

# LONDON BOROUGH OF BRENT

MEETING OF THE EXECUTIVE  
23<sup>rd</sup> June 2003

FROM THE DIRECTOR OF HOUSING SERVICES

NAME OF WARD(S)

REPORT TITLE: Choice Based Lettings – ‘the future of Letting Social Housing’

Above  Below

For: Action

Confidential Line

## 1. Summary

- 1.1 Following the success of the Locata pilot, this report seeks approval for the London Borough of Brent to adopt the Choice Based Lettings system of allocation as the sole means of housing allocation for the Borough.
- 1.2 On 2<sup>nd</sup> December 2002, the Executive agreed to extend the Choice Based Lettings pilot from one-bedroom properties to all bedroom sizes. This followed the decision on 13<sup>th</sup> February 2002, where the Public Services Deciding Committee approved recommendations to implement the choice based approach on a pilot basis. This process moves away from a conventional system of allocating vacancies in Council and Housing Association housing stocks to advertising vacancies, much like an Estate Agent. The current choice system was introduced as a pilot for one bedroom properties only, so that the impact of this new approach could be tested and evaluated before the system was rolled out across the other bedroom sizes.
- 1.3 Although the choice system has been fully operational across all bedroom sizes since 6<sup>th</sup> December 2002, this is still a relatively short time to see the impact of the system. It must also be remembered that the Brent system has been live since 21<sup>st</sup> June 2002, when the scheme implemented the process for one bedrooms only. The shortness of the pilot is due in main to development of the system taking a large chunk out of the two year pilot phase. An analysis of lettings by ethnic group is contained within the body of the report.

## 2. Recommendations

- 2.1 Members are asked to: -
  - 2.1.1 Agree for the Choice Based Lettings system (Locata) to be adopted as sole means of housing allocations in the Borough;
  - 2.1.2 Note the analysis of lettings of the Choice Based Lettings system and its continued monitoring as set out in 7.5;
  - 2.1.3 Note how officers continue to work with issues as they relate to vulnerable households as set out in 7.6 to 7.7 and

- 2.1.4 Note that the pilot scheme ran from 21<sup>st</sup> June 2002 for one-bedroom properties. Also, since 6<sup>th</sup> December 2002 for all other bedroom sizes and that this is still a relatively short time for such a fundamentally new concept within housing policy.

### **3. Financial Implications**

- 3.1 There is an ongoing cost of being part of this scheme, which amounts to £107k annually. The grant of £1.1m from the Office of the Deputy Prime Minister (ODPM) for the pilot over the last two years was used to develop and implement the system, but was not used for operational purposes. This was because the Partners appreciated that the scheme would have been unsustainable if the grant was used in this way due to the short-term nature of it. The operations of the scheme, since grant funding ceased on 31<sup>st</sup> March 2003 has been by way of contributions solely from the partner organisations and this is how the scheme will be taken forward.
- 3.2 The West London Partners are working towards a reduction on the fee, but this is only possible if and when new parties join the company, thereby sharing the costs. There are already a number of local authorities (currently West London) as well as Housing Associations who have shown interest in joining the scheme. The operational costs are contained within Housing's base budget.
- 3.3 Locata (Housing Services) Ltd is a company limited by guarantee and part of its constitution states that any partner organisation wishing to withdraw from the scheme must give one year's written notice and must pay the equivalent of the annual Membership Fee as an exit fee. If Members were not to endorse the scheme as the permanent allocations route for Brent residents, the authority would have to pay for this year, 2003/4 (as this would be the notice period) plus the exit fee and part of the year for 2004/5, dependent on when notice is given. As this year's fee has already been paid, this would be approximately £134k for the year 2004/5. This sum will be covered within current budget provision.
- 3.4 Should Members choose not to continue with Choice Based Lettings, there will be an undoubted cost to 'rolling back' the scheme and adopting the previous allocations process. Although minimal work has been done to the Council's own systems, as the Locata process extracts information, there has been significant work carried out with stakeholders and customers. The information and consultation needs of customers, for example, would be immense as indicated in a number of issues still being worked on, e.g. work with vulnerable households. Currently, this work can not be quantified or costed but Members would need to receive a further report that would describe the costs and indicate the processes necessary to reverse the allocations process currently being used. Members should note that this task is achievable, but officers have concentrated on getting the current scheme to work efficiently and has not build up back up mechanisms in order to run two systems alongside each other.

