

AGENDA ITEM

REPORT TO CABINET

15 MARCH 2007

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION/ KEY DECISION

Housing - Lead Cabinet Member - Councillor Leonard

SUB REGIONAL CHOICE BASED LETTINGS IN THE TEES VALLEY

1. Summary

The purpose of this report is to provide information to Cabinet about the proposed implementation of a sub regional Choice Based Lettings (CBL) scheme.

The Government's five year housing plan for England *Sustainable Communities: Homes for All* released in 2005 sets out the Government's plans for taking forward its CBL policy. The aim is to have in place a nationwide system of choice by 2010, by extending CBL to cover not only local authority and housing association properties, but also low cost home ownership options and properties for rent from private landlords.

It is proposed that rather than progressing towards a stand alone CBL scheme for Stockton that Stockton progress towards introducing CBL on a sub regional basis across the Tees Valley.

2. Recommendations

1. Members agree to the development of a Tees Valley Housing Register and an overarching Tees Valley Allocations Policy which, following consultation, will be reported back to Cabinet for detailed consideration.
2. Members agree to enter into a formal tender process in conjunction with the Tees Valley Councils to select a preferred software supplier.
3. Members note the initial financial resources required to implement a sub regional scheme by 2008 already built into the Housing Revenue Account.
4. Members note that following the production of a draft Allocations Policy, a Members Seminar will be held, prior to a further Cabinet Report being submitted.

3. Reasons for the Recommendations/Decision(s)

To obtain commitment for Stockton to proceed with developing and partaking in a sub-regional CBL scheme in the Tees Valley.

4. Members Interests

Members (including co-opted members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (paragraph 8) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (paragraph 10 of the code of conduct).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting is being held, whilst the matter is being considered; not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (paragraph 12 of the Code).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc.; whether or not they are a member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting, and if their interest is prejudicial, they must also leave the meeting room during consideration of the relevant item.

AGENDA ITEM

REPORT TO CABINET

15 MARCH 2007

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION/ KEY DECISION

SUB REGIONAL CHOICE BASED LETTINGS IN THE TEES VALLEY

SUMMARY

The purpose of this report is to provide information to Cabinet about the proposed implementation of a sub regional Choice Based Lettings (CBL) scheme.

RECOMMENDATIONS

The recommendations for this report are:

1. Members agree to the development of a Tees Valley Housing Register and an overarching Tees Valley Allocations Policy which, following consultation, will be reported back to Cabinet for detailed consideration.
2. Members agree to enter into a formal tender process in conjunction with the Tees Valley Councils to select a preferred software supplier.
3. Members note the initial financial resources required to implement a sub regional scheme by 2008 already built into the Housing Revenue Account.
4. Members note that following the production of a draft Allocations Policy, a Members Seminar will be held, prior to a further Cabinet Report being submitted.

DETAIL

3. BACKGROUND INFORMATION

- 3.1 In January 2005, the former Office of the Deputy Prime Minister (ODPM) published *Sustainable Communities: Homes for All*, the Government's five year housing plan for England. This document sets out the Government's plans for taking forward its CBL policy. The aim is to have in place a nationwide system of choice by 2010, by extending CBL to cover not only local authority and housing association properties, but also low cost home ownership options and properties for rent from private landlords.
- 3.2 The Government's policy objective is for CBL schemes to develop on a regional and/or sub regional basis, involving partnership of local authorities and registered social landlords and where possible with private landlords in order to achieve the greatest choice and flexibility in meeting housing need.
- 3.3 The Government believes that there are a number of benefits from larger, cross-local authority schemes:
 - They bring together a larger pool of available housing, giving people more choice and helping to ease localised problems of high demand

- They break down artificial boundaries and recognise existing housing and labour markets
 - They enable greater mobility
 - For RSL's, they reduce the costs and complexities associated with being involved in several different schemes
 - They enable partners to share the costs associated with developing and implementing CBL schemes.
- 3.4 The Tees Valley sub regional CBL partnership was convened in early 2006 following the announcement by the Department of Government & Local Communities, formally the ODPM that it had been successful in receiving Government funding (£105,000) to explore the possibility of developing a sub regional CBL scheme, with a positive view to implementation by 2008. The partnership is made up of representatives from Middlesbrough Council, Stockton Council, Redcar & Cleveland Council, Hartlepool Council, Darlington Council, Erimus Housing, Tristar Homes, Coast & Country Housing and Housing Hartlepool.
- 3.5 Since September 2006 our Housing & Community Safety Select Committee in their scrutiny role have been undertaking a piece of work to:
- respond to the national agenda for Choice Based Lettings and to look at the options for delivering such a policy in Stockton-on-Tees.
 - assist with the development of a choice based lettings Policy in the Borough as part of the development of a sub-regional CBL Scheme.
 - examine the opportunities offered by CBL and how they might apply locally.
- 3.6 To clarify, the work of the Select Committee has fed into and help shape this report.

