

To: Audit & Governance Committee
Date: 25 July 2018
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 2017 to 31 March 2018

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 – Oxford Investigation Service 2nd Annual Conference Agenda

Appendix 2 – Internal Investigations – Exempt from publication

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 2017-18

3. For 2017/18, 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 2017 to 31 March 2018			
Measure	Annual Target	Total Achieved	Comment
Number of social housing properties recovered and applications for housing stopped	22	38	Target achieved- 173%
Achieve cost neutrality from identification of revenue through investigation activity	£500,000	£605,070	See Table 2 for breakdown - 121% of target achieved
Prevent financial losses to the Council through investigation activity	£1,800,000	£2,932,384	See Table 2 for breakdown- 163% of target achieved
Right to Buy Applications prevented (false or irregular)	20% of applications received	25%	23 applications prevented of 93 received in the period
Trading Income from commercial activity	£60,000	£181,388	Value invoiced in the period. 302% ahead of target.

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 2017 to 31 March 2018			
	Income	Loss	
	Generated	Avoidance	Comment
	£	£	
Council Tax Reduction Scheme	41,971	25,771	The loss avoided is based on the revised Oxford model calculation of 104 weeks future entitlement.
Housing Benefit	173,983	131,162	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		1,807,800	23 Right To Buy applications prevented (25% of all applications received) following intervention / investigation. 23 x £78,600 (max discount)
Council Tax Discount / Exemption adjustments	11,412		Achieved through reactive investigation casework
Non Domestic Rates	7,083		2 accounts where investigation work resulted in the discovery of unregistered business premises and identification of exemptions or discounts where no entitlement exists
Properties Recovered		264,000	The cost of keeping a family in temporary accommodation for one year calculated using the Oxford model (£24k x 11)
Housing Applications		648,000	27 General Register Housing Applications stopped through investigation activity preventing temporary accommodation costs or property allocation - £24,000 per instance

Administrative Penalty income	2,551		50% of the fraudulent overpayment of Council Tax Reduction Scheme Allowance. 3 cases.
Insurance claim prevention		39,400	Personal injury insurance claim repudiated after intervention from Investigation Team
Data Matching Results			
Private Rented Sector Deposits and Bonds Exercise	46,250	16,251	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	£52,504		Proactive initiative to identify long term empty properties that have since been occupied. Income relates to government subsidy paid to the Council over 4 years
Council Tax Single Person Discount Review	269,316		Rolling review of SPD accounts to identify presence of undeclared resident adults
Totals	605,070	2,932,384	3,537,454

5. Notable activity from 1 April 2017 to 31 March 2018 included:

- 3 Administrative Penalties offered and accepted in respect of Council Tax Reduction Scheme offences
- 1 prosecution of Council Tax Reduction Scheme offences; 12 months conditional discharge, £20 victim surcharge, £350 costs. The customer had also unlawfully acquired a Council property which was subsequently recovered as a direct result of the work of the team.
- The Data Warehouse system was again 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 £384,321, of which £16k was prevention of fraud losses.

6 In mid-2017, submissions were made to the Institute of Revenues, Ratings and Valuations (IRRV) for consideration in their Performance Awards scheme. The team were shortlisted as Finalists in all three categories entered, which were:

- Excellence in Counter Fraud
- Excellence in Innovation (General)
- Most Improved Team of the Year

The team were selected as winners in the category of “Excellence in Innovation (General)”. This was the second consecutive year that the team have been recognised as leaders in class, having won the award for Excellence in Corporate Fraud in October 2016.

7 The Investigation Team hosted its second annual conference on 14 September 2017 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. The team is known in a commercial capacity as The Oxford Investigation Service.

8. The day was opened by the Deputy Leader of the Council, the Interim Chief Executive and the Chief Financial Officer.

9. Over 120 delegates attended the event which was full to capacity. For the second year, it was possible to keep the event as free-to-attend. Some of the costs were covered from charges made to exhibitors to attend with trade stands, as well as sponsorship arrangements. In June 2017, the Audit & Governance Committee agreed to make funding available specifically to ensure any costs not covered through sponsors and exhibitors were compensated, ensuring that delegates did not have to pay for places, which helped considerably in ensuring high attendance.

10. A follow up survey was issued to all delegates after the event and a high number of responses were received. Comments were very positive around the venue, event structure, speakers and topics covered. There were a number of specific comments around how well supported the team are by Chief Officers and Members, and evident appreciation for the professionalism of the event, given that it was organised by a team that do not specialise

11. Delegates were asked to complete contact cards where an opportunity to express interest in services offered by the Oxford Investigation Service could be made. As a result of the responses, the team followed up leads in the weeks after the conference, several of which converted to contractual business relationships which ultimately enhanced the trading income delivered by the team in the year.