### **4. Staffing Implications**

- 4.1 There are no direct staffing issues within this report.

### **5. Legal Implications**

- 5.1 Part VI of the Housing Act 1996 as originally passed required all allocations by local housing authorities to be made from their housing register and in accordance with a published allocations scheme. There are a number of provisions in the 1996 Act requiring certain categories of applicants to be given "reasonable" or "additional" preference.

- 5.2 The Housing Green Paper “Quality and Choice – a decent home for all”, published in April 2000, proposed a change in emphasis from allocation of stock by local housing authorities towards choice by applicants from properties available. The Paper proposed defining priority with a broad brush by allocation into broad “bands”, by contrast with the then standard fine-grained points based schemes, to facilitate this change. Consequent upon that Green Paper, the Government made funds available to authorities to pilot such banded, “choice-based” letting schemes. Brent, in partnership with the four other West London Boroughs and three Housing Associations, successfully bid to participate in one such trial, called “Locata”; see previous reports to the Public Services Deciding Committee and the Executive. Consultants employed by the Partnership advised on all aspects of the scheme, including in particular the banding scheme to be adopted; external solicitors and Counsel were instructed, and their advice largely accepted.
- 5.3 In January 2003 the provisions of the Homelessness Act 2002 relating to allocations of local authority housing were brought into force. This amended the provisions of Part VI of the 1996 Act. The principal changes effected by the new Act are abolition of the requirement to keep a housing register, replacement of the categories of “reasonable preference”, codification of the power to exclude undesirable tenants, consolidation of the transfer and allocations schemes to existing tenants and the introduction of various new information and appeal rights. In particular, there are amendments permitting an authority to allocate by a choice-based lettings scheme and requiring an allocations scheme to set out the authority’s policy on offering choice and the ability to express preference.
- 5.4 The revised Allocation Code of Guidance, which came into force simultaneously with the amendments to Part VI of the 1996 Act, encourages the adoption of schemes offering increased choice, and broad brush assignment of priority. There is no legal requirement to operate a choice-based scheme (although there is a requirement to operate a scheme of some form and government has clearly made having an element of choice a priority) but the law now allows such a scheme should the authority choose to accept the recommendations of this report.
- 5.5 It has been suggested that the amendments to the legislation are insufficiently extensive to authorise moving to an exclusively banded allocations scheme as apposed to a points-based policy. While officers consider that some revision may be necessary in the light of developments, it is clear that this is a Government priority.
- 5.6 The Locata banding scheme, approved by the Public Services Deciding Committee and extended to all bed sizes by the Executive on 2<sup>nd</sup> December 2002, reflects the amendments introduced by the Homelessness Act 2002 although introduced before those amendments came into force.
- 5.7 When Locata was established in February 2002 the members (the five Local Authorities and three Registered Social Landlords) of the Company recognised that the Company would have to plan investment and expenditure on a long-term basis. Consequently by participating in the Company each member was, by implication, committing to this expenditure and that it would be inequitable to permit a member to withdraw from the Company without contributing to these costs. Clause 11 of the Members Agreement governs Withdrawal from the Company. A party proposing to withdraw must:
1. Give 12 months written notice of its intention to withdraw from the Company;
  2. Pay the Exit Fee specified by the Company in the Business Plan and
  3. Comply with any other conditions, which the Company may agree in a General meeting.
- 5.8 The setting of the Exit Fee is designed to ensure that the withdrawing party bears a fair proportion of the costs incurred by the Company.

- 5.9 As a local authority controlled/influenced company any borrowings of the company could count against the Council's capital and/or revenue expenditure. As previously reported where a transaction has a potential impact financially that is not contained within its resources, officers will report back to the Executive. The Council has requested an exemption from this requirement under Part V of the Local Government and Housing Act 1989 from the ODPM but to date has not received one.
- 5.10 The Council and all other member Councils are protected through the Members' agreement against any transactions that the company may undertake which would require the Councils to provide credit cover. The types of transaction have been set out in previous reports.
- 5.11 There was an agreement between the Locata Partners indemnifying L B Ealing in the event that any grant had to be repaid but, along with the end of the grant funding on 31<sup>st</sup> March 2003, that agreement lapsed.

