

# Taunton Deane Borough Council

## Corporate Governance Committee 22 September 2014

### Corporate Counter Fraud Approach Update

#### Report of the Assistant Director Resources

(This matter is the responsibility of the Executive Councillor Vivienne Stock-Williams)

#### **Executive Summary**

This report advises Members on our progress in developing our approach to Corporate Fraud. It gives information of joint working with other Local Authorities and the South West Audit Partnership (SWAP).

The report also informs Members of potential funding opportunities provided through the Department for Communities and Local Government (DCLG) through a bidding process announced in July 2014.

The Corporate Governance Committee is invited to note the information contained within this report and support action undertaken in further developing our approach to combat Corporate Fraud.

#### **1. Background**

- 1.1. On 9 December 2013 the Corporate Governance Committee approved the formation of a Corporate Anti-Fraud function to lead and advise on any investigations into fraudulent activity within Taunton Deane Borough Council.
- 1.2. The Government announced in the Autumn Statement in December 2013 that DCLG and DWP would invest in local government's capacity to tackle non-welfare fraud. The government stated it would introduce a package of support to deliver savings from cutting fraud that would include extra funding over 2014-2015 and 2015-2016.
- 1.3. On 10 March 2014 the Corporate Governance Committee approved a Corporate Anti-Fraud Policy setting out the high level priorities we need to meet to achieve the Council's vision of zero tolerance for fraud, corruption and bribery throughout the authority.
- 1.4. On 22 June 2014 the Assistant Director of Resources provided a verbal update on our approach to Corporate Fraud setting out the intention for a Corporate Anti-Fraud Team to be considered alongside the emerging joint structure for Taunton Deane Borough Council and West Somerset Council, and in respect of potential alternative delivery models.
- 1.5. On 2 July 2014, the DCLG invited Local Authorities to submit proposals for funding from a national pot of £16million, to deliver financial savings through counter fraud activities. The DCLG specified that proposals, submitted in a bidding process, should seek to achieve efficiencies and transformation through partnership working between Local Authorities and/or with other public and private sector partners. See [Appendix 1](#).

## **2. Progress to date**

- 2.1. Progress in developing our counter-fraud function has been affected by a number of factors such as Government announcements, the JMASS project and developments in the creation of the DWP's Single Fraud Investigation Service (SFIS).
- 2.2. We intend that the new Corporate Anti-Fraud function would be responsible for detecting and preventing fraudulent activity in the following areas:
  - Local Taxation including Council Tax Discounts and Support, and
  - Non-Domestic Rates Relief and Discounts,
  - Right to Buy fraud,
  - All Housing Tenancy-related fraud,
  - Grant applications.
  - Procurement
  - Income
- 2.3. South West Audit Partnership Ltd (SWAP) currently provides internal audit services to a number of authorities in the Southwest. SWAP has been approached by a number of District Councils to ascertain if it could develop a joint cross-partner initiative on counter-fraud. SWAP have developed an outline concept for delivering a joint counter-fraud function.
- 2.4. Initial options could include:
  - A counter fraud shared service led by one of the authorities
  - SWAP manage and operate a full counter fraud function for partner authorities
  - A hybrid of the two - with SWAP delivering certain activities.
- 2.5. Advantages to a joint approach include
  - Economies of scale and reduced costs
  - Better targeting of resources
  - Better use of technology and cross-partner data analysis
  - Sharing of knowledge and good practice
- 2.6. In addition, initial advantages for delivering through SWAP could include
  - Access to wider range of relevant and eligible data sets
  - Access to existing analytical software and expertise
  - Access to investigation expertise.
  - Quicker corrective / recovery action at lower cost.
- 2.7. Any partnership could deliver the following:
  - Development of shared counter fraud strategy
  - Identification and understanding of fraud risks and potential exposure to losses.
  - Assessment and mitigation of resilience to fraud
  - Investigation and enforcement
  - Proactive anti-fraud work, such as data-matching and sample verification procedures.
  - Financial savings
  - Fraud Awareness training for elected members, Council employees and partners

- 2.8. Taunton Deane Borough Council, West Somerset Council and South Somerset Council have worked together in progressing a bid for potential funding available through the DCLG Counter Fraud Fund prospectus. Taunton Deane Borough Council are acting as the lead authority for the bid submission made on 5 September 2014, see [Appendix 2](#).
- 2.9. Further work is needed to develop the business case, and select the preferred delivery model either through SWAP, a Local Authority Partnership or a combination of a SWAP/Local Authority Partnership arrangement. In addition, discussions are ongoing with other local authorities to confirm their commitment, or otherwise, in joining a partnership from the outset.
- 2.10. The ambition is to deliver a Corporate Anti-Fraud function that is effectively self-financing due to the additional income gathered as a result of the function's anti-fraud activities and measures.

