

Report of Director of Environment and Housing

Report to Executive Board

Date: 22 January 2014

Subject: Proposal for Maximising the Use of Council Homes

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): All	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

In June 2012 Executive Board temporarily suspended the council's under occupation incentive scheme for tenants and recommended proposals for a new scheme be developed in response to the welfare changes introduced from April 2013.

After evaluating the previous scheme, the council proposes to formally end and replace it with a new incentive scheme.

The incentive scheme will promote moves that deliver sustainable lettings and maximise use of council stock by releasing high demand properties and encouraging moves to properties experiencing lower demand.

The council also proposes to use the flexibility within the current lettings policy to allow households to move to properties larger than their assessed housing need, provided the letting is affordable.

The report outlines an investment programme and management review of multi storey blocks with a view to making rooms more attractive.

Recommendations

- 1.1 That Executive Board notes the success of the council's under occupation scheme and the mutual exchange incentive scheme.

- 1.2 That Executive Board approve the formal closure of the council's previous under occupation incentive scheme.
- 1.3 The Executive Board earmarks £200,000 from the Housing Revenue Account for 2014/15 to fund a new incentive scheme to operate from April 2014 – March 2015, based on the principles outlined in sections 4.16 – 4.37 of this report.
- 1.4 That a new scheme is developed by the Chief Officer, Statutory Housing in conjunction with officers from Housing Leeds Housing Management to be launched from 1 April 2014.

2 Purpose of this report

- 2.1 This report proposes a new incentive scheme to facilitate moves which enhance use of council stock and deliver improved outcomes for customers.
- 2.2 The report includes:
 - an evaluation of the under occupation incentive scheme which was suspended to new applicants in June 2012 and the mutual exchange incentive scheme
 - a summary of changes in demand for council homes resulting from the welfare changes introduced in April 2013
 - an outline of the types of properties the council wishes to free up and the property types the council wishes to stimulate demand for through the scheme, and
 - proposals for a new incentive scheme to promote sustainable lettings
 - proposals to enhance attractiveness of multi storey flats

3 Background information

- 3.1 In June 2008, Executive Board approved a scheme offering council tenants £1,000 cash payment for each bedroom released when they moved to a smaller property. The scheme ran from July 2008 to March 2013, and assisted 527 tenants to downsize.
- 3.2 Executive Board temporarily suspended the under occupation incentive scheme in June 2012 pending a review of the impact of the Department for Work and Pensions' new Housing Benefit rules, with a view to a new scheme being developed once the impact of the new Housing Benefit rules was known. The scheme was suspended to new applications from June 2012, but the council honoured its commitment to tenants who had already been accepted onto the scheme before this date, provided they move before the end of the financial year.

3.3 Partly as a result of the Housing Benefit changes, the council has experienced changes in the patterns of demand for different property types, outlined in section 4.6 of this report.

3.4 Following an evaluation of the under occupation scheme, the council proposes to formally close down the original scheme and develop a more flexible scheme to deliver positive outcomes for tenants and customers from all communities in Leeds.

4 Main issues

4.1 Evaluation of the under occupation incentive scheme

4.2 The under occupation scheme assisted 527 council tenants move to a smaller property, releasing a total of 888 bedrooms. On average each move released 1.7 bedrooms. 83% of the 527 properties released under the scheme were let to customers in housing need (Band A or Band B on the housing waiting list), including overcrowded and homeless households.

4.3 In 2011 the council conducted a small survey of tenants who had moved under the scheme. The most common reasons given for moving were wanting a home on one level and the current home being difficult to maintain. The majority of tenants stated they wanted to move anyway regardless of the incentive payment but it assisted them to make the move.

4.4 Tenants gave positive feedback about the support they received from the local Housing Office, the length of time it took to find a new home, and the condition of their new home.

4.5 In part due to the benefit changes introduced in April 2013 there is now a declining demand for large properties and a correspondent increase in demand for one bedroom properties. Combined, these changes make a scheme based purely on the release of bedrooms inappropriate. Instead the Council needs to look at ways to incentivise moves which make best use of stock and deliver moves to sustainable tenancies, irrespective of bedroom size.

