



Northern Ireland Audit Office

Tackling Social Housing Tenancy Fraud in Northern Ireland



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
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Northern Ireland Audit Office

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Northern Ireland Audit Office

Comptroller and Auditor General

24 September 2013

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Contents

	Page
Tackling Social Housing Tenancy Fraud in Northern Ireland	
Social housing is a scarce resource in Northern Ireland	3
What is housing tenancy fraud?	4
Tenancy fraud is the largest category of fraud in English local government	7
What is tenancy fraud costing the taxpayer in Northern Ireland?	8
Best practice in tackling tenancy fraud has developed considerably in recent years	9
The number of properties recovered in England has steadily increased over the past four years	12
Properties have been recovered in Northern Ireland but performance could be improved	18
NIHE and local Housing Associations are not sufficiently proactive in tackling housing tenancy fraud	19
Recommendations	23
Appendices:	
Appendix 1: Housing Association properties recovered due to abandonment between 2009 and 2012	26
Appendix 2: NIHE properties recovered in 2011-12	27
NIAO Reports 2012 and 2013	28

Abbreviations

DCLG	Department for Communities and Local Government
FDA	Full Duty Application
MBUS	Making Best Use of Stock
NIFHA	Northern Ireland Federation of Housing Associations
NIHE	Northern Ireland Housing Executive

Tackling Social Housing Tenancy Fraud in Northern Ireland



Tackling Social Housing Tenancy Fraud in Northern Ireland

Social housing is a scarce resource in Northern Ireland

- 1 There are over 123,000¹ social housing properties in Northern Ireland with 89,000 managed by the Northern Ireland Housing Executive (NIHE) and 34,000² managed by around thirty registered Housing Associations. The Department for Social Development (the Department) has regulatory power in relation to Housing Association stock.
- 2 The NIHE, as Northern Ireland's strategic housing authority, is responsible for the administration of the Social Housing Development Programme on behalf of the Department. This programme sets targets for the supply of new property based on an estimate of future housing need. In addition to New Build starts (see Figure 1), the programme also includes the purchase of "Off-The-Shelf" and "Existing Satisfactory" properties, together with the "Rehabilitation and Re-improvement" of existing properties.

Figure 1 – Social Housing Development Programme

	Estimated Need	Planned New Build Starts
2007-08	2,500	1,500
2008-09	3,000	1,500
2009-10	2,500	1,750
2010-11	2,500	2,000
2011-12	2,000	1,400
2012-13	2,000	1,325
Total	14,500	9,475

Source: NIHE

- 3 In recent years there have been around 40,000 families at any one time on the Common Waiting List which is used to allocate tenants. Around 8,000 families from the list are housed each year through re-letting existing social properties. However, around 20,000 families present to NIHE in housing stress³ each year. Around half of these are classified as "statutory homeless"⁴ in which case NIHE has a duty under the law to house them. Typically, 3,000 of these families are placed in temporary accommodation because long term housing is not available. Temporary accommodation may be in private rented properties, hostels, leased properties or bed and breakfasts. The average length of stay in temporary accommodation in 2012 broken down by category of accommodation is:

1 Northern Ireland Housing Market Review and Perspectives 2012 – 2015, NIHE 2012.

2 This does not include around 5,000 shared equity stock managed by NI Co-Ownership Housing Association.

3 A household is in housing stress if it is on the Northern Ireland Housing Executive waiting list and assessed to be in the most need, for reasons of health, intimidation, insecurity of tenure and housing conditions.

4 The legislation governing homelessness in Northern Ireland is contained in the Housing (Northern Ireland) Order 1988 as amended, which came into force in April 1989. The order places a statutory duty on the NIHE to provide temporary and/or permanent accommodation for certain groups of homeless persons, depending upon the assessment of each person's case. Those who satisfy the tests of eligibility, homelessness, priority need and unintentionally homeless are considered to have Full Duty Application status (FDA) as they have met all the statutory criteria as defined in the legislation. For those not entitled to FDA status, there is a statutory duty to provide advice and assistance.

Tackling Social Housing Tenancy Fraud in Northern Ireland

- Private Sector Rented – 49 weeks;
- NIHE Hostel – 48 weeks;
- Voluntary Sector Hostel – 37 weeks; and
- Bed and Breakfast – 32 weeks.

4 It is clear that social housing is a scarce resource in Northern Ireland with demand far exceeding supply. Given the very significant costs involved in providing new properties, it is vitally important that available housing goes to those who need it and deserve it most. Housing tenancy fraud, whereby publicly funded housing is occupied by individuals who are not entitled to be there, deprives deserving families of a decent home and creates additional costs for the taxpayer in the form of additional new build and temporary accommodation costs.

What is housing tenancy fraud?

5 Housing tenancy fraud is the use of social housing by someone who is not entitled to it. This can take several forms:

- giving false information in a housing application to improve the chances of getting a property, for example falsely claiming to be living with a relative or failing to disclose a change of circumstances (case example 1 in Figure 2);
 - abandonment of the property and living elsewhere, either leaving the property empty or selling the key to someone else for a one-off payment, for example where a tenant leaves their own property to move in with a new partner (case example 2 in Figure 2);
 - subletting the property to someone who is not entitled to live there. Often in these cases the person renting the property does not know that their “landlord” does not own the property (case examples 3a and 3b in Figure 2);
 - false succession where the tenancy is taken over, often on the death of the tenant, by someone who falsely claims to have been living there for some time, for example, a young person succeeding on the death of an older relative (case example 4 in Figure 2);
 - unlawful assignment which occurs when a tenant has moved out and given the property over to a friend or family member, allowing them to “queue jump” the waiting list and bypass the assessment for social housing; and
 - providing misleading information on an application to purchase the property, through the right to buy scheme.
-

Figure 2: What is Tenancy Fraud – Case Examples**1. Giving false information in a housing application**

An applicant initially declared that she and her two children were living with her mother. As a result, she was awarded additional housing points by a local authority in England. The extra points moved her up the waiting list and she was allocated a home with a Housing Association. However, the authority subsequently discovered she had stopped living with her mother and taken up a privately rented property under her maiden name. Had this been disclosed, the council would have removed the additional points and not awarded her a property. She was found guilty under the Fraud Act 2006 and fined £450. She also gave up her tenancy.