12. Based on the success of the events in both 2016 and 2017, the positive feedback received and the reputation of the event as essential to attend for those in the profession, and the lucrative outcomes from business relationships with new partner organisations, a decision was taken to host a conference on an annual basis, the next of which is scheduled for 20 September 2018.

Internal Investigations

13. **Appendix 2** provides details of the internal investigations conducted during the period.

Commercial Activity

14. 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.
15. The team is known commercially as The Oxford Investigation Service and has a brochure and promotional materials to assist the objective of business development.
16. Promotional activity, in addition to the Oxford Open Day event, includes speaking slots at relevant conferences, mailshots, meetings with prospective clients 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. The team has provided Counter-Fraud and Investigation services to multiple client organisations in both the public and private sectors, the result of which was a trading income of over £180k. In the period, the team provided products and services to the following organisations:
- South Oxfordshire District Council
 - Vale of White Horse District Council
 - Capita
 - Oxfordshire County Council Audit Team
 - Oxfordshire County Council Blue Badge Team
 - Trust ID
 - Altia Solutions
 - ITS Training
 - CAF Solutions
 - Experian
 - Engenium
 - Intec for Business
 - Riverside Housing Association
 - Hightown Housing Association
 - Reading Borough Council
 - Warwick District Council

20. Some examples of particular success in this area include a proactive Empty Homes review exercise delivered on behalf of Reading Borough Council (RBC) in August and September 2017. The aim of the exercise was to identify properties, categorised as long term empties for Council Tax purposes, which have been occupied but records not updated by the authority. Each property found to be occupied then attracts subsidy from the Ministry of Housing and Local Government under the New Homes Bonus scheme. The four week exercise, delivered on a risk and reward basis, was responsible for generating subsidy of over £600,000 for RBC.

6. The acting Head of Finance at RBC provided a testimonial as a result of the service delivered, the outcomes and the value for money enjoyed by the authority.

“In August 2017, we commissioned the Oxford Investigation Service to undertake an empty homes review using their advanced data matching technology. Through the provision of a fully managed service, their efforts delivered additional New Homes Bonus subsidy valued at over £600k over 4 years for Reading Borough Council, an exceptional outcome representing a significant return on investment. This is the first time we have worked together in this way and the outcomes were far better than had been estimated”

- Peter Lewis, Interim Section
151 Officer, Reading Borough
Council

21. The team had been the sole provider of Counter Fraud services to Warwick District Council (WDC) since February 2017. After the 12 month contract had concluded, WDC again commissioned the Oxford Investigation Service under a new 3 year contract, commencing 9 April 2018, to provide the capability over a longer term arrangement. This was due to the high quality of service delivered to WDC and the high value outcomes achieved. This longer term arrangement assists with income assurance for Oxford City Council’s Medium Term Financial Plan.

22. After the success of the 2017 conference, an attending organisation made contact to discuss the possibility of provision of counter-fraud services. After a period of arranging the logistics and legal aspects, the Oxford Investigation Service are confirmed to be the sole provider of Counter Fraud services to Cherwell and South Northants District Councils. The two-year contract is due to commence in July 2018 and is represents another significant trading achievement for the team.

Legal Implications

23. 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.

24. All data sharing both internally and externally is covered by Data Sharing Protocols and agreements, and is conducted in the interests of prevention and detection of fraud, crime and other financial irregularity, as per the provisions

and exemptions of the European General Data Protection Regulation and the Data Protection Act 2018.

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

Financial Implications

26. The net cost of the team for 2017-18 is as follows

	Budget	Actual	Variance
	2017-18	2017-18	2017-18
	£	£	£
Expenditure	390,200	451,163	60,963
Income			
HRA Recharge	(86,490)	(97,286)	(10,796)
External Income	(38,300)	(174,619)	(136,319)
Net Expenditure	265,410	179,258	(86,152)*
FTE Staff	10.0	11.0	1.0

27. The net cost of the team to the council in 2017-18 was £179,258 net of £174,619 Trading income from other organisations. In return the Council benefited from £605k of cashable savings and £2.9 million of non cashable savings. Staffing was 11 FTE which provides sufficient resources to provide all contract work including work in Cherwell and South Northants which is soon to commence.

Environmental Implications

28. 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

29. 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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