

THE EXECUTIVE

27 JANUARY 2004

REPORT OF THE DIRECTOR OF HOUSING AND HEALTH

MORE CHOICE IN LETTINGS

FOR DECISION

This report is submitted to the Executive as it contains proposals for changing an important council policy.

Summary

This report details the principles of More Choice In Lettings, outlines the alternative preference systems in operation, proposes a programme of consultation, and provides two cost options; working through the existing East London Lettings Consortium, and a stand alone Barking and Dagenham system.

It seeks Members approval to a change in policy and the process of consultation prior to a final report on the scheme being presented to Members for decision.

Recommendations

The Executive is asked to:

1. Adopt a More Choice in Lettings (MCIL) policy based on a date order model using 3 bands;
 - a) a 'non active' band for those households who do not fall into a reasonable preference category;
 - b) an emergency or 'additional preference' band for those households who cannot continue in their present home; and
 - c) a 'reasonable preference band' for all other households.

2. Decide whether to:

- a) appoint the East London Lettings Consortium (ELLC) to administer the scheme in conjunction with LBBB as outlined in para 4.6 or;
 - b) Develop our own scheme as set out in para 4.5 and note that budget provision of £73,000 on more choice is already contained in the 2003/2004 budget of Landlord Services
3. Agree the public consultation process outlined in paragraph 6.3 of the report;
 4. Agree arrangements for transitional protection as outlined in paragraph 3.1 of the report;
 5. Agree the Tenants Incentive Scheme outlined in paragraph 5.1 of the report; and
 6. Note that the budget provision of £30,000 is already contained in the 2003 / 2004 budget of Landlord Services.

Contact: Jim Ripley	Head of Landlord Services	Tel: 020 8227 3738 Fax: 020 8227 5705 Minicom: 020 8227 2685 E-mail jim.ripley@lbbd.gov.uk
-------------------------------	---------------------------	---

1. Introduction

- 1.1 Barking and Dagenham was a founder member of the East London Lettings Consortium made up of Barking and Dagenham, Newham, Redbridge and Waltham Forest. The council's choice system was based on maximising the areas of Barking and Dagenham that applicants could prioritise on their application, and shifting all applicants to one of three broad 'bands', in preference to the finely graded points system. However, as further work was carried out on these proposals it became clear that the multiplication of areas of choice generated a highly complicated administrative process and would be difficult for applicants to understand. In response to these concerns members received a presentation of the Newham system. Following that presentation members made a decision in principle to pursue more choice in lettings, and requested further information on the range of choice based systems in operation. At the Executive meeting on July 20th 2003 it was decided to suspend the move towards a banded allocation system and that a programme of consultation should be undertaken on more choice in lettings.
- 1.2 This report explores further the principles of MCIL, outlines the alternative preference systems in operation, proposes a programme of consultation, and provides two cost options: working with the existing East London Lettings Consortium, and a stand alone Barking and Dagenham system.
- 1.3 It should also be noted that MCIL is in line with the government's wish to see more tenant and applicant choice in the operation of social housing. This is part of the overall drive to build on the legacy of previous labour governments by modernising the welfare state in the light of changing social conditions and culture. The present tenants of social housing and the applicants for social housing exercise consumer choice in some form or another everyday, but gaining access to a council home is to experience an almost total absence of choice. This, among other things, has led to a steep decline in the popularity of social housing, with most people with any choice avoiding the sector if they can. Choice-based letting is one element of the government's desire to modernise the welfare state. The government recently announced that they expect that all authorities will be running a system of this type by 2010.
- 1.4 The application of information and communications technology to customer access in the MCIL systems fits very closely with the council's customer access plans in the Customer First Initiative. Indeed MCIL will effectively act as a precursor for the wider system changes envisaged in Customer First – the driving principle for both MCIL and Customer First is ease of customer access to information and advice through the effective use of new technology. In particular MCIL will achieve remote access to the service through the location of Internet Kiosks in a variety of locations around the borough. Through this initiative it will be possible to assess customer feedback on the use of internet kiosks and thus assist with the planning of Customer First.

