

Committee(s)	Dated:
Housing Management and Almshouses Sub (Community and Children's Services) Committee	26 May 2022
Subject: Social Housing Tenancy Fraud – 2020/21 Annual Report	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending	N/A
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Head of Internal Audit	For Information
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Summary

This report provides Members with an update on our Social Housing Tenancy Fraud activity during the 2021/22 reporting year. It also provides Members with an update against our key anti-fraud initiatives in this area.

A total of seven successful tenancy fraud outcomes were secured during 2021/22 with an associated value of £417,382, in addition to this the team prevented four fraudulent housing applications from progressing and secured a guilty plea to charges under the Fraud Act 2006 at the Central Criminal Court. The Counter Fraud team have initiated Proceeds of Crime Act investigations in three prosecution cases

The team have adopted a revised formula for calculating the cost to the public purse from social housing tenancy fraud and mapped this against the City Corporation's temporary accommodation costs to provide a true reflection of the loss to the public purse from this fraud risk.

The NFI London Fraud Hub has been procured and is expected to support the Counter Fraud team in detecting a preventing social housing fraud at point of application/at an early stage

Recommendation(s)

- Members are asked to note the report.

Main Report

Background

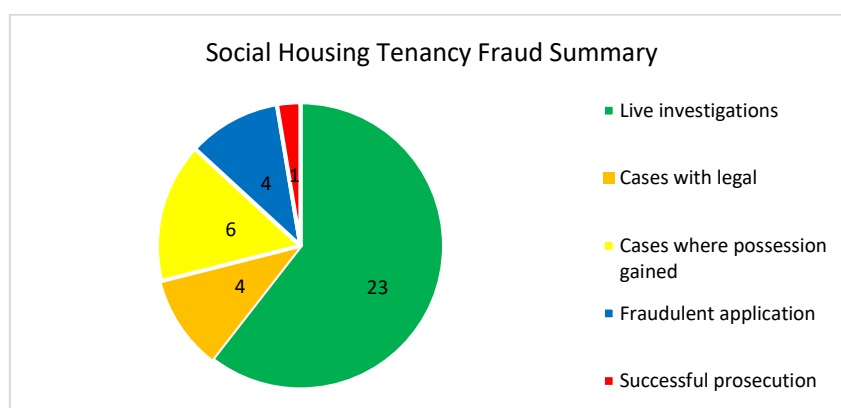
1. This report provides Members with an update on our Social Housing Tenancy Fraud activity during the 2021/22 reporting year. It also provides Members with an update against our key anti-fraud initiatives in this area.

Social Housing Tenancy Fraud

2. Social housing tenancy fraud remains a key fraud risk area for the City; the Counter Fraud team provides a full investigative response across all aspects of

housing, from initial applications to the investigation of civil and criminal tenancy breaches and right to buy screening.

3. We have continued with the positive elements practiced during the pandemic of undertaking desk-based reviews of alleged housing application fraud and smarter triaging of referrals whilst returning to our traditional investigation work and a fraud presence on the City's social housing estates; this has resulted in a 33% increase in the volume of referrals in this key fraud risk area when compared to 2020/21, allowed the team to swiftly close 49% of the referrals received where, after triage, the likelihood of a successful outcome was minimal, and has resulted in us being able to devote more time and resource to a presence on the City's estates and to those cases where a positive outcome is anticipated.
4. During the reporting year the team recovered six tenancies, stopped four fraudulent housing applications from progressing and secured a guilty plea in one prosecution case. Four further cases are currently subject to criminal (2) and civil (2) action, of which two are awaiting court hearings.
5. One defendant has recently pleaded guilty at the Central Criminal Court to Fraud Act charges; the matter is subject to a Proceeds of Crime Act timetable and is awaiting pre-sentence reports, the defendant is listed to be sentenced in August this year.
6. A defendant in another case attended City of London Magistrates Court for a first hearing in April with the matter referred to the Crown; a trial date is to be set in due course. And finally, a defendant in a further case faces a trial at Inner London Crown Court in August.
7. A detailed summary of our work in this area, during the 2021/22 reporting year vs the same period in 2020/21 can be found at Appendix 1 to this report and a summary of noteworthy cases is included as Appendix 2. A snapshot of the tenancy fraud position at 2021/22-year end can be found below.



8. The total associated value of identified fraud from the seven completed social housing tenancy fraud investigations during the reporting year amounts to

£417,382, comprising of six recoveries with a positive outcome, and one recovery where a guilty plea in a prosecution case has been secured. Housing application fraud is considered to be fraud prevention and as such, we have not attributed a savings value against these four positive outcomes.

