

23 February 2016



**Durham Key Options (DKO)
Update**

**Report of Ian Thompson, Corporate Director, Regeneration and
Economic Development**

Purpose of the Report

1. This report is to update the Economy and Enterprise Overview and Scrutiny Committee on the performance and headline statistics of Durham Key Options' (DKO) Choice Based Lettings scheme.

Background

2. Members have previously received several updates in relation to DKO with the last update provided to the committee in January, 2015. At the meeting of the Economy and Enterprise Overview and Scrutiny Committee on the 29 October 2015 (during consideration of a report identify how the committee will scrutinise the County Durham Housing Group) members requested that a further update be provided on DKO.

Durham Key Options Overview

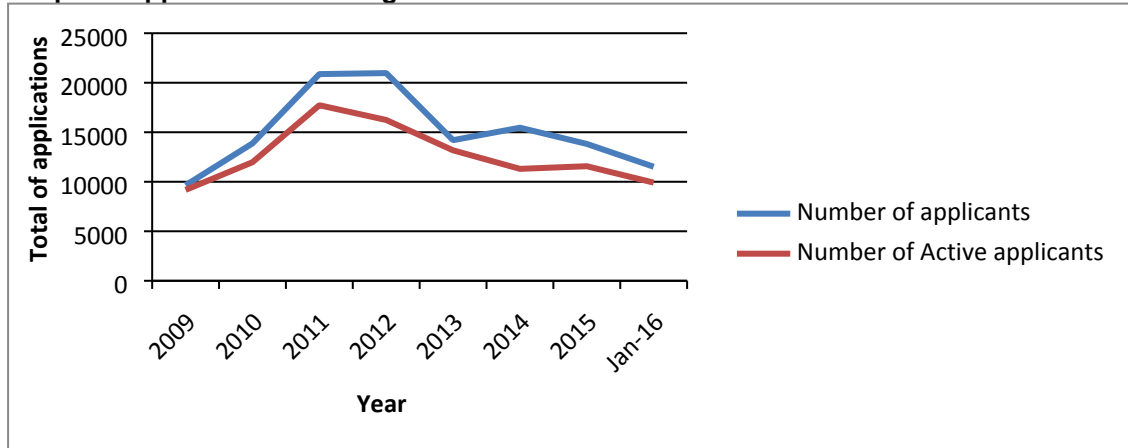
3. Durham Key Options is a choice based lettings (CBL) scheme. CBL is a way of enabling people looking for a home, to bid for available properties that are advertised in their chosen areas.
4. Durham Key Options began in 2009 merging the old district and borough regions under the same lettings scheme to make social housing more affordable and easily accessible for applicants. The scheme has continued to grow and develop delivering a high standard to customers, with all partners following one policy for assessments of housing need and allocations. The partners consist of:
 - Accent
 - Cestria Community Housing Association
 - Dale and Valley Homes
 - Derwentside Homes
 - Durham City Homes
 - East Durham Homes
 - livin
 - Teesdale Housing Association
5. Accent (the only non-former council stock RP) are leaving the partnership on 31 March 2016 due to cost implications. They will continue to advertise 50% of all lets via DKO, as per the DCC Nomination Agreement.

- The current DKO lettings policy operates a five banding system bands A to E and applicants are assessed and placed in the relevant band according to housing need. The Government have set a number of reasonable preference groups and all lettings policies must award priority to these groups.

Housing Register: current registrations

- On 1st January 2016, the total number of applicants registered for housing with DKO was 11,517, with 9,914 applicants active to bid. Graph 1 shows the trend in registrations since 2009.

