

# Report to Cabinet

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| <b>Report Title</b>                                       | National Investigation Service (NATIS) Contract Extension  |
| <b>Date of Meeting</b>                                    | 22 January 2025  |
| <b>Report Author</b>                                      | Cheryl Wells – Head of Service Delivery Programme - NATIS  |
| <b>Accountable Assistant Director</b>                     | Mark Wheeler – Assistant Director – NATIS  |
| <b>Corporate Director</b>                                 | Dan Fenwick Executive Director Corporate Services/Monitoring Officer   |
| <b>Lead Cabinet Member(s)</b>                             | Cabinet Member for Resources   |
| <b>Why is this a key decision?</b>                        | 1. Expenditure over £500K <span style="float: right;">yes</span><br>2. Significant impact on 2 or more wards <span style="float: right;">No</span>   |
| <b>Wards Affected</b>                                     | All Wards  |
| <b>Identify exempt information and exemption category</b> | Appendix 1 is exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of the council in relation to contracting with central government for fraud investigation services. It is in the public interest to withhold the report from public access to allow the council to undertake confidential commercial negotiations and obtain best value for the Council. |

## 1. Executive Summary

- 1.1 This report seeks Cabinet approval to agree to accept the Department of Business & Trade's (DBT) offer of a three-year contract for the provision of fraud investigation services from 1 April 2025. Cabinet is also recommended to delegate authority to the Executive Director of Corporate Services to negotiate and agree the terms and conditions of the contract following consultation with the portfolio holder for this service.

## **2. Recommendations**

For the reasons set out in this report, Cabinet is recommended to:

- 2.1 Agree the Council submits a tender to the Department of Business & Trade on or before 31 January 2025 for a contract for the provision of fraud investigation services by the Council through its traded service, the National Investigation Service (NATIS) for three years from 1 April 2025 and up to three extensions of six months, subject to agreement of the terms and conditions of the contract.
- 2.2 Subject to agreement of 2.1, to delegate authority to the Executive Director, Corporate Services (or his nominees) to agree the submitted tender and to then negotiate the terms and conditions of contract in consultation with the Cabinet member for resources.

## **3. Commissioner's Comments**

- 3.1 Commissioners have been consulted on the content of this report which has been revised to reflect their comments.

## **4. Proposals – the rationale and evidence for the recommendations**

- 4.1 Since 2020, the Council has contracted with DBT to provide fraud investigation services supporting prosecutions by law enforcement agencies through its traded service, the National Investigation Service or NATIS, specifically on the bounce back loan and small business grant schemes. The scale and sophistication of NATIS' resources are unique in the public sector outside of law enforcement organisations. Further, this is work that other law enforcement agencies are likely to undertake at this scale. Working with central government partner agencies, NATIS recovers money back to the public purse and provides deterrence and disruption to criminals.
- 4.2 The current contract with DBT expires on 31 March 2025 and following a lengthy period of negotiation, DBT have Secretary of State approval to procure a further three-year contract until March 2028. DBT now wish to invite the council as the sole bidder for the contract. This is a significant achievement for the council and testament to the quality and effectiveness of the NATIS service in fraud investigation.

4.3 To commence this process, a Voluntary Transparency Notice (VTN) was published on the 10<sup>th</sup> December into the public domain on the gov.uk contracts finder. This highlights that this is a direct award and not open to other bids. The notice period closed on the 7<sup>th</sup> January. The VTN can be accessed here [VTN - DIRECT AWARD - NOT OPEN - Contract for Potentially Fraudulent COVID Loan Application Investigation \(open cases\) - Contracts Finder](#). This is a statutory requirement where a public authority intends to issue a direct award of a contract as a transparency measure and allows third parties to consider a challenge to the award. No challenge was received by 7 January as there is unlikely to be another provider who can undertake the services required by central government.

#### 4.4 **Invitation to submit a bid**

4.5 DBT have now asked the Council to formally submit a bid to carry out the work under the new contract. A Request for Proposal (RFP) has now been received for the detail to be provided on how NATIS will meet the requirements of the contract. The RFP must be submitted by 31 January and Cabinet is recommended to approve the submission of the bid and due to the short time frame to delegate authority to the Executive Director of Corporate Services to approve and submit the bid and subsequently to negotiate and agree the contract, following consultation with the lead member for resources.

### 5. **Consultation**

5.1 Consultation is not required. The commissioners and lead members have been updated during the pre-offer process and a briefing was provided to Cabinet in October.

