

**To:** City Executive Board  
**Date:** 13 June 2018  
**Report of:** Head of Housing  
**Title of Report:** Extension of Home Choice Pilot

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To provide a review of the first year of the Home Choice pilot and to approve in principle, the extension of the pilot to March 2019.
<b>Key decision:</b>	Yes
<b>Executive Board Member:</b>	Councillor Mike Rowley, Housing
<b>Corporate Priority:</b>	Meeting Housing Needs.
<b>Policy Framework:</b>	Housing Strategy, Financial Inclusion Strategy.
<b>Recommendations:</b> That the City Executive Board resolves to:	
<ol style="list-style-type: none"> <li>1. <b>Approve</b> in principle, the extension of the Home Choice pilot until March 2019; and</li> <li>2. <b>Instruct</b> the Head of Housing to undertake a further review of the pilot later this year, and report the findings to CEB in October 2018.</li> </ol>	

<b>Appendices</b>	
Appendix 1	Customer case studies
Appendix 2	Impact of pilot on service areas
Appendix 3	Risk Register

## **Introduction and background**

1. In 2003 the Council established a private rented sector access scheme branded Home Choice as part of the new Housing Options and Prevention Service. The Home Choice Scheme provides housing in the private rented sector to people at risk of homelessness. The scheme's objectives are to reduce homelessness, and the cost of placing people in temporary accommodation. The scheme has been very successful, with 900 households currently housed under its provisions and over 1800 families helped. However, yearly new starts have been falling for some time, and alternative approaches need to be considered to avoid increasing pressure on temporary accommodation.
2. The main reason for the reduction in new starts under the Home Choice scheme is the high cost of renting privately in Oxford. Since Local Housing Allowance rates were capped in 2011, and then frozen from 2016 until 2020, the gap between Housing Benefit (or the Housing Cost Element in Universal Credit) and

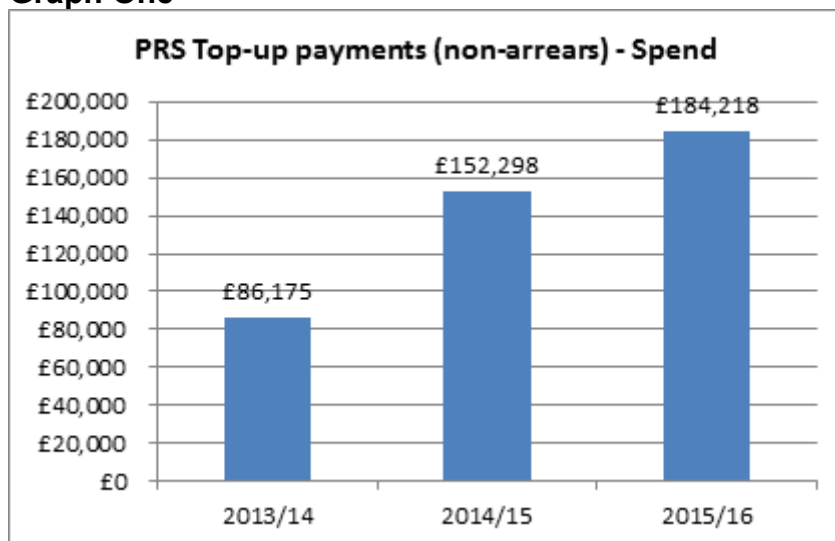
market rents has been increasing every year. Table one below shows the shortfall at April 2017 according to the Valuation Office Agency.

**Table One**

Property size	Monthly LHA Rate	Median Market Rent	Gap to LHA
2 bedroom	£834	£1150	£316
3 bedroom	£997	£1425	£428
4 bedroom	£1296	£2200	£904

- Tenants housed by Home Choice receive payments to top-up their Housing Benefit to the level of the agreed rent charged. These are usually paid as a matter of course to minimise the landlord's financial risk. However, other private tenants seeking support from the Council by applying for a Discretionary Housing Payment (DHP) are required to undertake activities to reduce their need for a DHP, such as looking for work. Despite the decrease in Home Choice new starts (79 in 2015/16 compared to 200 in 2010/11), the volume and amount of top-up payments were still increasing in 2016 (as shown in Graph One below). Long term this was going to have a significant financial impact on the Council and most importantly fail to deliver sustainable outcomes for residents housed in the private rented sector.