Graph 1: Applicants on the register since 2009

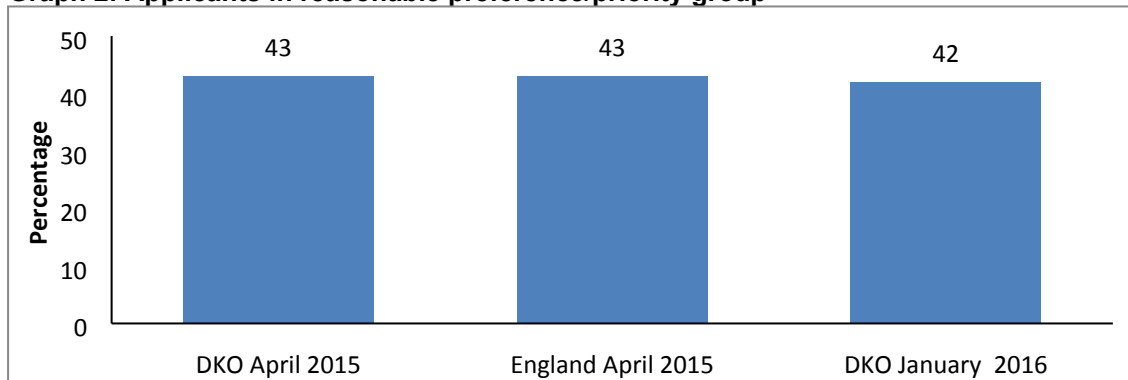


- The reduction is due to an improved re-registration process to ensure those applicants registered still require housing and are suitable.

Housing Need: applicants registered in priority groups

- Graph 2 shows the percentage of applicants currently registered within the reasonable preference groups/ statutory priority groups, as compared to the year-end figure and the national figure for England.

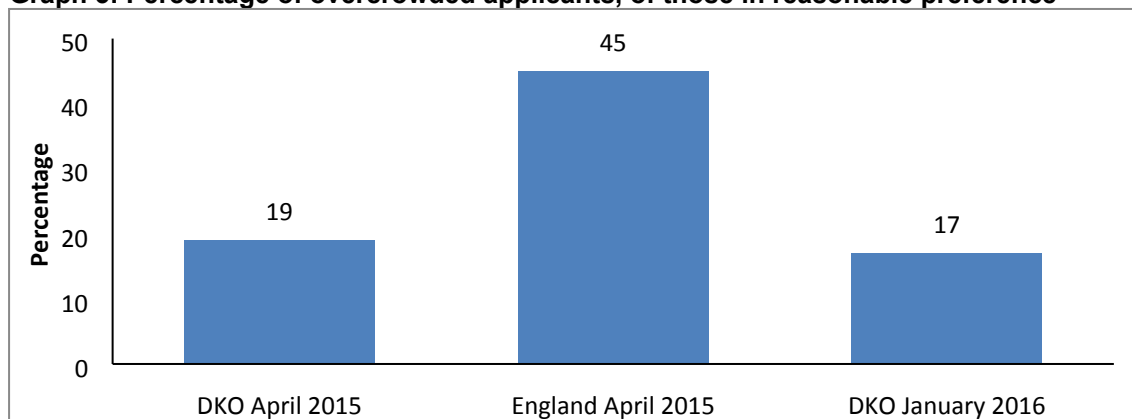
Graph 2: Applicants in reasonable preference/priority group



- This shows the current percentage (42%) of those in housing need (as stated by government) is consistent with both the DKO year-end figure (43%) and the national average (43%). So, overall, County Durham’s housing need on the social housing register is proportionate to other areas of the country.

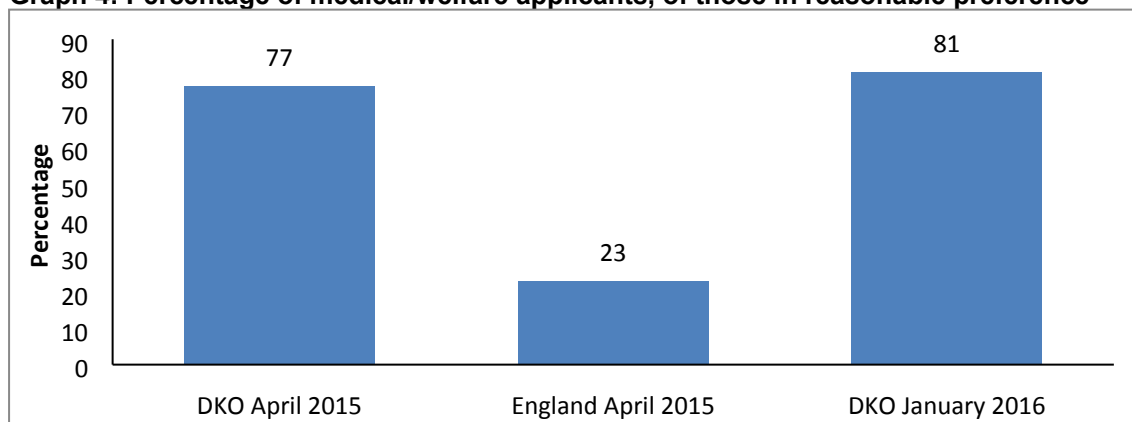
11. Graphs 3 and graph 4 show a further breakdown of the priority groups and the reasons for people needing housing.

