

To: Audit & Governance Committee

Date: 28 June 2017

Report of: Head of Financial Services

Title of Report: Investigation Team Performance and Activity Annual Report

Summary and Recommendations

Purpose of report:

1. To appraise Members of the activity and performance of the Corporate Investigation Team for the period 1 April 2016 to 31 March 2017

Key decision No

Executive lead member: Councillor Ed Turner

Policy Framework: Corporate Plan Priority – Efficient & Effective Council

Recommendation(s): That the report be noted

Appendices

Appendix 1 – Internal Investigations – Exempt from publication

Appendix 2 – Oxford Investigation Service Brochure and Meet the Team
Insert – June 2017 version

Background

1. The remit of the Corporate Investigation Team is to tackle fraud and irregularity across the Council, aligned to our services' fraud risks and the priorities identified by the previous Audit Commission and The European Institute For Combatting Corruption And Fraud (TEICCAF).
2. The aims and objectives of the Team are to provide high quality professional corporate fraud investigation services to the Council to prevent and detect fraud and error within the Council and partner organisations, and to assist cross border agencies where possible. Through this activity, financial losses are prevented, additional revenue is identified for recovery, and income is secured through supply of services.

Performance in 2016-17

3. For 2016/17, there are four Service Performance Indicators used to track performance on a monthly basis. Performance against these targets is shown in the table below.

Table 1 - Investigations Team Performance from 01 April 2016 to 31 March 2017			
Measure	Annual Target	Total Achieved	Comment
Number of social housing properties recovered and applications for housing stopped	22	22	Target achieved- 100%
Achieve cost neutrality from identification of revenue through investigation activity	£234,000	£2,059,185	See Table 2 for breakdown – 878% of target achieved
Prevent financial losses to the Council through investigation activity	£1,750,000	£3,080,941	See Table 2 for breakdown- 176% of target achieved
Investigation Team Satisfaction Surveys	80% either satisfied or extremely satisfied with service	100%	14 responses received of the 21 issued in the period, 100% were either satisfied or extremely satisfied with the service

4. Table 2 below provides a breakdown of the income recovered or generated, and losses prevented by the Team.

Table 2 – Income generated and losses prevented from 01 April 2016 to 31 March 2017			
	Income Generated	Loss Avoidance	Comment
	£	£	
Council Tax Reduction Scheme	54,519	22,502	The loss avoided is based on the revised Oxford model* calculation of 104 weeks future entitlement.
Housing Benefit	225,427	151,530	Although no longer tasked with investigating Housing

			Benefit, these values are the by-product of tenancy fraud and Council Tax Reduction Scheme investigations. 104 week future entitlement model used for loss avoidance
Right to Buy		2,337,000	30 Right To Buy applications prevented (24% of all applications received) following intervention / investigation. 30 x £77,900 (max discount)
Council Tax Discount / Exemption adjustments	21,115		Reactive investigations where discount removed as an outcome
Non Domestic Rates	451,039		5 accounts where investigation work resulted in the discovery of unregistered business premises and identification of exemptions or discounts where no entitlement exists
Properties Recovered		384,000	The cost of keeping a family in temporary accommodation for one year calculated using the Oxford model (£24k x 22)
Housing Applications		144,000	6 General Register Housing Applications stopped through investigation activity preventing temporary accommodation costs or property allocation - £24,000 per instance
Administrative Penalty income	747		50% of the fraudulent overpayment of Council Tax Reduction Scheme Allowance. 2 cases.
Data Matching Results			
Private Rented Sector Deposits and Bonds Exercise	124,461	41,909	Proactive initiative to identify non-repaid rent deposits and damage bonds that were no longer applicable. Loss prevention element relates to cancellation of bonds and lowering of reserve
New Homes Bonus Initiative	403,817		Proactive initiative to identify long term empty properties

			that have since been occupied. Income relates to government subsidy paid to the Council
Council Tax Single Person Discount Review	778,060		Full review of SPD accounts to identify presence of undeclared resident adults
Totals	2,059,185	3,080,941	5,140,126

*The Oxford Model refers to the team moving away from outdated savings calculations and conducting analysis to determine current and regionalised values.

5. Notable activity from 1 April 2016 to 31 March 2017 included:

- 1 caution administered in respect of Council Tax Reduction Scheme offences
- 2 Administrative Penalties offered and accepted in respect of Council Tax Reduction Scheme offences
- 1 prosecution of Council Tax Reduction Scheme offences; 200 hours of unpaid work, £25 victim surcharge
- The Data Warehouse system was used for three innovative proactive exercises during the course of the year, as detailed within Table 2. The combined value derived from use of the in-house data matching system was £1.35m, of which £42k is prevention of fraud losses.