4.6 The impact of the Housing Benefit under occupation changes for Quarters 1 and 2

4.7 At the end of Quarter 2, 2013/14, 5,684 working age under occupying council tenants were affected by the Housing Benefit changes.

4.8 Since April 2013, demand for 1 bedroom properties has increased, but demand for 2 bedroom multi story flats (MSFs) has reduced by 45%, to an average of 22 bids for 2 bedroom MSFs, and 13 bids for 3 bedroom MSFs. Demand varies depending on the area of the city, for example, demand remains steady in Burmantofts and Little London but has decreased in Moortown. There has also been a reduction in demand for 2 bedroom maisonettes. Demand for 2 bedroom houses has remained static, but demand for 3 bedroom properties has fallen.

- 4.9 The number of properties available to let in the first six months of 2013/14 has increased by 46% for 3 bed MSFs (from 6 to 13 properties) by 26% for 2 bed MSFs (from 181 to 228 properties).
- 4.10 There has been an increased demand for non-sheltered 1 bedroom properties since the Housing Benefit changes were introduced. The majority of tenants affected by the Housing Benefit changes require a 1 bedroom property, but the council only lets an average of 1,500 non-sheltered one bedroom properties each year. Demand for 1 bedroom properties has also increased due to fewer 2 bedroom flats being let to single people or couples in order to prevent lettings being made at less than full occupancy.
- 4.11 While other social landlords have reported dramatic reductions in demand for 3+ bedroom houses, Leeds is still able to let these property types. However, the council needs to attract more demand for 3+ bedroom properties to enhance the sustainability of lettings.
- 4.12 Types of move the council wishes to encourage**
- 4.13 The new incentive scheme will seek to encourage moves which will release the following property types:
- 1 bedroom properties (non-sheltered)
 - 2 bedroom houses
 - properties which have been significantly adapted where the tenant no longer requires the adaptations
- 4.14 The council wishes to promote interest in properties experiencing reduced demand, provided they can be re-let at full occupancy or to customers who are able to afford the full rent, including:
- 2+ bedroom flats, including multi story flats and maisonettes
 - 3+ bedroom houses
- 4.15 In response to the current and future challenges presented in high rise living, Housing Leeds has established a High Rise Working Group to develop a consistent city-wide approach to the future investment and management of high rise properties in Leeds. The Working Group will consider issues relating to high rise living including tenant perceptions and consultation, housing management practices, investment needs and lettings policies which aim to increase demand for properties alongside the incentive scheme

4.16 Proposals for a new incentive scheme

4.17 Mutual exchange

4.18 Mutual exchange offers council tenants the opportunity to exchange their homes with other secure tenants or assured tenants of housing associations. The council subscribes to House Exchange, a national mobility scheme which allows tenants to search for exchange properties across the UK. Council and partner housing association tenants in Leeds can register on the website for free.

4.19 The council used funding received from Department of Communities and Local Government (DCLG) to promote cross tenure mutual exchanges, offering under occupying tenants an incentive of £200 per move.

4.20 30 tenants received a payment of £100 and 101 tenants a payment of £200 (the incentive payment was increased from £100 to £200 to encourage take up of the scheme by under occupiers). The incentive payment for mutual exchanges ran until summer 2013 when DCLG funding ended.

4.21 The number of exchanges has increased from 514 in 2012 to a projected 648 for 2013. This projection is based on the number of exchanges completed in the first two quarters of 2013/14. Interest in exchanges may fall due to the lack of an incentive payment, but Housing Leeds is actively promoting exchanges through publicity and tenant 'swap shops'. This compares with a typical month where the council would let 416 properties through the waiting list.

4.22 A move through an exchange can resolve under occupation or overcrowding quickly without the tenant being in a priority band on the housing waiting list. When an exchange takes place neither property goes into void, meaning there is no loss of rent or council tax liability. The costs of transfers through mutual exchanges are significantly less for the council than for properties let through the waiting list.

4.23 The council is developing a citywide strategy to promote exchanges between council and Registered Provider tenants. There is potential to increase exchanges further as part of the new incentive scheme.

