

Meeting of Executive Members for Housing and Adult Services and Advisory Panel 11 September 2006

Report of the Director of Housing and Adult Services

Customer Reward Scheme for Council Tenants

Summary

1. To ask the Executive Member to consider a number of different incentives that could be used to reward loyal customers and encourage customer to abide by the terms and conditions of their tenancies.

Background

2. The council has just under 8,000 tenants and 80% regularly pay their rent and 95% do not cause any significant nuisance. Housing Services has always used some form of encouragement to ensure customer compliance with the terms and condition of their tenancies. Tenants are not allowed to transfer with arrears, customers cannot have a garage if they are in arrears, and they cannot complete a right to buy if they are in arrears. These are negative sanctions rather than positive encouragement. The proposals suggested below aim to create a culture of rewarding good behaviour as well as taking action against unacceptable behaviour.
3. Most of the housing management services resources are spent on working with the minority of our customers who do not abide by the terms and conditions. We seldom have reason to contact customers who look after their home and garden, pay their rent, do not cause nuisance to anyone and take pride in their community. However with the introduction of annual visits this year, it is hoped that we can reward the majority and encourage more customers to act in a more positive way.
4. Recently the department has introduced the incentive to customers in temporary accommodation offering to reduce the debt by 50% of the amount that they have paid. The department has also introduced the "Good Neighbour" scheme in the allocations policy, "York Pride" blocks and "Tenant in Bloom" competition.
5. The importance of incentives is emphasised by the Audit Commission. Its Key Lines of Enquiry (KLOE) on housing income management says an excellent organisation "provides a mix of incentives and sanctions to encourage service

users to stay out of debt or reduce their arrears”. More recently, the government has emphasised the role of rewards and incentives through its Respect agenda.

6. A recent survey by Housing Quality Network revealed that a number of housing organisations have introduced some form of incentive scheme largely for general needs tenants and mainly to reward ‘good’ tenants. Whilst the impact of the schemes needs monitoring over a longer period the initial results from the survey suggest positive results.

Result Area	Number of Housing Organisation That Responded	Value to the Organisation
Membership numbers	8	Up to 85% tenant membership
Rent Arrears	5	0.2% to 4.3% reduction in arrears
Rent Collected	4	Up from 99% to 100% Collected
Re-let times	2	A reduction in the average void period from 24 to 21 days
Void rent loss	2	Up to 1.8% reduction

7. These proposals have been discussed with the Federation of Resident Associations at their July meeting and they welcome the idea of these incentives.

Options

Option one

8. It is proposed that the department introduce a number of incentive schemes on a pilot basis. These are listed below;
- i) The piloting of a quarterly prize draw scheme for tenants. The prize might be for £250 cash, Tickets for a West End Show, Christmas Hampers or goods such as an ipod. These are just a few examples.

To qualify for this schemes customers would have to;

- Have a clear rent and court costs account or have maintained a regular agreement to clear their account for the previous 13 weeks

(including those where any arrears are due entirely to delays in Supporting People payments)

- Have a current valid gas safety certificate where applicable
 - No tenancy breaches.
 - Do not owe Housing Services money for any other reason such as a recharge for repairs, former tenant arrears, and garage arrears.
- ii) The introduction of a loyalty discount card for customers which they will be able to use at number of leading national and local retail outlets in and around York.

To qualify for this scheme customers would have to have;

- A clear rent account and not owe money for any other reason;
 - A current gas safety certificate where applicable;
 - No other tenancy breaches.
- iii) When customers terminate their tenancy they should give four weeks notice and leave their home in a good state of repair. Therefore it is proposed that the department will give every tenant that completes the tasks listed below £25 for each element :
- Gives 4 weeks notice;
 - Leave the property in a good condition (i.e. good decorative order and good state of repair);
 - Allow a pre termination inspection and allow minor repairs to be carried out during the four weeks notice period, and were appropriate allows accompanied viewing while the property is still in occupation.
- iv) At present the scheme to encourage the homeless to repay their former tenant arrears is based on them maintaining repayments over a 26 week period. It is proposed to make an interim payment at 13 weeks to encourage them to maintain the momentum.