[Source: Audit Commission]

2. Abandonment

A local authority in England has detected a number of tenancy fraud cases involving pensioners. These cases involve apparently single pensioners being awarded a council house tenancy. Investigators found evidence that a number of these single pensioners live together as couples in one of their council properties and retain the second property in case their relationship should fail.

[Source: Stoke on Trent City Council]

3a. Subletting for profit

A City Council in England uncovered an example where a property with a rent of £70 per week was being sublet at a rent of £125 per room per week. In another case a Housing Association charged a tenant £53 a week for a property in West London. The tenant fraudulently sublet the property to a pensioner for £225 a week for nearly two and a half years. The pensioner also paid a £2,000 deposit.

[Source: National Fraud Authority and the Audit Commission]

3b. Subletting for profit in Northern Ireland

In October 2010, a local Housing Association received information from a tenant who suspected that a neighbour was not living in the property they had been allocated and that there were other individuals living there.

A Housing Officer visited the property and was advised by a male occupant that he and two others were renting the property from a lady whose name matched that of the tenant. They stated that they were working for a local company and provided details. A card was left asking the tenant to contact the Association as a matter of urgency.

Tackling Social Housing Tenancy Fraud in Northern Ireland

Figure 2: What is Tenancy Fraud – Case Examples Continued

The tenant contacted the Association and denied that the property was sublet explaining that the occupants were only staying there for a few days and it was all a misunderstanding. The tenant was advised that the Association would carry out further investigations.

The Association subsequently met the tenant at the property and liaised with the NIHE, the Social Security Agency and the local company, concluding that there was sufficient evidence to indicate that the property had been sublet and was not being occupied by the tenant, and served a Notice Seeking Possession in late October 2010.

The tenant asked for a review of the decision and requested a revisit to prove that she was living in the property. The Association agreed to this and on the second visit it was clear that the other residents were no longer at the property. The tenant reiterated that they had only been staying there a few days and that she had not sublet the property. Both NIHE and Social Services advised the Association that as their investigations were inconclusive, they would be reinstating the tenant's benefits. As a result the Association did not seek to enforce the Notice, but advised the tenant that it would continue to monitor the situation.

The Association continued to investigate the situation and new evidence emerged indicating that the tenant was a Director of the local company that the subletters had been working for. Information on a social media site provided further evidence that led to the Association being able to confirm that the tenant was registered on the Electoral Roll at another address.

The Association issued a further Notice in February 2011. The tenant subsequently terminated her tenancy and the Association was able to recover the property.

[Source: A local Housing Association]

4. Succession Fraud

A London Borough carried out a credit data matching exercise resulting in 550 potential hits. It uncovered a 5 bed property where the tenant's son had taken over occupation and failed to report that the tenant had passed away more than twelve months previously. The son had no succession rights and the property was recovered within the first week of the matches coming back. The Borough management were of the opinion that this recovery alone justified the cost of the exercise

[Source: Chartered Institute of Housing]

6 Until recently relatively little was known about the nature of tenancy fraud in the United Kingdom and a number of generalisations were often used to justify a lack of action to address it. In 2012 the Audit Commission published the results of an analysis of detected tenancy frauds⁵ which challenged the existing myths:

Myth 1 – tenancy fraudsters have to be re-housed. In nearly 90 per cent of cases, the fraudster did not need to be re-housed;

Myth 2 – court action is required to regain control of the property. In 85 per cent of cases the fraudster, when confronted, handed back the keys;

Myth 3 – tenancy frauds are quickly identified and last only a few months. In over 40 per cent of cases detected, the properties had been unlawfully occupied for more than a year and 70 per cent for over six months;

Myth 4 – tenancy frauds are isolated incidents unconnected with other frauds. Other types of fraud were detected in nearly half of all cases, with Housing Benefit being the most common, for example where someone subletting is claiming benefits on a property they are not living in; and

Myth 5 – specialist fraud investigators are not needed. In almost 90 per cent of detected cases the housing provider had employed specialist fraud investigators.

Tenancy fraud is the largest category of fraud in English local government

7 Initial assessments of the extent of tenancy fraud in England, by the Audit Commission, conservatively estimated that 2.5 per cent of housing stock in London and one per cent of stock outside London was subject to tenancy fraud. Taking the average annual cost of housing a family in temporary accommodation, the National Fraud Authority has estimated the cost of tenancy fraud to the public purse as at least £1.8 billion a year.⁶ At more than five times the level of Housing Benefit fraud, this makes it the largest category of fraud loss across local government in England.

8 With increasing levels of anti fraud activity in recent years, numbers of detected frauds have increased and recent Audit Commission research suggests that levels of fraudulently occupied properties are double what was previously estimated, at between four and six per cent in London and two per cent elsewhere. The Audit Commission estimates that around 98,000 properties in England could be affected by tenancy fraud.

5 *Protecting the Public Purse 2012*. Research involved analysis of 215 frauds in two London and three non-London social housing providers.

6 *Annual Fraud Indicator*, National Fraud Authority, June 2013.

Tackling Social Housing Tenancy Fraud in Northern Ireland

What is tenancy fraud costing the taxpayer in Northern Ireland?

- 9 There are several different ways to calculate the cost of tenancy fraud. NIHE has a duty under the law to house families who are classified as statutorily homeless and where social tenancies are not available, temporary accommodation is offered. This can be provided in several different forms: hostels, private rented accommodation, leased property and bed and breakfast. In the five years to 2012, NIHE spent over £40 million providing temporary accommodation. In 2012, annual costs were more than £10 million (see Figure 3). Roughly half of this is funded through Housing Benefit. Recovering fraudulently occupied properties to house these families would reduce the cost of temporary accommodation. We estimate that every 100 additional properties recovered through a proactive detection programme would have the potential to save around £800,000⁷ in costs for private rented accommodation. This does not include the recovery of overpaid Housing Benefit.