Graph 3: Percentage of overcrowded applicants, of those in reasonable preference



12. Of the 42% currently in priority groups, 17% of that total is overcrowded. This is much lower than the 45% national average. This would indicate that although there may be a shortage of social housing for independent living in some areas of County Durham, there is not a general shortage of bedroom space, as applicants can either live in, share accommodation, or hold a tenancy (private or social) where there is enough bedrooms for the household makeup.
13. Graph 4 displays the percentage of applicants assessed as having a medical/welfare need.

Graph 4: Percentage of medical/welfare applicants, of those in reasonable preference

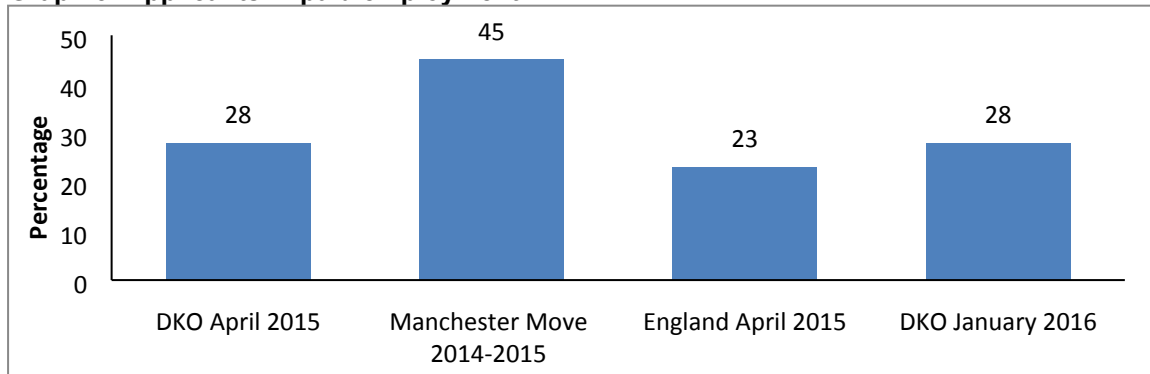


14. Just over 1 in 5 applicants that have a housing need in England are assessed as having that need due to a medical or welfare issue. However, 81% of all housing need in County Durham is currently due to medical/welfare issues (rising from 77% at the year-end). This is significantly higher than the national average. To clarify: if 42 people from every 100 in County Durham have housing need (in reasonable preference) then *of those 42*, the number with a medical/welfare need is currently 34 (81%).

Employment and income levels of current applicants

15. Graph 5 shows the percentage of applicants registered who are currently in paid employment compared to the year-end figure and other regions.

Graph 5: Applicants in paid employment



16. In comparison to the national average (23%) DKO has more people in paid employment on its register. However, Durham has less employed applicants than Manchester Move (45%) and this is due to qualifying criteria in their lettings policy and their community banding priorities. These are used to differentiate between applications of similar housing need- those in work are rewarded. This approach to reward employment will be considered again, when the policy for Durham is next reviewed, in 2016.
17. In 2014-15, 76% of registrations for the partnership fell in the income bracket of less than £15,000 last year (with a further 7% in the bracket £15-£20,000). Just 1% of registrations came from those with income of £30,000 plus.
18. There were 2,688 applying to DKO from the private sector in 2014-15 and 76% of those applicants (2,042) fell into the income bracket of £0-15,000.
19. This is exactly in line with *all applicants* to DKO. This would suggest that high earning private tenants do not apply to DKO at any greater rate than social tenants in a similar position. Further work is to be carried out to establish how this compares with income levels of those tenants applying direct for accommodation in the private rented sector.

