

AGENDA ITEM NO. 15

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE
18th January 2013**

Report of: the Strategic Director (Corporate Services)

Title: Tenancy Fraud Initiative

Ward: City Wide

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Recommendation

The Committee note the progress being made in this area and adopt the Tenancy Fraud Policy Statement.

Summary

To provide an update to Committee on the work undertaken so far regarding tenancy fraud and what activities are planned for the future

Significant Issues

Paragraph 2 – Tenancy Fraud Policy Statement for endorsement.

Paragraph 3 – Performance to date

Paragraph 6 - Agreement for hotline campaign

Paragraph 10 - Finance / Risk including future funding arrangements

Policy

This report is submitted in accordance with the Audit Committee's Terms of Reference.

Consultation

Internal – None Necessary

External – None Necessary

1. Background

- 1.1 Tenancy fraud presents a significant challenge to social housing and preventing fraud and misuse is a priority and becoming increasingly high on the political agenda.

- 1.2 When properties are used fraudulently, either sublet or left empty, it means that the housing provider has little or no control over the management of the property leading to possible anti-social behaviour and repair issues. This will have a social and financial impact for the housing provider, whether a local authority or Registered social landlord. Fraudulent misuse is not only a waste of a scarce and important resource but it prevents the property being offered to those in need, so there are moral considerations too.
- 1.3 The National Fraud Authority (NFA) has identified tenancy fraud as the largest area of fraud loss across local government with 50,000 homes occupied fraudulently costing an estimated £900m each year in temporary accommodation charges.
- 1.4 In the 2012 Report, "Protecting the Public Purse" the Audit Commission acknowledges the continuing progress being made by Local Government to protect tax payers by fighting fraud. Successful tenancy fraud work represents a saving to the public purse in bringing fraudulently obtained / occupied homes back into use. There is also a social cost to tenancy fraud with families having to remain in temporary accommodation being unable to settle and establish permanent roots in a community and this can damage community members health and well being.
- 1.5 To successfully manage tenancy fraud the Audit Commission have identified the need for the following:-
- A willingness to acknowledge the problem
 - Senior Management and political support
 - The use of specialist fraud investigators
 - A joined up approach with housing officers and investigators working together
 - Use of legal support including civil and criminal action
 - Encouraging public referrals
 - Cleansing tenancy data prior to data matching
 - Strengthened fraud awareness for housing staff
 - Partnership working with other housing providers.
- 1.6 Bristol recognises the threat of tenancy fraud and in 2010 made a bid for funding to the Department for Communities and Local Government DCLG to help the council finance work into identifying and investigating allegations of tenancy fraud and abuse.

1.7 Internal Audit secured an amount which was used to:-

- Run a Citywide campaign during July and August 2010 to raise awareness of Tenancy Fraud and promote a public hotline (tel 0117 92 22470) where those concerned can report tenancy fraud.
- Allocate a dedicated investigative resource of 1 FTE within Internal Audit to work with Housing Policy, Estate Management, Home Choice Bristol, Legal Services and Social Housing providers dealing with suspected tenancy fraud and abuse. The aim is to have tenancy fraud staff as fully accredited Counter Fraud Investigators during 2013.
- Raise awareness of tenancy fraud and abuse amongst staff within the Neighbourhoods Directorate.
- Work with the Bristol Housing Partnership to maximise the information available to them by developing protocols and procedures to share data and assist social landlords in tackling tenancy fraud and abuse and work is ongoing in this area.
- Engage with other local authorities and social housing providers, agencies and government departments to share good practices and information regarding tenancy fraud. The Team also utilises the services of the Chartered Institute of Housing specialists "Making Better Use of Stock" Team MBUS and the Tenancy Fraud Forum.

1.8 The tenancy fraud work being undertaken in Bristol has been recognised nationally and is reported in the recent Local Government Fighting Fraud Locally strategic report as an example of good practice. The Chairman of the Local Government Association, Sir Merrick Cockell, highlighted Bristol's approach and spoke enthusiastically of the work undertaken so far and initiatives planned for the future at a recent seminar on fraud.

2. Tenancy Fraud Policy Statement

2.1 Bristol is committed to preventing tenancy fraud and misuse. Given the extent of the potential for abuse, Internal Audit seeks Members approval to adopt a Tenancy Fraud Policy Statement. This will outline the Council's stance on and approach to Tenancy Fraud. The Statement can be found at Appendix 1

3. Performance Information

3.1 The work undertaken by Bristol on tenancy fraud is producing good results. From the start of the initiative in July 2010 to March 2011, 22 local authority properties were recovered.