Figure 3 – The cost of temporary accommodation has steadily increased since 2008

	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000	Total £'000
Private Rented	3,812	4,500	6,282	6,729	7,925	29,248
Hostel - NIHE	1,160	1,190	1,210	1,270	1,330	6,160
Hostel - Voluntary ⁸	-	-	-	-	-	-
Leased Properties	-	-	955	955	955	2,865
Bed and Breakfast	235	746	249	381	242	1,852
Total	5,207	6,436	8,696	9,335	10,452	40,125

Source: NIHE

- 10 Another method of quantifying the cost to the public purse of unlawful tenancies is to calculate the replacement building cost for properties that are no longer available for social housing. Applying the Audit Commission's two per cent estimate, the number of properties fraudulently occupied in Northern Ireland could be as high as 2,400⁹, with a current replacement cost in the region of £200 million (2,400 units times £89,100¹⁰).

⁷ This figure is based on an average annual rent in the private sector of £8,000. See Assembly Question Written 9319/11-15 – 993 properties rented in 2011-12 at a cost of £7.9 million.

⁸ The Department explained that figures cannot be calculated as they are not part of the Homelessness budget and there is a mix of funding where rental cost is met by Housing Benefit and support costs are funded by the Supporting People programme.

⁹ The Northern Ireland Federation of Housing Associations (NIFHA) told us that around 11,000 of their members' tenanted homes are sheltered or supported accommodation and that tenancy misuse is less likely because there is an on-site staff presence.

¹⁰ Cost of a three bedroom social new build in 2011-12 as provided by NIHE.

- 11 Perhaps the most significant cost of tenancy fraud however, is the social cost. Families who are homeless and living in temporary accommodation experience considerable difficulties¹¹:
- difficulty accessing medical care or registering with a General Practitioner leading to deterioration in health;
 - difficulty accessing employment or Social Security benefits, difficulty opening a bank account and increased borrowing from unscrupulous moneylenders leading to poverty and increasing debt; and
 - difficulty accessing education and retaining social and community links.

This can lead to a downward spiral of social exclusion and the Audit Commission has recommended that any assessment of the financial value of pursuing tenancy fraud should also recognise the long term social benefits to communities.

- 12 With some 40,000 families on the housing waiting list in Northern Ireland, and resources unavailable to provide the additional housing necessary, tackling tenancy fraud and bringing existing social housing units back into use is a cost effective way of addressing the growing housing shortfall.

Best practice in tackling tenancy fraud has developed considerably in recent years

- 13 In response to a growing awareness of tenancy fraud in England, the Department for Communities and Local Government (DCLG) issued guidance¹² in 2009 setting out some of the most effective ways of preventing, detecting and tackling tenancy fraud. An amount of £4 million was initially made available to local authorities to fund anti-fraud activities, with an additional £9.5 million of funding announced recently.
- 14 In 2011 DCLG, in partnership with the Chartered Institute of Housing, established the Making Best Use of Stock (MBUS) team to help local authorities and Housing Associations to improve and develop their approach to welfare reform, under-occupation and tenancy fraud. The MBUS team has since published updated guidance and in 2012, established the Tenancy Fraud Forum. The role of the Forum is to facilitate the exchange of best practice and experience across housing providers in the United Kingdom, including Northern Ireland, and is active in producing further best practice.
- 15 The following paragraphs set out straightforward counter tenancy fraud measures, adopted by housing providers in England, who have dealt proactively with tenancy fraud.

11 *Including the Homeless: A strategy to promote the social inclusion of homeless people and those at risk of becoming homeless, in Northern Ireland, Department for Social Development, July 2007.*

12 *Tackling unlawful subletting and occupancy: Good practice for social landlords, November 2009, Department for Communities and Local Government.*

Tackling Social Housing Tenancy Fraud in Northern Ireland

Raising Awareness

- 16 Local authorities in England have found that the main source for identifying potential unlawful tenancies has been their own front line housing and maintenance staff. Housing staff who visit tenants in their homes and have valuable local knowledge should be provided with basic awareness training covering indicators of fraud and how to report suspicions.
- 17 Another key source of information is the general public, including neighbouring tenants. Raising awareness of the issue and demonstrating that you are serious about eliminating unauthorised tenancy encourages local residents to report their suspicions. Information can be made available through residents' newsletters, targeted mail shots, tenants' handbooks, discussion with local tenant and community associations and working with the local media.
- 18 Raising the profile of tenancy fraud, by publicising successful recovery actions, identifying benefit overpayments and any subsequent prosecutions, raises awareness and can have a deterrent effect.

Hot lines and Incentives

- 19 Tenancy fraud reporting procedures should be well publicised and easily accessible to the public. It is important to offer a range of ways by which individuals can report suspicions, such as a telephone hotline, an online reporting facility or in person. Case example 1 in Figure 5 illustrates that hotlines are relatively inexpensive to set up and can provide significant impact.
- 20 The offering of cash incentives for information from the public and amnesties are other areas to consider. The NIHE and local Housing Associations should consider the internal reporting and incentive arrangements available to their own staff, in particular local housing and maintenance staff, who have valuable local knowledge.

Photographing Tenants

- 21 Preventing tenancy fraud at the outset is the most cost effective way of tackling the problem. Some landlords in England have started taking digital photographs of new tenants at tenancy sign up. Linking these photographs to the tenancy agreement and other files associated with that tenant makes it possible for housing management staff visiting tenants to check that the person living in the property is the same person who signed up to the tenancy.

Targeted Tenancy Audits

- 22 Unannounced settling in visits in the first few weeks of the tenancy are useful for discussing any tenant concerns and can be an opportunity to validate that the legal tenant is in occupation.
-

- 23 Most social landlords undertake periodic tenancy audits, usually on a rolling basis. These tend to be desk exercises, with a small sample of tenants being selected for face to face visits. These exercises are useful in identifying housing management issues but experience in England has shown that they are not particularly successful in identifying tenancy fraud.
- 24 Targeted tenancy audits (estate blitzes) based on evidence from data matching exercises, housing staff suspicions and tip offs from local residents have proved more successful in identifying illegal tenancies (see case examples 2 and 3 in Figure 5).

