

Introduction of a Derby Homes Tenancy Sustainment Service

SUMMARY

- 1.1 This report outlines the proposal to establish a new Tenancy Sustainment Service for those introductory tenants that will have been assessed as requiring support and assistance.
- 1.2 Introductory tenancies are granted to individuals who will be holding a tenancy for the first time. This does not include existing tenants who are transferring to alternative accommodation, nor does it apply to applicants who have been tenants of another registered social landlord for a period of more than 12 months.
- 1.3 For the majority of new tenants this will be the first time that they have independently held a tenancy. Research carried out by Derby Homes has shown that many can lack the necessary skill and knowledge in claiming benefits, managing household accounts and general life skills which are an essential pre-requisite to living successfully within a community. As a result Introductory tenants are also far more likely to fail to sustain their tenancy, fall into rent arrears, or be involved in anti-social behaviour than established tenants.
- 1.4 Currently, Derby Homes does not have the capacity to be able to offer the short-term intensive housing management service that is required to ensure that all new introductory tenancies are appropriately supported from the outset to ensure long term success and sustainability.
- 1.5 The proposal is for all introductory tenants to be assessed in terms of their ability and experience to live independently and successfully manage a tenancy. Those assessed as being in need will receive an intensive housing management service starting at the point when they are first offered a property. Those tenants who can clearly demonstrate that they are low risk in terms of tenancy failure will not be required to receive the service.
- 1.6 Those introductory tenants who receive this service would be required to pay a £14.50 service charge. It is anticipated that some 70% of these tenants would have this charge met by Housing Benefit.

RECOMMENDATION

- 2.1 To approve the introduction of a Tenancy Sustainment Service to those introductory tenants who are assessed as being in need of such services as outlined in paragraphs 4.4.
- 2.2 To approve the establishment of the proposed Tenancy Sustainment team within Derby Homes.
- 2.3 To approve the proposed service charge of £14.50 for those introductory tenants who are identified as requiring the service.
- 2.4 To allocate the revenue generated from this service charge to Derby Homes to meet the costs of the new service.
- 2.5 To receive a report evaluating the outcomes of the service after twelve months.

REASONS FOR RECOMMENDATION

- 3.1 Evidence has shown that introductory or new tenancies have a far greater risk of failure than established tenancies. The proposed new service aims to tackle that issue, and will be a significant extension to the services currently offered by Derby Homes in ensuring that tenancy sustainment is maximised.
- 3.2 To ensure Derby Homes has adequate staffing resources to implement the new service in a structured and managed approach.
- 3.3 To ensure that Derby Homes has adequate funding to support the new service.
- 3.4 To allow the Council to pass over the income to Derby Homes
- 3.5 To enable Members to evaluate the success or otherwise of this service.

SUPPORTING INFORMATION

- 4.1 Since 2004, all tenancies have started as introductory tenancies. Introductory tenants have fewer rights than secure tenants, and are effectively 'probationary' tenants for twelve months. If there are no issues during the probationary period then the tenancy will automatically revert to a secure tenancy after the twelve months. During 2008/09 there were 710 introductory tenancies, 858 in 2007/08 and 788 in 2006/07.
- 4.2 Staff at Derby Homes have discussed issues around tenancy sustainment with colleagues from other Arms Length Management Organisations (ALMOs), and have researched current best practice. There are examples of specific services for introductory tenants being administered at Bolton at Home and East Durham Homes. Crucially, the models from elsewhere are based on a temporary service charge which is eligible for Housing Benefit. The service offered by Bolton at Home is currently £13.57 per week and at East Durham £15.37 per week.

