

# **Allocations Policy - Review of the Choice Based Lettings Model - Appendix 1**

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## **Should Eastbourne and Lewes retain Choice Based Lettings (CBL) as the primary means of letting social housing?**

### **1.0: Introduction**

There are a number of important questions considered in this paper. These are:

1. How well is the Choice Based lettings (CBL) system for letting properties working in Eastbourne and Lewes?
2. Can the Eastbourne and Lewes's CBL system be improved?
3. Is there a case for a hybrid system where CBL is retained but the policy allows for more of a balance between CBL and direct lets?
4. Is there a case for scrapping CBL and replacing it amended version of direct lets that still reflects choice?

The core objective for the bidding system is to advertise and let the social housing stock in Eastbourne and Lewes.

### **1.1: Recommendation**

The conclusions from this review are:

- 1) Choice Based Lettings (CBL) is not meeting the core aims set for a bidding system.
- 2) It is difficult to make CBL work in areas of such acute demand such as Eastbourne and Lewes. The vast majority of applicants on the Housing Register will have no prospect of being offered accommodation. Many will bid every week only to be disappointed.
- 3) There are a number of housing needs groups where a direct offer is the most appropriate and efficient method of letting a vacant property.
- 4) This includes those owed a homeless duty in temporary accommodation. Continuing to operate a bidding system is having a significant financial impact on the Council due to the inability to move sufficient numbers of households on from temporary accommodation.
- 5) Any hybrid system that mixes bidding with direct lets is likely to be confusing for applicants and is not sustainable, given that the number of vacant properties that would continue to be let through a CBL bidding system would be, it is estimated, no more than 40% of vacancies.

For these reasons the recommendation is for Eastbourne and Lewes to no longer operate a CBL system and return to a direct lets system. The same degree of choice can be offered to applicants re their area preferences under a direct lets system as per the current CBL system.

### **1.2: Information regarding the numbers of the 2 Council housing registers and the number of lettings in 2022/2023**

Tables 1 and 2 – number of households on the housing register for Eastbourne and Lewes broken down by bedroom size.

<b>T1: Eastbourne Band</b>	<b>1 bed</b>	<b>2 bed</b>	<b>3 bed</b>	<b>4 bed</b>	<b>Total</b>
<b>A</b>	86	13	12	0	111
<b>A*</b>	2	0	5	3	10
<b>B</b>	74	82	92	37	285
<b>C</b>	138	124	90	16	368
<b>C*</b>	49	0	0	0	49
<b>Total</b>	349	219	199	56	823

<b>T2: Lewes Band</b>	<b>1 bed</b>	<b>2 bed</b>	<b>3 bed</b>	<b>4 bed</b>	<b>Total</b>
<b>A</b>	43	21	15	2	81
<b>A*</b>	0	1	2	2	5
<b>B</b>	39	19	14	15	128
<b>C</b>	112	49	18	18	272
<b>C*</b>	32	1	0	0	33
<b>Total</b>	226	91	165	37	519

Tables 3 and 4: Number of lettings for Eastbourne and Lewes (Council and Housing Association) made in 2022/23 by band and bedroom size.

<b>T3: Lettings Eastbourne Size of property</b>	<b>General needs Council</b>	<b>General needs Housing Association</b>	<b>Retirement Council</b>	<b>Retirement Housing Association</b>	<b>Total</b>
<b>Studio</b>	5	1	15	2	23
<b>1 bed</b>	49	5	29	1	84
<b>2 bed</b>	41	5	8	1	55
<b>3 bed</b>	8	8	0	0	16
<b>4 bed</b>	3	0	0	0	3
<b>Total</b>	106	19	52	4	181

<b>T4: Lettings Lewes Size of property</b>	<b>General needs Council</b>	<b>General needs Housing Association</b>	<b>Retirement Council</b>	<b>Retirement Housing Association</b>	<b>Total</b>
<b>Studio</b>	4	2	13	0	19
<b>1 bed</b>	31	11	26	2	70
<b>2 bed</b>	51	8	6	0	65
<b>3 bed</b>	17	4	0	0	21
<b>4 bed</b>	4	0	0	0	4
<b>Total</b>	107	25	45	2	179

The tables show a high demand for housing and a relatively low level of lettings available to meet that demand.