**Graph One**



- The Home Choice Pilot (branded as Oxford Rent Guarantee for external marketing) was commenced to deal with the inequality in approach to private sector tenants outlined in the paragraph above. The pilot was agreed by CEB on 13 October 2016.
- Due to the disparity in market rents and Local Housing Allowance (LHA) rates, most PRS tenants have a shortfall in their Housing Benefit. This is not an issue for social tenants on low incomes who will get 100% of their rent paid for by Housing Benefit, unless they are affected by the Bedroom Tax or Benefit Cap. Locally, the gap between LHA rates and market rents means it is not sustainable

for people on low incomes to live in PRS accommodation, and the Council cannot afford to subsidise the difference on an ongoing basis.

6. The pilot aims to reduce the cost to the council in topping up the rent of people placed in the PRS and most importantly to support those individuals so they can sustain their tenancy independently in the future. The pilot seeks to apply the support model used by the Welfare Reform Team which has been very successful in helping tenants faced by reductions in their housing benefit to sustain their tenancies, usually through accessing employment. The model seeks to empower tenants to take control of decisions which affect their family's economic independence, moving them from dependence on support from the state and city council, towards greater self-reliance.
7. The Housing Coach uses the provision of top-up payments as an incentive for tenants to work with him and to take action to improve their situation. The difference between the Home Choice Pilot and the work of the Welfare Reform team is a need to ensure the council has access to PRS properties. As such, in the pilot, the Council guarantees the rent to the landlord, paying in advance, and collects the rent owed from the tenants. This allows any additional support provided by the Council, in the form of a top-up payment, to be withdrawn without risking the Council's access to the property. Where the tenant is in receipt of Housing Benefit, the benefit and any top-up payment is paid directly to the tenant, so they have the responsibility of paying their rent.
8. The pilot will run for two years and aims to support a minimum of 80 tenants housed through the Home Choice Scheme. The pilot objectives are for:
  - at least 20 tenants to become financially independent of the Council
  - at least 64 tenants to engage in training, remove barriers to entering work, or increasing their earnings from work
  - for 40 tenants to be migrated from the existing Home Choice scheme, and 40 to be sourced from new customers coming through Housing Options
  - for 40 new properties to be secured for use in the pilot
9. Outcomes being measured are as follows:
  - The level of participant engagement in the project, both landlords and tenants
  - The number of participants sustaining their tenancy independently (without a top-up) by the end of the project
  - The number of out of work participants who move into work
  - The number of in-work participants who increase the number of hours they work, or increase their earnings
  - The number of participants who access training
  - The number of participants who make progress following referral to support services (e.g. CAB for debt advice)

### **OUTCOMES SO FAR**

10. In the first year of the pilot, 43 tenants have been enrolled. Most face barriers to sustaining a tenancy independently. These include employment, health and well-being, relationship breakdown and loneliness and transition from an institution. The experience of the Welfare Reform team is that these issues take time to

deal with, first in gaining the trust of the tenant, and then seeking their resolution. Progress isn't linear, with most people experiencing setbacks along the way. To tackle these barriers, the pilot provides tailored support based on the need of the individual in three key areas linked to their capacity to sustain a tenancy independently:

- Improving housing opportunities
- Progress towards employment
- Improving personal and financial resilience

11. In the first year of the pilot, significant progress has been made in all three of these areas as the following figures show:

#### Improving housing opportunities

- 43 tenancies created (24 new lets, 19 existing Home Choice tenants)
- 26 landlords have provided properties to the pilot
- 11 tenants are sustaining their tenancy without a top-up

#### Progress towards employment

- Five tenants are engaged in training to prepare for work
- Eight tenants are actively seeking work
- Five tenants have found work
- Five tenants have increased their hours of work

#### Improving personal and financial resilience

- Five tenants have been helped to access other benefits
- Three tenants have successfully managed money management plans
- Two tenants are saving for a deposit in order to move on from the pilot
- All tenants have passed their quarterly home inspections, which shows they are managing their tenancy effectively

12. Table 2 below show the breakdown of the conditions that have been applied to the top up payments received by tenants in the pilot. Tenants usually have more than one condition applied, so the total number is in excess of the 43 tenants in the pilot.

