Report To:	**AUDIT PANEL**
Date:	1 March 2016
Reporting Officer:	Peter Timmins – Assistant Executive Director (Finance)
	Wendy Poole – Head of Risk Management and Audit Services
Subject:	**NATIONAL ANTI-FRAUD NETWORK DATA AND INTELLIGENCE SERVICES**
Report Summary:	To update Members with an overview of the services provided by the National Anti-Fraud Network Data and Intelligence Service.
Recommendations:	That Members note the report.
Links to Community Strategy:	The National Anti-Fraud Network provides data and intelligence to investigators in their fight against fraud and crime and therefore indirectly supports the community strategy of Tameside and its various members by reducing the amount of public funds lost to fraud/crime.
Policy Implications:	Counter fraud activities support the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: **(Authorised by the Section 151 Officer)**	There is no financial implication for Tameside as the National Anti-Fraud Network is self-financing and fully funded by membership fees and government grants. Furthermore, a reserve of £500,000 is maintained to cover any redundancy costs or wind-up costs should the services of the National Anti-Fraud Network be no longer supported by member local authorities, housing associations and other public sector bodies.
Legal Implications: **(Authorised by the Borough Solicitor)**	As new services are developed, the governance processes of Tameside must be adhered to ensuring that the Council is not put at risk and that safe, secure and robust systems are in operation.
Risk Management:	Tameside is the single host authority and carries the risks associated with the delivery of the National Anti-Fraud Network services, whereas previously these risks were shared with Brighton and Hove Council. The National Anti-Fraud Network however, has been in existence since 1996 and developed into a highly regarded service which is supported by the Home Office, the local authority community and other public sector bodies. It has tried and tested procedures in place that are robust, legally compliant and delivered by fully trained and qualified staff.
	Parts of the service such as RIPA Telecommunication Services are inspected by the Interception of Communications Commissioner's Office (IoCCO) on a regular basis, the results of which are reported to Parliament. The service is well managed and governed by an Executive Board of senior

officers nominated from local authority members. The current chair of the Executive Board is the Head of Risk Management and Audit Services at Tameside MBC.

The National Anti-Fraud Network Head of Service maintains an organisation risk register which is regularly reviewed and updated by the Executive Board.

Access to Information: The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:

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1. INTRODUCTION

1.1 The National Anti-Fraud Network was established in 1997 and is the largest local authority shared service, which offers membership to all local authorities in the United Kingdom. The National Anti-Fraud Network is a subscription network formed by its members to provide services, which support their work in the protection of the public purse. The National Anti-Fraud Network was created as a centre of excellence to provide data and intelligence to its members. The original business objective was to share intelligence to raise awareness and support investigations into fraud locally, regionally and nationally. These services have been continuously developed and enhanced over the years in response to government initiatives and emerging business needs.

1.2 Initially, operations were shared across nine local authorities but in 2003 the service was consolidated into three small teams based in Tameside Metropolitan Borough Council, Brighton and Hove City Council and Birmingham City Council. All three councils shared governance responsibilities. In 2013, following the departure of the Director of the National Anti-Fraud Network, Birmingham withdrew from the partnership. In 2014, following the Government's decision to transfer all local authority housing benefit investigations to the Department of Works and Pensions the National Anti-Fraud Network Executive Board decided to consolidate the service into one office and asked Tameside to be the sole host of operations. This was approved by a Key Decision in May 2015. The Brighton office closed on 30 September 2015.

1.3 Between 1997 and 1999, the National Anti-Fraud Network was grant funded by the Department of Works and Pensions but in 2000 the former Management Committee made a decision to introduce a fee model with annual subscriptions from members to meet operational costs. This funding arrangement is still in operation but income is supplemented by an annual grant from the Home Office and ad hoc funding from other agencies such as the National Trading Standards Board.

1.4 The vision for the National Anti-Fraud Network is to be recognised by its members as setting the highest standards and establishing a centre of excellence to provide data and intelligence that supports them in their protection of the public purse. The vision also includes assisting members in the provision of effective corporate and financial governance.