## **6. Equalities Issues**

- 6.1 Sections 7.5.5 to 7.5.12 deal with the main equalities issue. This issue was whether switching to the Locata scheme disadvantaged households from different ethnic backgrounds. The conclusion of this report is that it does not as broadly the same proportion of households being housed prior to the system going live is similar to those being housed after go live date. Reporting mechanisms on other equality issues, such as on vulnerability are currently being worked on.

## **7. Detail**

- 7.1 Members will recall that the London Borough of Brent along with its West London Partners (Harrow, Hillingdon, Ealing, Hounslow, Ealing Family Housing Association, Paddington Churches Housing Association and Paradigm Housing Group Limited) attracted £1.1m to test choice in letting council homes. Since this Choice Based Lettings process has been rolled out across all bedroom sizes in December 2002, the next big issue that the Partnership needed to deal with was the pending end of the pilot on 31<sup>st</sup> March 2003. This would mean that there would be no further grant available and that the Partners would have to make a decision about whether to continue with the choice based process or revert back to the original Allocations scheme.
- 7.2 This issue was not just about money. The whole Partnership's approach to Choice Based Lettings was to ensure that it had built a product that would be sustainable. The Government's agenda to ensure that 25% of local authorities were operating a choice scheme by 2005 and all by 2010 was at the forefront of the thinking. Therefore, the Partnership ensured that the grant was spent on the major development tasks that would enable a robust IT system to exist, whilst levying fees from the Partners for the operational costs. This price structure is still in place and will enable future operation of the scheme if there are no enhancements or major developments. However, should the Locata Board choose to take on new partners or customers, the price structure will have to change but it is likely that the cost to the original partners will reduce.
- 7.3 Notwithstanding the decision before Members today and the potential implications of not adopting government direction on choice (other than contractual implications i.e. exit fee etc and the need to have some scheme for allocations), officers are clear that reverting back to the original Allocations system would be a step in the wrong direction. It would not be in the Council's interest as progressive local authorities are going down this track and Brent must be seen to be at the forefront of innovation, particularly as sub regional working takes on more importance. Therefore, the options available to Members within this report is

between the choice-based system or the conventional points system. Brent has not invested any time in looking at alternatives at this stage.

#### **7.4 Beyond the Pilot**

7.4.1 The Partnership has asked the ODPM to consider the continuation of grant funding the scheme. Although a reply is still being awaited, the indication is that this is unlikely to be successful. However, it is not necessary for the scheme to continue to operate as contributions from the partners are sufficient to keep the scheme operational. The ODPM will be fully evaluating the successes or otherwise of the 27 pilots across England and Wales and their report will be available sometime this year. However, on the face of it, the pilots have met with varying success. The Locata scheme, however, seems to be one of the better established and larger schemes.

7.4.2 Locata (Housing Services) Limited is a company limited by guarantee and was set up particular to operate at an arms length from the Councils or Housing Associations. However, it is a Local Authority controlled company by virtue of the percentage of voting rights the local authority Board members hold, however, the Board's duty is to act in the best interests of the company as a whole and not any one individual Council or Housing Association. The Board's direction is to take on other partner local authorities or Housing Associations in order to expand choice across West London and possibly other sub regions. The Locata product is very marketable and there is increasing interest from many organisations.

7.4.3 However, notwithstanding any ambitions the Board may have, the product of the Locatabrand provides a sound platform for the future. The yearly subscription is contained within based budgets, but the marketing plan aims to reduce the fees to the original West London Partners. Although the government grant has been fully utilized, this provided vital resources to build the much needed infrastructure for Locata to operate from.

#### **7.5 Evaluation of the Scheme**

7.5.1 Brent implemented choice for one bedroom properties on 24<sup>th</sup> June 2002 and for the other bedroom sizes on 6<sup>th</sup> December 2002. Since the scheme has gone live there have been many concerns from sections of the community, particularly community representatives that the scheme was not accessible to some vulnerable households. This was predicated on the basis that the scheme was proactive and relied on the interaction of the customer as opposed to initial action on behalf of the local authority.