Bidding and demand

20. In the first 9 months of 2015-16 average bids for 1 bed properties have dropped compared to the last financial year- from 3.5 to 3.2. But the average bids for 2 bed properties have increased from 6 to 6.6, county wide. Average bids for 3 beds remains at 2.4, just under the average from last year (2.5).
21. Data from April 2013 to April 2015 has been analysed to identify the trend in bidding. This has revealed that bids for 1 bed properties are now just a third (3.26 bids) of the total from 3 years ago (9.05), and bids for 2 bed properties are just less than a quarter (5.91) now, from 3 years earlier (a massive 26.08).
22. The average bids for 3 bedroom properties has reduced from 5.38 to 2.32, and bids for 4 bedroom properties have dropped from 14.58 to 3.94 (around a quarter of the previous size). All eight partners show a drop in average bids across their stock, with most partners now receiving around 25-30% of previous totals. However, Cestria's drop in average bids is less significant- around 50% of their previous number. All property types receive less bids now, compared to 3 years ago.

23. It should be noted that In April 2013, in addition to the welfare reform changes, the DKO partnership introduced a three refusals rule to the policy. If an applicant refused three suitable offers, following a successful bid, they would be removed from the DKO scheme for 6 months (subject to appeal). This rule was introduced to save resources for the partners when dealing with 'scatter gun' bidding by applicants, and to make applicants think carefully where they wanted to live to improve sustainability in neighbourhoods. This rule is highly likely to have affected average bids post-2013.
24. Bungalows show the least significant drop, with bids still received at around half the rate (8.46) compared to 2012-13 (15.79). Sheltered properties also receive around half the bids now (3.03) compared to three years ago (5.9).
25. The most dramatic shift in average bids is for houses of all types, where bids have dropped by up to 90% for detached houses, and 70-75% for semi-detached and terraced homes.
26. Band E includes applicants registered with no housing need but can bid for properties and be allocated these if no other applicants are interested. The highest percentage of Band E lets, by area, for each region (which may indicate low demand in those regions) is as follows:

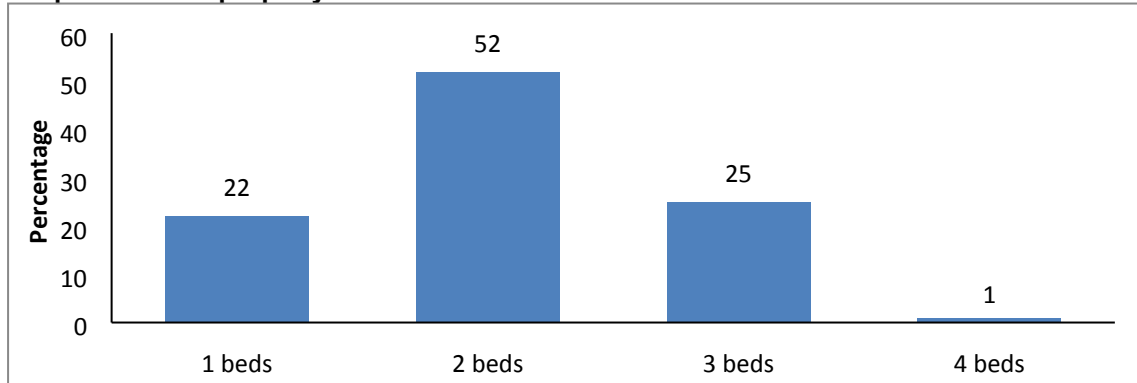
Region	Area with highest % of band E lets
Chester-le-Street	Pelton
Derwentside	Moorside Estate
Durham City	Brandon
East Durham	Thornley
Sedgefield	Jubilee Fields, Shildon
Teesdale	Evenwood
Wear Valley	Watergate Estate

27. Pelton, Brandon and Watergate Estate were also the areas with the highest percentage of band E lets (for their respective region) in 2014-15.
28. The top three percentages of Band E lets, by property type, possibly indicating low demand are:
- | | |
|---------------------|-----|
| 3 bed terraced | 21% |
| 3 bed semi-detached | 21% |
| 2 bed terraced | 17% |
29. 72% of the total lettings to Band E applicants were to new tenants and 28% were transferring tenants within DKO.