Dedicated Tenancy Fraud Officers

- 25 Deploying dedicated tenancy fraud staff (either housing management staff provided with counter fraud training or specialist fraud investigators) has proved successful in detection and investigation of cases in England, leading to higher levels of recovered properties. Dedicated tenancy fraud staff can take forward time consuming investigations and problematic cases, which allow front line staff to concentrate on important tenancy management duties (see case example 4 in Figure 5).

Intelligence Gathering and Data Matching

- 26 Intelligence gathering and analysis techniques, including basic data matching work, feature in any proactive detection programmes. Potential information sources include:
- the annual gas/oil boiler health and safety inspection – repeated no access results should be monitored and followed up by housing staff;
 - utilities companies - there should be protocols in place for them to report suspicions;
 - the frequency of tenant repairs requests – no requests over a two/three year period could be an indicator of tenancy fraud;
 - local Council refuse collection teams and postmen;
 - local community groups and local representatives;
 - social media sites; and
 - data matching information already held by the Council, Local Education Authority, other social landlords, Register of deaths, births and marriages and the Electoral Register (see case example 5 in Figure 5).
-

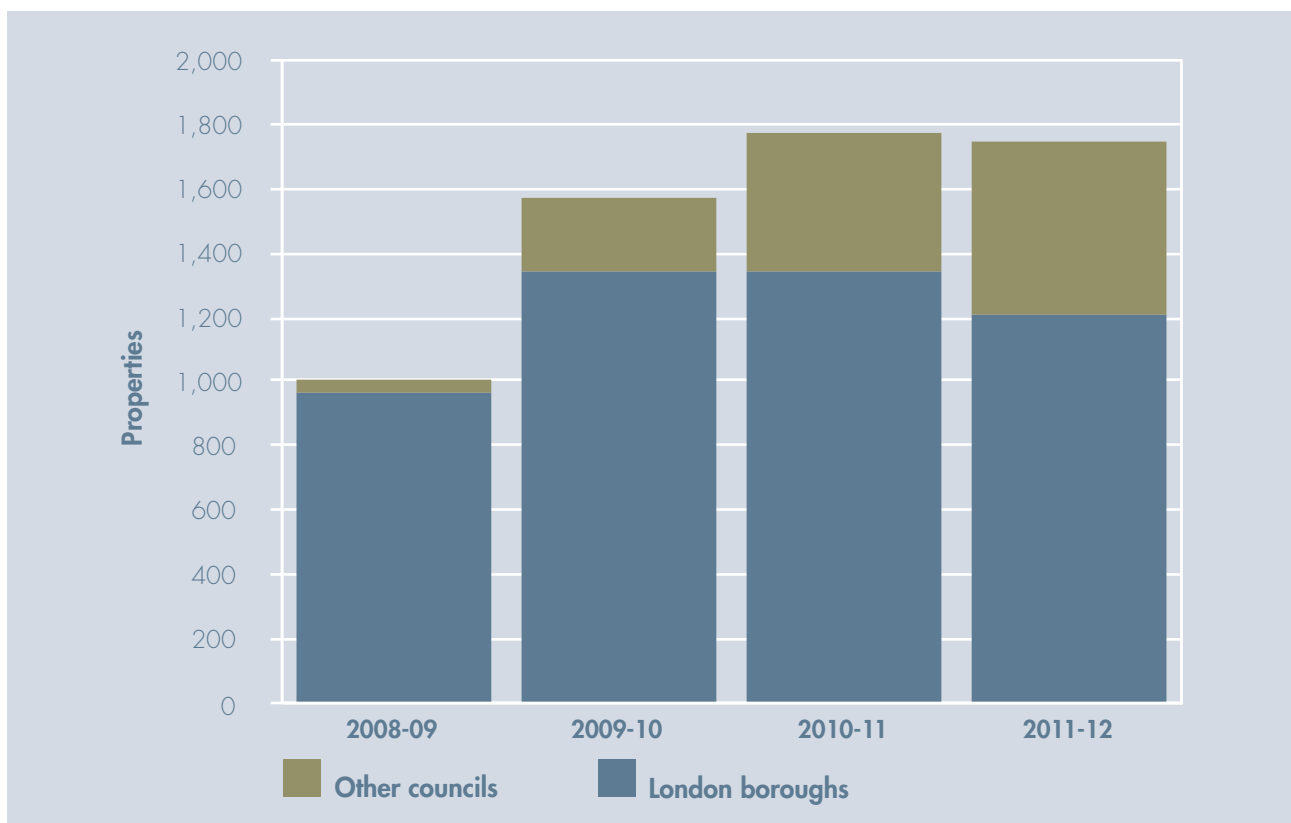
Tackling Social Housing Tenancy Fraud in Northern Ireland

27 A more recent development has been the use of registered Credit Reference Agencies, allowing social housing providers to compare their tenants' records against financial information such as mortgages, loans, credit card applications and mobile phone contracts, to confirm who is living in the property (see case example 6 in Figure 5).

The number of properties recovered in England has steadily increased over the past four years

28 The number of properties recovered in England has steadily increased over the past four years as local authorities have increasingly engaged in detection programmes. According to Audit Commission figures, 1,748 properties were recovered in 2011-12 compared with 1,000 properties in 2009 (see Figure 4). However, the bulk of recovery activity is in London and over half of non-London councils recovered no properties at all. Consequently, these figures tend to obscure the dramatic increases in non-London councils where tenancy fraud is being tackled proactively for the first time. For example, Wolverhampton City Council had not recovered any properties from tenancy fraudsters before 2010 but since May 2010 has recovered 93 properties, as a result of encouraging staff and the public to report suspected cases and using specialist fraud investigators.