### **3. Single Fraud Investigation Service (SFIS)**

- 3.1. In December 2013 the Chancellor of the Exchequer in the Autumn Statement, announced the formation of a single service (SFIS) covering the totality of welfare benefit fraud. The DWP have made it clear investigation of Housing Benefit and residual Council Tax Benefit fraud will transfer to SFIS. Employees assigned solely or primarily to this activity (i.e. more than 50% of their time) will be identified for a potential transfer to DWP.
- 3.2. SFIS will not be responsible for investigating non-benefit and local taxation fraud such as Council Tax Single Persons Discount or Tenancy Fraud. Local Council Tax Support will not be included in SFIS and the responsibility for protecting this fund will remain with the respective Council.
- 3.3. On 2 May 2014 we received an e-mail from the DWP confirming the implementation date for SFIS in our area will be 1 June 2015. We have been assigned a named DWP SFIS Implementation Manager to support us through the process. Formal implementation and engagement with the DWP on the transfer of any employees to SFIS will start from December 2014 with any staff transferring to SFIS in June 2015.

### **4. Next steps**

- 4.1. We now need time and capacity to progress the completion of the business case and select a preferred delivery model by March 2015. Governance arrangements for the partnership and any delivery through SWAP will also need to be developed.
- 4.2. While our bid to the DCLG sought funding of £30k in 2014/15 and £80k in 2015/16 to progress our plans to tackle fraud we have suggested that match funding of £40k could be made available between the partner authorities in 2015/16. Members are requested to support a proposal to obtain approval from the Executive / Council for match funding in 2015/16 from Taunton Deane Borough Council. Subject to confirmation of cost sharing between partner authorities the likely request will be in the range of £15k to £20k.

- 4.3. The DCLG should notify us of the outcome of our bid by 31 October 2014. Should the outcome be unsuccessful, we will need to develop arrangements whereby alternative funding is identified by re-focussing existing resources and budgets, or through additional budget approval. Whilst major preceptors (e.g. Somerset County Council) are likely to obtain some benefit from savings generated through this initiative (e.g. improved council tax collection), at this point there is no anticipated external contribution to costs other than the Government Grant if the bid is successful.

## **5. Finance Comments**

- 5.1. The government provides Administrative Subsidy to the Council for the Benefits service, some of which is intended to be used to offset the cost of anti-fraud measures. However, the current level of funding is likely to reduce as a consequence of employees transferring to SFIS in June 2015.
- 5.2. The cost of Council Tax collection and fraud investigation is borne by District Councils. The County Council receives a larger share of the Council Tax and would therefore receive the greatest part of the additional income that arises from identifying single person discount fraud. However, the County does not contribute financially to the cost of identifying any fraud.
- 5.3. Any income raised from Single Person Discount Fraud penalties would be kept by Taunton Deane Borough Council. The cost of prosecutions under the Fraud Act is borne by Taunton Deane Borough Council and as such, prosecutions should only be taken where it is financially viable to do so.
- 5.4. Taunton Deane Borough Council faces significant and increasing financial challenges for the foreseeable future. It is advisable any development of the Corporate Anti-Fraud function is affordable and does not add to budget pressures. From a financial perspective, acquiring additional funding from the DCLG will assist in this aim.

## **6. Legal Comments**

- 6.1. The legislation concerning matters on Anti-Fraud are mainly contained in:
- The Fraud Act 2006
  - Theft Act 1968
  - Bribery Act 2010
  - Local Government Finance Act 1992
  - Regulation of Investigatory Powers Act 2000
  - Social Security Administration Act 1992
  - Police and Criminal Evidence (PACE) Act 1984 and the Criminal Procedure and Investigations Act 1996
  - Prevention of Social Housing Fraud Act 2013
  - The Detection of Fraud and Enforcement (England) Regulations 2013.

