

**To: Audit & Governance Committee**

**Date: 24 July 2019**

**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 Counter-Fraud Team for the period 1 April 2018 to 31 March 2019

# 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 3rd Annual Conference Agenda

Appendix 2 – Internal Investigations – Exempt from publication

**Background**

1. The remit of the Counter-Fraud Team is to tackle fraud and irregularity across the Council, aligned to our services’ risks identified through a fraud risk assessment exercise, as well as from recommendations made by the Council’s internal audit service.
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 on commercial basis.

**Performance in 2018-19**

1. For 2018/19, 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 2018 to 31 March 2019** | | | |
| **Measure** | **Annual Target** | **Total Achieved** | **Comment** |
| Number of social housing properties recovered and applications for housing stopped | 22 | 22 | Target achieved.  Made up of 15 properties recovered and 7 fraudulent or irregular applications for social housing stopped. |
| Achieve cost neutrality from identification of revenue through investigation activity | £500,000 | £731,890 | See Table 2 for breakdown - 146% of target achieved |
| Prevent financial losses to the Council through investigation activity | £1,800,000 | £2,524,988 | See Table 2 for breakdown- 140% of target achieved |
| Right to Buy Applications prevented (false or irregular) | 20% of applications received | 27% | 23 applications prevented of 85 received in the period |
| Trading Income from commercial activity | £70,000 | £418,397 | Value invoiced in the period. 598% of target achieved |

1. 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 2018 to 31 March 2019** | | | |
|  | **Income** | **Loss** |  |
|  | **Generated** | **Avoidance** | **Comment** |
|  | **£** | **£** |  |
| Council Tax Reduction Scheme | 50,384 | 29,154 | The loss avoided is based on the revised Oxford model calculation of 104 weeks future entitlement. |
| Housing Benefit | 167,035 | 107,134 | 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 |  | 1,860,700 | 23 Right To Buy applications prevented (27% of all applications received) following intervention / investigation. 23 x £80,000 (max discount) |
| Council Tax Discount / Exemption adjustments | 496,446 |  | Achieved through reactive investigation casework & proactive rolling risk-based reviews of Single Person Discounts |
| Non Domestic Rates | 16,488 |  | Accounts where investigation work resulted in the discovery of unregistered business premises and identification of exemptions or discounts where no entitlement exists |
| Properties Recovered |  | 360,000 | The cost of keeping a family in temporary accommodation for one year calculated using the Oxford model (£24k x 15) |
| Housing Applications |  | 168,000 | 7 General Register Housing Applications stopped through investigation activity preventing temporary accommodation costs or property allocation - £24,000 per instance |
| Administrative Penalty income | 1,537 |  | 50% of the fraudulent overpayment of Council Tax Reduction Scheme Allowance. 2 cases. |
| Totals | 731,890 | 2,524,988 | **3,537,454** |

1. Notable activity from 1 April 2018 to 31 March 2019 included:
   * 2 Administrative Penalties offered and accepted in respect of Council Tax Reduction Scheme offences
   * A prosecution of unlawful subletting of a social housing property. Working with Greensquare Housing Association, the team evidenced that the property had been sublet from April 2014. The offender was fined £500 and was ordered to pay back unlawful profit of £9,769.
   * A prosecution taken by Oxfordshire County Council, investigated by the City’s Counter Fraud Team in partnership with Thames Valley Police, resulted in a £1,000 fine and a conditional caution. The offender had received Foster Care allowance in respect of a child who was not in their care.

* + The Data Warehouse system was used for proactive exercises during the course of the year.

- A rolling review of Council Tax Single Person Discounts resulted in additional collectible Council Tax revenue of over £450,000.

- An empty homes review project was successfully delivered on behalf of Slough Borough Council. During the exercise, the team discovered a large number of occupied properties in Slough that were on record as being long term empty. These were re- categorised thereby assisting Slough in achieving subsidy through the government’s New Homes Bonus scheme.

6 In mid-2018, 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 Partnership Working
* Excellence in Staff Development

The team were selected as winners in the category of “Excellence in Counter Fraud”. This was the third consecutive year that the team have been recognised as leaders in class, having won the award for Excellence in Corporate Fraud in October 2016, and the award for Excellence in Innovation in 2017.

7 The Investigation Team hosted its third annual conference on 20 September 2018 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 to raise awareness of the services the Investigations Team can offer. The team is known in a commercial capacity as The Oxford Investigation Service.