**Table 2.**

LHA Rent shortfall Top up conditions		
	No	%
Find work	6	10%
Increase working hours	11	17%
Apply for another benefit	7	11%
Debt advice	20	32%
Prepare for work	2	3%
Engage with support service	1	2%

Find cheaper accommodation	0	0%
Reduce expenditure	2	3%
Sustain employment	2	3%
Other	0	0%
Tenant paying shortfall themselves	12	19%

13. Appendix One contains case studies which show how two customers have been supported and made progresses in the pilot. One of these tenants has progressed to the point where they have secured the tenancy of a new property independently. This is the ultimate aim of the pilot, although it was not expected to achieve such an outcome so soon. The Real Lettings project which undertakes similar work, although provided by St Mungo's, works on the basis of tenants taking three years to achieve such an outcome.

14. Although there have been some considerable successes for individual tenants in the pilot, the number of outcomes has been lower than for equivalent work undertaken in the Welfare Reform team. There are a number of reasons for this which are listed below and explored further in subsequent paragraphs.as follows:

- Time spent on procuring and managing property
- Challenges in collection of rent
- Time spent making manual payments
- Customer attitude to private rented sector

15. The pilot employs a single person to procure and manage the properties, and support customers. It is estimated that property procurement and management takes up a third of their time. Some support for this work has been provided by colleagues in the Private Sector Housing team, and in the next year it is planned that they will take on much more of this work. This will allow more time for customer support, which should lead to improved outcomes.

16. Rent collection for tenants in the pilot has been undertaken by the Incomes team. The absence of key personnel, and difficulty in recruiting key staff has hampered this work. One of the principles of the pilot is for the Council to incentivise tenants to engage with the support offered by making a top-up payment which is conditional on engagement. If rent arrears are not dealt with promptly, there is little incentive for the tenant to engage. A fixed term role has been recruited to manage the rent collection in the pilot, so this issue will shortly be resolved. To ensure the pilot's approach is viable, it will be necessary to ensure that any eviction of a pilot tenant, can result in an intentionally homeless decision being made. Notices seeking possession will be served to tenants who accrue arrears which may enable this to be tested.

17. The pilot requires a lot of manual payments to be made. All the monthly top-up payments to tenants and quarterly payments of rent to the landlords have to be made manually. With 43 tenants in the pilot, this is a lot of work for the Housing Coach, and for the Payments team. In order for the pilot to be scalable, an automated solution needs to be found to this issue, and will be pursued with existing suppliers.

18. Customers attitude to placement in the private rented sector (PRS) also acts as a barrier to the work of the Housing Coach. Half of the pilot's tenants have come through Housing Options. Nearly all of them enter this process with the aim of obtaining a Council tenancy. As such, placement in the PRS is an undesirable outcome. This means that it takes a little longer for the Housing Coach to establish a positive working relationship, than it would for a WRT caseworker with one of their customers.

### **OPTIONS FOR DEVELOPMENT OF PILOT**

19. The pilot is due to end in September 2018. For the reasons outlined in the paragraphs above, it is not yet possible to make a strong financial case for adopting the pilot's approach for everyone the Council places in the private sector. However the project team is confident that if the issues identified above can be addressed, then this case will be able to be made. The positive outcomes achieved for some customers support this view. This means there are currently three options for the pilot:

1. Let the pilot run until September 2018 and then make a decision about its future
2. Extend the pilot until March 2019 and review in Autumn 2018
3. End the pilot immediately
4. Convert the pilot into business as usual now

20. Given that the pilot has achieved positive results for some customers, option three is not appropriate. However the issues raised in paragraphs 15-17 mean that Option 4 cannot yet be pursued. Option 2 would allow time to resolve the issues preventing better outcomes being achieved, and to achieve positive outcomes for more tenants. Funding for turning the work into business as usual could be addressed in the 2019/20 budget process. Option 1 would not allow this, and presents operational issues, including the retention of staff, so Option 2 is recommended.