## **7. Links to Corporate Aims**

- 7.1. Achieve financial sustainability by protecting the Council's overall financial exposure and risk.
- 7.2. Transform the way we work by creating effective risk management processes that are developed and applied throughout the organisation to ensure good governance and internal control.

## **8. Environmental and Community Safety Implications**

- 8.1. Environmental and community safety implications have been considered, and there are not expected to be any specific implications relating to this report.

## **9. Equalities**

- 9.1. An Equality Impact Assessment (EIA) was prepared and attached to the report presented to the Corporate Governance Committee on 10 March 2014.

## **10. Risk Management**

- 10.1. The risk to TDBC in not introducing and implementing an effective Corporate Anti-Fraud function would be both reputational and financial.

## **11. Partnership Implications**

- 11.1. Partnership implications have been considered, and are discussed in the main body of this report.

## **12. Recommendation**

- 12.1. The Corporate Governance Committee is note the information provided in this report and support a proposal to obtain approval from the Executive and Council as necessary for match funding from Taunton Deane Borough Council of up to £20,000 to develop a cost-effective Corporate Anti-Fraud function.

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Department for  
Communities and  
Local Government

# Counter fraud fund

Prospectus

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# Introduction

It is estimated that there is over £2 billion of fraud against local government every year. This is money that could be spent on providing services to local communities. All local authorities should have a counter fraud strategy to reduce losses from fraud and should assess the effectiveness of those arrangements. This should include allocating sufficient and targeted resources to tackle fraud.

It is recognised that local authorities have complex and conflicting demands on limited resources. In addition, we acknowledge that the transfer of benefit fraud investigators from local authorities to the Single Fraud Investigation Service from 2014 may also create challenges to some authorities' investigative capacity as they adjust to the changes. However, the move to the Single Fraud Investigation Service also presents an opportunity to local authorities to focus on tackling non-benefit fraud.

Local authorities are invited to submit proposals for funding that will result in real financial savings through effective counter fraud activities. All proposals must demonstrate that the savings that will be achieved will be at least equivalent to, or exceed, the funding requested. We are keen to receive proposals that seek to achieve efficiencies and service transformation through partnership working between local authorities and/or with other public and private sector organisations. Proposals should also demonstrate an innovative and holistic approach to tackling fraud that includes detection, prevention and deterrence.

The total scheme is worth up to £16 million over the financial years 2014/15 and 2015/16 and will start paying money to successful local authorities during the third quarter of 2014/15. Government is particularly keen to fund innovative joint proposals and therefore principal local authorities may submit an individual bid and also as a named authority in a partnership bid. Authorities submitting bids under both routes must ensure that the proposals stand alone as they will be assessed independently. **All bids must be submitted by 5pm on 5 September 2014.**

Bids will be evaluated on the basis of the extent to which they meet the criteria set out in this prospectus. An assessment team will consider each bid against the criteria and will present its analysis to an assessment panel, which will comprise people with significant counter fraud expertise. Following input from the panel, ministers will take a final decision on the allocation of the fund.



# Section One: Fund objectives and requirements

The purpose of the counter fraud fund is to support local authorities during the implementation of the Single Fraud Investigation Service and increase the capacity and capability of local government to tackle losses from non-benefit fraud. We are hoping to do this in a way that is sustainable beyond the funding period. Given this, we anticipate that the fund will result in more than just providing individual local authorities with investigative capacity over the two year funding period. Instead we hope to receive bids that demonstrate an innovative and holistic approach to tackling fraud, encompassing detection, prevention and deterrence activities.

For all local authorities or partnerships, whether a leading pioneer in counter fraud work or still building counter fraud capacity, we are looking to fund proposals that show that the money will be used on genuine additional activities to achieve financial savings through counter fraud activities.

## Funding

The Department for Communities and Local Government is making available up to £16 million to English principal local authorities over two years: 2014/15 and 2015/16. Local authorities that successfully bid for funding will be offered a grant to deliver their proposal. Grants will be paid under section 31 of the Local Government Act and are, therefore not subject to ringfencing. We intend to make two payments to successful applicants, one in quarter 3 of 2014/15 and a further tranche in quarter 1 of 2015/16, the latter being subject to satisfactory progress in the early stages of the project.