6 In October 2016, the Investigation Team were selected by the Institute of Revenues, Ratings and Valuations (IRRV) as winners of the “Excellence in Corporate Fraud” Performance Award. There were 44 applications in the category and three Finalists, of which the Oxford City Council Investigation Team were one.

7 The Investigation Team hosted a “Preventing Fraud Open Day” on the 28 September 2016 at Oxford Town Hall. The aim of the event, which was free to attend, was to help raise awareness of fraud trends and emerging risks to attending organisations, and raise awareness of the services the Investigations Team can offer.

8. The day was opened by the Chief Executive of Oxford City Council, followed by the Deputy Leader, the Chief Financial Officer and the Investigations Manager.

9. Over 100 delegates attended the event which was full to capacity. The event was free to attend on the basis that there was some earmarked funding from the Department for Communities and Local Government grant, received in 2015.

10. A total of 35% of attendees completed a survey after the event and rated it positively. Comments included:
- “A well-chosen and eloquent selection of speakers, who were able to cover the wide range of attendees' areas of interest, and showed that this is not a 'silo' problem”
 - “It was a great initiative to get various local public sector/charity organisations together to discuss issues relating to fraud. My favourite bit was the legal panel that was very informative.”
 - “I liked the fact the fact so many people and organisations attended. This highlighted that there are still many willing to put resources into counter fraud activity, when public authorities are generally cutting resources in this area. Also, the format was well thought out by the City - well done!”
 - “I was impressed with the high level of buy-in which the team are getting from members and senior management. I was also impressed with the apparent team ethic and togetherness that was shown, which is clearly reaping the benefits for the Council.”
11. After the Open Day, a number of attending organisations made contact with the team to enquire about joint working, evidencing that the day was successful.
12. Several enquiries converted to contractual business relationships, others are still undergoing development and nearing completion.
13. Based on the success of the event, a 2017 day is scheduled for 14 September. It is unlikely that it will be possible to cover the costs of the event from the team budget and a charge to attend will have to be made to delegates.

Internal Investigations

14. **Appendix 1** provides details of the internal investigations during the period.

Commercial Activity

15. Fraud Hub working arrangements remain in place with services being contractually provided to multiple partner organisations in both the public and private sector. Business development activity is now embedded as part of the team culture as plans to bring more partners on board take shape.
16. The team is known commercially as The Oxford Investigation Service and has a brochure and promotional materials to assist the objective of business development. A copy of the June 17 version of the brochure and the “Meet The Team” insert is attached as **Appendix 2**.

17. Promotional activity, in addition to the Oxford Open Day event, includes speaking slots at relevant conferences, mailshots, meetings and for the first time since the commencement of trading activity, attending conferences as exhibitors with a dedicated trade stand.
18. The increasing number of successful projects and activities delivered for Oxford City Council has assisted in developing a range of services that can be offered to partner organisations and prospective clients. For each marketable service, pricing options are developed with the assistance of Financial Services Accountants to ensure compliance with financial regulations, ethical trading, and financial feasibility.

Partnership Working

19. South Oxfordshire and Vale of White Horse District Councils / Capita

The Investigation Service has enjoyed a long term contractual relationship with South Oxfordshire District Council and Vale of White Horse District Council (South & Vale), dating back to 2014. From August 2016, the Revenues and Benefits service within South & Vale was outsourced to Capita, along with the investigation resource.

20. Capita then elected to engage the services of the Investigation Service to provide uninterrupted service provision at South & Vale and the contractual arrangement continued for the remainder of the financial year, and the arrangement remains in place to date.
21. The Oxford Investigation Service are the first and only supplier of investigation services to Capita in the UK. Provision of services to private sector organisations is another significant achievement for the team.
22. The service provided exceptional value for money and return on investment for South and Vale through identification of additional revenue and prevented fraud losses. Additional to the financial benefits were a high number of sanction outcomes including formal cautions, Administrative Penalties and prosecutions.
23. Additional to Investigation Service supply to South and Vale was the supply of visiting services in accordance with the Fraud and Error Reduction Incentive Scheme (FERIS). The service significantly increased revenue for the respective authorities in the period through the identification of Housing Benefit overpayments, Council Tax Reduction Scheme overpayments and prevented losses from erroneous and fraudulent benefit awards. The supply of this service terminated at the end of March 2017 as the FERIS scheme was concluded with no further grant funding being made available by the Department for Work and Pensions.