3.2 The table below illustrates further positive results achieved since April 2011 with 12 of these outcomes having been achieved in the first six months of 2012/13. A further 49 cases are currently under investigation with 9 pending recovery action.

No of cases	Outcome
37	Property regained since April 2011
3	Application cancelled
1	Exchange refused
4	Other fraud identified and reported

3.3 Measuring the cost of tenancy fraud remains problematic. The Audit Commission suggests the following are all reasonable ways to value the cost of this kind of fraud:

- based on the average cost to house homeless families in temporary accommodation which they estimate is £18,000. It is this figure that is used by the National Fraud Authority in estimating their annual cost of this type of fraud. If using this measure, the cost of fraud to Bristol City Council identified to date is £1.06m (based on 59 recovered properties)
- based on the average cost to build a new unit of social housing which is estimated by them to be £150,000. If using this measure, the cost of fraud to Bristol City Council identified to is £8.8m (based on 59 recovered properties)

3.4 However, since April 2012 the Team have recorded the actual loss to Bristol City Council of the confirmed tenancy fraud cases based on the rental value of the fraudulent tenancy and the estimated length of time the fraud was perpetrated. Losses calculated from April 2012 to date are £167K (based on the 12 positive results in that period). If extrapolated to the 59 properties recovered in total to date, this would value the cost of fraud to Bristol City Council at around £825K to date.

4. Referrals

4.1 Work is generated from several sources including referrals and since April 2012 there have been over 92 referrals from the public, staff and other agencies. Referrals are mainly concerning Council stock, but concerns regarding social housing have been received and passed to Registered Social Landlords. The table below illustrates the source of the most recent referrals.

No of referrals	Referral source
16	Hotline (no recent publicity of the number)
4	Police
64	Staff in Housing
8	Staff - Other

4.2 The hotline was heavily publicised in July and August 2010 and was heavily used by the public to report their concerns at that time. The level of referrals was such that the Team (1 FTE) initially struggled to deal with the volume

received. This demonstrates clear public support for the work being done to tackle tenancy abuse. The team have worked systematically to ensure each hotline referral is cleared appropriately and is now well positioned to begin a further public campaign again.

- 4.3 Significant numbers of good referrals are received from Neighbourhood staff and these are encouraged and Audit aim to work collaboratively with them to identify fraudulent misuse and bring these properties back into circulation.

5. Proactive Work Plan

- 5.1 As well as investigating referred cases; a programme of pro-active work is planned with some already underway. Fighting Fraud Locally recommends making better use of information and technology using data analytics and credit reference data to detect fraud. On this basis a wider exercise is underway using credit reference data to identify possible tenancy misuse and fraud. Funding is available to finance this exercise and an initial random sample of 2,800 properties will be matched. Any Data Protection issues have been checked and cleared and Fair Processing notices exist. The initial output from this exercise is expected in January when any matches will be sifted, checked and any anomalies investigated.

6. Hotline

- 6.1 The Hotline provides a mechanism for the public to report concerns about tenancy fraud. It is staffed during the day and reverts to an answer phone outside of office hours. The number of calls received demonstrates that the Public are concerned about tenancy misuse and support the work being done. Future planned publicity for this service is essential as any advertising will see an increase in calls and reports of suspected tenancy fraud.
- 6.2 Publicity increases the general awareness of tenancy fraud and leads to more calls to the Hotline and referrals for the Investigators. In September 2013 the Tenancy Fraud Unit are planning a major advertising Campaign. City Adshel sites, Broadmead publicity displays, and plasma screens at both City Hall and Customer Service Points will all be used. Features will appear in external and internal Council magazines and a Poster campaign will be re-launched. The Executive Member's support is requested to promote this initiative and media interest will also be sought.
- 6.3 Continuing publicity is ongoing with features in internal and external publications as possible. All such activities contribute to raising both public and staff awareness of tenancy fraud and the impact it has.

7. Training and Awareness

- 7.1 Fraud awareness sessions were provided for Registered Social Landlords (RSLs) via The Bristol Housing Partnership. A free investigation service was offered to all partners during 2012/13 and four RSLs are signed up to this service.

7.2 Discussions are underway with Estates Management and Rehousing Managers to provide further staff training sessions to increase awareness of tenancy fraud and increase the number and quality of referrals to the investigators. It is recommended that caretaking, repairs staff and contractors should also be included in briefing sessions as it is staff working directly with tenants who will be in the best position to identify and report tenancy fraud and abuse.

8. Case Studies

8.1 A number of examples which provide details of the sorts of cases dealt with by the Team are provided at Appendix 2 for the Committee's interest.