## Eligibility

Any principal local authority in England can lead a bid and each bid can be for funding for an individual principal local authority, a group of authorities, or a consortium that includes businesses/third parties. However, all partnership bids must have a lead bidding local authority and this must, for grant allocation purposes, be an English principal local authority. Bidders should note that a grant can only be paid for expenditure incurred, or to be incurred, by a local authority (see Section 31 Local Government Act 2003).

We are not limiting the amount that an authority or partnership can bid for but all proposals must demonstrate that the financial savings achieved will be equivalent to, or exceed, the funding requested and any matched funding identified by the bidder. Proposals must demonstrate how the funding will be used to achieve additional outcomes and/or service improvements.

Awards will be made only where government is satisfied that the proposal meets the criteria. If more bids meet the criteria than there is funding available, bids will be prioritised based on a scored assessment of each bid.

# Section Two: Bidding information for the fund

This section presents the five criteria against which all bids will be assessed. All bids must satisfy the requirement to make the financial savings as described in criterion 1. Bids that do not meet this criterion will not be considered further. All proposals that satisfy criterion 1 will then be assessed against the remaining criteria. The scale of the estimated savings outlined by each proposal will be considered alongside the extent to which they meet the remaining four criteria.

## 1: Financial savings and benefits of the proposal

Bids will be assessed on the ambition of the proposal to achieve real savings and benefits through counter fraud activities. This effort can be focussed on a single type of fraud or spread across a number of areas.

We acknowledge that there are inherent difficulties in quantifying the scale and value of fraud losses that could be prevented or detected through counter fraud activities. In addition, we understand that there is no universally accepted measure of fraud. Notwithstanding this, all proposals must provide reasonable estimates of how the funds will result in financial savings that are at least equivalent to the funding requested. The bid proposal should demonstrate when it is estimated that these savings will be realised and should differentiate from those savings already being achieved through current counter fraud activities.

Where proposals seek to achieve wider benefits, for example by reducing the social costs that result from types of fraudulent activity, these should be documented and quantified as far as possible.

The assessment team will examine the value for money represented by the bid in terms of the costs and projected savings. Any matched funding should also be highlighted and where matched funding is provided by a local authority, the financial savings must be at least equivalent to the amount requested through this fund and the matched funding.

## 2: Partnership working

As with other public services, improvements and efficiencies can be made from greater joint working and, as such, we will prioritise those bids that demonstrate joint working between local authorities and/or with other public and private sector organisations. We are aware that, in 2012/13, 79 district councils did not report any detected non-benefit fraud<sup>1</sup> and we believe that real progress could be made by councils joining together to deliver effective local strategies and reduce losses from fraud. Proposals must state clearly the members of the partnership or, alternatively, outline the reasons if an authority is unable to form a partnership, or there is a case as to why partnership working would not be appropriate.

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<sup>1</sup> *Protecting the Public Purse 2013*, Audit Commission

### 3: Sustainability

The assessment team will examine the sustainability of each of the bids to provide local authorities with increased capacity and capability to tackle fraud beyond the funding period. We define sustainability as the ability for project to have a continued impact beyond the funding period.

### 4: Feasibility

Linked to criteria 1-3, the assessment will look at the feasibility of each bid's proposals and scrutinise the estimated benefits or reduction in losses from fraud. We will assess feasibility as the ability for the project to deliver the stated outputs and impact in the stated time. Each bid will also require sign-off from the local Section 151 officer and any other partners.

### 5: Innovation

All bids should provide an assessment on the level of innovation in the proposal and how this approach could be transferred to other local authorities or partnerships. We consider innovation as the demonstration of new approaches to achieving a positive change to tackle fraud detection, prevention and deterrence.