2. NATIONAL ANTI-FRAUD NETWORK EXECUTIVE BOARD

2.1 Since 2006 the management of the National Anti-Fraud Network has been entrusted to an Officer Executive Board of officers (formally the Management Committee) appointed at each Annual General Meeting. The Officer Executive Board consists of at least 8 and not more than 12 representatives. The Host Authority has automatic entitlement to determine their representative on the Executive Board and this representative has full voting rights.

2.2 The Officer Executive Board may co-opt any person, by majority vote, to serve on the Board provided that the number of co-opted members does not exceed one quarter of the total membership. Co-opted Officer Executive Board members have no voting rights.

2.3 The Officer Executive Board provides strategic direction and operational management of the service. It ensures that adequate resources are available to deliver the National Anti-Fraud Network Business Plan which is refreshed every year. The Business Plan covers the following areas:-
- Budget Overview;
- Data Services;
- Stakeholders;
- Marketing and Communications; and
- Business Targets

2.4   The Executive Board also identifies and agrees the organisational structure and establishment required to deliver the National Anti-Fraud Network services in conjunction with host authority policies.

2.5   Since 2010 the National Anti-Fraud Network Executive Board has been chaired by Wendy Poole, Tameside's Head of Risk Management and Audit Services. The current members of the Executive Board are detailed in the table below.

2.6   **Table 1 – Members of the Executive Board (November 2015)**

Board Member	Local Authority	Post Held
Wendy Poole (Chair)	Tameside Metropolitan Borough Council	Head of Risk Management and Audit
David Hogan	London Borough of Croydon Council	Investigations Manager
John Peerless Mountford	Brighton and Hove City Council	Principal Trading Standards Officer
Peter Farrow (Treasurer)	Sandwell Metropolitan Borough Council and Wolverhampton City Council	Shared Audit Services and Risk Management Manager
Andy Hyatt	Royal Borough of Kensington and Chelsea, London Borough of Hammersmith and Fulham and Westminster City Council	Shared Services Head of Fraud
Nick Hobbs	Swindon Borough Council	Head of Internal Audit
Tom Powell	Manchester City Council	Head of Internal Audit and Risk Management
Mike Halstead	Conwy County Council	Head of Audit and Procurement
Daniel Helps	Southend Borough Council and Thurrock Borough Council	Investigations & Forensics Manager
Sharon Hughes	West Dunbartonshire Council	Section Leader Corporate Fraud
John Hillarby	London Boroughs of Merton and Richmond upon Thames	Trading Standards Manager

3.   CONSTITUTION

3.1   The National Anti-Fraud Network has had for many years a formal Constitution and Governance Handbook for the network. Closure of the Brighton Office and the transfer of all operations to Tameside as the sole host has required a major revision to this documentation and an updated Constitution and Governance Handbook was presented and approved at the annual general meeting for the Network on 20 November 2015.

3.2   The revised Constitution and Governance Handbook was drafted in consultation with Tameside Legal Services and now includes:-
- The National Anti-Fraud Network Constitution;
- A consolidated Membership Agreement;
- Governance Document – Management Framework to deliver the National Anti-Fraud Network Vision;
- A service level agreement which defines the roles and responsibilities of both the National Anti-Fraud Network and the Host Authority Tameside Metropolitan Borough Council;
- Service level agreement with the Information Communication Technology service for Rochdale Metropolitan Borough Council; and
- Agreements with Third Parties.

3.3   As the National Anti-Fraud Network is not a separate legal body in its own right it is also governed by the corporate governance arrangements of Tameside MBC.

4.   **NATIONAL ANTI-FRAUD NETWORK EXPENDITURE AND INCOME**

4.1   The National Anti-Fraud Network as part of the Council is required to deliver a balanced budget protecting and minimising the use of reserves. The annual Budget for 2016-17, has set a maximum expenditure limit of £705,900 to deliver the key activities and objectives set out in the Business Plan. The approved budget including the various income streams from membership fees and grants is detailed in the table below.