4.24 Additional Measures

4.25 While Leeds' under occupation scheme succeeded in releasing over 500 houses at an average cost of £1,685 per move, an analysis of current demand for council housing highlights the need for the new scheme to focus less on under occupation and instead tackle new demand pressures resulting from welfare changes.

4.26 It is proposed the council earmarks £200K for 2014/15 to help tenants with the financial costs of moving. Typical items include removal costs, redirection of mail, payment of 'handyman' services, reconnection of cookers and washing machines or refitting of carpets.

4.27 The council's new incentive scheme will assist tenants with financial costs, with a particular focus on releasing 1 bedroom properties (non-sheltered), 2+ bedroom

houses in areas of the city with limited supply of social housing, and homes which have been adapted significantly where the tenant no longer requires the adaptations.

- 4.28 The council will identify tenants living in 1 bedroom houses and flats who are overcrowded in order to assist them with a move to a suitably sized property. The council will also consider requests from single people and couples living in 1 bedroom accommodation who would like to move to a 2 bedroom flat, provided they are able to afford the full rent.
- 4.29 The council will seek to release 2 bedroom houses by identifying overcrowded and under occupying tenants and supporting them with a move.
- 4.30 In order to minimise void costs and reduce turnaround times, the council will seek to promote moves through mutual exchanges in preference to moves through the housing waiting list, although additional priority and / or a direct let will also be considered. Properties will be inspected before a move made under the mobility incentive scheme to check the extent of repairs required.
- 4.31 The council also wishes to promote interest in properties experiencing reduced demand, including 2+ bedroom flats, multi-story flats and maisonettes. Under the new scheme the council will provide incentives to move into designated properties of this type, for example, through the payment of decoration grants, removal costs, help obtaining furniture and other practical assistance. In the longer term, the council recognises the importance of refurbishment and capital investment to offer an enhanced lettings standard in certain property types such as high rise flats.
- 4.32 To ensure the funding for the new incentive scheme is targeted effectively, the council will continue to monitor demand for properties and identify tenants who could benefit from a move through Annual Tenancy Visits.
- 4.33 In certain circumstances the council will allow moves where tenants have minor rent arrears or where the condition of property would normally prevent a move, for example, permitting moves which will alleviate financial hardship to tenants and waiving recharges under £500 to allow a transfer provided there has been no wilful damage to the property (the tenant would still be liable to pay any former rent arrears / recharges).
- 4.34 Sustainable lettings**
- 4.35 Under the current lettings policy there is flexibility to allow an additional bedroom in certain circumstances. The council will expand this approach and advertise some properties as suitable for customers with a range of bedroom requirements. Provided the affordability of a larger property is not an issue for the customer the council will allow a degree of under occupation. For example, a 5 bed room house could be advertised as suitable for a household with an assessed requirement for 5 or 4 bedrooms. This will increase customer choice and tenancy sustainability because tenants will not need to move home due to growth of a family. Households with a child approaching a relevant threshold age which would entitle them to an additional bedroom will benefit from this flexibility.

4.36 Multi storey flats

4.37 Leeds City Council owns and manages over 100 multi storey blocks across the city. These blocks are concentrated in the east and west of the city, with a small number in the south. Typically, management and maintenance of blocks under the 3 ALMO model resulted in different approaches across the city. Through the Housing Management Review Leeds City Council are developing a more consistent approach to housing strategy, management and investment in the city.

4.38 In order to respond effectively to future challenges the Council is reviewing the management of its high rise stock and has established a High Rise Project Group which is currently working on establishing a high rise evidence base which the Council can use to:

- Understand and prepare the city for the current and future challenges presented by high rise housing;
- Outline the future choices that Leeds City Council has in terms of planning future investment and the management of high rise across the city.

4.39 Over a long period, the Council has sought to avoid placing families at height. The result of this policy is that many people without families under the retirement age, are now experiencing reduction to their benefit due to their under occupation of 2 and 3 bedroom flats. The incentive scheme outlined in this paper is unlikely to be enough to persuade people who can cover the costs (people over the age of retirement, in particular) to move into this accommodation unless the standard is superior to the home they are currently occupying.

4.40 This provides additional reason for the Council to rethink its strategy on multi-storey blocks, ensuring they are both well run and further invested in.