4. PROGRESS TO DATE

- 4.1 As a result of the Government funding a Sub-Regional CBL Co-ordinator post for the Tees Valley was appointed to drive forward the process. A feasibility study, which considered the issues in developing a sub regional scheme was undertaken and completed by the sub regional CBL co-ordinator in November 2006 and discussed with the 5 Tees Valley local authorities. A proportion of this study concentrates on the outcomes from Erimus Housing's CBL scheme, which is the only CBL scheme operating within the Tees Valley at the present time. The study made reference to the only existing Choice Based Letting scheme in the Tees Valley run by Erimus Housing to form a view of the positive and negative aspects of this scheme thereby influencing the development of a Tees Valley approach.
- 4.2 The sub regional CBL proposal is now at a stage where strategic and financial decisions need to be made. This includes the procurement of an ICT system and the revision of the existing allocations policy, with a view to introducing a Common Housing Register and a framework for a Common Allocation Policy, which allows for local lettings policies.

5. FRAMEWORK FOR A COMMON ALLOCATIONS POLICY

- 5.1 The framework for a Common Allocation Policy will comply with Part 6 of the Housing Act 1996 and the statutory Code of Guidance: allocation of accommodation, issued to local authorities in November 2002. This means that the framework will include a method for determining which categories of applicants will be prioritised within the scheme in accordance with the reasonable preference groups as set out in s167(2) of the 1996 Act. This will ensure a consistent and transparent approach to allocations across the sub region.
- 5.2 The Common Allocation Policy will also provide for local lettings policies that exist within the individual local authority boundaries. The local lettings policies will be clearly set out

within the scheme and will be evidence based and justified with an explanation wherever possible to ensure transparency.

- 5.3 Members should note that the framework for the Common Allocation Policy will be developed over a 3 month period and the draft document will be circulated to key stakeholders during the 12 week consultation period to ensure they have a reasonable opportunity to comment on the proposals.
- 5.4 It is proposed that a half day consultation event will take place with the traditional RSL's operating across the sub region during the 12 week consultation period.
- 5.5 It is anticipated that the final draft policy document will be presented to Members later in the year for full approval of the Common Allocation Policy framework.

6. IMPLICATIONS OF NOT PROGRESSING SUB REGIONAL CBL SCHEME

- 6.1 If Members decide not to approve the development and implementation of the sub regional CBL scheme, it should be noted that some of the funding committed by the DCLG may be withdrawn, resulting in the remaining partners being responsible for the setting up and running costs. The Government's CBL advisor has advised that Government Office North East (GONE) would not look positively on partners that later withdraw from the scheme, given central Government's commitment to sub regional and regional CBL.

7. ISSUES TO CONSIDER RE: IMPLEMENTING A SUB REGIONAL CBL SCHEME

7.1 i) Funding

In year 1, each of the 9 partners committed £5,000 (£45,000 in total) towards Government funding to explore the benefits of developing a sub regional scheme. To date, this funding has contributed to the co-ordinators' salary and expenses, admin, consultation, training and development. It is proposed that each partner contributes a further £23,152 in year 2 (07/08). This funding is built into the 07/08 Housing Revenue Account. It is anticipated that Government funding and the additional contribution provided by the partners will cover the development and implementation costs in setting up the ICT system, together with any costs associated with training, development and consultation. A copy of the financial breakdown can be found at Appendix 1 for information.

ii) Procuring ICT Software

Procuring ICT software that meets the needs of each Organisation, will prove to be the greatest expense in setting up the sub regional CBL scheme. The Tees Valley CBL partnership has obtained estimated costs from the leading software suppliers offering a range of CBL solutions. The estimated cost of setting up and implementing a sub regional CBL system would be approximately £120K depending upon the functionality. This cost would be divided between the number of partners committing to the scheme. Additional costs would be incurred in terms of running costs i.e. hosting of the site, system support etc...at a cost of approximately £6K p.a. per partner organisation. There could be other additional running costs incurred if the partnership decides to procure a system, which offers additional functionality in terms of telephony and SMS (0845/0800 numbers and text messaging) or if they want the supplier to provide the management and maintenance of the back office systems. In any event, the partnership can expect to pay in the region of £120K+ for a sub regional ICT solution.

