

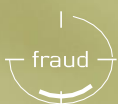


Lost homes, lost hope

Methodology to calculate tenancy
fraud detection in English regions



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Introduction

This paper outlines the approach taken in the report *Lost Homes, Lost Hope* to calculate the extent of tenancy fraud detection in England. The Tenancy Fraud Forum and Fraud Advisory Panel has undertaken this research in the absence of complete tenancy fraud detection data, an issue that can only be properly addressed by government and regulatory action. The data in this report is drawn from a number of public sources, which are listed at the end of this paper. We encourage others to replicate the approach we have taken.

Methodology and underlying assumptions

To make a project like this possible it was necessary to make a number of important performance assumptions, as well as to define some key ratios. When considering our findings, it is important to keep these in mind:

- 2013/14 is our baseline year because that was the last year for which we have complete local authority data (from the Audit Commission's final *Protecting the Public Purse* report).
- Between 2014/15 and the start of the pandemic, most social housing providers should have been able to perform at least as well as in 2013/14.
- A housing association should be at least as effective at detecting tenancy fraud as a local authority of equivalent size in the same region (i.e. detection proportionate to housing stock size).
- Our 'good practice' number assumes that any provider adopting good practice procedures should be able to at least match the relative performance (adjusted for size) of the best (top 20%) of local authorities in the same region.
- The 'detection deficit' is the difference between our calculation of 'actual' current detections and the 'good practice' detections achieved by the best (top 20%) of providers in a given region.
- 'Cost to the public purse' is based on research showing that the average cost of a tenancy fraud in England is £42,000 per property.
- 'Equivalent cost' is based on the estimated average cost of building a unit of social housing in England. In reality this figure varies from region to region.
- Tenancy fraud detections in 2020/21 and 2021/22 were seriously affected by Covid lockdown restrictions. 'Detection gap' indicators for those years have been calculated and are included in the report, but we acknowledge that a 'good practice' response was not possible at that time.
- The data in the charts and tables refer to all social housing providers – local authorities and housing associations combined.
- Right-to-buy fraud has been omitted.
- The data available to us relates solely to England. No equivalent core data has been published for Scotland, Wales or Northern Ireland. Nonetheless, we are optimistic that the methodology could be adapted to shed light on the similar problems experienced in other parts of the UK.
- We included information on the number of homeless families in temporary accommodation and on housing waiting lists to make sure that the real victims of tenancy fraud are also visible in the report.

Step1 : calculating regional tenancy fraud detection for the year 2013/14 (the baseline year)

Local authority tenancy fraud detection in England in 2013/14 is a matter of public record, a complete regional breakdown having been provided by the Audit Commission in *Protecting*

the Public Purse 2014. That analysis by the Audit Commission also established the average level of tenancy fraud detection in every individual English region, proportionate to housing stock size. This allows the calculations in the report to reflect regional variations in performance.

By multiplying housing association stock information in every English region by the average level of detection (proportionate to that stock), a prudent calculation of the amount of tenancy fraud detection by housing associations in each individual region can be established. This calculation of detections by housing associations in 2013/14 was then added to the 2013/14 actual detection by local authorities (as established in *Protecting the Public Purse 2014*). From this addition, the total amount of tenancy fraud detection has been established, combining housing associations and local authorities. This is the baseline year of performance against which future years minimum achievable detection levels can be assessed.

Step 2: calculating regional tenancy fraud detection 2019/20, 2020/21 and 2021/22

The Department of Levelling Up, Housing & Communities (formerly the DCLG) started to collect and publish information on one type of tenancy fraud (sub-letting for profit) by one type of provider (local authorities in England) a few years after the closure of the Audit Commission. This data is key to extrapolating the number of non-sub letting frauds also detected by social housing providers, data not collected by the government.

Protecting the Public Purse reports, presentations and analysis included information on the proportion of sub-letting frauds to all other types of tenancy fraud in every individual English region. Assuming the proportion of sub-letting frauds detected in 2013/14 (to all other types of tenancy fraud detected) remains broadly consistent, the amount of all local authority tenancy fraud detected in each region can then be calculated for the years 2019/20, 2020/21 and 2021/22.

Using the split in the proportion of housing stock between housing associations and local authorities in those years, compared to the amount of calculated tenancy fraud detected by local authorities (as established above), the number of housing association tenancy frauds detected can also be calculated for each region. Local authority and housing association detections are then combined for 2019/20, 2020/21 and 2021/22 to provide the total amount of tenancy fraud detection for each individual region.

Step 3 : calculating the 'detection deficit'

The 'detection deficit' is the difference between the amount of tenancy fraud actually detected, as per the calculations above, and the amount that could and should have been detected had all housing providers achieved the average level of tenancy fraud detection by the top 20% of local authorities in their individual region (as established in the 2013/14 benchmark year). These tenancy fraud detections were previously analysed, proportionate to stock size at each top performing local authority

The top 20% of local authority tenancy fraud detections was established prior to abolition of the Audit Commission, to support a series of conference and audit committee events and presentations (known as *Individual Fraud Briefings*) undertaken by Audit Commission staff to support the launch of *Protecting the Public Purse 2014*. We have relied upon that analysis, however the core data is available in the national archive.

For the calculation in step 3, local authorities with less than 1,000 social homes in 2013/14 were removed from the analysis to avoid skewing detection performance (as a proportion of stock size).

Updating the assessment of the scale of tenancy fraud in England

The current nationally accepted estimate of the scale of tenancy fraud in England is “at least 98,000 social homes”. This was published in 2012 by the Audit Commission, based on methodology in Bryce, A. (2012) *The Nature and Extent of Tenancy Fraud*. This core research identified a higher level of actual tenancy fraud than finally reported, but it was deemed prudent at that time to conclude that a lower level of tenancy fraud (4% in London, 2% outside London) applied. This research was accepted by the National Fraud Authority (now disbanded) of the Home Office and was part of the evidence base for the subsequent *Prevention of Social Housing Fraud Act*.

Since that research was published, there have been several key developments that suggest the level of tenancy fraud in England is now significantly higher than in 2012. These are listed in *Lost homes, lost hope* and include, but are not restricted to: a reduction of detection resources to recover properties from tenancy fraudsters; increased motivation and opportunity to commit such fraud arising from the cost of living crisis, increased rental costs and in particular greatly increased short term lets through online letting agents in recent years.

As a result we conclude the level of tenancy fraud is “at least 1 in 20 in London, 1 in 30 outside London”, totalling at least 148,000 social homes in England subject to some form of tenancy fraud.

Information sources

Audit Commission. Protecting the Public Purse 2012, <https://www.bl.uk/catalogues-and-collections>

Regulator of Social Housing, Table 1.5 - PRP social housing stock in England 2020

Regulator of Social Housing. Registered provider social housing in England – stock and rents 2020

Audit Commission. Protecting the Public Purse 2014, <https://www.bl.uk/catalogues-and-collections>

Bryce, A (2012). *The Nature and Extent of Tenancy Fraud* (MSc dissertation submission, unpublished).

Audit Commission, Protecting the Public Purse 2013 and 2014, <https://www.bl.uk/catalogues-and-collections>

Tenancy Fraud Forum & Fraud Advisory Panel. Calculating losses from housing tenancy fraud, <https://preventcharityfraud.org.uk/how-much-does-tenancy-fraud-cost-us-all-and-what-will-drive-all-social-housing-providers-to-play-their-part-in-the-fight-against-such-fraud/>

† The ‘detection gap’ is the difference between our estimates for the ‘actual’ number of reported detections and what should have been possible had ‘good practice’ procedures been followed.