

Report to:	AUDIT PANEL
Date:	9 November 2021
Reporting Officer:	Kathy Roe – Director of Finance Wendy Poole – Head of Risk Management and Audit Services
Subject:	NATIONAL ANTI-FRAUD NETWORK (NAFN) DATA AND INTELLIGENCE SERVICES
Report Summary:	To provide members with an update on services provided by NAFN and planned future developments.
Recommendations:	That members note the report
Corporate Plan:	NAFN provides data and intelligence to investigators in their fight against fraud and crime and therefore indirectly supports the corporate plan.
Policy Implications:	Counter fraud activities support the achievement of objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	There is no financial implication for Tameside as the NAFN is self-financing and fully funded by membership fees and external funding. Furthermore, a reserve of £500,000 is maintained to cover any redundancy costs or wind-up costs should the services of NAFN be no longer supported by member local authorities, private registered providers (housing associations) and other public sector bodies.
Legal Implications: (Authorised by the Borough Solicitor)	As set out in the main body of the report the council is the sole host of NAFN under a service level agreement and that together with the third party agreements should provide the council with the necessary protection and indemnities particularly with regard its hosting role.
Risk Management:	<p>Tameside is the single host authority and carries the risks associated with the delivery of the NAFN services; however, it 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, which are detailed in the report.</p> <p>Parts of the service such as Investigatory Powers Act (IPA) Communications Services are inspected by the Investigatory Powers Commissioner's Office (IPCO) 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 nominated from local authority members. The current chair of the Executive Board is the Head of Risk Management and Audit Services at Tameside MBC.</p> <p>The NAFN Head of Service maintains a risk register, which is regularly reviewed and updated by the Executive Board.</p>

Background Information: The background papers relating to this report can be inspected by contacting Wendy Poole, Head of Risk Management and Audit Services by



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1. INTRODUCTION

- 1.1 The National Anti-Fraud Network (NAFN) was established in 1997 and is the largest local authority shared service, which offers membership to all local authorities in the United Kingdom. NAFN is a subscription network formed by its members to provide services, which support their work in the protection of the public purse. NAFN 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 NAFN 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 NAFN's mission and purpose is:
- To be the most effective and efficient point of contact through which our members can acquire data, intelligence and knowledge to support their investigations, protecting the public purse and safeguarding the community.
 - The quality of our products, professional services and legal compliance will be assured and provided by a team of trained and accredited officers.
 - To support members and gain their trust through communication, collaboration, innovation and continuous improvement.
- 1.4 The vision for NAFN is to be a nationally recognised centre of excellence for the acquisition and sharing of data and intelligence for the public sector.

2. NATIONAL ANTI-FRAUD NETWORK EXECUTIVE BOARD

- 2.1 Since 2006 the management of NAFN has been entrusted to an Executive Board of officers appointed at each Annual General Meeting. The 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 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 Executive Board members have no voting rights.
- 2.3 The Executive Board provides strategic direction and operational management of the service. It ensures that adequate resources are available to deliver the NAFN 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 NAFN services in conjunction with host authority policies.

- 2.5 Since 2010 the NAFN Executive Board has been chaired by Tameside's Head of Risk Management and Audit Services. The current members of the Executive Board are detailed below in Table 1.

Table 1 – Members of the Executive Board (October 2021)

Board Member	Local Authority	Post Held
Wendy Poole (Chair)	Tameside Metropolitan Borough Council	Head of Risk Management and Audit
Peter Farrow (Treasurer)	Sandwell Metropolitan Borough Council and Wolverhampton City Council	Shared Audit Services and Risk Management Manager
John Peerless Mountford	Brighton and Hove City Council	Principal Trading Standards Officer
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
Sharon Hughes	West Dunbartonshire Council	Section Leader Corporate Fraud
John Hillarby	London Boroughs of Merton and Richmond upon Thames	Trading Standards Manager
Jo Boufflower	North Yorkshire County Council	Head of Business and Consumer Services
Robert James	Birmingham City Council	Managing Director – City Operations
Nick Jennings	Hertfordshire County Council	Head of Service - Shared Anti-Fraud Service
Russell Hawkins	Southampton City Council	Southampton and Eastleigh Licensing Partnership
Co-Opted Members		
Ivan Bradshaw	Newcastle upon Tyne Hospitals NHS	Fraud Specialist Manager
Iain O'Brien	OFCOM – Regulator for Communications Services	Policy Advisor Spectrum Enforcement

3. CONSTITUTION

- 3.1 NAFN has had for many years a formal Constitution and Governance Handbook which was drafted in consultation with Tameside Legal Services and now includes:-
- The NAFN 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 NAFN and the Host Authority Tameside Council;
 - Service level agreement for the Information Communication Technology service with Rochdale Metropolitan Borough Council; and
 - Agreements with Third Parties.