Figure 4: Properties recovered from tenancy fraudsters in England between 2008-09 and 2011-12



Source: Audit Commission

- 29 In response to the increasing awareness of the extent of tenancy fraud, particularly in London, the government has strengthened legislation to make it a criminal offence in England and Wales. The Prevention of Social Housing Fraud Act 2013 includes new powers for local authorities to prosecute and increased investigative powers:
- Unlawful Profit Orders allow Housing Associations and local authorities to recover any profit made by a tenant who has sublet their property;
 - New powers of prosecution will lie with local authorities;
 - Housing Associations and local authorities are expected to work in partnership to investigate and prosecute cases of tenancy fraud; and
 - Enhanced access to data about individuals suspected of tenancy fraud.
- 30 Whilst new legislation may strengthen investigative powers and provide a stronger disincentive to fraudsters, the increasing numbers of houses being recovered in recent years demonstrates that new legislation is by no means a prerequisite for successful anti-fraud programmes. It is also worth emphasising that prosecution is currently possible under the Fraud Act and some local authorities in England have used this effectively (see case example 7 in Figure 5).
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Tackling Social Housing Tenancy Fraud in Northern Ireland

Figure 5: Applying Best Practice - Case Examples

1. Tenancy fraud hotline

The Department for Communities and Local Government in England provided funding in 2010 for a Tenancy Fraud Initiative, covering the 18 largest providers of 65,000 social houses in Manchester. A Project Manager was recruited to oversee the project and a dedicated reporting hotline was set up. The hotline was free to call and answered within normal office hours, with a voicemail facility for out of hours calls. The phone line cost only £500 for 12 months and over this time there were 76 referrals, seven properties have been recovered so far and 35 fraud investigations are ongoing.

[Source: Chartered Institute of Housing]

2. Specialist neighbourhood officers and targeted tenancy audits

A Housing Association with 53,000 properties across England recovered 120 properties (12 through National Fraud Initiative data matches) between January 2010 and July 2012. It set up a fraud hotline and email address and appointed specialist neighbourhood auditors to ensure legality of tenures, take forward investigations, review National Fraud Initiative matches, provide information to tenants and identify tenants requiring additional support.

The tenancy check programme involved neighbourhood auditors working with local housing officers to identify high risk blocks of housing for "block audits". The officers do not leave the targeted block until every tenancy is verified. This work verified 328 tenancies and recovered eight properties.

[Source: Combating Tenancy Fraud Conference July 2012]

3. Targeted tenancy audits

A Housing Association with 20,000 properties based in London changed its approach from random to targeted tenancy audits. This included introducing settling in visits at six weeks, estate blitz operations, enhanced succession and assignment checks and increased publicity of tenancy fraud. The new approach led to the following outcomes:

- 700 visits in 2009 -10 resulted in 19 properties being recovered;
- 1,544 visits in 2010 -11 resulted in 63 properties being recovered; and
- 1,702 visits in 2011-12 resulted in 56 properties being recovered.

[Source: Combating Tenancy Fraud Conference July 2012]

4. Specialist tenancy fraud team

The London Borough of Camden manages 24,000 properties and has a specialist tenancy fraud team of six officers. As a pilot, all requests for succession were run through the investigations team for further verification and at the end of the three month pilot, fifty per cent of the applications were found to be fraudulent or not valid for a succession. All succession applications are now referred through the tenancy fraud team, who also look at joint to sole/sole to joint tenancy requests, mutual exchanges and assignments.

[Source: Chartered Institute of Housing]

5. Data matching to detect tenancy fraud

The West Midlands Best Use of Stock partnership has a wide remit in social housing, including tackling social housing fraud. It includes all seven local authorities and most of the housing providers from the West Midlands.

On a monthly basis the participants send their tenant data to Birmingham City Council. The Council stores the data in a secure 'data warehouse' and the data sets are then matched against each other, looking for duplications and inconsistencies in records. The data matching is used to identify, for example, where a tenant is registered at one address but is claiming benefits from another (indicating they are not using their property as their sole or principal home). Customer data from the local Water Company has also been included, to verify payment details at properties.

Where a mismatch is identified in the data, the record is passed back to the provider for further scrutiny. The Council has offered the services of its benefit fraud investigators to help providers in their investigations. Over 100 properties each year have been recovered across the region using this method.

Recently, Birmingham City Council ran a data matching pilot to verify the details of people applying for social housing in the region. They found that 16 per cent of applications contained an 'anomaly'. An 'anomaly' has been described as: information provided that was unquestionably false in one or more respect, or where there is a conflict between what is being declared on the application and another record held. This is a tentative indication that up to 16 per cent of applications made were fraudulent.

[Source: Chartered Institute of Housing]

Tackling Social Housing Tenancy Fraud in Northern Ireland

Figure 5: Applying Best Practice - Case Examples *Continued*

6. Credit data matching

A north London social landlord forced a tenant to hand back the keys to her council home after she was found to be living elsewhere and to have taken out ten mortgages worth more than £1 million. Fraud investigators discovered that the tenant was allowing other family members to occupy her three-bed maisonette. By law, tenants must use their council property as their principal home. The landlord discovered the fraud after a new credit check facility revealed that the tenant had a number of mortgages, loans and mobile phone contracts at an address in Luton, but that the only credit history at the tenant's address related to other members of her family. When presented with the evidence, the tenant agreed to hand back the property.

[Source: Chartered Institute of Housing]

7. Stoke on Trent City Council are successfully tackling social housing tenancy fraud using counter fraud investigators

Stoke on Trent City Council has a housing stock of 19,000 properties and has around 3,000 families on the social housing waiting list. The Council had always recovered properties as part of normal housing management activity.

In 2009, the Council's Corporate Fraud Manager successfully bid for £30,000 of funding from the Department for Communities and Local Government, for a project to assess the extent of tenancy fraud in Stoke. Following initial research, the Council decided not only to recover properties but also to prosecute perpetrators where appropriate.