# Section Three: Process and timetable for assessing bids

Bidders are required to complete the bid form – attached as an annex. The information required in that form is needed to check that bids will fulfil the objectives of the fund and to help prioritise bids. **Bids should be received no later than 5pm 5 September 2014.** The following table summarises the timetable:

Date	Event
2 July	Start of bidding process
5 September	Deadline for receipt of bids
September/October	Assessment of bids
By end of October	Successful bidders notified

Completed bid forms, approved by the Section 151 officer<sup>2</sup>, should be returned in electronic format to the Counter Fraud Fund via:

[foia@communities.gsi.gov.uk](mailto:foia@communities.gsi.gov.uk)

Please start the subject line of your email with bid authority (or lead authority) name. This email inbox can also be used for any questions you may have about the counter fraud fund.

## Appraisal of Bids

An assessment team will review final bids according to the criteria set out in section two of this guidance. The assessment team will present initial results to an expert panel. Ministers will make final decisions about funding

## Payment of Support

Payment will be approved via the issue of a grant determination under Section 31 of the Local Government Act 2003. The first payment is expected to be made in the third quarter of 2014/15. Should DCLG require changes to the proposed financial profile submitted by the project, these will be agreed ahead of payment.

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<sup>2</sup> As part of the bid, the Section 151 officer should include a confirmatory due-diligence assurance verifying that the information and assumptions presented in the bid are a true and fair reflection of the project.

# Confidentiality

Throughout the bidding process details of individual bids, including feedback, will be treated as commercially sensitive and confidential. However, information may be published, or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1988 and the Environmental Information Regulations 2004) as there is a statutory Code of Practice with which public authorities must comply, and which deals with, amongst other things, obligations of confidence.

Officials within government as well as the members of the panel and assessment team will have access to bids (and any supporting materials). Ministers will also have access to all information provided. If we receive a request for disclosure of the information we will process personal data in accordance with the Data Protection Act and in the majority of circumstances this will mean that personal data will not be disclosed to third parties.

While we will not disclose the nature, scale and scope of individual bids during the bidding process, we may use the information provided to produce an aggregate overview of the demand for the scheme and scale of projects that are likely to be funded. All feedback, written or oral, on final bids should be treated as confidential.

The department may publish top line information about successful bids where this is deemed to be in the public interest (for example, the name of the successful lead bidding authority, the amount that will be awarded and nature and scale of the successful proposal(s)). Once confirmation letters have been issued the department may disclose more detailed information about the bid. However, the actual bids (and supporting materials) and assessment scores will not be disclosed.

# Counter fraud fund

## Application form

**Supporting local authorities to boost their capability and capacity in tackling non-benefit fraud.**

This form should be submitted to [foia@communities.gsi.gov.uk](mailto:foia@communities.gsi.gov.uk) no later than **5pm on 5 September 2014**. Any queries about the fund should also be submitted to this address.

## Section A: Applicant contact information

Principal local authority name/name of bidding organisation:	Taunton Deane Borough Council
Name of Contact(s):	Paul Fitzgerald
Position in authority:	Assistant Director - Resources
Telephone number(s) of the contact(s):	01823 358680
Email address of the contact(s):	p.fitzgerald@tauntondeane.gov.uk

## Section B: Eligibility criteria

Please complete as appropriate:

The bid is from an English principal local authority	YES/ <del>NO</del>
All expenditure will be spent on counter fraud activities	YES/ <del>NO</del>
The bid is not dependent on a separate Counter Fraud Fund bid	YES/ <del>NO</del>
The bidding authority agrees to provide relevant project progress monitoring information to DCLG	YES/ <del>NO</del>
The proposal has been signed off by the relevant Section 151 officer and this proposal is accompanied by evidence to support this.	YES/ <del>NO</del>
The bid demonstrates that funding will support additional outcomes and/or service improvements.	YES/ <del>NO</del>

# Section C: Project description

## Short project title:

Please give the bid a short name, unique to any other counter fraud fund bids involving your organisation.

South West Counter Fraud Partnership

## Short Project Description (75 words maximum):

Please give the bid a short description, outlining the key objectives and proposed outcomes of the proposal.

This is a project to deliver a comprehensive counter-fraud service for participating organisations that will:

- Through the formation of a single counter-fraud team, be more efficient and effective in preventing, detecting and investigating fraudulent activity than several poorly co-ordinated small teams acting independently;
- Provide cross-partner data analysis of a wide range of different data sets, across a large geographic area, therefore providing greater opportunity to identify fraud.