### **1.3: How choice-based lettings works**

Choice-based lettings (CBL) has replaced the traditional way of allocating housing under which housing officers seek to match applicants who have priority on the waiting list to available vacancies. CBL allows applicants for social housing, including existing tenants in Eastbourne and Lewes, to apply for available vacancies that are advertised on-line. Applicants bid for any home to where they are meet the criteria for that home. The successful bidder is normally the one with the highest priority under the scheme as determined in Eastbourne and Lewes by the band and date in band applicant has been awarded.

### **1.4: How well is the Choice Based lettings (CBL) system for letting properties working in Eastbourne and Lewes?**

The conclusion from the evidence gathered is that continuing to operate a CBL system may not be an effective model given the housing pressures the Councils face.

CBL was introduced and promoted by the Government between 2001 and 2010. It was 'sold' as a more effective system for letting social housing compared with direct offers. Between 2001 and 2008 the Government sought to persuade Councils to adopt CBL systems through providing grants to cover set up costs.

Councils like Eastbourne and Lewes were told there were significant advantages of switching from a direct lets system to CBL. In summary the advantages claimed were:

- 1) CBL would create transparency for applicants who would be able to self-assess their prospects of being offered social housing
- 2) Applicants would be able to use feedback on who had been successful in bidding to modify their bidding behavior and would be likely to extend the areas where they bid in order to improve their chances of being offered social housing
- 3) It would also encourage applicants to work out if they had any prospect of being offered social housing, and if not, it would encourage them to pursue alternative housing solutions such as seeking private rented accommodation.
- 4) Implementing CBL would result in lower levels of applicants refusing properties because applicants would only bid for properties they wanted and were committed to taking

The CBL system in Eastbourne and Lewes does not appear to have delivered on these expected outcomes. I have set out the evidence that supports this conclusion below:

1. The CBL system in Eastbourne and Lewes has not achieved the objective of contributing to lower refusal rates. The assumption that under CBL people will only bid for properties they wish to live in is not borne out by the evidence. Once applicants have bid for a property it is estimated that x% do not attend a viewing having been shortlisted, and of those that do attend x% refuse the property that they had bid for.

Some properties need to be re-advertised increasing administration costs and rent loss whilst a property remains empty.

2. There is little evidence that CBL encourages applicants in Eastbourne and Lewes who have no prospect of being offered social housing to pursue alternative housing solutions such as seeking private rented accommodation. There is no process to inform applicant's as to what their banding award means for their prospects of receiving an offer, e.g. does having a band C award give you any realistic prospect of receiving an offer.
3. Eastbourne and Lewes's CBL system, in common with all CBL systems operating in areas of high demand, can give a misleading impression to some applicants that there is a good supply of social rented housing when there is not. There are approximately 4 times the number of applicants on the 2 Council's housing registers compared to the number that are housed annually. However, what applicants see each week is a reasonable number of properties being advertised. This misleading impression of housing supply may result in some applicants not being willing to pursue alternative housing solutions. This is not likely to be replicated under a direct lets system.
4. It is difficult to see how the process of providing feedback on the band and date in band for applicants that were successful in obtaining properties advertised in a previous bidding round helps applicants to modify their bidding behavior so that they are more likely to bid for areas and types of properties that they have more chance of being successful. There is no engagement or feedback to applicants individually on how to improve their chances, based on their bidding record. Feedback is 'tucked away' and difficult to locate and is not set out with any context to help applicants make informed choices.
5. Nor is there convincing evidence that CBL is positively contributing to mobility within Eastbourne and Lewes by encouraging tenants especially to be flexible in choosing where they wish to move to within their respective Council areas.
6. Under CBL there is a relevant question as to whether CBL results in more applicants in lower housing need being housed than would be the case under a direct lets system.

The breakdown of cases in housing need registered in Eastbourne and Lewes is similar to many other high demand Boroughs. To qualify all applicants must have a statutory housing need with the majority registered being placed at the lower end of statutory need.

What happens in a typical CBL system, where most applicants are bidding, or in a direct lets system where applicants are matched is that lettings are made in descending order starting to those in the highest need and, due to the limited number of homes, properties 'run out' by the time you get to consider lower need bidders.