9. Whilst the value of social housing tenancy fraud is in the main notional, we aim to recover £86,478 through the Proceeds of Crime Act 2002 as a result of our successful prosecution activity in 2021/22.
10. The Counter Fraud Manager has put in place a service level agreement with Croydon Council for the provision of financial investigations; the team has initiated Proceeds of Crime Act investigations in a further two social housing tenancy fraud prosecution cases, and we will look to use this legislation in all appropriate cases to ensure that those that seek to defraud the City's social housing provision do not financially gain from their dishonesty

Social Housing Tenancy Fraud Values Project

11. During the reporting year the Counter Fraud team adopted a revised formula for valuing the cost to the public purse from social housing tenancy fraud. This formula has been developed by the Tenancy Fraud Forum with support from industry groups including the London Borough Fraud Investigators Group, which the City's Counter-Fraud Manager currently Chairs.
12. In order to develop this new formula, the research team took evidence from social landlords across the country including Councils and Registered Social Providers to understand the following:
 - The annual average temporary accommodation cost per family for individual councils.
 - The average number of years a family typically spends in temporary accommodation.
 - Average investigation costs for a tenancy fraud investigation.
 - Average legal costs for a tenancy fraud investigation.
 - Average void costs for a tenancy fraud investigation.
13. The national average value of tenancy fraud identified through this research has been identified as costing the public purse £41,740. A copy of this formula and help sheet can be found at Appendix 3 to this report.
14. This formula has also been designed to be used to calculate the local costs of tenancy fraud to the public purse. We have, accordingly, applied this and established the true cost of a single social housing tenancy fraud at the City Corporation as £59,626. The City uses both inner and outer London temporary accommodation which varies in cost with the average temporary accommodation cost for inner London placements over three years being £45,864, whilst the cost for outer London placements over three years is £36,036; therefore, a median figure of £40,950 has been used to provide a fair reflection of the temporary accommodation costs over three years to those placements made by the City Corporation; the other costs detailed within the formula remain static. A copy of the City of London calculation can be found at Appendix 4 to this report.

15. The new formula has been used to calculate the associated loss to the public purse from those social housing tenancy fraud cases investigated and resolved by the team during the 2021/22 reporting year.
16. Our work to tackle housing application fraud mitigates the risk of fraud entering the system from the outset and reduces losses to the public purse, although it should be noted that fraud can occur at various stages of a tenancy through dishonest failure to report a change of circumstances.

NFI London Fraud Hub

1. Funding was secured for the procurement of the NFI London Fraud Hub during the reporting year; the Fraud Hub provides a proactive capability for the City Corporation and enables us to identify fraud at an earlier stage through data-matching against core NFI datasets and those held by other London Boroughs. Six other London Boroughs have also joined the hub and it is anticipated that a majority of London Boroughs fraud teams will onboard over the course of the coming year. Intelligence suggests that cross-boundary fraud is a significant risk to local authorities and this solution will allow the City of London and other London Boroughs to proactively share data within the hub on a legal basis to detect and prevent fraud and mitigate the risks that fraudsters move from borough to borough committing the same, or similar, offences.
2. Work streams have been agreed with Housing Management and the Housing Allocations Manager to make best use of the Fraud Hub and regularly input the City's tenant and housing application data in to the hub to detect and prevent fraud at point of application or at an early stage to mitigate losses.
3. In addition to the above, the NFI AppCheck (included in the Fraud Hub subscription), a sophisticated and powerful tool to support in the assessment of applications for housing and to verify address/contact data for housing tenants, has been rolled-out across the housing teams and is being used regularly and effectively by housing colleagues.

Emerging Risks

4. The team keep abreast of emerging risks through regional and national networks including the London Borough's Fraud Investigators Group (LBFIG), the National Anti-Fraud Network (NAFN), the National Fraud Intelligence Bureau, and CIFAS. Any intelligence reports relating to social housing related fraud is routinely shared with housing management and disseminated on a risk-based approach.
5. The cost-of-living crisis and the current level of inflation is anticipated to result in increased volumes of fraud or attempted fraud across London as people look for opportunities to defraud public services for personal gain, whether that be for greed or perceived desperation; it is anticipated that sub-letting fraud may become more desirable for those facing financial pressures. The Counter Fraud Manager is working with colleagues from LBFIG on horizon scanning to consider those areas/services that may be at an increased fraud risk and how

regular data-matching through the London Fraud Hub can support in mitigating these fraud risks.

Corporate & Strategic Implications

6. The work of the Team is designed around minimising the risk of fraud across all aspects of housing, from initial applications to the investigation of tenancy breaches and right to buy screening by providing a comprehensive counter fraud and investigation response with a clear focus on safeguarding the City's assets and recovering any losses due to fraud; this is underpinned by our Social Housing Anti-Fraud & Corruption Strategy, which gives due regard to the Corporate Plan. Horizon scanning with LBFIG colleagues to identify social housing tenancy fraud risks that may emerge from the cost-of-living crisis and inflationary pressures will feed into our counter fraud response and additional data-matching through the London Fraud Hub.

Conclusion

7. The Counter Fraud team has returned to some traditional ways of working post pandemic whilst adopting the agile benefits practiced during lockdown, this has resulted in more effective triaging of referrals and allowed the team to focus resources on only those tenancy fraud cases where there is a likelihood of securing a positive outcome.
8. The addition of the NFI London Fraud Hub provides a proactive tool to assist in the early identification of social housing tenancy fraud and to undertake regular cross-boundary data-matching which has not been possible in the past.
9. The team have increased the use of Proceeds of Crime Act investigations in appropriate cases which is expected to result in the recovery of fraud losses along with investigation and prosecution costs.

Appendices:

- **Appendix 1 – Housing tenancy fraud caseload analysis, 2021/22 reporting year vs 2020/21.**
- **Appendix 2 - Social housing tenancy fraud investigations summary.**
- **Appendix 3 – Calculating Losses from Housing Tenancy Fraud Help Sheet**
- **Appendix 4 – COL Tenancy Fraud Median Values.**

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