


<p><i>Non-Executive Report of the:</i> Audit Committee 21st March 2017</p>	 TOWER HAMLETS
<p>Report of: Zena Cooke - Corporate Director - Resources</p>	<p>Classification: Unrestricted</p>
<p>Tenancy Fraud Update</p>	

<p>Originating Officer(s)</p>	<p><i>Tony Qayum</i></p>
<p>Wards affected</p>	<p><i>All wards</i></p>

1. Summary

- 1.1 This report provides the Audit Committee with an updated summary of activity from the start of the current financial year to date and identifies emerging trends and challenges facing the service in both increased risks as well as demands on delivery.
- 1.2 The report advises that the target set for a total recovery of 50 units across all Common housing Register partners and THH will be largely achieved based on current performance and projection.

2. Recommendation

- 2.1 To note the content of the update report.

3. Background

- 3.1 The Tenancy and Social Housing Fraud team, based at the Town Hall, provide a service to the Council aimed to 'Prevent, Detect and Deter' any abuse of the provision and use of social housing. In addition to Tower Hamlets Homes (THH), the various RP's working to the common housing register can also expect a service from the team. Sub-letting, abandonment, application fraud, right to buy fraud and abuse are the main areas of focus.
- 3.2 Government figures acknowledge that between 4% and 6% of all social housing is illegally sublet with a cost figure to the public purse of £18,000 per annum per unit. This cost equates with an average cost of housing a small family unit in temporary accommodation for a 12 month period. However the costs in Inner London are significantly higher with a figure of £22K being the norm at Tower Hamlets. It is also acknowledged that inner London sublet percentages are significantly higher than the national average. The cost to THH is estimated to be in excess of £13m per annum.

4. Resources

- 4.1 The team has an establishment of five (5) Investigators with one (1) Team Leader. THH provide two (2) Investigators which is further broken down into one (1) permanent officer currently on secondment to the team and one (1) temporary resource sourced via Comensura.
- 4.2 The balance of the staff, three (3) plus the Team Leader is funded by the Council.

5. Team Performance

- 5.1 An agreed target of the recovery of fifty (50) properties was set for the team for the financial year 2016 / 17. This is an ambitious figure. As of 13th February 2017 we have achieved thirty Nine (39) recovered sublet properties, twenty-eight (28) of which were THH units, stopped nine (9) Right to Buys/ Acquire. In addition we have achieved seven (7) other cases including Parking Permits, Mutual Exchanges and Housing Applications.
- 5.2 These figures have been achieved against a background of resource challenge and one (1) Council investigator has been exclusively working on a complex fraud case for which a successful prosecution has been achieved.
- 5.3 The vacant contractors post was filled in October 2016 and the above case has now come to a conclusion.

6. Risk and Challenge

- 6.1 The challenges for the team can clearly be seen from the above figures. Each case requires active investigation with time and effort to gather evidence to support any allegation of subletting, abandonment or breach of tenancy. The preferred resolution for the team is a simple surrender of the property which saves time and expense of legal procedure. However each case is evaluated on its own merit and where evidence of profit is/ was being made or where there has been a fundamental miss-statement of material facts either at the point of Homelessness or at Tenancy award, this will be referred to Legal Services for consideration for prosecution. The Legal Service will consider either a Civil or Criminal resolution in cases from the team. For prosecutions, Legal Service will assess the case against the 'Code of Crown Prosecutors' and the case will have to satisfy firstly the evidential stage and then the public interest stage. If it is only if both are satisfied that the prosecution is taken.

7. Process

- 7.1 Any case referred to the team is first subject to an evaluation process through the Intelligence Team. Each is scored and if it reaches a threshold it will be opened as an investigation. After initial development work within the Intelligence Team including data searches, systems analysis, and vouching against internal systems, it will be allocated to an investigator for formal examination.

8. Workload – Process- THH Only

- Two hundred and thirty-nine (239) investigations opened since 1st April 2016
- One hundred and seventeen cases closed since 1st April 2016
- Thirty-four (34) cases awaiting allocation to an investigator
- Sixty (60) with the Intel Team being evaluated

9. Workload – Investigators- THH Only

- Eighty (80) cases actively being investigated by an Investigator

10. Conduct of an Investigation

- 10.1 The Investigator will retain ownership of a case when it has been passed to legal for court action to possess the property. Currently there are eleven (11) cases in the legal process.
- 10.2 Any Investigation must be proportionate, relevant and timely. With an often transient sublet population who will not usually assist an

investigation, action must be taken promptly. It can take a lengthy period of time before a prepared case can be allocated for investigation.