- 4.3 Derby's experience, and that of housing providers across the country, has shown that introductory tenants are more likely to abandon their tenancy, fall into rent arrears, or be involved in anti-social behaviour than established tenants.
- 4.4 This is because a significant proportion of introductory tenancies are granted to people who lack the necessary skills to sustain a tenancy, and therefore are in effect high-risk tenants. Examples of people who may need additional assistance are:
- People from new communities
 - Young people
 - Care leavers
 - People housed as homeless
 - Ex offenders
 - Individuals living independently for the first time
- 4.5 The proportion of introductory tenancies granted to people from such backgrounds is increasing.
- 4.6 Analysis of introductory tenancies created during 2008/09 has shown that of the 710 tenancies created, 372 of them (52%) fell behind with their rent by more than £100.00 at any given point during the period. During the same period the total amount owed by new tenants exceeded £200,000 at certain points. This equates to approximately 20% of the total arrears owed by less than 5% of tenants.
- 4.7 Currently, Derby Homes does not have the capacity to be able to offer the short-term intensive housing management service that is required to ensure that all new introductory tenancies are appropriately supported from the outset to ensure long term success and sustainability.
- 4.8 The proposal is for introductory tenants who are assessed as in need to receive an intensive housing management service starting at the point when they are first offered the property.
- 4.9 A package of intensive management support will be discussed and recorded with the new tenant when they are first offered their new property. This will include the type of assistance that will be required. The duration of assistance will be for the life of the introductory tenancy (usually 12 months).
- 4.10 A Risk Assessment Matrix has been developed which will be used at the initial offer stage to determine a relevant package of measures which will enable the tenant to successfully sustain their tenancy. The details of the package will be agreed with the tenant and will be included as a local condition of tenancy in the introductory tenancy agreement.
- 4.11 This process should reduce the number of disputes about the service as both parties will be clear prior to the tenancy commencing as to what support package will be in place.
- 4.12 An independent appeals mechanism is built into the assessment process to arbitrate disputes about whether a tenant needs the service.

- 4.13 Procedures have been developed around introductory tenancy reviews, and where it is necessary to extend an introductory tenancy the tenancy sustainment service will also be extended for the same period of time.
- 4.14 It is anticipated that on average around 30% of new tenants will be full rent payers and if assessed as needing the service would be required to self fund the £14.50 charge. The numbers of full rent payers will fluctuate from time to time and the service will adjust to meet demands. A benefit assessment would be carried out for all new tenants to ensure that any benefit entitlement is claimed. All tenants receiving housing benefit would have the charge covered by Housing Benefit.
- 4.15 To try to determine the impact on self-funders, analysis of the current introductory tenants as at December 2009 has been carried out. Of the total of 858 introductory tenancies, 303 are currently required to pay full rent. Of the 303 tenancies, 85% are managing their tenancy and rent account in a satisfactory manner, and based on the information available it is estimated that 45 of the self funding tenants would be required to engage with the Tenancy Sustainment Service.
- 4.16 Discussions with Bolton at Home and East Durham Homes who run similar services with service charges indicate that they have not experienced any significantly detrimental impact on self funders required to engage with the service, nor have they experienced a greater number of refusals due to the requirement to pay the additional service charge.
- 4.17 The average council housing rent in Derby is £61.00 per week based on a 48 week payment basis, which would be increased to £75.50 with the proposed additional service charge. This equates to £56.30 per week based on a 52 week basis and £696 a year Tenancy Sustainment Service charge. For those new tenants who will be required to pay the service charge, this will be an additional cost for twelve months. This needs to be viewed in the context of alternative rental options in the city which are significantly more expensive.
- 4.18 Derby Homes has also carried out research on the costs associated with securing alternative housing association or private rented accommodation. In most cases average housing association rents are higher than council rents. The average rent being £75 - £80 per week on a 52 week basis. Comprehensive information on private rented properties is not available, but research shows few properties available below £100.00 per week and a deposit is required to secure a tenancy within the private sector, usually to a minimum of £500 and a month's rent due in advance. In addition, private tenants securing accommodation through a private lettings agency will usually be required to fund credit reference checks prior to being accepted as suitable to hold a tenancy. The costs of such checks are in the region of £300. New tenants within the public sector are not required to pre-fund their tenancy, or pay for credit checks.
- 4.19 Derby Homes Board has approved the proposed new service in principle and a costed business case. The Council will be aware that the Derby Homes Board consists of 15 Board members, made up of equal numbers by Councillors, tenants and independent Board members

OTHER OPTIONS CONSIDERED

- 5.1 The Council could advise Derby Homes to continue delivering the service as it currently is. However this proposal gives the Council an opportunity to extend service provision. It should also be noted that improving performance around tenancy sustainment will deliver savings through reduced void and other management costs.