Lettings

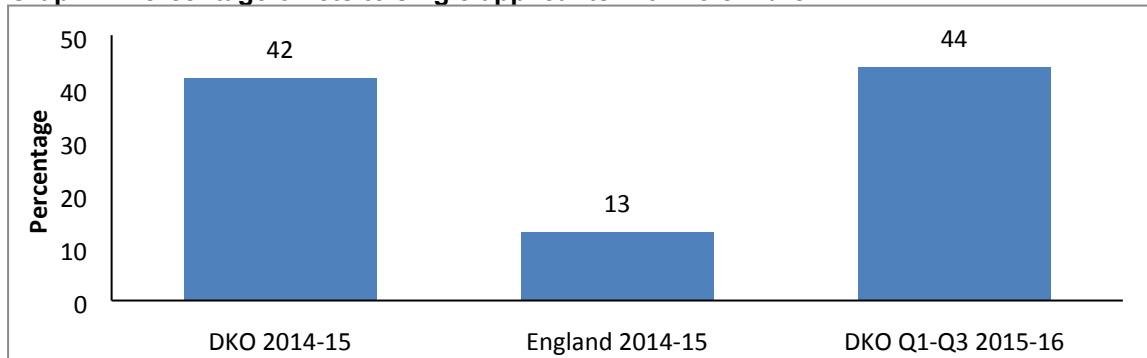
30. In the first 9 months of 2015-16 there have been 3,377 properties social lets through Durham Key Options. Graph 6 shows the percentage breakdown by size of property let:

Graph 6: Size of property let in 2015-16



31. All bedroom sizes are within 1% of the year-end figures for the previous year (2014/15) for DKO.
32. In light of welfare reform and the under-occupancy charge, lettings to single applicants have been monitored. Graph 7 shows the percentage of lets to single applicants with no children, in quarters 1 to 3, compared to the last annual DKO figure and the national figure:

Graph 7: Percentage of lets to single applicants with no children



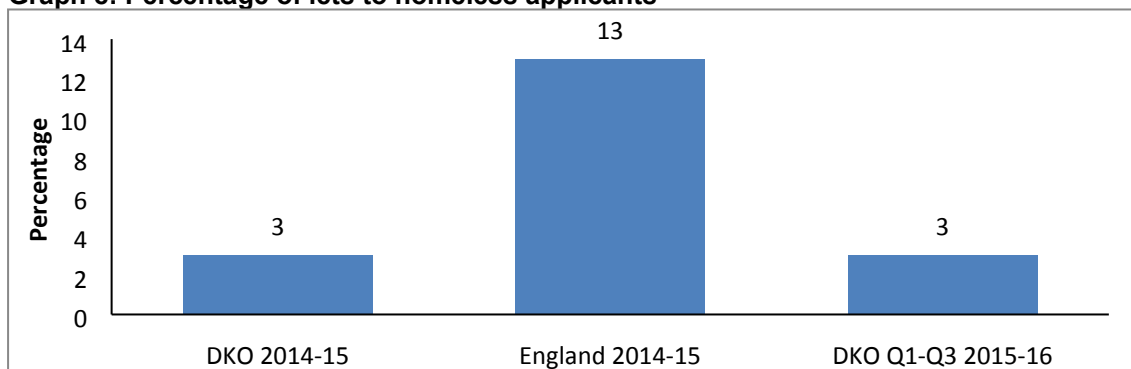
33. Durham Key Options is significantly higher (44%) in its lets to single applicants than the national average (13%). This is likely to be because of the difference in other lettings policies across the country, where many other schemes do not allow under-occupation eg singles are expected to accept 1 bedroom properties only.
34. This could be seen to be a negative for DKO- allowing under-occupation to applicants who may not be able to afford the rent (if claiming housing benefit) and may build up rent arrears. However, DKO would need to investigate whether the partnership could fill future voids with families alone, if they were to amend the policy in a future review. Nearly half of all lets within DKO are to single applicants, so the partnership would need to be confident that there is demand in County Durham from families- *for all areas*- if amending policy.

35. The largest percentage of lets made to one age group was 23% to 25-34 year olds. This was in line with the registrations for this age group in 2014-15, with 26% received. This trend may change when the government introduce LHA for social housing too, and single under-35s have a greater deficit to pay on rent.
36. The single largest group (by age *and* tenure type) for lettings over the last year was private tenants aged 25-34, with 6.8% of all lets. This is followed by the same age group but recorded as 'living in'.
37. In April 2013 the DKO partnership decided to award Band B for 2 'spare' bedrooms and band C for one 'spare' bedroom, to all tenants of the full partners that registered for rehousing (regardless of income). In January 2015, figures (Appendix 2, Table 1) were presented to Scrutiny as an update on under-occupation within the partnership.
38. Appendix 2, Table 2 shows the current situation regarding under-occupiers registered with DKO. A further 209 tenants have been re-housed in the last 13 months. The number of applicants that registered but have a closed has doubled. This may happen for a number of reasons including non-return of information requested or annual renewal, or the applicant may simply have decided to stay in their current home.
39. Nearly half of all tenants (44%) registering with DKO due to under-occupation have been rehoused since the policy change in April 2013. Dale and Valley Homes (20%) and East Durham Homes (21%) have the least number of under-occupying applicants waiting for rehousing to a smaller property, as a percentage of their total under-occupying registrations.