In Eastbourne and Lewes it is reported by officers that there are a significant percentage of applicants in the higher bands (A,A\*, and B) that do not bid. The reasons for this are likely to be either:

- they are waiting for the perfect property, which is unlikely to materialise, or

- they do not understand the bidding system due to vulnerability or support needs, or

Furthermore, there is evidence of some applicants always being outbid for the best properties they are prepared to bid on and failing to bid for properties they would be very likely to be successful for if they had bid. These problems would be unlikely to be repeated in a direct lets system.

7. There is a problem with customer engagement with the CBL system for a considerable part of the Housing Register. It is common for Councils who operate a CBL system to report that possibly up to 40% of applicants are not bidding, and many others only bid occasionally. Whether this pattern is due to applicants 'giving up', or a lack of understanding of the bidding system, or are too vulnerable, or are digitally excluded, is not known due to no national analysis to find out why this is the case. In Eastbourne and Lewes officers report that the levels of non-bidding are similar to these figures.
8. There is also concern expressed by Landlord Services in Councils with a CBL system that it has some negative impacts for managing the Council stock namely:
  - a) That the requirement for tenants to always bid through the CBL creates an inflexible system. This constrains the ability to make letting decisions that support the best management of the stock and tenants. Furthermore some tenants who need to move are unable to move and some tenants that do move do not achieve an outcome that is the best and most sustainable solution for their housing needs and circumstances.
  - b) CBL contributes to delays in letting properties and rent loss. This is due to delays in creating a shortlist due to a high number of no response and no shows and the need at times to re-advertise properties.
9. CBL may also result in an increased risk to applicants who have been assessed as needing to move immediately due to severe threats to their safety including victims of domestic abuse. Some applicants may bid and be unsuccessful, whilst others do not bid despite the urgency of their.

Officer concerns with the CBL system reflect national concerns and these are in summary:

- Applicants with a high band based on their urgent housing need may only be bidding on the most popular properties and as a result may be unsuccessful every time due to the number of applicants with a higher band bidding. This can mean that some are waiting for a resolution to their urgent housing need for many years. However, if a direct offer system were to be used they would be likely to be able to resolve their urgent housing need faster.
- CBL equates to in effect, unlimited choice for those with top end points so much so that an estimated 40% don't bid at all with others bidding infrequently.
- For some CBL is a false choice because their band is too low to be able to receive an offer

- For others they may not be bidding due to a mistaken belief that they do not have a high enough band to receive an offer, whereas actually the evidence is that if they did bid they may well be successful.
- A small number have worked out that the best approach is to bid for everything they qualify for. The lettings data shows that some in band C have been successful in adopting this approach.
- Others may not be bidding because they are too vulnerable, or have no support worker to help them, or do not understand how to use the system. There is no process to identify these cases and offer support.
- CBL does nothing to address housing shortage in such a high demand/low supply areas such as Eastbourne and Lewes. While active bidding can be a very positive and empowering process for high priority banded applicants, it is likely to still be a dispiriting experience for many with a low band who are unsuccessful week after week.

It is not possible to take into account what applicants in Eastbourne and Lewes think of the CBL system, as there is no formal method of gathering feedback. Where I have undertaken similar reviews of the CBL systems user feedback is mixed. Inevitably there is a more negative reaction from bidders where they have been unsuccessful in bidding compared to higher satisfaction rates for successful bidders, therefore applicant views are not necessarily an accurate reflection of the effectiveness of a CBL scheme. Applicants are often concerned that if CBL were to be replaced by a direct let system it would take away their ability to express a choice over where they would prefer to live. This concern is not the case and applicants would have the same ability to express a choice re areas under a direct lets system.

### **1.5: What approach do other Councils take and are some changing their approach to CBL?**

I have analysed current data and information for the approach that other Councils adopt to let their social housing stock. I have looked at:

- 1) The local authority housing statistical returns to Government for 2021/22 (the last published data)
- 2) The results of the benchmarking survey sent to all London Councils and a selection of the largest cities outside of London as part of a stock take exercise for another Council.
- 3) Researched any publicly available information to explain the reasons for why some Councils have scrapped CBL and returned to a direct lets system.

The findings are set out below along with an analysis of the emerging issues. The findings are:

The housing statistical return evidence that the vast majority of Councils (89%) still operate a CBL system for all or some of the social housing stock they either own or have access to via a nomination agreement with Registered Providers.

