

SURREY COUNTY COUNCIL

LEADER OF THE COUNCIL

DATE: 14 JANUARY 2015

LEAD OFFICER: SUE LEWRY-JONES, CHIEF INTERNAL AUDITOR

SUBJECT: COUNTER FRAUD FUND



SUMMARY OF ISSUE:

The Council has been successful in a bid to the Department for Communities and Local Government (DCLG) for securing funding for proactive counter fraud work. Confirmation from the DCLG suggested the Council should expect to receive £179,500 in December 2014 and a further £360,000 in Quarter One of 2015/16.

The bid was submitted by Surrey County Council in partnership with seven of Surrey's districts/boroughs. Although the funds will be paid directly to the County Council as the lead authority, a significant proportion of the monies will need to be distributed to partnering districts and boroughs to fund fraud investigative work.

The grant will be paid under section 31 of the Local Government Act and is not ring-fenced, but there is an expectation that these funds will be used to fight fraud across Surrey and DCLG will seek reports on progress.

RECOMMENDATIONS:

It is recommended that the Leader approves the use of the funds received from the DCLG as a result of the successful bid for counter fraud fund monies, in accordance with the bid submission. In practice this is likely to mean that funds are paid into a discrete profit centre, with the Chief Internal Auditor administering the funding to partnering districts and boroughs as appropriate.

REASON FOR RECOMMENDATIONS:

The Council maintains a zero tolerance approach to fraud and has made a commitment to encourage the prevention of, and promote the detection of fraud.

Delivering the planned programme of counter fraud activity is expected to deliver financial savings of £1.68m across the participating Surrey councils by 2016/17.

DETAILS:

1. The DCLG has set up a fund – worth up to £16 million over the financial years 2014/15 and 2015/16 – to increase the capacity and capability of local government to tackle losses arising through fraud. Local authorities were invited to submit bids for a share of this fund and it was made clear that evidence of partnership working would be key to any successful bid.
2. Surrey County Council submitted a bid as the lead authority in a partnership with seven of Surrey's boroughs and districts, viz:
 - Elmbridge Borough Council
 - Mole Valley District Council
 - Runnymede Borough Council
 - Spelthorne Borough Council
 - Surrey Heath Borough Council
 - Tandridge District Council
 - Waverley Borough Council
3. The DCLG has confirmed that this bid has been successful and the Council anticipates receiving £179,500 in December 2014 and a further £360,000 in Quarter One of 2015/16.
4. These funds will be used to establish a collaborative and comprehensive approach to locally fighting fraud and error. Surrey councils will form an officer Partnership Board to facilitate joint working on a range of counter fraud activities and boost investigation resources. The Board will remain responsible for monitoring delivery and approving progress reporting to DCLG.
5. The aim is to undertake extensive cross authority data matching leading to increased rates of fraud and error identification and prevention; all underpinned by investigation of potential frauds by experienced investigators. It is anticipated that this work will deliver financial benefits in a number of areas including:
 - Reductions in the level of incorrect Council Tax discounts and exemptions allowing increased council tax to be charged and collected.
 - Reductions in amounts lost/paid out by partner councils due to procurement / supplier fraud and error.
 - Reductions in business rates avoidance allowing increased business rates to be charged and collected.
 - Increased social housing tenancies to be recovered and made available for re-letting due to identification of tenancy fraud, allowing for reductions in use of and cost of temporary accommodation and B&B.
 - Reductions in payments to staff due to fraud and error.
 - Reductions in Blue Badge fraud & misuse allowing increased parking charges and permit costs to be charged and collected.
 - Reductions in leisure concessions allowing increased charges to be collected.

- Reductions in spend on the provision of temporary accommodation/B&B as a result of prevention and identification of fraudulent homeless application.
- Reductions in discounts being claimed due to fraudulent Right to Buy claims.

6. The table below shows the savings that could result from this counter fraud work over the next few years. The intention is that such counter fraud activity would become self-funding from 2016/17.

Description of financial Saving	2014/15	2015/16	2016/17
Council tax discount fraud	177,188	300,000	157,500
Housing tenancy fraud	126,000	252,000	126,000
Recovered business rates	52,500	105,000	63,000
Internal supplier payment fraud & error	45,000	4,500	4,500
Fraudulent homeless applications	9,000	18,000	10,000
Right to buy withdrawn	0	110,000	110,000
Internal staff payment fraud & error	2,500	5,000	5,000
Blue badge fraud & error	500	1,000	500
Total financial savings	412,688	795,500	476,500

CONSULTATION:

7. The bid submission to DCLG was approved and signed off by the Section 151 Officer for each of the eight participating Surrey councils.

RISK MANAGEMENT AND IMPLICATIONS:

8. There will need to be strong governance arrangements in place over the administration of the funding across the partnership to ensure the funds are used in line with the bid submission.
9. Participating councils will need to ensure they have appropriately skilled/experienced investigative resource in place to deliver the agreed programme of counter fraud activity and realise the financial benefits.
10. Appropriate care must be taken over the sharing and processing of data to ensure proper information governance including compliance with the Data Protection Act.
11. A reliable means of tracking savings identified across the partnership as a result of this counter fraud activity will be required to satisfy the requirements of the DCLG. Payment of the second tranche funding (£360,000 in Quarter One of 2015/16) is subject to the DCLG being satisfied that adequate progress has been made.

12. The early formation of the Surrey Counter Fraud Partnership Board will be key to ensuring appropriate risk management.

Financial and Value for Money Implications

13. The cost of the proposed action is £539,500 which will be funded through monies received from the DCLG Counter Fraud Fund.

Section 151 Officer Commentary

14. The Section 151 Officer (Director of Finance) confirms that all material, financial and business issues and risks have been considered/addressed elsewhere within this report.

Legal Implications – Monitoring Officer

15. The Council owes a fiduciary duty to its Council tax payers, analogous to that owed by trustees responsible for looking after property belonging to other people. Any measures taken by the Council, as proposed here, to reduce the impact on the Council of any fraud or error related to Council Tax payments assists the Council in meeting that duty. The payments are being made in accordance with s31 Local Government Act 2003.

Equalities and Diversity

16. An Equalities Impact Assessment is not considered necessary for the planned programme of counter fraud work although officers will be mindful of whether the public sector equality duty will be relevant when considering action in any particular case.

WHAT HAPPENS NEXT:

17. The next steps are to:
- Agree membership and Terms of Reference for the Surrey Counter Fraud Partnership Board.
 - Agree a governance framework for administration of the fund and tracking of savings.
 - Agree protocols for data sharing.

Contact Officer:

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Consulted:

Surrey Revenue and Benefits Officers and Section 151 Officers

Annexes: None

Sources/background papers:

- DCLG Counter Fraud Fund Prospectus
 - DCLG Counter Fraud Fund Bid
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