21. Additional funding would be required to extend the pilot for the second half of 18/19. This would be to cover the cost of the Housing Coach and an Incomes Officer to collect the rents. In order to support the transition from a pilot to business as usual, it is recommended that an additional housing coach is employed for the last six months of the project. This would allow time for them to be trained, and start to take on their own cases before the pilot ends. Additional funding is being sought, with a fall back position being that the Homelessness Prevention reserve will be used.

### **IMPACT ON SERVICE AREAS**

22. The Home Choice pilot has required new processes to be adopted by a variety of frontline and support services. The pilot is a great example of the Team Oxford approach where tasks are shared across departments with a shared goal to improve customer outcomes. The process has involved cultural change and has met minor challenges along the way to achieve the objectives. Appendix Two details the impact of the pilot on the service areas involved.

### **FINANCIAL IMPLICATION**

23. The total cost of the pilot over two years was projected to be £172k, as shown in Table 5 below. This excludes costs for landlord incentives and tenant top-ups as

these would still be being made whether the pilot was running or not, albeit under the Home Choice model. The Rent Guarantee Scheme does place the Council at greater risk of financial loss as unlike deposits or bonds, the liability of rent guarantee lasts until the tenancy is ended. At the end of the pilot we will be able to quantify the costs of collection within this new model.

**Table 5.**

<b>Expenditure Item</b>	<b>Cost</b>
Consultant to develop rent guarantee model	£7,500
Housing Coach	£70,700
Welfare Reform Team support	£35,350
Specialist support for customers	£21,280
Incomes Officer for rent collection	£27,360
ICT costs to amend Northgate	£10,000
<b>Total</b>	<b>£172,190</b>

24. The introduction of a Rent Guarantee Scheme has allowed the Council to source rented properties at rents below the market rate. This means that the Council is spending less money on top-ups than it would do under the existing Home Choice scheme. This is shown in Table 6 below which provides a monthly cost comparison between the two schemes operated by the Council, as well as the cost of Temporary Accommodation and Bed & Breakfast accommodation.

**Table 6.**

<b>Property size</b>	<b>Rent Guarantee</b>	<b>Home Choice</b>	<b>Temporary</b>	<b>B&amp;B</b>
2 bedroom	£925	£975	£1,458	£2,805
3 bedroom	£1,100	£1,200	£1,760	£3,272
4 bedroom	£1,375	£1,500	£2,141	£3,874

25. The pilot will have made savings for the Council by the avoidance of temporary accommodation, costs that can be up to £500 a week. The Rent Guarantee element has been very attractive for landlords, and without this element, it is estimated that new lets in Home Choice would continue to have declined by 15 properties over the two years of the pilot. This would have meant that families who have been housed in the pilot would have had to go into temporary accommodation. If 15 families were housed in temporary accommodation for a year in a 2 bedroom property, the Council would incur an additional £96,000 in costs, compared to being housed in the Home Choice pilot.

26. The proposed extension of the pilot would incur an additional £64,000 costs. These are broken down in Table 7 below.

**Table 7.**

<b>Expenditure Item</b>	<b>Cost</b>
Housing Coach costs for Jul18 - Mar19	£27,042.75
Income Officer costs for Oct18 - Mar19	£18,604.80
2nd Housing Coach costs from Oct18 - Mar19	£18,028.50
<b>Total</b>	<b>£63,676.05</b>

**Legal issues**

27. Where tenants in the pilot have accrued arrears, the landlords of these properties have served notices to the tenants under sections 8 and 21 of the Housing Act (1988). One of the pilot objectives is to test whether evictions in this manner can be used in support of making “intentionally homeless” decisions. Legal colleagues will be consulted throughout this process.

**Level of risk**

28. A Risk Register is attached at Appendix Three.

**Equalities impact**

The Home Choice pilot only works with vulnerable residents at risk of homelessness and so an impact assessment is not required.

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**Background Papers:** None