9. Finance / Risk

9.1 In the Audit Commissions publication "Protecting the Public Purse" 2012 their research suggests that in London Authorities levels of tenancy fraud could be running at between 4 – 6 % with non London levels to be at least half that found in the capital. This would suggest that in the region of 560 - 840 properties in Bristol could be unlawfully occupied and whilst much has been done, further work is needed.

9.2 Internal Audit will continue to develop their tenancy fraud work into 2013 but funding for the initiative after 2013/14 is uncertain. Unless new funding is released then Bristol City Council will not be able to fully support this work beyond 2013/14. Submissions have been made to Neighbourhoods and agreement reached to fund one full time post so this work can continue in to the next financial year. Any funding beyond March 2014 will need to be re-negotiated.

9.3 If internal or external funding is not made available then work will have to stop, the impact of which will be that tenancy fraud will go unchecked in Bristol and any suspected fraudulent misuse will not be dealt with. Applicants waiting to be rehoused will be disadvantaged as a result and this may manifest in other social and economic challenges for the Council as well as reputation damage.

10. Equalities Impact Assessment

10.1 No implications arising from this report

11. Legal and Resource Implications

Legal - none sought.

Resources – as detailed in paragraph 9 above.

Background Papers: Protecting the Public Purse 2012

Appendix 1 - Tenancy Fraud Policy Statement

Appendix 2 - Case Studies

Bristol City Council Policy on Tenancy Fraud

Social housing is a valuable asset, which provides security and stability to people in housing need. Those who commit tenancy fraud deprive these people who are in genuine need. This is unacceptable and the Council, as a landlord, has a duty to make the best use of public resources by ensuring that homes are properly managed and that tenancy fraud is prevented.

Tackling this issue is a priority as it affects both residents and communities, removing accommodation from those in most need. The Council is committed to having a dedicated resource available to investigate complaints of tenancy fraud and if found to be taking place action will be taken, including prosecution if appropriate.

Bristol adopts a zero tolerance approach to tenancy fraud and will work with and support other agencies and social housing providers to stop tenancy fraud and make the most of its social housing.

8.1 Right To Buy Case

Mr A took up a tenancy with the Council in 2005. An investigation by the Tenancy Fraud team found that the tenant had purchased a shared ownership property in the Bristol area around the same time the tenancy began and that the Council Tax account had been in several different names since. The right to buy (RTB) had completed around the same time as the irregularities came to light. BCC Legal team wrote to the former tenant to notify the intention to relinquish the lease. The property was brought back into housing stock within 9 months and lost rents and costs totalling £4k were also recovered.

8.2 Sub Let Property

The Housing Officer was suspicious that Mrs B had not been seen at the property for some time when tenancy audits had been completed. It was always her friend who was there. The tenant has also tried, without success, on more than one occasion to add her friend to the tenancy agreement. An investigation found that the tenant had been married for 10 years and purchased another property in the area. Notice was served on the tenant, she did not respond to the notice and the 3 bedroom property was recovered. It is not clear whether the tenant sub-let, sold keys or simply just moved on without telling the Council.

8.3 Illegal Exchange

Mr C applied to exchange from a 1 bedroom to a 3 bedroom property, stating that his 2 daughters lived with him. An investigation found that one daughter lived at her Mum's address and that the other daughter owned another property. Council Tax records also showed that the tenant claimed to live alone and was in receipt of single adult discount. The Exchange was refused.

8.4 Application fraud

One housing applicant applied for a larger Council property due to them having two children living with them however at the same time another housing applicant also used the same two children to apply for Council housing. The applicants were called in for interview so the investigating officer could establish which applicant the children actually lived with.

The children were then removed from one of the applications and the size of properties that they could bid on was reduced accordingly.

8.5 Application fraud

Application made for council housing where the applicant failed to declare that they already owned two properties. The applicant claimed that they had no income and were living in Bristol in overcrowded conditions. They were in fact living and working over 100 miles from Bristol. Once they had successfully bid on a property instead of moving in they sublet it out. The property has since been recovered.

8.6 Subletting

Housing officers already suspected that a property had been sublet however when an appointment was made to visit, the tenant was present and claimed that they were living at the property.

The investigating officer was able to find through the national fraud initiative data matching exercise that the tenant was claiming housing benefit at an address in London. With evidence provided by the London Authority it was possible to serve a notice to quit on the tenant and recover the property.

8.7 Empty Property

Housing Officer reported suspicions that the tenant lived elsewhere. Investigations found some publicly available information that the Tenant was possibly living with his girlfriend. The Housing Officer visited the girlfriend's address and found them both in occupation. They denied the allegations, but within a week a Notice To Quit was received from the tenant stating he had moved in with his girlfriend.