## Project Summary (500 words maximum):

Please provide a brief description outlining the rationale for the project, the key elements of the scheme planned and how the counter fraud fund funding will be used. You should demonstrate how the funding will be used to achieve additional outcomes and/or service improvements.

The project recognises that more effective counter-fraud measures are needed to protect public funds, and that current expertise is likely to transfer to DWP under SFIS. The aim is to create a single unified counter-fraud team to deliver a comprehensive counter-fraud service for participating organisations.

The proposal is for Taunton Deane (TDBC), West Somerset (WSC) and South Somerset (SSDC) councils to work in partnership. Further work is needed to develop the business case, and select the preferred delivery model. The project is therefore set out in two phases:

Phase 1 – To develop business case and select preferred delivery model

Phase 2 – Implement preferred delivery model

Whilst TDBC, WSC and SSDC are proposed as initial partners, this is scalable and other authorities have provided indicative expressions of interest.

South West Audit Partnership Ltd (SWAP) currently provides internal audit services to a number of authorities in the Southwest. SWAP have developed an outline concept for delivering a joint counter-fraud function.

The authorities consider initial options could include:

- Operate a counter fraud shared service led by one of the authorities
- SWAP manage and operate a full counter fraud function for partner auths
- A hybrid of the two – with SWAP delivering certain activities.

Advantages to a joint approach include

- Economies of scale and reduced costs
- Better targeting of resources
- Better use of technology and cross-partner data analysis
- Sharing of knowledge and good practice

In addition, initial advantages for delivering through SWAP are thought to include

- Access to wider range of relevant and eligible data sets
- Access to existing analytical software and expertise
- Access to investigation expertise.
- Quicker corrective / recovery action at lower cost.

The partnership will deliver the following:

- Development of shared counter fraud strategy
- Identification and understanding of fraud risks and potential exposure to losses.
- Assessment and mitigation of resilience to fraud
- Investigation and enforcement
- Proactive anti-fraud work, such as data-matching and sample verification procedures.
- Financial savings
- Fraud Awareness training for elected members, Council employees and partners

The partnership's counter fraud resources will be directed on a risk basis to areas with the greatest potential benefit to the participating organisations, including:

- Council Tax Discounts and Support, and Non-Domestic Rates Relief and Discounts,
- Housing Tenancy-related fraud (sub-letting, key selling, no entitlement, false declarations, Right to Buy illegal succession)
- Grant applications (false declarations of health issues and circumstances).
- Procurement (over-billing/invoicing, under-delivery, payments to individuals/ businesses where no goods/services have been provided)
- Income (not billing for goods/services provided, inappropriate and/or unapproved debt write-offs)

Staff working in the Counter-Fraud Team will be professionally trained and accredited in their role or working towards accreditation.



**Grant Requirement:** Please state the total amount you are bidding for from the counter fraud fund.

2014/15: £30,000

2015/16: £80,000

Total grant sought: £110,000

### **Bidding partners:**

Please describe details of any proposed partnership arrangements, detailing the number and name of partners including any local authority matched funding and/or funding from other public or private sector organisations. If this proposal has been submitted on a single authority basis, please detail why it has not been possible to form a partnership, or provide an explanation as to why partnership working would not be appropriate.

1. Taunton Deane Borough Council (Local Authority Partner)
2. West Somerset District Council (Local Authority Partner)
3. South Somerset District Council (Local Authority Partner)
4. South West Audit Partnership Ltd ("SWAP") (Wholly owned and controlled local authority company limited by guarantee)

**Other bids:** If you are submitting other bids for counter fraud fund funding, please list all other bids specifying the name of the bid, lead bidding organisation, and the partnership arrangements of the bid.

Not applicable

## **Section D: Financial savings and wider benefits**

Your bid should provide reasonable estimates as to how the funds will result in financial savings that are at least equivalent to the funding requested.

# Expenditure

Please use this box to detail the funding requested and how the funding will spent. Proposals should work on the basis of approximately one third of the total funding to be allocated in 2014/15 with the remaining two thirds in 2015/16. Additional rows can be added as necessary.