2. The Principles of MCIL

- 2.1 The existing points based allocations systems have developed over the past 30 years in an effort to ensure that local authorities' lettings schemes take account of relative need in the allocation of council and Registered Social Landlord (RSL) homes. Unfortunately the desire to ensure that those in greatest need should get priority access to a council or RSL home has led to a highly bureaucratic process which drains all free choice from the system. This generates dissatisfaction on all sides.
- 2.2 Points systems try to take account of the huge variety of different housing needs, with the result that they are inevitably very complex, and difficult to understand. In particular applicants find it extremely frustrating that they cannot be told with any certainty how long they are likely to have to wait. As new applicants with 'greater needs' join the system so existing applicants can be 'leapfrogged'. Because the time you might have to wait to be re-housed is determined by the flow of future applicants it is not possible to predict waiting time with accuracy. Because applicants can only take or leave what they are offered refusals are common. Having built up sufficient points to get an offer, applicants are naturally reluctant to accept a less than fully satisfactory property. In order to minimise refusals a penalty system is introduced; applicants who refuse a 'reasonable' offer commonly get suspended from the system. Amongst other things it is this penalising culture, which has brought council housing into disrepute.
- 2.3 But it is not only applicants who find this system frustrating, it is also very frustrating for housing staff who are constantly faced with managing the dissatisfaction that the system generates. The systems dysfunctions also generate an administrative burden. Where the access to a council home or a better council home is determined by needs points then it is inevitable that applicants will 'chase points'. This results in a round of GP's letters, consultants' letters and members' enquiries, which, more often than not, makes absolutely no difference to the applicant's chances of being rehoused. To deal with these problems points systems become increasingly complex with extra-needs, and extra-extra-needs categories introduced to cope with all the 'special' cases.
- 2.4 Most choice-based systems seek to overcome these problems by (a) abolishing the system of bureaucratic allocation and replacing it with a system of advertising available properties; (b) replacing the points system with a system based on broadly drawn 'needs' bands; and (c) removing, as far as possible, all penalties from the system. Applicants then 'bid' for the available property and in most systems the 'allocation' is determined by waiting time within the 'queue' formed for that particular property, with higher needs bands taking precedence over lower needs bands. Councils can manage the flow to different groups, e.g. to transfers or waiting list applicants by labelling the property for one group or groups or another. All systems use the internet and automated telephone systems for making bids in conjunction with a weekly or fortnightly property magazine.
- 2.5 Fundamental to making the system work effectively is feedback information from previous lettings rounds. Applicants can then see their prospects of getting their ideal property and can make an informed decision. Every edition of the property magazine contains information on the results of the last round of bidding; (see appendix 1) applicants can see the waiting time required for the range of properties let in that round and can begin making adjustments to their expectations based on

real information. These are the principles common to all choice based systems: the open advertising of available property; an open bidding process; and feedback on bidding results. However, within that common framework of principles a variety of different policy regimes operate.

There are a variety of methods of prioritising applications to ensure that MCIL conforms to the current legislation. These methods are outlined in appendix 1. Officers recommend the 'pure waiting time' system.

This has the advantage of transparency and it fits very closely with the existing Barking and Dagenham ethos where waiting time is already a major component of the lettings system. This is particularly pertinent in respect of the current policy which reserves houses almost exclusively to transfer applicants. There is some concern that this policy could open the authority to legal challenge. The proportion of ethnic minority households on the waiting list is likely to be significantly greater than on the transfer list, it is therefore possible that the policy could be indirectly discriminatory.

- 2.6 Fortunately however, the core principle of the pure waiting time method is that waiting time in less desirable property should be the most important element in determining the allocation of the most desirable properties. This matches very closely with the existing Barking and Dagenham policy where waiting time plays a very important role. MCIL based on the a date order system will ensure that the most desirable properties only go to those with the longest waiting time, but will put transfer applicants and waiting list applicants on the same footing. Applicants who have lived for say, 5 years in an unsatisfactory private rented property will not find themselves automatically in a less advantageous position in comparison with applicants who have been living in unsatisfactory public sector property. Such a policy will overcome the potential for a legal challenge presented by the current policy.

