaid benefits, and saved the councils from paying out a further £66,700 in fraudulently claimed benefits.

18. South and Vale District Councils have also requested that Oxford City Council carry out work on FERIS following their successful bid for £17,000 from the DWP.
19. The implementation of the Intec Data Warehouse system will not only provide a valuable datamatching resource for the Council but also all further marketing of the Investigation Team Services with County, South and Vale District Councils, other Oxfordshire Districts and Registered Social Landlords and so move the Council further forward in establishing the concept of a Fraud Investigation Hub in Oxfordshire County.

Other developments

20. The Identification Document scanner software was rolled out across a number of service areas including Human Resources, Customer Services and Housing. Since its implementation in June 2014, 3000 identity documents have been scanned, the majority have which have been verified as genuine providing confidence and assurance that only those entitled to access a Council service are doing so. The new software features a user intuitive interface, better reliability, a workflow document authentication process for dealing with suspicious documents and the ability to scan and verify UK driving licences. The Human Resources department now has an ID scanner within the service to help ensure that every new Council employee provides authentic documents, and has the right to work in the UK.
21. The team contributed towards the development of the Corporate Smartphone App which now features the ability for members of the public to report suspicions of fraud via the app. The facility went live in January 2015 but no referrals have yet been received via this medium. Since its release in December 2014, there have been 1022 downloads of the app from the iTunes and Android stores.

Internal Investigations

22. In the financial year, there were 4 investigations completed by the Team involving members of staff. One no longer works for the Council, one was issued with a Final Written Warning, one concluded in no action being taken against the individual, and the other resulted in a warning letter being issued to a member of the public. See Appendix 1 for further information.

23.

Right To Buy Applications

24. By the beginning of the 2014/15 financial year, a due diligence process had been developed within the Team in respect of Right to Buy

applications. The aim of the process is to protect the Council against money laundering.

25. The Proceeds of Crime Act makes it clear that it is not permissible to accept that an applicant's solicitor has conducted the standard of checks required to verify the source of funds used to purchase a Council property.
26. Of the 83 Right to Buy applications received, 25 were from customers in receipt of Housing Benefit at the time of application, or within six months of making the application. These were considered higher risk cases and were all therefore subject to full due diligence checks.
27. From 1st April 2015 all Right to Buy applications submitted to the Council are subject to the full due diligence checking process ensuring an enhanced level of protection against money laundering is in place for these high value transactions.

Proceeds of Crime (POCA)

28. The partnership arrangement with the Financial Investigation Service of Slough Borough Council remains active with bank accounts frozen whilst criminal convictions progress to conclusion. The previously reported value identified for recovery from frozen bank accounts was £115,000, but due to the accidental death of a customer shortly after being convicted, this figure reduced to £85,000. However, bank accounts belonging to another customer have since been frozen with £27,500 identified for recovery. This brings the total identified for recovery through Proceeds of Crime legislation to £112,500.

Legal Implications

29. The continuing work of the Investigation Service, coupled with the Council's Avoiding Bribery, Fraud and Corruption, Whistle blowing and Money Laundering policies and procedures give assurance that the Authority is compliant with the Bribery Act 2010, the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002. Failure to adhere to the Policies would impact on the legal and reputational risk to the Council.

Financial Implications

30. The budgeted net cost of the team excluding income from the Housing Revenue Account is £220,370 for 2015/16 and the team are charged with making savings and income to at least recover these costs as an indication of value for money. This will be achieved by using the newly implemented data warehouse to find fraud in all areas of the Councils business and our partner organisations as well as income generation from working with our partners.

Risk Implications

31. The risk of fraud both from within the Councils business and impacting on the Councils business may be significant. The maintaining of a fraud investigation resource will act as a deterrent to fraudulent activity and the saving; both cashable and non-cashable is likely to more than offset the cost of running the Investigating Team

Environmental Impact

32. The majority of visits undertaken by staff on the team are done using the Council pool vehicles. All staff are carbon footprint aware and always seek out the most environmentally friendly way of delivering the service.

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