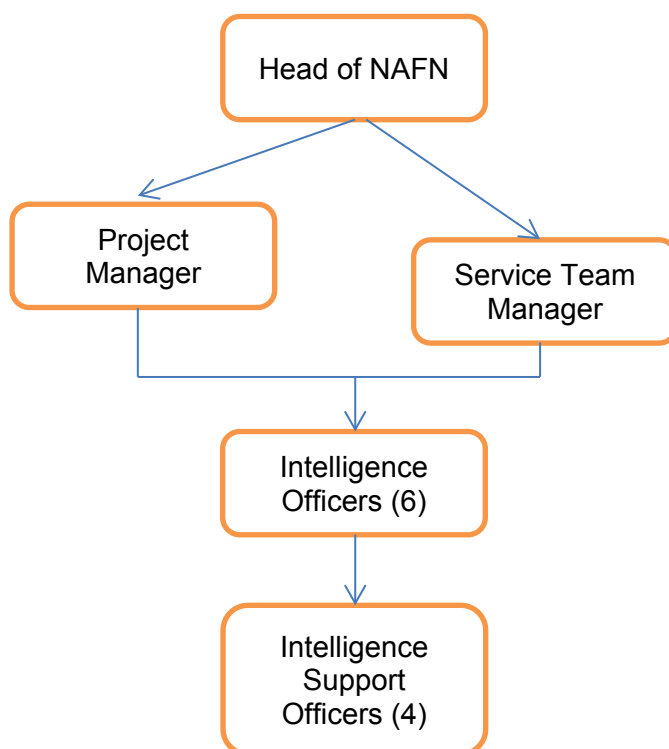**Table 2 – National Anti-Fraud Network Budget 2016-17**

Expenditure	2015 -16 Amount £	2016 -17 Amount £
Employees	558,000	414,900
Premises	12,000	13,800
Transport	10,000	12,800
Supplies and Services	167,000	223,400
Management and Internal Recharges	155,000	41,000
Total Expenditure	**902,000**	**705,900**
Income		
Membership Fees	693,500	340,000
Home Office and National Trading Standards Board.	120,000	129,000
Associate Members	41,000	50,000
Data enquiries revenue	N/A	190,000
Contribution from Reserves	47,500	N/A
Total Income	**902,000**	**709,000**

4.2   The cost of running the service from 2016/17 has reduced due to the move to a single point of delivery.

4.3   All funds are administered by Tameside Metropolitan Borough Council and are subject to the audit arrangements of the Host Authority.

4.4   Income in relation to Membership Fees is recharged to members annually and Data Enquiry Fees are recharged quarterly in arrears based on usage, all income is billed and collected via Tameside's Debtors Service. Income from the Home Office and the National Trading Standards Board are negotiated annually.

4.5   Under its Constitution the National Anti-Fraud Network is required to maintain a strategic financial reserve, the level of which is agreed with the Host Authority. Currently, this reserve is £500,000 and is designed to meet any costs associated with the dissolution of the National Anti-Fraud Network should members cease to support the shared service, eliminating the risk of any financial impact falling on the Council. The National Anti-Fraud Network also has a working reserve of approximately £300,000 and this is used to meet any overspend of the approved annual budget through virement. The NAFN Executive Board is also authorised to approve expenditure from the working reserve to fund major service enhancement projects.

4.6   The Constitution also requires the National Anti-Fraud Network to comply with the Host Authority's Financial Regulations, Procurement Standing Orders and procedures including for the payment of accounts and salaries.

4.7 The financial position of the National Anti-Fraud Network is presented at the Annual General Meeting by the Treasurer and published in the Annual Report, which is made available to all National Anti-Fraud Network members at the above meeting and thereafter published on its website.

5. NATIONAL ANTI-FRAUD NETWORK SERVICE TEAM

5.1 A new organisational structure became operational from 1 October 2015 with a single team based within the Governance and Resources Directorate and is detailed below.

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                    │  Head of NAFN   │
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        ┌─────────────────┐    ┌─────────────────┐
        │    Project      │    │  Service Team   │
        │    Manager      │    │    Manager      │
        └─────────────────┘    └─────────────────┘
                     \               /
                    ┌─────────────────┐
                    │  Intelligence   │
                    │  Officers (6)   │
                    └─────────────────┘
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                    ┌─────────────────┐
                    │  Intelligence   │
                    │    Support      │
                    │  Officers (4)   │
                    └─────────────────┘
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5.2 The Head of Service is supported by a Projects Manager (not yet appointed) and a Service Team Manager. The latter is responsible for day-to-day operational management, quality assurance, membership and marketing. The provision of data and intelligence services is delivered by six Intelligence Officers and four Intelligence Support Officers.