Members should note that the cost of setting up a single CBL system would be in the region of £20K together with additional running costs of approximately £5K p.a.

Any procurement of services or equipment would ensure standing orders were adhered to and if necessary involve a tendering process via Official Journal of the European Union (OJEU) Early consideration has been given to procurement and subject to this

report being approved by all Tees Valley councils, the Northern Housing Consortium (NHC) will be approached to progress ICT issues.

The NHC has in place robust, market tested, OJEU-compliant contracts, frameworks and products, which are nationally recognised as both innovative and representing outstanding value for money. In addition, there are other added benefits in considering procuring the ICT system through the NHC:

- No charge to the partnership in using the service
- No costs in setting up the legal contracts/supply agreements
- No charge to access the Solution
- Market tested
- OJEU compliant procurement process
- Support during the planning, design and implementation period
- Support in identifying initial efficiencies and on an ongoing basis to drive in further efficiencies as they arrive
- Pro-active management of the partnership to ensure that contractual/relationship issues are resolved
- Annual contract review meetings

8. OTHER CONSIDERATIONS OF IMPLEMENTING SUB REGIONAL CBL SCHEME

8.1 In agreeing to commit to the sub regional scheme, Members should consider the impact upon void performance. A study into the longer term impact of CBL was published by the Department of Communities & Local Government (DCLG) in November 2006. Whilst the study should be evaluated in its full context, some of the key findings are listed below:-

- In general, applicants prefer CBL to the traditional approach
- Most lettings go to those with high needs
- Demand has risen, including demand for less popular areas
- BME lets have increased and more dispersed patterns of lettings
- Statutory homeless households have improved housing prospects
- Improvements in performance / more cost effective
- Improvements in tenancy sustainment
- Improvements in relet times – although ‘already efficient’ landlords are less likely to see any improvements
- Decline in refusal rates
- CBL costs more to administer, though mainly attributable to set up costs, which can be offset by savings accrued from improved housing management performance
- More work needs to be carried out with voluntary groups to ensure potentially disadvantaged groups are safeguarded

8.2 However it should be noted that in Erimus’ CBL scheme, although there has been a significant increase in demand for properties, including areas of low demand since its implementation, and significant take-up in joining the scheme, there has been no significant improvement in terms of void performance and as a result the scheme has been reviewed 12 months after implementation

8.3 A review of the scheme was undertaken in November-December 2006, twelve months after implementation. Some key lessons were learnt during the evaluation period and as a result, significant changes have been made i.e. the bidding cycle has reduced from fortnightly to weekly and multiple viewings have been introduced in areas where there are high refusal rates. It is anticipated that these changes will have a positive impact on void performance.

9. WORKING TOWARDS A COMMON CBL POLICY

9.1 After considerable discussion the partnership has considered options and recommends a single common policy for allocating properties, which allows for local variations,

together with the development of a common housing register. The bid submission to the former ODPM indicates that the intention of the Tees Valley partnership is to develop a common policy and a common housing register.

9.2 This approach was agreed as a common allocation scheme across all the participating authorities would:

- Be more efficient and cost-effective for participating landlords
- Be more transparent and simpler to understand for applicants, particularly those seeking to move between local authority districts
- Promote greater mobility and therefore provides greater choice for applicants

9.3 It is proposed that a common policy within the sub region would allow for variations, according to local lettings policies or local circumstances, a more detailed report outlining the proposed variations for Stockton will be considered in the Autumn. The partners acknowledge that any variations to the common policy should be kept to a minimum to ensure consistency and to provide a simple and fair system for customers to understand. The common policy should also be robust enough to stand up to legal challenge and should be endorsed by the relevant Government departments. It should also be derived in consultation with service users and key stakeholders.

9.4 The development of a common housing register for the sub region is significantly cheaper than the development of individual housing registers for each partner organisation participating in the scheme. This is because the scope of the development is less intensive in terms of reconfiguring the software solution to meet the specification, branding and applications of individual organisations.