Option two

9. Do not implement these incentive schemes and maintain the current position.

Option three

10. To decide to partially implement the scheme by taking one or two of the initiatives that have been suggested in option 1.

Analysis

Option one

11. **Prize Draw** - A report will be run on the computer system to identify those customers that qualify for the draw with regard to their rent arrears.
12. Each account would be assigned a number. A set of 10 (note - as more customers will qualify on arrears criteria if agreements included) random numbers would then be generated. The first would be checked against the qualifying criteria and if successful the tenant(s) associated with this number would receive the prize. If they did not qualify the next tenancy identified would be looked at.
13. Customers who are awaiting housing benefits to be assessed and who have provided all relevant proof and information for their claim would be included. On average Housing Benefit is assessed in 40 days.
14. The success of the scheme will be measured by:
 - Number of clear rent and court costs accounts over time;
 - Reduction in amount of low level arrears & outstanding court costs ;
 - Reduction in the number of failed gas servicing appointments;
 - Reduction in the number of nuisance complaints;
 - Positive feedback on the pilot from customers and Residents forums.
15. Kirklees Neighbourhood Housing have been running similar prize draws for several years, following their first two draws they reported a reduction in the arrears off nearly £150K in a 5 month period with a reduction of the number of tenants in arrears of nearly 600 cases. Kirklees currently have 27,000 tenants. If the same level of reduction is seen in York, on a pro-rata basis, this would equate to a reduction in rent arrears of £44k.
16. **Customer Loyalty Card** - There are a number of Social Landlords that now reward their tenants with loyalty discount cards for customers who abide by the terms and conditions of their tenancy.
17. The leading company who supplies these cards is Countdown. They negotiate discounts with various high street and consumer brands. Customers who have loyalty card can make savings on:
 - Shopping (Sainsbury's, B&Q, ASDA, Curry's);
 - Home and Family (Mothercare, Homebase);
 - Dining out;
 - Leisure (Sealife, The Dungeon);
 - Travel and Accommodation (Thompson, Airtours, Thomas Cook);
 - Gift Vouchers;
 - Motoring (BSM, RAC);
 - Insurance and services.

18. The cost of these cards varies dependant on the number of cards that are ordered:
 - £6.00 per card : 2,500 - 4,999
 - £4.40 per card : 5,000 - 9,999
 - £3.50 per card : 10,000 - 24,999
19. **Customers terminating their tenancy** - Each year we have approximately 600 homes that become available for re-letting. The number of customers that gave 4 weeks notice in 2005/06 was 46%. In these cases the level of arrears at termination was on average £175, and the cost of repairs on the vacant home was £560 on average.
20. Where notice wasn't given, on the remaining 54% of terminations, the average arrears was £530 and the repair costs were nearly £1,000. The majority void properties can be re-let with repairs carried out after the new tenant moves in (this reduces the level of rent loss). Unfortunately 32% (192) of homes require repairs done before re-letting, inevitably this increases the rent loss and based on historic information it is estimated that the void loss doubles and the cost of repairs to these properties is £1,600 whilst with voids that can be let with minor repairs needed the average cost was less than £500.
21. It is proposed that providing customers give notice, leave their home in reasonable order and allow a pre-termination inspection and minor repairs to be carried out during the 4 weeks notice period they will receive £25 for each of these three elements.
22. The success of the scheme would be demonstrated by:
 - More customers giving notice;
 - Reduced repair costs to void properties;
 - Better maintained homes and gardens;
 - Less former tenant arrears and a reduction in the bad debt provision;
 - Reduced void rental loss.
23. Kirklees Neighbourhood Homes have been running a similar scheme for 12 months and they have completed some analysis of the effect. They found that 40% of their terminations qualified for the scheme and they paid out £37k. Nearly £11k of the payments were offset against other debts owed by the customers, however the most significant effect was assisting in improving the condition of their voids, reducing void clearance costs and improving void turnaround times, resulting in extra income of £260k for 2005/2006, as well as improving the service provided to tenants who are vacating their homes.
24. **Homeless incentive scheme** - So far 14 customers have started to repay their former tenant arrears on a regular basis this has resulted in £1,500 being recovered. An interim payment at 13 weeks will encourage these customers to continue to reduce their debt and persuade others to join the scheme.