A crackdown on tenancy fraud in Stoke started in March 2011 and by December 2012 the Council had recovered 109 properties, identified £500,000 benefit overpayments and had around 85 ongoing investigations. There have been six prosecutions, with a further eight prosecutions in the court system. The crackdown included linking up with seven local Housing Associations that were prepared to pay for investigations and agreed to basic data matching exercises, resulting in eight further properties being recovered.

In 2013, the Council commenced a further two year project, involving a large scale data matching exercise. This matched the Council's housing data, along with that of six other large Housing Associations in Stoke, against data held by a credit reference agency.

The approach adopted by Stoke City Council was to contract in a specialist fraud investigator on a short term contract, working to criminal investigation standards under the Fraud Act. The key features of their successful approach have been:

- the provision of basic awareness training to housing staff and encouraging them to refer potential fraud cases;
- motivating front line housing staff by involving them on a joint working basis with investigators from the outset, including sitting in on interviews under caution with suspected fraudsters;
- utilising the housing staff's local knowledge, skills and understanding of Housing Regulations to complement the investigative methods and evidence gathering;
- raising awareness with the general public through a "*Spot the Cheater*" campaign;
- conducting intelligence checks and basic data matching following referral of suspected tenancy fraud cases. These include making discrete neighbour enquires and data matching work using utility usage, local education authority information, annual gas inspection reports, bin crews and scrutiny of social media sites;
- housing staff undertaking identity verification checks, photographing tenants at the start of tenancies and conducting tenancy settling in visits;
- the investigators forging positive relationships and working closely with the Council's legal team; and
- having drawn all the evidence together and decided that the tenant has a case to answer, invitation is sent to the suspected fraudster to attend an interview under caution, together with a notice to quit the property and the possibility that their benefits will be suspended.

Around seventy per cent of tenancy fraud referrals have come from housing staff, with twenty per cent resulting from tip-offs from the public. The cases are mainly as a consequence of housing application fraud, individuals failing to use a property as their principal home, abandoning the property and illegal succession scams.

[Source: Corporate Fraud Team, Stoke on Trent City Council]

Tackling Social Housing Tenancy Fraud in Northern Ireland

Properties have been recovered in Northern Ireland but performance could be improved

- 31 The NIHE and local Housing Associations recovered over 360 properties in 2011-12 as a result of reactive housing management work (see Figure 6 and Appendices 1 and 2). This represents 0.3 per cent of the total social housing stock in Northern Ireland. The vast majority of these recoveries relate to the non-occupation of the property as the registered tenant was living elsewhere.
- 32 The NIHE recovered 245 properties across its thirty five local District offices; this represents 0.3 per cent of its total housing stock. There was significant variation in the numbers recovered across these offices. In one Belfast office, for example, 20 properties were recovered, while five offices recovered no properties.
- 33 Since 2009-10, the 30 local Housing Associations have been recovering more properties each year – in 2011-12 they recovered 118 properties representing 0.4 per cent of their total housing stock. In 2011-12, the four largest Associations recovered 63 properties, with fifteen of the smaller organisations recording one or no recoveries.

Figure 6 – Property recoveries due to abandonment and non-occupation

	2009-10		2010-11		2011-12		Potential Fraud ¹	
	Recoveries	% of total stock	Recoveries	% of total stock	Recoveries	% of total stock	Cases	% of total stock
Housing Associations	100	0.4	110	0.4	118	0.4	680	2
NIHE	Data unavailable		Data unavailable		245	0.3	1,800	2
Total	100		110		363			

Source: NIHE and DSD

Note 1: Potential number of fraudulent tenancies in Northern Ireland based on Audit Commission estimates.

NIHE and local Housing Associations are not sufficiently proactive in tackling housing tenancy fraud

- 34 Until recently the NIHE has not had a dedicated tenancy fraud strategy advocating proactive detection programmes across its network of District offices. Prior to this it considered tenancy misuse problems to be a breach of tenancy issue rather than fraudulent activity.
- 35 NIHE District housing management we spoke to confirmed that properties are recovered mainly as a consequence of non occupation. This work is considered as routine housing management work and is essentially reactive, relying on tip offs and the vigilance and diligence of local housing staff. The resources and effort devoted to this problem by individual District offices is variable. There is also evidence that some Areas and Districts are more successful than others at recovering properties (Appendix 2). Overall, NIHE recoveries in 2011-12 represent about 14 per cent of the potential level of recoveries, using the Audit Commission's 2 per cent benchmark figure.
- 36 We found that data on recoveries at District level are not routinely collated centrally by the Housing and Regeneration Division. Details of the number of suspected frauds, numbers and outcomes of investigations carried out, the nature of the frauds uncovered and the number of properties recovered, is not reported to senior Executives, the Board and the Department.
- 37 The District offices we visited supported the idea of a dedicated tenancy fraud team. This service could provide investigative and legal advice and take forward more problematic and complicated cases. They also agreed that housing staff would benefit from awareness and investigative techniques training including evidence gathering standards. The establishment of more formal protocols with Utilities on energy usage levels would also assist their investigation of tenancy fraud. However, the Department told us that there may be legal and practical difficulties to be overcome around the sharing of information, particularly with private companies.
- 38 We also spoke with the Northern Ireland Federation of Housing Associations (NIFHA) and housing management officials in a small sample of the larger local Housing Associations. All Housing Associations are required "to have in place a policy and procedure for managing fraud¹³." However, we found that they do not have dedicated tenancy fraud strategies. They explained that their approach to tenancy fraud is also largely reactive and all agreed that much more could be done, although resourcing a structured proactive response would be challenging. For example, employing their own dedicated investigatory staff is not a viable option for many of the small Housing Associations. They agreed that more could be done to raise awareness of the issue across the sector, within their organisations and with their tenants and the general public.