4.41 It is a priority for Housing Leeds over the next 5-10 years to increase the standard of housing in multi storey flats through increased investment to ensure that modern, energy efficient housing is provided which is attractive to tenants. Measures planned to improve the blocks include:

- better security, particularly through CCTV
- investment on lifts, to ensure access for older and disabled people
- investment on energy efficiency to reduce the heating bills, against the costs of running a typical home
- an enhanced standard of void relet, offering a high quality of accommodation

4.42 Not all of this can be achieved quickly. This year however we plan to invest £7m as part of the capital programme in improving blocks. This will include £1.6m to install a district heating system to 2 multi storey blocks, £3m on structural repairs, £1.2m on refurbishing 1 block, including the installation of external wall insulation, £325k on lift replacements and £950k on installation of CCTV.

5 Corporate Considerations

5.1 Consultation and Engagement

5.1.1 The council proposes to implement the new incentive scheme from April 2014 and has not undertaken formal consultation with tenants; however, the proposed scheme has considered an evaluation and feedback from the original incentive scheme. In addition, internal consultation has taken place with officers from Housing Leeds. They are supportive of assisting tenants to move to make best use of council homes, and have provided feedback on the new scheme, summarised below:

- The scheme should incorporate flexibility in terms of matching customers to properties under the lettings policy.
- The council should promote the benefits of moving to a smaller property, e.g. reduced utility bills and garden maintenance etc.
- Local knowledge of housing officers is required to conduct assessments
- There is recognition that, whilst positive, any increased mobility will incur additional costs
- The council should recoup outstanding rent arrears
- Clear eligibility criteria is needed

5.2 Equality and Diversity / Cohesion and Integration

5.2.1 Under occupation in council tenancies affects a number of groups. The main impact is on older people aged over 60 where under occupation arises during the lifetime of the tenancy when grown up children grow leave home. Downsizing offers tenants the opportunity to move to more suitable accommodation such as sheltered housing or level access accommodation. Partly as a result of the changes introduced under the Welfare Reform Act, a higher proportion of tenants aged under 60 are seeking to downsize.

5.2.2 Helping under occupiers assists younger families with children by releasing larger homes, and tenants who are unemployed or on low incomes.

5.2.3 The majority of tenants who moved on the under occupation incentive scheme, were White British, but a higher proportion of customers who moved into the released properties were from BME groups, reflecting the fact that BME households are more likely to be living in overcrowded conditions.

5.2.4 Customers with dependent children will benefit from the opportunity to move to a property larger than their strict entitlement. This will help reduce overcrowding and promote healthy living. It will also increase sustainability and community cohesion because families will not need to move to a new property due to the natural growth of the household.

5.2.5 Freeing up adapted homes which are no longer required by the current tenant will increase the supply of suitable homes for disabled customers and reduce waiting times.

5.3 Council policies and City Priorities

5.3.1 The introduction of a new incentive scheme will assist in meeting the best council outcomes of:

- Improving the quality of life for residents, particularly those who are vulnerable or in poverty. This will be achieved by supporting people in financial hardship to move to a more affordable home, and assisting households in need to move to a larger home.
- Achieving the savings and efficiencies required to continue to deliver frontline services. This will be achieved by releasing family houses for households in need of a larger home, including homeless and overcrowded families.

5.3.2 The scheme supports the following best council objectives for 2013 – 17:

- Ensuring high quality public services – promoting mobility improves the housing offer by increasing the choices available to council tenants looking to move to more appropriate housing. The scheme will help older and disabled people to live independently in suitable housing and will improve the economic well-being of local people by releasing housing stock to those in need.
- Building a child friendly city – the incentive scheme will help release larger family sized houses for customers with younger children to live in, helping reduce the number of children living in overcrowded and unsatisfactory living conditions.
- Promoting sustainable and inclusive economic growth – the incentive scheme will assist council tenants to move closer to work or to take up employment and training opportunities
- Becoming an efficient and enterprising council – the incentive scheme will help deliver efficiencies by mitigating the adverse impact of benefit changes, both on individuals affected by Housing Benefit changes and to the council as a social landlord in terms of rent loss due to under occupation. Releasing adapted properties will reduce the council's capital expenditure on new adaptations which could result in significant financial savings. Promoting moves through mutual exchanges will help reduce void times and associated costs to the council.