7.5.2 Housing staff have taken a number of steps to address the concerns raised, however, there still remains disquiet from a number of quarters. Among the many training/awareness sessions run for other agencies, Housing has employed addition staff to manage the demand for information, particularly in its Call Centre. Arrangements have also been made to post the Locata freesheet direct to the most vulnerable households on the Housing List. However, what must be remembered is that the scheme is still relatively new and it will continue to take some time to get use to. The go live dates are 11 months and 5 months ago respectively and this really speaks for itself. Traditional Allocations processes based on points schemes were in place for years but the level and volume of complaints about the scheme was testament to the fact that some customers still did not understand the essence of it.

7.5.3 There is a clear need for all involved in Housing to adjust their thinking in relation to choice in allocations. The Information Technology (IT) based system depends on interaction from customers and has recently added text bidding to its armoury of interactive services. This now compliments bidding through the original coupon system, web, telephone and the continued assistance of staff at the Housing Office. Therefore, the accessibility of the

scheme has been broadened significantly since its inception when only coupon and staff bidding were available. Housing staff continually have under review the number of high priority cases not bidding and this will be a feature of the monitoring of these cases. A system has been put in place to randomly check whether those not bidding are able to access the scheme. So far, customers have indicated that they did not bid because they were not interested in the properties available for that edition of the freesheet.

7.5.4 One way in which some comparisons of the scheme can be made is via the proportion of lettings made in the last financial year (2002/3) prior to the respective go live dates and then after. If, for example, the proportion of lettings to a particular group, before the respective go live dates were significantly more than when Locata went live, it could be argued that some groups could be effected by the new scheme. This being said, there would have to be comparisons with what the general plan for allocations was for that year. The outturn of lettings for the year 2002/3 has already been covered to some degree in the recent Supply and Demand report, presented to your Executive on 28<sup>th</sup> April 2003. This report compared the actual lettings compared with the projection for the year. The report generally concluded that there was a shortfall in lettings but that this was attributable to the shortfall in Registered Social Landlord's (RSLs) lettings compared to the forecast for that year.

7.5.5 Table 1 shows all one bedroom properties let before Locata went live on 24<sup>th</sup> June 2002.

**Table 1: 1 beds let before 24/06/02**

<b>1 Bed Units</b>		
	<b>Total</b>	<b>% of total</b>
Asian Bangladeshi	1	1.2%
Asian Indian	1	1.2%
Asian Other	2	2.4%
Asian Pakistan	2	2.4%
Black African	15	18.1%
Black Caribbean	17	20.5%
Black Other	1	1.2%
No Data	19	22.9%
Other	3	3.6%
White Irish	9	10.8%
White Other	5	6.0%
White UK	8	9.6%
<b>Total</b>	<b>83</b>	<b>100.0 %</b>

7.5.6 Table 2 shows all one bedroom properties let after 24<sup>th</sup> June 2002 to the end of the financial Year, March 2003.

**Table 2: 1 bed lets after 24/06/02 to 31/03/03**

	Total	Percentage of Overall
Asian Indian	12	3.8%
Asian Other	20	6.3%
Asian Pakistan	8	2.5%
Black African	58	18.4%
Black Caribbean	60	19.0%
Black Other	13	4.1%
No Data	49	15.5%
Other	14	4.4%
White Irish	21	6.6%
White Other	13	4.1%
White UK	48	15.2%
<b>Total</b>	<b>316</b>	<b>100.0%</b>

7.5.7 Table 3 shows two beds and above let before Locata rolled out lettings to these bedroom sizes. This is for the year 2002/3 up to 6<sup>th</sup> December 2002.