Tackling Social Housing Tenancy Fraud in Northern Ireland

- 39 We found that controls to prevent and detect tenancy fraud varied. Periodic tenancy audits are generally used by Housing Associations but not by NIHE. While all housing providers conducted settling in visits early in new tenancies, they were not always unannounced. In general, new tenants are not digitally photographed by NIHE and Housing Associations when signing up for a new tenancy. NIHE do normally take copies of photographic ID, relating to housing benefit claims, for tenancy files. However, NIHE agree that there is scope to consolidate and build upon existing procedures and training to improve photographic records of tenants. Interaction with community groups is a positive aspect that provides valuable information about a local area. The NIHE employs local neighbourhood officers in most District offices who are familiar with their local areas and tenants.
- 40 Housing management staff, both in the NIHE and Housing Associations, undoubtedly work in a challenging environment and are committed to providing a professional housing management service to their local community. Leadership is needed from senior officials and the Department in terms of recognising the problem, supporting and providing resources to front line staff to tackle it and setting out clear, structured strategic and operational plans. The Department and the NIHE told us that abandonment and tenancy misuse is now being given greater emphasis at senior level. When identified, a thorough investigation is always carried out.
- 41 Evidence indicates that tenancy fraud does exist in Northern Ireland - mostly abandonment, as in other non-London areas, but also subletting cases (see case examples in Figure 2 and 7).
-

Figure 7: Northern Ireland Case Examples

Giving false information in a housing application

An applicant for social housing was awarded allocation points on the basis of her 83 year old mother's care and support needs. In addition, a homeless assessment of her mother's needs resulted in further points being awarded under homelessness legislation.

In April 2010, a Housing Association offered them a joint tenancy of a 2 bedroom ground floor flat in a new development. The Association conducted a settling in visit early in the tenancy and the Housing Officer was assured that the tenant's mother was living in the property, though the officer noted that there were no signs of anyone other than the applicant occupying the flat. On a second visit the tenant explained that her mother was staying temporarily with her brother.

The Housing Officer raised her suspicions with the local Social Services Elderly team and she was advised that the mother had died in September 2009. The death certificate confirmed this information. The applicant had deliberately misled the Housing Association and NIHE from January 2010 to August 2010.

As the applicant had obtained the tenancy on the basis of false information, a notice of intention to seek possession was served on 13th September 2010. The applicant requested a review of the decision to issue a notice and this was heard in December 2010. The decision to serve the notice was upheld and the matter was referred to the Housing Association's solicitors in January 2011.

A civil bill was issued in January 2011 but delays in the tenant appointing a solicitor and applying for legal aid resulted in the hearing being deferred until July 2011. The tenant did not attend the hearing and was not represented, resulting in an adjournment until October 2011. Again the tenant did not attend the hearing but an order for possession was granted in her absence. The costs to this point were £4,000, with further fees payable for enforcement of the order.

The Housing Association told us that the procedure through the Enforcement of Judgments Office is lengthy, with priority given to cases involving antisocial behaviour and arrears. The Association progressed the notice and application stage of enforcement until August 2012, when the tenant lodged a notice of objection to the court order. Her objection was dismissed.

The tenant was contacted in January 2013 to explain how the repossession process would be conducted, at which point the tenant offered to surrender the tenancy voluntarily from 28th February 2013.

[Source: A local Housing Association]

Tackling Social Housing Tenancy Fraud in Northern Ireland

Figure 7: Northern Ireland Case Examples

Subletting for profit

NIHE housing management officials in a Belfast District office recently detected an example of subletting as a result of the annual gas service not being completed. The individual who had originally been allocated the tenancy subsequently sublet it for several years and the person living in the property was seemingly unaware that this was a social tenancy.

[Source: NIHE]

Subletting for profit and credit matching

A maintenance contractor provided information to a NIHE District office in Belfast that foreign nationals were living in an NIHE house. Housing staff made several attempts to contact the tenant, resulting in an abandonment notice being served. The tenant then contacted housing officials stating that he was living in the house. The abandonment notice was cancelled.

Further investigation with a credit reference agency indicated that the tenant was in fact living at a different address with his partner and child. The electricity provider confirmed that the application for supply was signed by two non English speaking individuals, not the NIHE tenant. The property was recovered and the Social Security Agency informed.

[Source: NIHE]

Successful recovery by the NIHE as a result of abandonment

An introductory tenant was housed in a new social flat in North Belfast in July 2012. After initial unsuccessful attempts to contact the tenant, cards were left and the local caretaker was advised to notify the office if they were aware of the tenant's whereabouts. The office was later notified that the tenant was occupying the flat.

During February 2013 an improvement scheme was ongoing in the block of flats and, as the contractor was unable to gain access, the NIHE District office was notified.

An NIHE officer went to the flat and spoke to neighbours and a caretaker. No one had seen the tenant for some time. The tenant's mobile number was ringing but not picked up and the NIHE officer left a voicemail message.

There was nothing on the tenancy file regarding relatives. The Social Security Agency confirmed that they held that address for the tenant's benefits. The utility company checked their records and confirmed that the property had a key pad, but that no payment had been made since October 2012 and there were significant arrears.

An Article 19A (Abandonment for Introductory Tenants) was issued in February and posted on the door - no response was received. The tenancy was eventually terminated in March 2013 and the property secured.

[Source: NIHE]

- 42 Given the unstructured approach to tackling tenancy fraud in Northern Ireland, the numbers of recoveries achieved would suggest that the level of tenancy fraud is significant. The evidence from England suggests that a proactive approach increases the number of illegal tenancies discovered and in addition to abandonment, identifies other forms of fraud such as subletting, key selling and unauthorised succession cases. With the high number of families on the waiting list and financial constraints regarding the provision of new social homes, it is likely that a structured approach across both NIHE and Housing Association stock would be a cost-effective contribution to reducing housing need in Northern Ireland.

Recommendations

Recommendation 1

The Department should formally recognise the importance of actively tackling tenancy fraud in both the Housing Association Guide and NIHE's Financial Memorandum and should require NIHE and Housing Associations to produce dedicated tenancy fraud strategies.