However, it should be understood that the application of waiting time does not mean that anybody can get access to a council property, regardless of need, simply by waiting long enough. To get access to the system every applicant must establish that they are in housing need. This is done by determining whether or not they fall into one of the preference categories established by the 1996 Housing Act. But even if an application does fall into a reasonable preference category the council can take the applicants income and assets into account. For example, an owner occupier may be able to show that their existing property is inadequate to their needs but the council will legitimately expect the applicant to meet that need from their own resources.

The situation is slightly different in respect of transfer cases. At the present time anybody who wants to go on to the transfer list can do so but their application will be pointed so those applicants who cannot establish any need are unlikely to be successful very quickly if at all. With the introduction of a waiting time system transfer applicants will have to establish that they fall into a reasonable preference category to gain access to the system. (This is a requirement of the 2002 Homelessness Act.

- 2.7 For these reasons it is recommended that the date order system should be adopted, and that the existing policy of houses only to transfer applicants be ended.

2.8 The council's community priorities will not be affected by these changes to lettings policy. For example the needs of prospective foster carers will be protected. The overall effect of MCIL will be to develop rights and responsibilities within the local community.

3. Transitional Protection

3.1 If the single band system is to work effectively, then the number of applicants who are made offers of accommodation outside the system must be kept to an absolute minimum. That is, as far as possible, an offer outside the system should only apply in emergency situations, for example a medical emergency, or because of threats of violence. In which case some households currently accepted as 'override cases' would not be accepted in the new system, they would be expected to bid using their waiting time along with everybody else in need of a home. In some cases households who currently have override status but little waiting time might lose out, and given that they expected to be offered a new home under the override system this could be considered unfair. In order to avoid this it is proposed that current override cases likely to be affected should get a direct offer of appropriate accommodation within the next two years. These cases will therefore for a period of two years have two routes to re-housing, a direct offer and access to the bidding system. It is estimated that transitional protection will need to apply to not more than 60 households. In addition other categories of override where the council interest is furthered by a move will receive direct offers, e.g. decants, children leaving care etc.

4. Costs

4.1 This is not a developed market and therefore not many hard line solutions are available.

4.2 Outlined below are two cost options. The first is the costs of developing a choice based letting system ourselves using the Novalet system entirely independently of the ELLC. The second is the cost of setting up a separate Barking and Dagenham lettings process through the ELLC consortium.

4.3 Joining ELLC does not mean we have to share nominations with any other borough, or mean we have to compromise our lettings policy in anyway.

4.4 As can be seen the cost of option 2, working with the existing east London consortium, is significantly cheaper than the independent option. It would also the risks associate with developing a scheme from scratch and keeping this up to date. Members are asked to consider which option to choose.

4.5 Cost option 1

Non Recurring Costs

User licenses for the Novalet software for LBBD and RSL partners	25,500
Implementation support including configuration, Installation, testing, report production and Post implementation support	£23,400

Design of Web site, property magazine and Property advert	£ 4,375
Two days training	£ 1,300
Interfaces to in-house systems, including Telephony integration	£11,924
Total	£66,499
Internet Kiosks x6	£18,000
IT costs in house	£15,000
Consultation (estimate)	£10,000
Publicity (estimate)	£ 5,000
Printing (new forms etc, estimate)	£ 5,000
Total non recurring costs	£119,499
Recurring costs	
Property Magazine (fortnightly)	£62,650
Software Maintenance (without remote access)	£18,000
Computer telephony service, including line Rental for 8 line solution (2 year contract).	£20,000
Total Annual cost	£100,650