Option two

25. If the authority does not adopt these incentives it will miss out on the opportunity to reward the majority of the tenants. It will also miss out on the potential to encourage customer loyalty to the authority.
26. In many of the recent inspections by the audit commission of excellent housing services, these schemes are increasing being seen as good practice. In the recent consultation paper on the governments 'respect agenda for housing management' positive incentives are seen as a core part of the standards.

Option three

27. If only part of the proposals in option one were implemented the costs would reduce, however there maybe a risk that the impact would not be as great and the potential saving would not be realised.

Corporate Priorities

28. Clearly all these schemes are intended to encourage our customers to abide by the tenancy agreement and are in line with the philosophy of York Pride.
29. Equally, by their nature, if successful, the council should benefit from a reduction in arrears, reduced costs on repairs, saving in staff time and rewarding loyal customers.

Financial Implications

30. **Prize Draw** – The cost of the draw would be £1500 a year. This could be met from existing resources and if approved it is proposed that the scheme is introduced this year with two draws at Christmas and Easter 2007
31. **Loyalty Cards** – The cost for the cards is dependant on how many are ordered. It is estimated that we would require 6,000 over a year period at a cost of £27k. Each card is valid for a year Countdown suggests that 50% of customers would be immediately eligible from the launch. Anyone who fell into arrears or breached their tenancy conditions would not be eligible for the loyalty card the following year. Whilst there is no firm evidence that performance improves as a direct result of loyalty card, the company anecdotally believe that for every pound invested the organisation get two back. Irwell Valley HA was the first to introduce such a scheme and they achieved over 100% collection for 3 consecutive years. Over 70% of their tenants no longer have arrears compared with 40% when they first started.
32. **Customers terminating their tenancies** – Based on the position last year 277 customer gave notice and therefore would be eligible for £25 for giving notice and potentially a further £50 for complying with the remaining 2 criteria. If this was the case the cost of the scheme would be £21k. If a further 50 customers were encouraged and as a result qualified this would cost a further £3,750. Based on the information from last year if another 50 customers gave notice and left their home in good condition the council could potentially save £17,750

on less arrears, £22k on reduced repairs and £8,650 on reduced rent loss, a total of £48,400. The scheme could potentially realise savings of £24k per annum.

33. Homeless incentive scheme – There are no further financial implications in making an interim payment at 13 weeks.
34. Its estimated that cost to the authority of introducing these schemes would be approximately £54k. If approved the funding would need to be considered as part of the 2007/08 budget process, however the cost of the schemes is expected to be offset by compensatory savings. The exact amounts of saving that will be made are difficult to predict. The table below attempts to give an indication.

Scheme	Cost of the Scheme	Potential Compensatory Saving	Net Saving
Prize Draw	£1,500	£10,000 off the arrears	£8,500
Loyalty Card	£27,000	£60,000 (based on info in para 32)	£33,000
Termination of Tenancy	£25,000	£48,000 (See para 32)	£23,000
Total	£53,500	£118,000	£64,500

Other Implications

35. There are no Human Resources, Equalities, Legal, Crime and Disorder, Information Technology, Property or other implications

Risk Management

36. The main risk associated with this proposal is that these initiatives will not generate sufficient compensatory saving to fund the schemes

Recommendations

37. The Executive Member is asked to approve option one, and agreeing to the setting up a pilot to adopt these incentives for a period of 12 months subject to funding being approved.
38. The Executive Member approve the start of the prize draw in the current financial year given that the cost can be contained within existing budgets.

Reason: The recommendation has been made because of the benefits that are predicted, such as the increased rental income that are detailed in the analysis section.

Contact Details

Author:

Tom Brittain
Housing Operations Manager
Housing Services
01904 551262

Chief Officer Responsible for the report:

Steve Waddington
Head of Housing Services

Report Approved

Date 16/8/06

Co-Author's Name

Title

Dept Name

Tel No.

Chief Officer's name

Title

Report Approved

Date *Insert Date*

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers:

Various leaflets and reports from Kirklees Neighbourhood homes
Irwell Valley Housing Association 'Gold Service'
ODPM The respect standard in Housing Management published April 2006
Use of incentives schemes: a survey HQN Reward Exchange June 2006

Annexes:

None