Homelessness

40. Graph 8 shows the percentage of lets in Q1 to Q3 to homeless applicants, compared to the national average last year:

Graph 8: Percentage of lets to homeless applicants



41. The percentage of homeless applicants that have secured a home via DKO has stayed the same as last year's annual figure and this remains much lower than the 13% national average. Other authorities, in higher populated areas may not have the pro-active approach to prevent homelessness in the same way that Durham County Council currently operates, and other regions of England record higher numbers presenting as homeless.

Armed Forces

42. The below table shows the number of applications received from those with an armed forces connection- that did not apply as homeless (homeless applicants would be assessed by the local authority and placed in homeless bandings- band B where the authority has duty, and band C, where there is no duty):

Current form state	2011-12	2012-13	2013-14	2014-15	2015-16
Active	0	0	0	5	5
Closed	8	13	7	2	0
Housed	2	12	15	7	3
Grand Total	10	25	22	14	8

43. All applicants with an armed forces connection that registered before 2014-15 have either been housed (29 applicants) or have had their form closed due to lost contact or resolving their own situation/requesting closure. 10 applicants with such a connection remain on the scheme and are looking for housing.
44. Of the 79 applications in the last 5 years, 39 have been housed (49%). But noticeably, 36 of those housed have been housed **since the policy was amended in April 2013** to award armed forces applicants with band C (instead of band D).
45. Just 3 applicants were housed from 2011-2013, from the lower band D.
46. The number of registrations from armed forces applicants has dropped from 22 in 2013-14, to 14 in 2014-15 and is on course for around 11 in 2015-16. This drop has been discussed at DKO Board in January 2016 and will be analysed further during potential policy changes this year.
47. However, it is difficult to suggest at present why the number interested in social housing may have dropped, considering the policy change to award band C instead of band D appears to have been a positive move for this group of applicants.

Terminations 2013-15

48. The number of terminations for the partnership reduced by 510 in 2015, compared to the previous year.
49. There has been a relatively sizeable increase in 'deceased' (95 extra), moves to other RP properties (36) and to give/ receive support (77), across County Durham.
50. The largest decrease across the partnership is evictions (145 less), followed by internal transfers (91), moves to larger accommodation (89) and abandonment (88). Moves to private rented also reduced (33).

Private Landlord Accreditation and DKO

51. Since April 2015 applicants to DKO also have the option of securing private rented accommodation through an application and bidding process.
52. Applicants applying for social housing, that state private rented accommodation is also an option, are automatically registered to bid for both accommodation types.
53. If an applicant does not qualify for social housing or simply does not want social housing, they can apply for private rented accommodation through the Housing Solutions service. Their application is then referenced by the Private Sector Team as green (no concerns), amber (low level arrears or ASB issues) or red (poor tenancy records).
54. If they qualify for social housing, they are automatically processed as 'green'.
55. There are currently 2057 applicants registered and able to bid on PRS accommodation. Of those, 153 have been referenced by the Housing Solutions service rather than coming via the social housing partners of DKO.
56. Of the 152, referenced applicants, 87 are red, 50 are amber and 15 are green.
57. Applicants bid each week via the DKO website and details are sent to landlords every week, of any interested parties.
58. There are currently 59 accredited landlords with Durham County Council and there are currently 50 PRS properties advertised across County Durham, at any given time.

Priorities for DKO for 2016

59. Promotion and advertising of the scheme is one of the main priorities of the partnership. Appendix 3 shows the advertising methods used in 2015, and the incentives offered by all full partners, to increase demand and the profile of Durham Key Options.
60. DKO Board has agreed the following 4 priorities for 2016:
 1. Low Demand
 2. Policy Review
 3. Partnership Review
 4. Marketing of DKO
61. These actions will be aligned with the refreshed housing strategy which is currently in development, and laid out in a DKO Action Plan 2016.
62. Potential policy changes (which would undergo consultation), **may** include:
 - Stricter qualification criteria regarding rent arrears/ rechargeable repairs (particularly if owed to the partnership)

- Under-occupiers to be financially assessed rather than 'pass-ported' to a priority banding (ie those that work and can afford full rent, may not receive priority, as they do now)
- A change from 5 to just 4 bands (for clarity with staff and customers)
- Removal of the existing quota system
- Amendment of eligibility for bed sizes outside of the government's assessment criteria for housing benefit rates (and future LHA rates)
- Greater work around affordability and housing options
- An increased number of bidding cycles, to speed the process for customer's and improve partner void times

Recommendation

62. Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to note and comment upon the information provided within the report.