- 3.2 As NAFN is not a separate legal body in its own right it is also governed by the corporate governance arrangements of the Council.
- 3.3 As part of the constitution NAFN holds an Annual General Meeting each year in October/November and presents members with an Annual Report. The meeting for 2021 was held on 21 October and held virtually. The Annual Report is attached at **Appendix 1** for information.

4. NAFN EXPENDITURE AND INCOME

- 4.1 NAFN as part of the Council is required to deliver a balanced budget protecting and minimising the use of reserves. The Annual Budget for 2021/22 is detailed in Table 2 below together with the outturn position for 2020/21

Table 2 – NAFN Budget 2021/22 and Outturn 2020/21

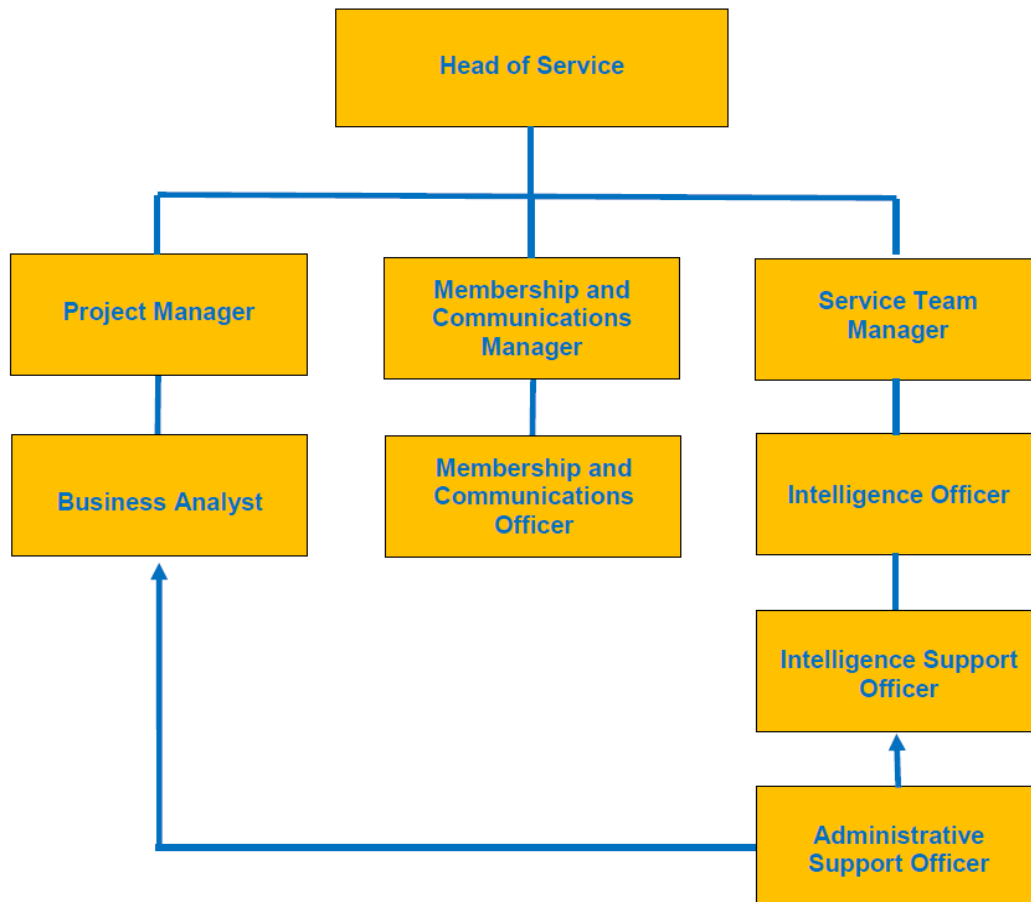
Expenditure	2021/22 Budget £	2020/21 Outturn £
Employees	659,368	505,017
Premises	16,000	12,000
Transport	7,400	117
Supplies and Services	303,950	203,198
Project related Costs	73,600	37,145
Specialist Services	173,000	156,869
Total Expenditure	1,233,318	914,346
Income		
Membership Fees	929,305	805,278
Central Government/Other Funding	110,000	92,789
Specialist Services	165,000	162,426
Interest	4,000	851
Total Income	1,208,305	1,061,344
Surplus/(Deficit)	(25,013)	146,998

- 4.2 All funds are administered by the Council and are subject to the audit arrangements of the Host Authority.
- 4.3 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 the Council's Debtors Service. Income from the Central Government and the National Trading Standards are project related and agreed annually.
- 4.4 Under its Constitution NAFN 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. NAFN also has a working reserve of approximately £780,000 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.