### 6. **Implications**

#### 6.1 **Financial Implications**

##### **Contract value and breakdown.**

6.2 The maximum value of the proposed contract value is £45m (which includes VAT at 20%). The proposed contract is comprised of a three-year term and three optional six-month extensions.

6.3 Assuming the proposed contract value is split evenly over the term of the contract, the council would receive c£8.33m excluding VAT (£10m including VAT) annually from the Department of Business and Trade. This would give an annual budget of c£7.18m for staff and other direct costs and a budget of c£1.15m for corporate costs.

**Implications verified by:** Nisshanth Narendran, Head of Finance Business Partnering (Corporate & Place), 6<sup>th</sup> January 2025

## 7 Risk Implications

| RISK DESCRIPTION & CONSEQUENCE   | MITIGATIONS  | RESIDUAL RISK STATUS (after mitigations) |
|--|--|--|
| If the formal offer and contract is delayed further there is a continued risk of losing skilled staff. | <p>There has been a net loss of 25 staff since April 24 although this has stabilised since the approval was given by the Secretary of State in October.</p> <p>This risk is now very low but bears the latent redundancy liability, as stated above</p>  | Amber                                    |
| Contract performance failure, which may result in non-payment and dispute.                             | <p>Past performance suggests the risk is low and the service has had two major audits of its performance in 2024, which it has passed.</p> <p>The service's reputation with DBT and counter fraud colleagues and agencies in central government is very strong after significant work undertaken by the interim Assistant Director and team throughout 2024.</p> | Green                                    |
| Operational performance  | <p>Risks in operational performance is now governed by clear operating procedures and a case management system which includes regular review.</p> <p>As stated, there have been external audits of performance and case reviews and to date the outcomes, although not shared in full with the Council, has been positive.</p>                                   | Green                                    |

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| There is an inherent reputational risk (positive and negative) of involvement in law enforcement. | The Council has been working with DBT on future communications and the 'positive' side of this work, i.e. fighting fraud and returning money to the public purse. There is also likely to be some rebranding as central government develops its fraud strategy.   | Green |
| There remains currently the reliance on a single contract for NATIS work                          | The future business model work is directly aimed at mitigating this risk.   | Green |
| Integration of the NATIS service into the council.  | There is now close and integrated work between Council services including finance, information governance and legal services to ensure value for money is achieved and a matrix of performance indicators is being developed.   | Green |
| Impact of local government reorganisation   | <p>This is initially assessed as low for the following reasons.</p> <ul style="list-style-type: none"> <li>a. the contract is highly likely to novate to any new authority in any reorganisation.</li> <li>b. the contract length is to 2028 which generally aligns to the reorganisation timetable.</li> <li>c. the future options paper will consider this issue and the service is raising the issue with DBT, who are already aware.</li> </ul> | Green |

**7.1 Risk Implications verified by** Kelly McMillan, Business Development Manager and Chief Risk Officer, dated 7<sup>th</sup> January 2025.

## 8 Legal and Governance Implications

8.1 The Council has the power to enter into a contract with DBT for the provision of services using its general power of competence conferred by section 1 Localism Act 2011, which allows a local authority to do anything that individuals may do. The proposals is not limited by the limitations in s.2-4 of the Act and the primary

purpose is not trading for profit. The agreement to enter into an agreement as a supplier of services is an executive function and the value of the contract makes it a key decision for Cabinet to determine.

**Legal and Governance Implications verified by** Helen Nicol – Assistant Director – Legal and Governance.

Dated 7<sup>th</sup> January 2025.

## **9 Equality and Diversity Implications (including the public sector equality duty)**

9.1 There are no specific diversity and equality implications presently arising from this report. Potential implications arising from changes to the provision of the service and staffing structure will be considered at the relevant time.

**Equality and Diversity implications verified by** Roxanne Scanlon, Community Engagement and Project Monitoring Officer.

Dated 8th January 2025.

## **10 Other Relevant Implications**

10.1 There are no other relevant implications relating to this report.

## **11 Background Documents**

11.1 No background reports were used in in preparation of this report.

## **12 Appendices to this Report**

**Appendix 1 - Additional contract Information - Exempt**

To be completed if you do not need an Equality Impact Assessment.



**Relevance Check**

**Budget Reduction/Service Area: NATIS**

**Service Lead Mark Wheeler**

**Date: 05.01.2025**

In what ways does this Budget reduction have an impact on an outward facing service? How will the service feel different to your customers or potential customers?

N/A

If not, how does it impact on staff e.g. redundancies, pay grades, working conditions? Why are you confident that these staff changes will not affect the service that you provide?

N/A

Is a Customer Impact Assessment needed? No