6. MEMBERSHIP

6.1 Membership is open to all local authorities in Great Britain and Northern Ireland (full members) as well as government agencies, housing associations and other appropriate organisations (associate members). Local authority members have full voting rights at the Annual General Meeting or Special General Meetings. Terms and conditions of membership are included in the National Anti-Fraud Network Membership Agreement which is signed by all members.

6.2 Fees and service charges are agreed and reviewed annually by the National Anti-Fraud Network Executive Board. Changes and revisions are communicated in advance to members.

6.3 Currently the National Anti-Fraud Network has 352 local authority members 90% of all councils. In addition, there are 50 private registered providers (housing associations) and 12 other organisations including:-

- Department of Work and Pensions
- Northern Ireland Social Security Investigations
- National Health Service Regional Fraud Offices
- Northern Ireland Trading Standards Institute
- Office of Communications
- Federation Against Copyright Theft

6.4   Associate membership is growing steadily in response to active marketing of the service.

7.   SERVICES TO MEMBERS

7.1   The National Anti-Fraud Network is widely regarded as a centre of excellence for data and intelligence supporting counter fraud and crime nationally providing a 'one-stop shop' for its members. It offers a comprehensive value for money service delivering financial and efficiency savings for all its members.

7.2   The National Anti-Fraud Network has established a successful track record of innovation and delivery, working with a wide range of service and business partners.

7.3   All National Anti-Fraud Network systems are robust, secure and legally compliant and the service has been acknowledged by a range of government bodies including the Home Office, Department for Work and Pensions and Driver and Vehicle Licensing Agency.

7.4   In 2009, the National Anti-Fraud Network was asked by the Home Office to become the Single Point of Contact for local authorities seeking to acquire communications data under the Regulation of Investigatory Powers Act. Following a recent inspection from the Interception of Communication Commissioners Office they described the National Anti-Fraud Network as providers of a "Rolls Royce service" to local government and other agencies.

7.5   In December 2014, the Home Office mandated that all local authorities must use the National Anti-Fraud Network service for accessing communications data. The National Anti-Fraud Network's role and responsibility in this area may be expanded and strengthened by Government following the recent publication of the Investigatory Powers Bill.

7.6   Local authority membership is corporate and the service departments using the services offered by the National Anti-Fraud Network include:-

• Trading Standards	• Housing
• Corporate Anti-Fraud	• Licensing
• Internal Audit	• Parking
• Environmental Health	• Protective Services
• Council Tax	• Insurance
• Debt Recovery	• Planning
• Legal	• Human Resources

7.7   Members are provided with regular intelligence alerts and service improvements as well as guidance on new regulations and legislation. Members are also provided with supporting witness statements as and when required.

7.8   A key benefit for members is the independent and consistent role played by the National Anti-Fraud Network. This role includes acting as a lawful gateway to ensure requests are necessary, proportionate and legally compliant.

7.9   In the 2013 National Fraud Indicator report, estimated losses to local government were £2.1 billion, across a range of business areas including procurement, payroll and council tax. There are currently more than 10,000 active user accounts and members are able to access a wide range of data and intelligence to protect the public purse through verification, debt recovery and fraud investigation to fight crime, particularly cyber-crime.

7.10   The type and number of enquiries received from members during 2014/15 and 2013/14 is detailed in the table below.

Table 3 – Number of Enquiries Received

Enquiry Type	2014/15 April - March	2013/14 April - March
Authorised Officer Service	63,522	82,797
General Service	68,393	72,851
Driver and Vehicle Licensing Agency	21,132	34,898
Type 'B' Data	55,241	44,194
Regulation of Investigatory Powers Act	2,369	1,617
Total Enquiries	**210,657**	**236,357**

7.11   A summary of each category of enquiry is provided below:-.

- **Authorised Officer Services**
  The National Anti-Fraud Network can access data under statutory powers provided by the Council Tax Reduction Scheme Regulations 2013 and the Prevention of Social Housing Fraud Act 2014. Authorised Officers obtain financial data from banks and credit providers, utility information to support investigations into council tax reductions and housing tenancy fraud. Expedient processes have been established with over 800 information providers and ensure that data is requested efficiently and lawfully.