Recommendation 2

Tenancy fraud strategies should draw on the best practice established in England and may include the following:

- publicity to develop awareness of the problem amongst tenants and housing staff;
- establish and publicise a confidential hotline to report suspected cases of fraud;
- photographing tenants;
- employment of dedicated tenancy fraud staff with investigative expertise;
- awareness training for housing staff;
- targeted data matching such as credit checks to identify potential frauds;
- targeted tenancy audits;
- reporting of frauds detected in local media;
- consider the use of the Fraud Act to prosecute fraudsters; and
- establishment of more formal protocols with utilities around the sharing of information.

Tackling Social Housing Tenancy Fraud in Northern Ireland

Recommendation 3

Given the disparate nature of social housing provision in Northern Ireland, it is unlikely to be cost-effective to provide separate investigative resources for NIHE and the Housing Association sector. We recommend that consideration is given to establishing a single tenancy fraud team to provide investigative services to both sectors. As an alternative, given the link between tenancy fraud and social security benefit fraud, there may be merit in expanding the remit of the Social Security Agency's Benefit Investigation Service to provide this service. In either case the Department should explore the potential to fund this through the Northern Ireland Executive's Invest to Save Fund¹⁴.

Recommendation 4

At present Housing Associations report abandonments annually as part their regulatory returns to the Department. NIHE does not routinely collate or report tenancy fraud statistics. Good management information and intelligence is key in order to target limited investigative resources. In order to improve both management information and accountability, we recommend that NIHE and Housing Associations compile more comprehensive statistics and report them regularly to the Department. Returns should include statistics on the numbers of suspected frauds; investigations carried out; the nature of the frauds uncovered; and the number of properties recovered.

Recommendation 5

We recommend that the Department, NIHE and local Housing Associations (perhaps through a NIFHA representative) should be represented at the Tenancy Fraud Forum which is a national forum, bringing social landlords together to combat tenancy fraud. There may also be merit in establishing a local oversight group, chaired by the Department including representatives from Housing Associations and the NIHE to coordinate efforts, share information and disseminate best practice.

¹⁴ In June 2012 the NI Executive agreed to put in place another £30million 'Invest to Save' scheme. The aim of this scheme is to reduce future costs in the context of a tightening budget environment, even beyond the current Budget period.

Appendix 1:

Housing Association properties recovered due to abandonment between 2009 and 2012

	Housing Stock ¹⁵	2009-10	2010-11	2011-12	Notes
Helm	5,196	30	24	31	
Fold	5,178	6	0	4	
Oaklee	4,697	3	28	17	
Apex	3,407	4	7	11	
Clanmil	2,985	2	3	1	
Habinteg	2,061	3	2	3	
Trinity	1,952	2	2	12	
Ulidia	1,028	6	7	9	
South Ulster	1,014	2	6	5	
Alpha	961	1	0	0	
SHAC	858	14	16	8	Merged with Oaklee 2013
Connswater Homes Ltd	603	0	1	0	
Triangle	544	1	0	1	
Harmony	473	-	4	4	
Flax	450	2	0	1	
Open Door	418	6	5	4	
Rural	416	0	1	1	
Newington	412	0	0	2	
Filor	402	1	2	1	
Ark	326	0	1	1	
Grove	209	0	0	0	
Gosford	200	0	0	0	
St Matthews	188	0	0	0	
Abbeyfield	163	0	0	0	
Wesley	142	0	0	0	Merged with Abbeyfield 2013
Craigowen	137	0	0	0	
Hearth	96	0	0	0	
Broadway	84	0	0	2	Merged with Oaklee 2012
Covenanter	41	0	0	0	
Belfast Community	-	0	1	-	Merged with Trinity 2011
Woodvale and Shankill	-	8	-	-	Rebranded as Harmony 2010
Dungannon	-	9	-	-	Merged with Clanmil 2010
Ballynafeigh	-	-	-	-	Merged with Trinity 2010
Total	34,641	100	110	118	

Source: DSD and NIFHA

Appendix 2: NIHE properties recovered in 2011-12

NIHE District Office	Housing Stock ¹⁶	Abandonment and Non Occupation Notices Served	Properties Recovered	Audit Commission 1% Benchmark ¹⁷	Audit Commission 2% Benchmark ¹⁸
Belfast West	5,100	12	4	51	102
Belfast East	3,400	52	20	34	68
Belfast North	6,200	18	20	62	124
Belfast South	3,900	25	12	39	78
Shankill	3,400	28	15	34	68
Belfast Area	22,000	135	71	220	440
Bangor	2,700	35	16	27	54
Newtownards	3,900	7	6	39	78
Castlereagh	3,700	26	17	37	74
Lisburn Antrim St	4,400	2	1	44	88
Dairyfarm	1,900	6	3	19	38
Downpatrick	2,400	8	7	24	48
South East Area	19,000	84	50	190	380
Banbridge	1,800	13	0	18	36
Newry	3,000	23	0	30	60
Armagh	1,900	16	0	19	38
Lurgan/Brownlow	2,300	14	12	23	46
Portadown	1,500	4	2	15	30
Dungannon	1,800	28	18	18	36
Fermanagh	2,000	12	4	20	40
South Area	14,300	110	36	143	286
Ballymena	2,700	4	2	27	54
Antrim	2,500	2	0	25	50
N'abbey 1&2	4,400	29	14	44	88
Carrickfergus	2,000	46	22	20	40
Larne	1,400	No return	No return	14	28
Ballycastle	800	No return	No return	8	16
Ballymoney	1,500	17	6	15	30
Coleraine	3,100	6	3	31	62
North East Area	18,400	104	47	184	368
Waterloo Place	2,200	11	7	22	44
Waterside	2,400	26	17	24	48
Collon Terrace	2,300	8	3	23	46
Limavady	1,500	6	0	15	30
Magerafelt	1,300	2	2	13	26
Strabane	2,200	8	5	22	44
Omagh	1,800	7	6	18	36
Cooktown	1,000	2	1	10	20
West Area	14,700	70	41	147	294
Northern Ireland	88,400	503	245	884	1,768

Source: NIHE

16 Housing stock figures extracted from NIHE District Housing Plans 2012-13

17 See paragraph 7

18 See paragraph 8

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2012

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