Several large Cities or urban areas do not operate a CBL system including Stoke on Trent, Bradford, and Sunderland.

In areas with lower housing demand in the North East and North West of England several Councils has scrapped CBL including Bradford, Stoke on Trent, Rochdale, Warrington and Middlesbrough. Nearly all are stock transfer authorities where the main LSVT partner has pulled out of CBL claiming it takes too long to let properties resulting in rent loss.

The evidence in London is that there are Boroughs returning to a direct lets system largely due to the increasing demand for housing. In London 5 of the 32 London Boroughs 15%, operate a direct lets system rather than CBL. The 5 are Barnet, Hammersmith and Fulham, Hounslow, Richmond Upon Thames, and Wandsworth. With the exception of Wandsworth who never adopted a CBL scheme, the other 4 did operate CBL and have made decisions to return to a system of direct lets.

The justification given by Hammersmith and Fulham and Hounslow Councils was that moving back to direct lets is a better use of resources and enables the limited supply of housing to be better targeted. This is a similar point made by officers for Eastbourne and Lewes.

Hounslow Council is the most recent Council to scrap CBL in 2018. It reviewed its CBL system and found 44% of those on the waiting list are “ineffective bidders” who withdraw their bids from properties, “wasting their own and officer time”. The main reason given by Hounslow for changing back to direct lets is that it would allow the limited available housing resources to be matched to those in the highest housing need – the same point made by Hammersmith and Fulham Council.

The second set of evidence comes from the benchmarking survey sent out as part of an applications and lettings ‘stock take exercise for another Council. The survey contained a number of questions on CBL. These were:

*Q: “If you operate a CBL scheme has there been any officer or member discussion in the last 2 years regarding scrapping choice-based lettings”*

It is interesting that 13% reported that had been discussions in the last 2 years on whether to retain CBL.

*Q: If you operate Direct Lets please select which specific groups they are applied to*

The answers are set out in the table below.

<b>Option</b>	<b>Total</b>	<b>Percent</b>
<b>Statutory homeless</b>	16	66.67%
<b>Tenant transfers</b>	10	41.67%
<b>Disabled applicants</b>	15	62.50%
<b>Applicants in the highest band/highest points</b>	9	37.50%
<b>Sensitive lets</b>	13	54.17%
<b>Not Answered</b>	4	16.67%

It is interesting to note that Councils were targeting direct lets to the statutory homeless,



sensitive lets, tenant transfers, disabled applicants, and applicants assessed as having the most urgent need to move.

*Q: Is the scheme a mix of CBL lets and direct lets?*

79% of local authorities that responded described their scheme as a mixed CBL and Direct lets model.

Of importance is the percentage of direct lets being made in a hybrid scheme. Of those Councils that answered the question (18 in total) 55% were allocating over 30% or more of their vacancies through direct lets rather than CBL.

There were a number of comments. Although overall the comments were still supportive of CBL there were a number of relevant comments that reflect similar concerns to those evident in Eastbourne and Lewes.

- a) CBL works well when there is good supply of social housing and Direct Lets work better when there is a limited supply of social housing. CBL can however, work well in areas of limited supply, providing penalties for non-bidding and refusing suitable properties are in place and properly administered.*
- b) Through some recent resident engagement we conducted on the allocations scheme, we found residents had mixed feelings. CBL is seen to give more choice but because people may bid for years unsuccessfully people can become disillusioned and fatigued by the process*
- c) During the lockdown we suspended CBL and completed direct lets only. This led to a large number of enquiries and complaints from residents. However direct lets enabled the council to meet its objective to house those with the highest housing need quickly*
- d) Direct lets enable more accurate recognition of priority but also prompt more challenges*
- e) Officers feel direct offers are preferable as it is quicker and reduces the time properties sit empty waiting.*
- f) I think there are pros and cons of both:  
A system managed by 100% Direct Lets offers more consistency in the allocation of stock, I.E., it ensures the best use of resource for our clients.  
A CBL system offers an element of choice for our clients and a transparency in lets which, if it were not there, may be seen as having the potential to be biased or unfair in some way.  
Overall, I think a Direct Let approach is preferable as the nature and supply of social housing is changing.*

The results of the benchmarking survey can be summarized as:

- 1) There is still support for CBL but a number of Councils in high demand areas have scrapped their CBL schemes.