- **General Service**
  A wide variety of data is obtained via the service using statutory exemptions under the Data Protection Act 1998, assisting local authorities not just to combat fraud and criminality but also to assist with other functions of verification, validation, applications for council services and debt recovery. These services range from general to bespoke credit and debt reporting, consented information to assist in tracing individuals, official information from the General and Land registry, details of passports and immigration status and information regarding companies and directors to name a few.

- **Driver and Vehicle Licensing Agency**
  A secure overnight service providing access to identify the current keeper of a vehicle is also offered. The service is used by local authorities for multiple purposes ranging from identifying the keepers of abandoned vehicles, to blue badge misuse.

- **Type B Data**
  Working in collaboration with two of the three credit reference agencies the National Anti-Fraud Network now provides members with instant access to their credit reporting products via its secure website. The development of online services has been key to increasing efficiencies and reducing costs. The service continues to engage with stakeholders to provide further online services striving to deliver improved, efficient and low cost services to members.

- **Regulation of Investigatory Powers Act**
  Since legislative change in December 2014, the National Anti-Fraud Network is the only route by which local authorities can access communications data under the Regulation of Investigatory Powers Act. It delivers a nationally recognised service providing robust, secure and online access to many communication providers.

Telecommunications data can often be crucial in assisting local authorities with their law enforcement duties, enabling the identification and apprehension of offenders and protecting businesses and consumers. The key user of this service is trading standards teams.

8. INTELLIGENCE SHARING AND FUTURE DEVELOPMENT

8.1 The National Anti-Fraud Network works closely with representatives from key government departments including the Cabinet Office and Home Office to explore opportunities for intelligence sharing and identify business solutions that might be delivered in partnership with government, business solution providers and other agencies. Discussions are also progressing with the National Fraud Intelligence Bureau and agencies involved in the prevention and detection of fraud and crime.

8.2 The longer term objective is to expand the range of services offered to members, introducing automated on-line enquiries and accredited training to support continuing professional development. A further strategic objective is to create regional and national hubs for all relevant local government intelligence to support the Government's agenda on protecting and preventing fraud 'Fighting Fraud Together'.

9. RISKS FOR TAMESIDE

9.1 **Financial Viability**
Risk: That the National Anti-Fraud Network will become financially unviable because income from membership and external grants fails to meet the operational costs of service delivery.

Mitigation**:** The National Anti-Fraud Network is currently fully funded from membership subscriptions and government grants and therefore there is no call on the revenue budget of Tameside to cover its ongoing operational costs. Furthermore, the National Anti-Fraud Network has an approved reserve of £500,000 which has been set aside to cover any staffing or contractual costs which would fall to the host authority should the National Anti-Fraud Network cease to exist.

9.2 **Reputational**
Risk: Inappropriate/incorrect data and intelligence is returned to an investigator breaching the Data Protection Act and causing reputational damage.

Mitigation: The National Anti-Fraud Network does not conduct investigations into fraud; it provides data and intelligence that is requested by investigators through robust and resilient processes. National Anti-Fraud Network acts as a gateway and ensures that all requests are proportionate, necessary and legally compliant.

All National Anti-Fraud Network staff are suitably qualified and experienced to undertake their roles and processes and procedures are regularly monitored and reviewed to ensure they comply with changes in legislation.

9.3 **Service Delivery to Members**
Risk: The National Anti-Fraud Network fails to provide an accurate and reliable service to members because the information technology infrastructure is insufficiently robust and flexible.

Mitigation: The National Anti-Fraud Network provides a web-based service heavily reliant on having an effective information technology infrastructure in place. A service level

agreement is now in place with Rochdale Metropolitan Borough Council to provide the National Anti-Fraud Network with the necessary platform and support for the organisation.

10. RECOMMENDATIONS

10.1 That members note the report.