<b>Description of expenditure</b>	<b>2014/15 Funding requested (£)</b>	<b>2015/16 Funding requested (£)</b>	<b>Total funding requested</b>
Project resources to develop business case, plus initial set up costs	30,000		30,000
Delivery resources		75,000	75,000
Training		5,000	5,000
<b>Total funding requested</b>	<b>30,000</b>	<b>80,000</b>	<b>110,000</b>
Matched Funding (if applicable)	0	40,000	40,000

Please use the box below provide:

- an explanation of why you believe the costs to be reasonable, and confirmation that all costs associated with the project have been identified;
- that financial risks have been identified and mitigation plans are in place (a risk register can be attached);
- the nature and agreement on governance arrangements and project management arrangements, necessary to take forward this project.

The costs included in the bid represent a reasonable estimate of resources needed to: progress the completion of the business case and selection of preferred delivery model by March 2015; and deliver prevention, investigation and enforcement activities in 2015/16. The work on the business case will refine the cost estimates and it is assumed that set up costs will be needed in 2014/15. The costs largely represent cost of human resources with support costs including software and administration.

Financial risks have been assessed by TDDB as part of the review of its Counter Fraud Policy on March 2014 (attached).

Governance arrangements for the partnership and any delivery via SWAP will need to be developed as part of Phase 1 of the project.

## Matched funding

If this proposal is to be supported by matched funding, please detail the amount and source of the matched funding in the table below, including the level of organisational and financial commitment and any dependencies.

Match funding is subject to approvals through the local budget process for each partner authority. There is the added uncertainty that the implementation of SFIS and the related reduction in HB Administration Grant could adversely affect the councils' budgets. At this stage it is suggested that match funding of £40,000 could be made available between the partner authorities in 2015/16 subject to these Council approvals.

## Estimated savings

Please use this box to identify the financial savings that will result from the funding. The savings identified below must be additional to those that would be realised through those counter fraud activities currently planned. Additional rows and columns can be added as necessary.

Description of financial saving	Estimated financial saving (£)				
	2015/16	2016/17	2017/18	2018/19	2019/20
Reduction in Council Tax fraud (single person discount fraud, student discounts etc)	£12,600	£12,600	£12,600	£12,600	£12,600
Reduction in Council Tax Support fraud (through failure to declare true circumstances)	£14,100	£14,100	£14,100	£14,100	£14,100
Reduction in Business Rate fraud through inappropriate award of relief (mandatory & discretionary)	£16,000	£16,000	£16,000	£16,000	£16,000
Reduction in Housing Tenancy related fraud	£36,000	£36,000	£36,000	£54,000	£54,000
Reduction in other fraud to include procurement, employee/staff related, grants and income	£10,000	£10,000	£10,000	£10,000	£10,000
<b>Total financial savings</b>	<b>£88,700</b>	<b>£88,700</b>	<b>£88,700</b>	<b>£106,700</b>	<b>£106,700</b>

Please use the box below to provide reasonable estimates of how the estimated financial savings have been calculated, including any evidence to support your estimates.

Note – it is important to stress that the estimated financial savings are gross savings across the partner authorities, and these will not be retained in their entirety by the partner authorities. Council Tax savings will be shared with major preceptors and business rates savings will be shared with the Government, County Council and Fire Authority.

- Council Tax Fraud - estimated savings through removing discounts on 30 cases with average reduction @£350, with 40 penalties issued @ £70 (dependent on council policy to apply penalties)
- Council Tax Support Fraud - estimated savings through identifying excess Council Tax Support entitlement in 30 cases with average excess entitlement being £400 with 40 penalties issued @ £70 (dependent on council policy to apply penalties)
- Business Rate fraud – through removal of 8 cases of rate relief with average relief withdrawn of £2,000 per case
- Housing related fraud – estimate through NFA average of £18k per property average loss to public purse – based on 2 frauds identified in each of years 1-3, and 3 frauds identified in years 4-5

## Wider benefits

If this proposal seeks to achieve wider benefits, for example reducing the social costs that result from types of fraudulent activity, these should be documented and quantified as far as possible.

To be considered and developed through Phase 1 of the project.

## Section E: Sustainability

Please provide evidence (up to 250 words) of how the funding requested will result in financial savings, and any wider benefits, beyond the funding period.