11. Right To Buy

- 11.1 This is an expanding area of our work with a 42% increase in right to buy (RTB) applications in the past year. The main reason for this is the Government reduction in the qualifying length of tenancy coupled with an increase in discount. Although the Council have a duty to assist persons with a genuine right to buy, a study of RTB property in inner London shows that around 33% of all sold RTB properties appear on the private rental market within a year of sale. The legislation was brought about to enable people to own their own home and not profit from letting out.
- 11.2 With the current shortage of available social housing stock it is essential that we undertake appropriate due diligence with every application received. We have successfully engaged with the THH Right to Buy team and the Councils Legal Service and have suggested a number of control improvements to ensure we take appropriate action to manage our risks. This has included a Money Laundering protocol and enhanced links have been established with Financial Institutions.
- 11.3 This is an area of development and does not fall clearly into the investigative template for sublet. At present many of the queries arise at a very late stage when the matter is with legal thus leaving a limited time available for investigation. The main source of concern is the provision of funding. The council are a responsible body under money laundering regulations so we are under a duty to satisfy ourselves that any monies received from the sale of assets are legitimate and have had all due taxes paid.
- 11.4 Experience has shown that a declaration of funding is often very late. Instances of Mortgage fraud and cases where the funding has come from overseas have been identified and there has been clear intent of the leasehold passing to that overseas company as soon as a sale has taken place.
- 11.5 This is an area of work currently carried out by the Team Leader but there is scope for an additional investigator to take on this workload. We are currently preparing a detailed governance type examination utilising skills from the Councils Risk Team to assist the Service and ensure wherever possible we minimise the scope for abuse while recognising the need to process RTB applications in accordance with prescribed deadlines/ guidelines.

12. Key Amnesty

- 12.1 The team ran a well-publicised key amnesty early in 2016. As a result a total of nine (9) properties were surrendered. Eight (8) of these belonged to THH. Several of these were already on our radar. Sixty One (61) cases were opened for investigation following calls to the hotline and we can attribute a further six (6) returns as a direct result. The value of this exercise was, inter alia, that it saved valuable time and cost through the offering up of units that potentially could have been recovered during our investigative processes. This reduced the additional cost and resource implication involved with our work to recover such units of accommodation.
- 12.2 This illustrates the need for publicity and public awareness. We are reliant on the provision of intelligence and information to the team so that we can further the return of properties that are being illegally abused.
- 12.3 The risk from the large number of cases is that members of the public want to see the council taking action following their calls and with limited resources it is not always possible to act on each one immediately because of the time it takes to properly investigate each instance.

13. Tenancy Audit

- 13.1 The team work closely in partnership with the housing officers and the Team Leader works closely with housing management. We have had discussions with management as regards organised and targeted tenancy audits. From this we are confident that further information will come to light to assist recovery of properties.

14. Conclusion

- 14.1 This is an ongoing and essential piece of work within the Risk Management Service. There is a considerable risk to the Council and ALMO in both financial and reputation terms should it be ignored.

15. Comments of the Chief Finance Officer

- 15.1 This is a noting report and there are no additional financial implications arising from it. Continuing to pursue cases of fraud is an essential part of good financial stewardship.

16. Legal Comments

- 16.1 Housing fraud undermines public confidence in social housing and causes indirect harm to other persons seeking accommodation.

16.2 When considering the progress on tackling housing fraud, the Council should ensure that the arrangements in place are consistent with the Council's best value arrangements. The Council is obliged as a best value authority under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness" (the Best Value Duty). As indicated in paragraph 18.1, the report highlights areas where internal control, governance and risk management can be improved. This is consistent with the Council showing compliance with its Best Value Duty.

16.3 When considering action on tackling housing fraud, due regard must also be had to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty). A proportionate level of equality analysis is required to discharge the duty.

17. One Tower Hamlets

17.1 There are no specific one Tower Hamlets considerations.

17.2 There are no specific Anti-Poverty issues arising from this report

18. Best Value Implications

18.1. This report highlights areas where internal control, governance and risk management can be improved to meet the Best Value Duty of the Council.

19. Risk Management Implications

19.1. This report highlights risks arising from exploitation of assets for personal gain. The ongoing management of risks through enhanced vouching and control will assist so that effective governance can be put in place to manage the authority's exposure to risk.

20. Sustainable Action for a Greener Environment (SAGE)

20.1. There are no specific SAGE implications.

21. Crime and Disorder Reduction Implications

21.1. By having sound systems of controls, the Council can safeguard against the risk of fraud and abuse of financial resources and assets.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- None

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- None

Officer contact details for documents:

N/A