Oxfordshire County Council

24. The team have been providing investigation services to the Audit and Risk service of Oxfordshire County Council during the financial year on a reactive, call-off

basis. The service commenced in early 2015 and has continued to deliver great outcomes for the County Council, including recommendations of civil recovery of overpayments, process improvements to prevent further abuse occurring in specific service areas, and disciplinary sanctions against staff found to be committing fraud.

25. Over the course of the 2016-2017 financial year, the Oxford Investigation Service worked in partnership with Oxfordshire County Council to conduct a full review of Council Tax Single Person Discounts (SPD).
26. Single Person Discount (SPD) makes up one of the largest categories for Council Tax Discount at Oxford City Council. There are around 60,000 properties billed for Council Tax in the City and between 16,000 and 17,000 awards of Single Person Discount.
27. SPD Fraud is therefore a significant cost to the City Council and the County Council as the major precept. The exercise was the first large scale project undertaken using the data warehouse software.

Headline statistics for the project:

Total number of Properties billed for Council Tax:	60,449
Total number of Properties with SPD:	16,116
Number of Properties with SPD less than 6 months:	2,017
Total in Sample	14,099
Total number of matches with Risk score over 200:	3,551
RESULTS	
Total number of Accounts amended	642
Total Amount Invoiced	£314,321
Projected future income	£463,739
COSTS	£39,996
Return on Investment	£738,064
% ROI	1945%

28. Oxfordshire County Council funded 90% of the exercise which was deemed to be very successful having delivered a significant return on investment.
29. In December 2016, a second proactive Blue Badge enforcement exercise was undertaken on behalf of Oxfordshire County Council. The previous exercise, conducted in December 2015 under the terms of the Business Agreement saw 11 badges seized over the course of a 3 day exercise.
30. With an increased resource commitment and lessons learned from the previous exercise, the December 2016 exercise resulted in 22 Blue Badges being seized that were being misused to park in bays reserved for Blue Badge Holders.

31. The exercise generated significant positive publicity in the press and radio news articles. Oxfordshire County Council's legal team are considering action on a case by case basis.

Warwick District Council

32. As a result of attending the Oxford Investigation Service Open Day in September 2016, Warwick District Council commissioned the services of the Investigation Team. A contract was signed in early 2017 and a 12 month agreement entered into for the supply of one full-time equivalent Investigation Officer to supply the counter fraud function on behalf of Warwick District Council. The service went live in February 2017 and returned the value of the contract to Warwick in the first two weeks of operation.

East Devon District Council

33. As a result of attending the Oxford Investigation Service Open Day in September 2016, East Devon District Council (EDDC) commissioned the services of the Investigation Team. In early 2017, senior officers in the team provided quality assurance services to EDDC in connection with fraud policy and strategy documents. Further service provision is currently being explored around data matching

Stratford on Avon District Council

34. The Investigation Service was commissioned by Stratford on Avon District Council to provide urgent audio interview transcription services. This was a single exercise that was referred through word-of-mouth, which further evidences that promotional activities of the Investigation Service have been successful.

35. The Oxford Investigation Service has delivered a combined total of £1.65m in additional revenue for these partner organisations, and has prevented fraud losses of a further £1.5m. Success of this calibre will help in supporting ongoing business development with both new and existing clients.

Legal Implications

36. The continuing work of the Investigation Team, 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.

37. All data sharing both internally and externally is covered by Data Sharing Protocols and is conducted in the interests of prevention and detection of fraud, crime and other financial irregularity, as per the provisions of section 29 of the Data Protection Act 1998.

38. All contractual agreements devised for joint working with other organisations have been approved by Legal Services.

Financial Implications

39. The net cost of the team excluding income from the Housing Revenue Account and grant funding for the financial year 2016-2017 was £234,000. The team are charged with identifying fraud, error and loss and are targeted to recover these costs as an indication of value for money. The team achieved over £5.1m through identification of additional revenue and prevention of losses to fraud and irregularity.

40. From commercial activity, the team secured income of in excess of £67,000 in the year which is directed into the team.

41. In addition to cashable revenue and non-cashable savings generated internally, the Investigation Team undertook work on behalf of other organisations generating income for them of £1.65m, and preventing fraud losses of over £1.5m.

Environmental Implications

42. The majority of visits undertaken by staff in the Team are done using the Council pool vehicles. All staff are conscious of the environmental implications of service delivery and will always seek the lowest impact route where possible.

Risk Implications

43. The risk of fraud both from within the Council's business and impacting on the Council's business may be significant. The maintaining of a fraud investigation resource is essential in acting as a deterrent to fraudulent activity and safeguarding the organisation. The income generated and losses prevented from team activity more than offset the cost of running the Investigating Team.

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