**Table 3: 2 bed lets before 06/12/02**

2 Bed and Above					
	2	3	4	Total	% of Total
Asian Bangladeshi	2	1	0	3	0.8%
Asian Indian	12	5	3	20	5.1%
Asian Other	16	8	1	25	6.3%
Asian Pakistan	10	5	2	17	4.3%
Black African	39	26	5	70	17.8%
Black Caribbean	64	13	3	80	20.3%
Black Other	17	6	1	24	6.1%
No Data	33	14	3	50	12.7%
Other	19	5	2	26	6.6%
White European	1	0	0	1	0.3%
White Irish	14	6	0	20	5.1%
White Other	15	10	1	26	6.6%
White UK	26	4	2	32	8.1%
<b>Total</b>	<b>268</b>	<b>103</b>	<b>23</b>	<b>394</b>	<b>100.0%</b>

7.5.8 Table 4 shows two+ beds let after 6<sup>th</sup> December 2002 to the end of the financial Year, March 2003.

**Table 4: 2 bed lets after 06/12/02 to 31/03/03**

Ethnic Origin	Bed				Total	% of Overall Total
	2	3	4	5		
Asian				1		
Bangladeshi			1		2	0.94%
Asian Chinese	1				1	0.47%
Asian Indian	6	1	1		8	3.76%
Asian Other	5	2	1		8	3.76%
Asian Pakistan	3	6			9	4.23%
Black African	29	8	2	1	40	18.78%
Black Caribbean	33	5	2	0	40	18.78%
Black Other	8	2	2	0	12	5.63%
No Data	14	11	0	0	25	11.74%
Other	8	4	1	0	13	6.10%
White Irish	6	1	0	0	7	3.29%
White Other	17	7	0	0	24	11.27%
White UK	17	6	1	0	24	11.27%
<b>Total</b>	<b>147</b>	<b>53</b>	<b>11</b>	<b>2</b>	<b>213</b>	<b>100%</b>

7.5.9 Table 5 below shows all lettings for 2002/03.

**Table 5: Total Lets and Nominations 2002/03**

	Beds Needed					Total	%
	0	1	2	3	4+		
Asian							
Bangladeshi	0	1	2	1	1	<b>5</b>	0.5%
Asian Chinese	0	0	1	0	0	<b>1</b>	0.1%
Asian Indian	1	12	18	6	4	<b>41</b>	4.0%

Asian Other	3	17	20	12	2	<b>54</b>	5.3%
Asian Pakistan	0	11	13	11	2	<b>37</b>	3.6%
Black African	14	58	69	36	8	<b>185</b>	18.1%
Black Caribbean	9	73	95	19	5	<b>201</b>	19.6%
Black Other	2	12	21	8	2	<b>45</b>	4.4%
No Data	10	58	46	28	3	<b>145</b>	14.2%
Other	3	15	27	10	3	<b>58</b>	5.7%
White European	0	0	1	0	0	<b>1</b>	0.1%
White Irish	8	26	21	7	0	<b>62</b>	6.1%
White Other	2	16	32	18	1	<b>69</b>	6.7%
White UK	10	50	43	13	3	<b>119</b>	11.6%
						<b>102</b>	100.0
<b>Total</b>	<b>62</b>	<b>349</b>	<b>409</b>	<b>169</b>	<b>34</b>	<b>3</b>	%

7.5.10 It must be noted that the actual lettings figure for 2002/3 in Table 5 shows 17 more lettings than is accounted for in Tables 1 – 4. The reason for this is that the information contained in Tables 1 – 4 was produced at a certain point in time and has been used in other reports. It is not unusual for the 'year end' figure to change as lettings information trickles through particularly from some Housing Associations. Therefore, Table 5 represents the very latest information available.

7.5.11 When looking at and comparing the information contained in Tables 1 – 4, the breakdown of lettings to each ethnic group are broadly in line. One issue that needs further work is the 'no data' category. This is being looked at but will be mainly due to coding errors. Systems such as these are usually prey to these types of errors and everything will be done to sort these issues out so that the data remains credible. Table 5 brings tables 1 – 4 information together.

7.5.12 Information on lettings to the ethnic groups is one of the sensitive issues being faced by the choice based process. The access by vulnerable households is another, however, the reporting mechanisms to show the outcomes of bidding by particular vulnerable groups is still being worked on, but this is close to being completed. This information will show bids against particular groups like, people with physical disabilities or learning difficulties, for example.