- 2) The practice of a hybrid approach so that a high percentage of properties are let through direct lets has been adopted by an increasing number of Councils to respond to a number of pressures and issues
- 3) A common concern about changing to direct lets is that it will result in complaints from active bidders who perceive that they would lose the opportunity to choose

### **1.6: What are the options for Eastbourne and Lewes going forward?**

There are 3 options proposed for further consideration. These are:

1. To retain CBL as the primary basis of letting properties in Eastbourne and Lewes with direct lets only allowable in a limited number of circumstances
2. To move to a hybrid model of CBL and direct lets whereby lets would be roughly in equal proportions
3. To scrap CBL and replace it with an amended version of direct lets that still reflects choice

The 3 options are considered in more detail below

### **1.7: Option 1: To retain CBL as the primary basis of letting properties in Eastbourne and Lewes**

This option will depend on whether the problems identified that are directly, or partly, attributable to CBL can be resolved to provide confidence that retaining CBL, as the operating model for letting vacant properties for all but exceptional cases is a sensible decision going forward.

It is difficult to see how all of these issues can be resolved as many are a result of operating CBL in an area of acute housing pressures and a shortage of social housing vacancies.

### **1.8: Option 2: To move to a hybrid model of CBL and direct lets**

Under option 2 Eastbourne and Lewes would formally adopt a model whereby the system for letting properties was a mix of CBL and direct lets. The system would not be arbitrary as to whether an applicant received a direct let or not. There would be clear criteria as to when it is in the applicant's interest, or the Councils interest or both for a direct let to be made.

The housing circumstances likely to qualify for a direct let could include:

- Homeless households in temporary accommodation who either a) were refusing to bid, or b) were being unrealistic in their bidding behavior, or c) where the Council needed to reduce the financial impact of temporary accommodation.
- Lettings of transfer cases
- Under-occupying tenants where a direct let is more likely to persuade the tenant to release a much needed family accommodation home
- Sensitive lets such as for people being managed by MAPPA arrangements
- To ensure the best match for a property that has already been adapted, for example already adapted to wheelchair- accessible standard

- For applicants assessed as needing to move immediately due to a severe threat or risk
- Applicant's with the highest medical award assessed as needing to move immediately and to a specific type of property for example a ground floor home
- Sheltered housing cases where some older applicants are less confident in using the CBL system to increase take up of sheltered schemes
- Care leavers where a direct let would allow the Council to offer a solution that is more likely to be sustainable.

If these criteria were adopted for direct lets it is likely that direct lets in Eastbourne and Lewes would account for up to 60% of lettings which given the rate would make operating a CBL system for just 40% of vacancies which would, it is estimated, be just 60 properties. It would also result in confusion for service users with the majority of lets under a direct lettings system.

### **1.9: Option 3: To scrap CBL and move to an amended version of direct lets that provides a greater level of choice**

There would be a number of advantages to option 3 and this is the option recommended. For example 100% direct lets is likely to reduce re-let times and rent loss.

The main 'gain' however, is that Eastbourne and Lewes would have greater certainty that offers of social housing were being made to those applicants assessed as being in the greatest housing need before those in assessed as being in lower housing need. This includes households in temporary accommodation that need to be moved on' to reduce the financial burden on the Councils.

Under option 3 applicants would be matched to properties in descending order of priority with applicants assessed as being in higher need matched first. There would be no place for agencies or applicants to lobby for an allocation to a particular property as matching would be done in strict order of housing need.

The natural concern of moving back to a scheme entirely based on direct lets is the impact on choice. However, there would be no change in the current policy on choice under the CBL system. Under a direct lets system applicants will still be able to express a preference over the areas where they would prefer to live leaving lettings officers to try and reflect their wishes where possible when matching people. However, as under the current CBL system the Council will still need to reserve the right to make a suitable offer outside of an applicant's preferred area or areas in order to achieve a timely solution.

It should also be noted that applicants would be able not have to accept the first offer made. The new policy will allow for an applicant to refuse the first suitable offer made without sanctions. The sanctions imposed would be upon the refusal of a 2<sup>nd</sup> suitable offer.