4.6 **Cost Option 2**

Non Recurring costs

Novalet Licence fee	£ 15,000
Implementation consultancy (Costs dependent on support required but £20,000 is a maximum.)	£ 20,000
Internet Kiosks x 6	£ 18,000
Consultation (estimate)	£10,000
Publicity (estimate)	£ 5,000
Printing (new forms etc, estimate)	£ 5,000
Total non recurring	£73,000

Recurring Costs

Property Magazine	£62,650
Software support and maintenance	£ 5,000
Server hosting	£ 2,000
Total annual costs	£ 69,650

- 4.7 The target date for the commencement of the scheme is November 2004; these recurring costs will not be incurred until the start of the scheme and so will fall into financial year 2004/05.
- 4.8 The introduction of MCIL will necessitate a restructuring of the lettings function. Some of the existing functions will disappear as the automated bidding system will take over the task of matching applicants to properties, and, depending on the nature of the system adopted, most of the current work calculating points will also disappear. The new system should also generate a reduction in the day to day administration of the lettings system as refusals decline and there is less demand for staff to explain the system to applicants and deal with telephone enquiries. The work of nominating tenants to RSL's could reduce if RSL's connect directly with the web based bidding system. Some new tasks will be required, such as the advertising of property. The annual costs of MCIL will be contained within the existing Landlord Services budgets.
- 4.9 The one off cost of establishing the system will almost all be incurred in the financial year 2003/04, it is proposed that these costs be met from the HRA underspend consequent on the delay in the full implementation of the restructuring of Landlord Services.
- 4.10 The cost of advertising property in the property magazine is the largest part of the recurring costs. The ELLC are already considering means by which the cost of advertising can be reduced. In addition officers will investigate the possibility of advertising Barking and Dagenham properties in the Citizen and will report back to the Executive on this option.

5. Policy Changes

- 5.1 The current Barking and Dagenham lettings policy offers no incentives other than increased points to households under-occupying a council property. This has not proved very effective in persuading under-occupying households to move to a smaller property, and free up a large property for a household in greater need. It is therefore proposed that the following scheme of financial incentives should be introduced.
- | | |
|---|-------|
| <input type="checkbox"/> Giving up 3 bedrooms, e.g. moving from a 4 bed to a 1 bed: | £5000 |
| <input type="checkbox"/> Giving up 2 bedrooms | £3500 |
| <input type="checkbox"/> Giving up 1 bedroom | £1000 |

In the first instance this policy will only apply to: 2/3/4 bed houses, ground floor 2/3 bed flats with gardens and ground floor 2/3 bed maisonettes with gardens. A review of the success of the policy will be carried out at the end of one year.

5.2 It is further proposed that a maximum annual budget of £30,000 should be established to implement this policy.

6. Consultation

6.1 Before the implementation of a substantial change in policy is carried out the law requires that the authorities secure tenants and waiting list applicants should be consulted.

6.2 Some initial consultation has been carried out. Two presentations have been made to an invited audience of staff and tenants. These presentations generated a lively debate and the response was generally positive.

6.3 If Members agree the principles of the MCIL policy as set out in this report the following further programme of public consultation is proposed.

- An article on the proposed MCIL system in the Citizen, with a request for feedback.
- Citizen article on the authority's website with provision for online feedback.
- A personal letter to all tenants and waiting list applicants explaining the proposed new system and again asking for feedback.
- An article on the proposed system in People Matters
- Presentation of the proposed system to each of the Community Housing Partnerships.

Members will also be consulted during the process of developing the new policy and a full report will be presented to the Executive on the final proposals for approval.

6.4 In addition the authorities partner RSL's, and Voluntary Sector organisations dealing with special needs will be consulted.

7. Conclusion

7.1 The MCIL pilots have proved popular with tenants and staff, in many instances have contributed to a reduction in void turn round times, and have reduced costs. Perhaps the most important benefit- is the improvement in the quality of service to tenants. The use of new technology has made possible a new approach which brings an entirely new element of choice and self determination into one of the most important elements of housing management and in that process can promote a different relationship between the council and its tenants. MCIL is another important improvement in the quality of service provided by Barking and Dagenham to its residents.