For more information contact: Sharon Hancock Tel 287236

Background papers: Derby Homes Resources and Remuneration Committee report
List of appendices: Appendix 1 – Implications

IMPLICATIONS

Financial

1.1 Six detailed financial models for the proposed new service have been prepared. The models are based on 700, 800 and 900 new tenants accessing this service and are calculated on the basis of the following assumptions:

- The number of new tenants is estimated to be in the range of 700-900 based on previous years with self funders representing 20%-35%
- A caseload of approximately fifty Introductory Tenants for each member of staff
- An incremental recruitment of the team to keep pace with the caseload, the eventual number being determined by the total caseload
- A team leader at grade SO1 and staff at Scale 4
- There will be a maximum take-up of 80% of all new tenants to the service
- The new service will commence from 1 February 2010

All six models propose a rental addition of £14.50. All Introductory Tenants that are identified through the Risk Assessment Matrix as requiring this service will be charged this rental addition for the period that they receive the service.

1.2 The proposals have been discussed with staff at Derby Benefits and Legal Services and have confirmed that the service charge is eligible for benefit. The Housing Benefit regulations require that any service charge must relate to the provision of adequate accommodation to be eligible for Housing Benefit.

The proposed new service is for intensive housing management rather than personal counselling and support. Personal counselling and support is not eligible for Housing Benefit, and currently these services are funded through the Supporting People Programme.

1.3 The impact on Derby Homes is summarised in the following table.

The table shows that the six income and expenditure models all show a cumulative deficit at 31 March 2010, but that the service will break even within a maximum of 26 months.

Table A – based on 20% of self funders

Estimated New Tenancies per year	Eventual total staffing level	Eventual total caseload	Cumulative deficit at end 2009/10	Cumulative surplus/deficit at end 2010/11	Time taken to break even (months)
700	11	560	(15,500)	(17,662)	20
800	12	640	(11,071)	(1,836)	16
900	14	720	(13,950)	(8,680)	17

Table B – based on 35% of self funders

Estimated New Tenancies per year	Eventual total staffing level	Eventual total caseload	Cumulative deficit at end 2009/10	Cumulative surplus/deficit at end 2010/11	Time taken to break even (months)
700	10	500	(16,080)	(27,969)	26
800	11	560	(11,845)	(772)	6
900	12	650	(10,975)	(3,369)	5

- 1.4 The proposal is a specific identified service on specific tenants and it is not appropriate to be treated as a pooled charge on the rent of all tenants. The current subsidy system means any changes to the calculation of the proposed rent increase could only be made within the overall rent restructuring process and would not be additional income to finance the new service if treated as rent.

By applying service charges which are kept within the cap limits income is retained locally to fund the service.

Legal

- 2.1 There are no legal implications for existing tenants.
- 2.2 The Unfair Terms in Consumer Contract Regulations require that the service is administered fairly and that the same service is available to all tenants who are paying the charge. The Office of Fair Trading has issued guidance on unfair terms in tenancy agreements. The advice from staff in Legal Services on the impact of these regulations is that all tenants who pay the charge should receive the same service. As has been explained, the needs of individuals will vary and the precise nature of work carried out will vary, however the service will be available to all qualifying Introductory tenants.

Personnel

- 3.1 Recruitment to the team will be in accordance with Derby Homes policies and procedures

Equalities Impact

- 4.1 All new tenants as individuals may have a variety of support needs arising out of issues such as age, disability, sexuality, race and religion. This can affect their ability to sustain a tenancy.
- 4.2 Many new tenants are from Minority Ethnic Communities and particularly new

emerging communities. Evidence has shown that tenants from these communities often need more support in establishing and maintaining their tenancies for a variety of reasons. This initiative will have a positive impact on the ability of people from those communities to maintain their tenancies and make a sustained contribution to the wider community.

Corporate objectives and priorities for change

- 5.1 This new Service will support the following Corporate objectives of **making us proud of our neighbourhoods, helping us all to be healthy, active and independent** and **giving you excellent services and value for money.**