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Appendix 1: Implications

Finance – None

Staffing –None

Risk – None

Equality and Diversity – None

Accommodation - None

Crime and Disorder – None

Human Rights – None

Consultation – None

Procurement – None

Disability Discrimination Act –None

Legal Implications – None

Under-occupying DKO tenants

Appendix 2

Table 1: Under-occupying registrations to DKO as of 01.12.14

Durham Partner To Process	Active	Closed form	Housed	Grand Total
Accent Foundation	3	5	16	24
Cestria Community Housing Association	136	30	75	241
Dale and Valley Homes	67	33	64	164
Derwentside Homes	76	23	65	164
Durham City Homes	101	25	63	189
East Durham Homes	120	95	143	358
livin	87	39	124	250
Teesdale Housing Association	11	6	5	22
Grand Total	601	256	555	1412

Table 2: Under-occupying registrations to DKO as of 01.02.16

Durham Partner To Process	Active	Active %	Closed form	Housed	Housed %	Grand Total
Accent Foundation	5	17%	7	18	60%	30
Cestria Community Housing Association	96	34%	80	103	37%	279
Dale and Valley Homes	41	20%	76	85	42%	202
Derwentside Homes	61	27%	71	90	41%	222
Durham City Homes	86	36%	56	96	40%	238
East Durham Homes	91	21%	148	189	44%	428
livin	75	23%	75	174	54%	324
Teesdale Housing Association	9	32%	10	9	32%	28
Grand Total	464	26%	523	764	44%	1751

Advertising and Incentives

Appendix 3

Table 1: Methods of advertising used by partners in 2015

	Accent	Cestria	DCH	DVH	EDH	Derwentside	livin	Teesdale
Facebook	Yes	Yes	Yes		Yes	Yes	Yes	Yes
Right Move				Yes	Yes	Yes	Yes	
To let boards	Yes		Yes	Yes	Yes	Yes	Yes	Yes
Gumtree			Yes	Yes	Yes	Yes	Yes*	
Zoopla	Yes							Yes
Recommend to a friend	Yes		Yes			Yes	Yes	
Windows adverts/ TV screens	Yes		Yes		Yes	Yes	Yes	
Bulk Messaging (Abritas)	Yes				Yes		Yes	
Property of the week on customer website	Yes		Yes				Yes	Yes
Flyers - door to door	Yes		Yes			Yes		
Own website	Yes	Yes		Yes		Yes	Yes	Yes
Previous shortlists	Yes	Yes	Yes			Yes	Yes	Yes
Showing customers more than one property	Yes		Yes	Yes	yes	Yes	Yes	Yes
Local newspaper							Yes	Yes
Van wraps	Yes			Yes			Yes	
Parish newspaper							Yes	
Twitter	Yes				Yes	Yes	Yes	
Targeted telephone campaigns							Yes	

*livin advise this method was too resource intensive to continue

Table 2: Incentives used for letting low demand properties in 2015

	Accent	Cestria	DCH	DVH	EDH	Derwentside	livin	Teesdale
Rent free week/ weeks	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Decorating vouchers	Yes		Yes	Yes	Yes	Yes	Yes	Yes
Carpet vouchers	Yes	Yes		Yes	Yes	Yes		Yes
Assistance with furniture	Yes	Yes						
Carry out minor adaptations	Yes	Yes	Yes	Yes	yes	Yes	Yes	
Leniency with Introductory Tenants for amends (eg sheds)	Yes		Yes	Yes		Yes	Yes	
Time2Get Online training			Yes	Yes	Yes		Yes*	
Environmental improvements			Yes		Yes		Yes	
Help to move scheme (Internal)						Yes	Yes	
Flexibility for start dates				Yes	Yes	Yes	Yes	

* livin offer Digital Skills training courses with Foundations at Shildon