## 7.6 Reporting tools

7.6.1 The IT system that governs Locata's operations produces all types of information. However, the information generated allows for basic reporting on its functions, like, the number of bids per property and similar information. These reports are generally 'high level' reports and were specified to manage the system from the Board's point of view. More detailed reports are being specified and these will be available soon.

7.6.2 Overall the interactive nature of Locata has introduced a fresh approach to the Allocation's process. Across the Partnership 53% of households bid by coupon, 16% by telephone 24% by Web, 7% through staff (figures have been rounded up). Text bidding has just gone live and produced over 2,000 bids in the latest edition (not reported in this report). The percentages referred to were calculated from 218,079 for the year 2002/3. Brent's bidding profile is broadly similar, although telephone bidding is 21%.

## 7.7 Continued Perception of the Scheme

- 7.7.1 Although the Partners see the choice based scheme as working well and delivering its objectives, there is continued scepticism about the scheme from some User Representatives. First of all, there are continued comparisons with the old scheme. Although the old scheme was fraught with difficulties, there is a perception that knowing what position someone was on the Housing Register somehow made it easier to understand. Also, User Representatives are saying that customers are bound to become frustrated with continually bidding but not receiving offers. There is a point to this, but the whole basis behind the system is that customers will become more knowledgeable about their chances of being in particular properties/neighbourhoods.
- 7.7.2 Due to the interactive nature of the scheme, there is a perception that very vulnerable households will not be able to access it. This of course is a possibility, however, under the old system vulnerable households may not have responded to offer letters. At least under the choice system there is the opportunity to be proactive and engage in a process that actively tells the Council that they are interested in a particular property. What has been difficult to grasp for many User Representatives is that the choice system is meant to stimulate sustainable communities and start to reshape how people think about exactly where they want to live.
- 7.7.3 It is quite clear to officers that there is still some work to do in order that customers are more confident about the choice system and how it is different from the conventional way of letting accommodation. Officers are putting together a number of repeat awareness sessions and information materials to continue to raise awareness of the scheme. Officers acknowledge however, that the message will have to be repeated on a continuous basis.

## **8.0 Conclusion**

- 8.1 The recommendation to Members to adopt the choice system as the permanent way of allocating Council and Housing Association homes is based on a number of advantages it brings to social housing. Notwithstanding these issues, there is the wider social policy aspects, what is happening in West London and the Government's drive to introduce choice across England and Wales. This therefore is not another new initiative, but is here to stay in some shape or another.
- 8.2 The ODPM will be evaluating all of the choice pilots in the summer and this will be the clearest message on choice to date. Irrespective of this, Locata (Housing Services) Ltd is well positioned to continue its work, which will be sustained by contributions from the West London Partnership. Currently the Company is Local Authority Controlled and therefore bounded in its constitution are safeguards, which will not allow it to operate outside of these controls. However, as it takes on new business and partners, it will be possible for the contributions from the original partners to be significantly reduced.

## **9. Background Information**

### Public Services Deciding Committee

Choice in Allocations – West London Pilot Lettings Scheme (8<sup>th</sup> May 2001)  
Choice Based Lettings Pilot Scheme (31<sup>st</sup> July 2001)  
Choice Based Lettings Scheme (16<sup>th</sup> January 2002)  
Choice Based Lettings (13<sup>th</sup> February 2002)

### Executive

Choice – 'the next step.' (2<sup>nd</sup> December 2002)  
Supply & Demand and Temporary Accommodation (28<sup>th</sup> April 2003)

## DTLR

Housing Green Paper 'Quality and Choice: A decent home for all' (April 2000)

## Other Documents

Locata Performance Report (April – March 2002/3)

### **10. Background Information**

Any person wishing to inspect the above papers should contact:  
Colin Moone Assistant Director of Housing (Needs & Private Sector)  
Housing Directorate, 5<sup>th</sup> Floor, Mahatma Gandhi House,  
34 Wembley Hill Road, Wembley, Middlesex, HA9 8AD  
Tel: 020 8937 2332, Fax: 020 8937 2282  
E-Mail: [Colin.Moone@brent.gov.uk](mailto:Colin.Moone@brent.gov.uk)

**Martin Cheeseman**  
**Director of Housing Services**