- 4.5 The Constitution also requires NAFN to comply with the Host Authority's Financial Regulations, Procurement Standing Orders, Recruitment/Selection and procedures including for the payment of accounts and salaries.
- 4.6 The financial position of NAFN is presented at the Annual General Meeting by the Treasurer and published in the Annual Report, which is made available to all NAFN members and published on its website.

5. NAFN SERVICE TEAM

- 5.1 The organisational structure as at October 2021 is detailed below.



- 5.2 The Head of Service is supported by a Project Manager, Membership and Communications Manager and a Service Team Manager. The latter is responsible for day-to-day operational management and quality assurance of the Service Team. The provision of data and intelligence services is delivered by six Intelligence Officers, four Intelligence Support Officers and two Administrative Support Officers.
- 5.3 All officers are currently working from home and meetings are being held virtually.

6. MEMBERSHIP

- 6.1 Membership is open to all local authorities in Great Britain and Northern Ireland (full members) as well as government agencies, private registered providers (housing associations) and other public sector bodies (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 NAFN Membership Agreement which is

signed by all members.

6.2 Fees and service charges are agreed and reviewed annually by the NAFN Executive Board. Changes and revisions are communicated in advance to members by the Head of Service.

6.3 Membership of the NAFN is detailed in Table 3.

Table 3 – Breakdown of Membership

Organisation Type	Sept 2021	March 2021	March 2020
Local Authority	362	362	355
Housing Association	67	65	62
Other Public Sector Bodies	32	27	19
Totals	461	454	436

6.4 Other public sector bodies include:-

- Department of Work and Pensions
- Northern Ireland Trading Standards
- National Health Service Counter Fraud Service
- Office of Communications
- Food Standards Agency
- Social Security Scotland

6.5 Following the appointment of a Membership and Communications Manager in July 2019 and the introduction of a marketing strategy and plan, membership has continued to grow.

7. SERVICES TO MEMBERS

7.1 NAFN 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 It has established a successful track record of innovation and delivery, working with a wide range of service and business partners.

7.3 All systems, including access to acquire communications data to support criminal investigations and a National Register of Taxi Licence Revocations and Refusals (NR3) are robust, secure and legally compliant. This has been acknowledged by a range of government bodies including the Home Office, Cabinet Office, Department for Transport and Driver and Vehicle Licensing Agency who NAFN regularly work collaboratively with.

7.4 Currently, the Department for Transport is actively involved in the passage of new legislation, Taxi and Private Hire Vehicle (PHV) Safeguarding Bill (currently at Committee Stage) that will compel all licensing authorities in England and Wales to record taxi licensing revocations and refusals on a national database. Although the legislation does not identify NR3 or NAFN, it is expected that the NAFN system will be adopted as the preferred business solution.

7.5 Local authority membership is corporate and the service departments using the services offered by NAFN include:-

- Trading Standards
- Corporate Anti-Fraud
- Internal Audit
- Environmental Health
- Housing
- Licensing
- Parking
- Protective Services

- Council Tax
- Debt Recovery
- Legal
- Insurance
- Planning
- Human Resources

- 7.6 Members receive regular newsletters on service improvements, along with weekly intelligence alerts advising of latest fraud trends to support fraud prevention and detection. NAFN provides accredited e-learning modules on new regulations and legislation, as well as, offering a comprehensive free webinar training programme covering the range of services NAFN offer.
- 7.7 A key benefit for members is the independent guardian and gatekeeper role played by NAFN ensuring requests are necessary, proportionate and legally compliant.
- 7.8 In the 2020 Chartered Institute of Public Finance and Accountancy Fraud and Corruption Tracker National Report, the total value of fraud identified and prevented in 2019/20 was approximately £239m across local authorities. The four main areas of fraud were identified as; Council Tax, Disabled Parking (Blue Badge), Housing and Business Rates.
- 7.9 There are currently more than 14,000 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 2020/21 and 2021/22 is detailed in Table 4 below.

Table 4 – Number of Enquiries Received

Enquiry Type	2020/21 April - March	2021/22 April - Sept
Authorised Officer Service	10,001	5,148
General Service	23,648	11,455
Driver and Vehicle Licensing Agency	10,082	6,093
Type 'B' Data	150,858	86,726
Investigatory Powers Act	2,312	1,961
Total Enquiries	196,901	111,382

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

- **Authorised Officer Services**

NAFN 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 2018, 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 the main credit reference agencies NAFN provides members with instant online 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.