10. INVOLVING OTHER HOUSING PROVIDERS

10.1 The Government advocates collaborative working with the more traditional RSL's and private landlords in developing sub regional and regional CBL schemes. A sub regional RSL group has been convened in order to seek the views of the more traditional RSL's and to give them the opportunity to provide feedback in the development of the scheme. Whilst some of the more traditional RSL's initially had some reservations about participating in the scheme, they do welcome the opportunity to contribute to the future development. The feasibility study provides a more detailed account of the traditional RSL's involvement in the scheme

11. OPERATING A TEES VALLEY CBL SCHEME

11.1 If Members support the Tees Valley CBL scheme, consideration will need to be given in respect of operating the scheme. The responsibility for the operation can be held by individual partners or alternatively there may be efficiencies in allowing one partner to manage and administer the scheme on behalf of all partners. The partnership are proposing that responsibility for the operation of the front and back office systems, which involve shared / common ICT, should be retained by the individual organisations. This means that participating organisations would still have responsibility for managing applications received at their offices and registering them on to the scheme and for matching qualifying applicants to their own vacant stock, according to the overarching sub regional allocations policy and/or local lettings policies.

11.2 The initial set up costs for implementing the sub regional CBL scheme will be expensive for the partnership, in terms of procuring the ICT software and new literature, together with the costs involved in managing the review of the existing Housing Register.

12. ASSOCIATED COSTS

12.1 In implementing Tees Valley CBL there are other costs of approximately £22,000 for the production of literature (welcome folders, applications, scheme guide, bidding coupons,

templates for window adverts, review and transfer of the existing register). These costs do not include staffing costs or office overheads as existing Erimus staff working from the Accommodation Agency in the town centre were deployed to the new One Stop Shop (Homechoice) when the scheme was launched.

FINANCIAL AND LEGAL IMPLICATIONS

FINANCIAL

£23,152 accounted for from 2007/08 Housing Revenue Account to fund the development and implementation costs in setting up the ICT system, together with any costs associated with training, development and consultation.

LEGAL

How Local Authorities allocate their properties is governed by the Housing Act 1996 and the statutory Code of Guidance

RISK ASSESSMENT

If Members decide not to approve the development and implementation of the sub regional CBL scheme, some of the funding committed by the DCLG may be withdrawn, resulting in the remaining partners being responsible for the setting up and running costs. The Government's CBL advisor has advised that Government Office North East (GONE) would not look positively on partners that later withdraw from the scheme, given central Government's commitment to sub regional and regional CBL. The Government's five year housing plan for England launched in 2005 sets out the Government's plans for taking forward its CBL policy. The aim is to have in place a nationwide system of choice by 2010, by extending CBL to cover not only local authority and housing association properties, but also low cost home ownership options and properties for rent from private landlords.

The development of a Tees Valley sub regional CBL scheme is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

COMMUNITY STRATEGY IMPLICATIONS

Community Safety and Well-being – Promote the safety and well-being of the community by promoting safe and sustainable communities

CONSULTATION INCLUDING WARD/COUNCILLORS

All Ward Councillors

Caroline Wood
Housing Options Manager
Telephone No. 01642 526639
Email Address: caroline.wood@stockton.gov.uk

<u>Background Papers</u>	None
<u>Ward(s) and Ward Councillors:</u>	All
<u>Property</u>	

SUB REGIONAL CHOICE BASED LETTINGS PROJECT

FINANCIAL BREAKDOWN

Income

	Partner contributions	£45,000
DCLG Grant	£105,000	
Total	£150,000	

Expenditure

April – December 2006 £36,136
 (1 month £36,136/9 = £4,015)

Projected spend January 2007 - March 2008

£4,015 X 15 = £60,225

Estimated additional expenditure

- costs associated with the private sector event £2,000
- additional admin. Costs £5,000
- potential procurement costs £1000

Total £68,225

Projected implementation costs

- ICT estimate from feasibility study one off payment £120,000
- ICT estimated running costs £54,000
- set up costs (scheme guide, application forms welcome folders etc) £80,000

Total £254,000

Current available income

(£150,000 - £36,136) = £113,864 minus projected spend £68,225 = £45,639

£254,000 - £45,639 = £208,361

Estimated shortfall per partner £208,361/9 = £23,152