5.4 Resources and value for money

5.4.1 The original financial incentive scheme released 527 family houses at an average cost of £1,685 per move and £177 was paid to each tenant who moved under the mutual exchange scheme (£354 total per move). Based on this, a package between £500 and £1000 per move would incentivise a move. This

would be used to fund the cost of a move (post redirection, reconnection of appliances etc) rather than as a direct cash payment to the tenant.

- 5.4.2 The under occupation incentive scheme averaged 113 moves per year. Based on a maximum payment of £1,000, a scheme budget of £200,000 would support 200 moves in 2014/15.
- 5.4.3 The council proposes funding moves up to £1,000 which compares favourably with the cost of building a new unit of affordable housing. The council will earmark £200,000 from the Housing Revenue Account for 2014/15 to fund an incentive scheme.
- 5.4.4 The new scheme encompasses a wider range of moves which will enhance the sustainability of lettings. Supporting under occupation moves and sustainable lettings will help reduce the number of tenants in rent arrears.

5.5 Legal Implications, Access to Information and Call In

- 5.5.1 There is no legal obligation for the council to operate a tenant mobility incentive scheme. Any financial assistance offered under the scheme would be funded through the Housing Revenue Account, and would be solely for the benefit of council tenants.
- 5.5.2 However, good practice is for the council to operate a scheme to assist social housing tenants in Leeds who wish to move to a smaller property, to release properties in high demand and to support sustainable lettings. A more detailed scheme will be drawn up by Housing Leeds with clear eligibility criteria and be implemented from April 2014.

5.6 Risk Management

- 5.6.1 The impact of welfare changes pose a risk to the council's rental income stream, which in turn could impact on the sustainability of the Housing Revenue Account Business Plan.
- 5.6.2 The new scheme needs to be financially sustainable given that approximately 6,000 working age council tenants are affected by the Housing Benefit measure, in addition to over 60 year olds who may wish to downsize.
- 5.6.3 There is also a risk that incentivising moves may result in an increase in voids, leading to higher repair costs, rent loss and council tax liability. A key priority for 2013/14 and beyond is to reduce the void period, but additional voids will make this target harder to achieve. To mitigate this risk the scheme's eligibility criteria will include reference to the condition of the property and encourage mutual exchanges and chain lets made through direct offers.
- 5.6.4 Applicants who have recently moved due to Housing Benefit changes who have not received any financial incentive may feel the introduction of an incentive scheme is unfair, particularly if they are expected to repay former tenancy arrears.

6 Conclusions

6.1 The key priorities in terms of promoting moves which make best use of stock are:

- To free up non-sheltered 1 bedroom properties, 2 bedroom houses and adapted properties
- To increase demand for 2 and 3 bedroom multi-story flats and maisonettes and larger houses from customers who can afford to pay the full rent and who will fully occupy the property

6.2 The council has evaluated the under occupation incentive scheme which operated between August 2009 and June 2012. Since April 2013 when the new under occupation Housing Benefit rules came into effect the council has seen increased demand for 1 bedroom properties but a reduction in demand for 2 bedroom multi story flats and larger properties.

6.3 To promote sustainable lettings, the council proposes to use the flexibility within the current lettings policy to allow households to move to properties larger than their assessed housing need, provided the letting is affordable.

7 Recommendations

7.1 That Executive Board notes the success of the council's under occupation scheme and the mutual exchange incentive scheme.

7.2 That Executive Board approve the formal closure of the council's previous under occupation incentive scheme.

7.3 That the Executive Board earmarks £200,000 from the Housing Revenue Account for 2014/15 to fund a new incentive scheme to operate from April 2014 – March 2015, based on the principles outlined in sections 4.16 – 4.37 of this report.

7.4 That a new scheme is developed by the Chief Officer, Statutory Housing in conjunction with officers from Housing Leeds Housing Management to be launched from 1 April 2014.

8. Background documents¹

8.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.