- **Investigatory Powers Act**

Since legislative change in June 2019, NAFN is the only route by which local authorities can access communications data under the Investigatory Powers Act. It delivers a nationally recognised Single Point of Contact service providing robust, secure and online access to many communication providers.

Communications 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. Criminals often target the elderly and vulnerable residents and this is a key service often used by trading standards.

8. INTELLIGENCE SHARING AND FUTURE DEVELOPMENT

- 8.1 Covid-19 brought many challenges but through collaborative working, NAFN has strengthened its relationships with central and local government. NAFN has actively supported local authorities to prevent millions of pounds of fraud throughout the pandemic. By way of example, one NAFN member confirmed that the total of prevented fraud attempts against their council linked to companies in the NAFN alerts amounted to £620,000.
- 8.2 These productive working relationships continue to develop highlighting the benefits of data and intelligence sharing across local government, wider public authorities, financial sector organisations and Central Government (Cabinet Office and BEIS). NAFN is well placed to meet these emerging business needs.
- 8.3 The NAFN Executive Board has approved ambitious plans to transform the existing ICT platform which is functionally obsolete and upgrade the website with access to a wider range of data providers. NAFN has already consulted with its members to confirm their appetite for these new developments and a major project is about to be initiated (Project Argus) to deliver this transformation over the next two years.

9. KEYS RISKS FOR TAMESIDE

- 9.1 The key risks for the Council in hosting NAFN are detailed in Table 5 below.

Table 5 – Key Risks

Risk Type	Description of Risk	Mitigation
Financial Viability	That NAFN will become financially unviable because income from membership and external funding fails to meet the operational costs of service	NAFN is currently fully funded from membership fees and external funding (grants) and therefore there is no call on the revenue budget of Tameside to

Risk Type	Description of Risk	Mitigation
	delivery.	cover its ongoing operational costs. Furthermore, NAFN 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 NAFN cease to exist.
Reputational	Inappropriate/incorrect data and intelligence is returned to an investigator breaching the Data Protection Act and UK GDPR. This could result in reputational damage and the possibility of enforcement action by the Information Commissioners Office (ICO).	NAFN does not conduct investigations into fraud; it provides data and intelligence that is requested by investigators through robust and resilient processes. NAFN acts as a gateway and ensures that all requests are proportionate, necessary and legally compliant. All NAFN 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.
Service Delivery to Members	NAFN fails to provide an accurate, reliable and available service to members because the information technology infrastructure in place is not sufficiently robust and flexible.	NAFN provides a web-based service heavily reliant on having an effective information technology infrastructure in place. A service level agreement is in place with Rochdale MBC IT Services to provide NAFN with the necessary platform and support for the organisation.

9.2 As referred to in Section 3 above to mitigate the risks NAFN complies with the Councils policies and procedures and has a number of additional documents in place which have been developed in conjunction with the Councils Legal Services Team to ensure robust procedures govern the services provided to members, as detailed below:-

- NAFN Constitution
This covers the Vision, Membership, Executive Board, Fees and Charges, Accounts, Annual General Meeting, Extraordinary Meetings and the Dissolution of NAFN
- NAFN Membership/Collaboration Agreements
These are signed by all members and detail the Benefits and Obligations of Membership and the Processing Activities, which cover all the data and intelligence services provided and the rules for using them. They also cover the authorisation for obtaining communications data under the Investigatory Powers Act 2016, this part of

the service is inspected annually by the Investigatory Powers Commissioner's Office (IPCO).

- Service Level Agreement (SLA) with Principal Host Authority
It provides an overview of the services and resources to be provided by Tameside as the host and the reciprocal responsibilities of NAFN. NAFN complies with the policies and procedures of the Council and uses the key financial systems to pay employees, expenditure and collect income and all financial transactions are recorded in Agresso. All staff are employed by the Council and are subject to its conditions of service, health and safety requirements and People and Workforce Development policies.
- Service Level Agreement (SLA) with ICT Host Authority
This covers the provision and maintenance of electronic information systems and an ICT infrastructure to support NAFN meet its business needs. The current provider is Rochdale MBC.
- Agreements with Third Parties
NAFN has a number of contracts and agreements in place with business solution providers to provide systems, data and intelligence. Legal advice is requested when new services are introduced and governance reports provided where appropriate.

10. RECOMMENDATIONS

- 10.1 That members note the report.