It is expected that the funding requested will result in financial savings on an ongoing basis. Based on cases in other areas it is apparent that investment in fraud can yield higher than anticipated savings, however a prudent approach has been taken at this stage. In the longer term, increased public awareness together with more effective prevention through, for example, better trained staff and stronger controls is likely to reduce the level of ongoing savings. However, it is anticipated that there will always be some cases of fraud and the aim is for the counter fraud function to be “self financing” as a minimum over the medium to long term – in practice the ambition is that net savings will be achieved.

The initial partners also believe that there is a strong potential for the partnership to grow if the initial results are positive.

## Section F: Innovation

Please provide an assessment (up to 250 words) on the level of innovation in the proposal and how this approach could be transferred to other local authorities and partnerships.

Innovation is a key feature of this bid. Use of technology and a wide range of data sets – which you might not readily associate with each other or fraud detection - will introduce new innovative ways of tackling fraud. This element of the bid will also be developed as part of Phase 1 of the project.

Whilst SWAP in itself is not a new entity, the potential use of our internal audit provider (with appropriate governance and separation of activities and responsibilities between audit and investigation) as a delivery vehicle is also innovative.

## Section G: Procurement Strategy

Where applicable, please outline any procurement strategy including evidence of compliance with European Procurement Rules as relevant.

All of South West Audit Partnership Ltd members are local authorities and its primary purpose is to protect and further the general interest of local authorities. On this basis – as with existing internal audit services provided by SWAP – it is considered that the ‘Teckal exemption’ applies. On this basis it is proposed that the counter fraud service can be delivered by SWAP to the partner authorities without recourse to a regulated procurement procedure. The partner authorities will nonetheless be seeking to obtain value for money through this proposed delivery vehicle.

## Section H: Other Information

Please use this section to provide any additional information that you think the assessors may require to evaluate your bid. Please limit your comments to no more than 250 words (Arial font, size 12).

There has been a number of expressions of interest from a number of South West authorities. However, due to the timing of bid (over summer period coinciding with staffing absences etc) and other transformation taking priority - there is a major transformation project ongoing to establish joint management and shared services for Taunton Deane and West Somerset – further work is needed to develop the concept and business case, and select the preferred delivery model.

TDBC has undertaken a lot of work in the last 12 months to review and update its Corporate Fraud Policy and related policies (e.g. whistleblowing). The council is committed to implement a counter-fraud function. West Somerset Council will shortly follow suit. SSDC is seeking to deliver an updated counter fraud strategy through the partnership.

Together, we are seeking to implement a cost effective solution that protects the public purse and effectively tackles fraud. We believe the partnership will prove to be successful and will grow over time (similar to our experience with the audit partnership).

# Section I: Approval

**Approval:** Bid approved and signed off by Section 151 officer (or authorised person in other public sector partners) for each partner to the bid.

Name	Shirlene Adam
Organisation	Taunton Deane Borough Council
Date Approved	

Name	Shirlene Adam
Organisation	West Somerset Council
Date Approved	

Name	Donna Parham
Organisation	South Somerset District Council
Date Approved	

Name	
Organisation	
Date Approved	

## **Disclaimer**

There shall be no expectation of grant until authorities have been formally notified in writing by the department. All the Applicant's costs and charges incurred as a result of making this application shall be for the applicant's account and cannot be claimed as part of the project.

## **The Data Protection Act: Freedom of Information Act 2000**

The Department for Communities and Local Government undertakes to use its best endeavours to hold confidential any information provided in any application form submitted, subject to our contracting obligations under law, including the Freedom of Information Act 2000. If you consider that any of the information submitted in the application form should not be disclosed because of its sensitivity then this should be stated with the reason for considering it sensitive. The department will then consult with you in considering any request received under the Freedom of Information Act 2000 before replying to such a request.

Applicants should be aware that the following conditions will also apply to all bid applications:

- We may use your information for the purposes of research and statistical analysis and may share anonymised information with other government departments, agencies or third parties for research and statistical analysis and reporting purposes.
- Our policies and procedures in relation to the application and evaluation of grants are subject to audit and review by both internal and external auditors. Your information may be subject to such audit and review.
- We propose to include light touch monitoring by the department utilising publicly available information. We would encourage applicants to regularly publicise progress on their websites and disseminate good practice.
- The department will publish summaries of all successful bids.