1. The day was opened by the Deputy Leader of the Council, the Chief Financial Officer and the Counter-Fraud Manager.
2. Over 160 delegates attended the event which was full to capacity. For the third 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 July 2018, 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.
3. 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 does not specialise in event management.
4. 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 additional business which ultimately enhanced the trading income delivered by the team in the year.
5. Based on the success of the events in 2016, 2017 and 2018, 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 continue to host the conference on an annual basis, the next of which is scheduled for 26 September 2019. An agenda relating to the 2018 event is provided as **Appendix 1.**

**Internal Investigations**

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

**Commercial Activity**

1. Working arrangements remain in place with partner organisations, with services being contractually provided to both public and private sector clients. Business development activity is now embedded as part of the team culture and activity of this type continued throughout the year.
2. The team is known commercially as The Oxford Investigation Service and has a brochure and promotional materials to assist the objective of business development.
3. Promotional activity, in addition to the Oxford Open Day event, includes speaking slots at relevant conferences, mailshots, meetings with prospective clients and attending conferences as exhibitors with a dedicated trade stand.
4. 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..

**Partnership Working**

1. 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 £418k. In the period, the team provided products and services to the following organisations:

* South Oxfordshire District Council (ongoing)
* Vale of White Horse District Council (ongoing)
* Cherwell District Council (ongoing)
* South Northants Council (ongoing)
* Warwick District Council (ongoing)
* Ashford Borough Council
* Basingstoke & Deane Borough Council
* Slough Borough Council (ongoing)
* West Oxfordshire District Council
* Oxfordshire County Council Audit Team
* Oxfordshire County Council Blue Badge Team (ongoing)
* Capita
* Greensquare Housing Association
* Peter Darby Associates
* HooYu
* Trust ID
* CAF Solutions
* Engenium
* Intec for Business

1. Some examples of particular success in this area include a proactive Empty Homes review exercise delivered on behalf of Slough Borough Council (SBC) in August and September 2018. 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.
2. Since February 2017, the team have been the sole provider of Counter Fraud services to Warwick District Council (WDC). A long-term contract with WDC is in place which is subject to review at the end of March 2021.
3. From July 2018, a two-year contract commenced with Cherwell District Council and South Northants Council where the team are sole suppliers of a fully managed Counter-Fraud service for both authorities.
4. As a direct result of the team exhibiting at the Tenancy Fraud Forum Conference in October 2018, an invitation to tender was received from Wandle Housing Association, based in central London. After quoting and attending several meetings, the team were selected to be the exclusive supplier of Tenancy Fraud Investigation services for the organisation. The contract takes effect from 1st April 2019, lasts for 12 months on a call off basis, with a review to consider longer term arrangements after a period of evaluation. This contract is seen as a reflection of how the reputation of the team is viewed by organisations that are not local to Oxford.

**Legal Implications**

1. The continuing work of the Investigation Team, coupled with the Council’s Avoiding Bribery, Fraud and Corruption, Whistle Blowing and Money Laundering policies and proceduresgive 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.
2. 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.

1. All contractual agreements devised for joint working with other

organisations have been reviewed and approved by Legal Services.

**Financial Implications**

1. The net cost of the team for 2018-19 is as follows

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Budget** | **Actual** | **Variance** |
|  | **2018-19** | **2018-19** | **2018-19** |
|  | **£** | **£** | **£** |
| **Expenditure** | **452,078** | **450,139** | **-1,939** |
| **Income** |  |  |  |
| HRA Recharge | **(103,739)** | **(103,739)** | **0** |
| External Income | **(195,701)** | **(246,415)** | **(50,714)** |
|  |  |  |  |
| **Net Expenditure** | **152,638** | **99,985** | **(52,653)** |
|  |  |  |  |
| **FTE Staff** | **11.0** | **11.0** | **0** |

1. The net cost of the team to the council in 2018-19 was £99,985 net of £246,415 trading income from other organisations. In return the Council benefited from £732k of cashable savings and £2.5 million of non-cashable savings. Staffing was 11 FTE which provided sufficient resources to cover all externally contracted work in the year.

**Environmental Implications**

1. The majority of visits undertaken by staff in the team within the City are conducted 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. Marketing and promotional materials are responsibly sourced with a focus on minimal environmental impact.

**Risk Implications**

1. 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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