



Report to:

Northwards Housing Board
Date of meeting 18 July 2008

Item No:

9b

Title:	The Tenant Incentive Scheme		
Date:	7 July 2008		
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Confidential:	No		
For: (Please tick action required)	NOTING	DISCUSSION	APPROVAL √
PURPOSE OF REPORT			
To outline the business case for setting up a tenant incentive scheme in Northwards and to provide the Board with details of how the scheme will operate.			
RECOMMENDATION			
The Board are asked to consider and approve the setting up of the scheme from September 2008 and programme a review of the scheme in 12 months with a report and impact assessment for consideration by the Neighbourhood and Quality Services Sub Committee.			
IMPLICATIONS			
If and when the report is implemented, what will be the implications or changes to the current status of the organisation.			
Equality & Diversity:	None directly, although any incentive scheme will need to take account of the additional access needs of vulnerable groups.		
Financial:	The costs of schemes vary widely. A figure of £42,000 has been budgeted for the Northwards scheme this year.		
Staffing:	None. The scheme can be administered using existing resources.		
Decency Target:	None		
Governance:	None		
Risk Assessment:	It is not a requirement for organisations like Northwards to introduce an incentive scheme, but there is evidence that it is good practice and can result in a number of efficiency gains and an improvement in performance. Once launched funding will need to be identified each year to sustain the scheme.		

Equality & Diversity Implications (Please tick where relevant):

BME	<input type="checkbox"/>	Lesbian/Gay/Bisexual/Transgender	<input type="checkbox"/>
Elderly	<input type="checkbox"/>	Single Parents	<input type="checkbox"/>
Young	<input type="checkbox"/>	Domestic Violence	<input type="checkbox"/>
Disability	<input type="checkbox"/>	Alcohol / Drug Mis-users	<input type="checkbox"/>

Consultation/Consideration:

	Yes, No or N/A:	Name:	Date:
Sub-Committee:	Yes	Resources and Audit Neighbourhood & Quality Services	February 2008 January 2008
Area Panel:	Yes	All Area Panels	February and July 2008
	Yes	BME Focus Group / Disability Focus Group	To be confirmed
Ward Councillors:	No		

Introduction

1. In January 2008 the Neighbourhood and Quality Services Sub Committee considered a proposal to launch an incentive scheme for tenants to drive performance improvement as well as recognising those tenants who adhere to the conditions of their tenancy. The proposal was approved subject to consultation with the Area Panels.
2. Consultation was subsequently carried out in February and March 2008 and the overall consensus was that a scheme should be introduced. Several reservations were expressed at the time of the consultation however, such as the limited impact the proposed introduction of a discount / membership card would have compared to that of larger schemes elsewhere. There was also a view that the introduction of a discount card might not guarantee meaningful discounts in 'local' shops and could inadvertently favour the larger retailers. As a result of the feedback received the initial proposal to introduce a discount card for tenants has now been dropped in favour of regular prize draws.

Background

3. The idea of an incentive scheme for tenants is not new. The concept has been around for ten years and a number of landlords, including Housing Associations and ALMOs, have introduced their own schemes based on locally agreed objectives, all of them aimed to improve performance within organisations as well as valuing tenants.
4. In 1998 Irwell Valley Housing Association (IVHA) as pioneers of the tenant incentive scheme launched its Gold Service for tenants, one of the most recognised schemes in the housing sector. Working in some of the most deprived communities, and at the time managing over 6,300 properties in Greater Manchester, the principal behind the initiative was to recognise *"the injustices felt by the vast majority of law-abiding, rent-*

paying citizens who quietly contribute to neighbourhoods and communities, and whose citizenship often goes unnoticed.” Prior to the introduction of Gold Service the association was focusing its efforts on anti social behaviour, crime, drug dealing, vandalism and abandonment. 80% of the association’s efforts were being spent on 20% of its customers. IVHA set out to establish a consumer relationship with residents based on amongst other things (a) the provision of a high quality, value for money service that people value and do not want to lose and (b) a privileged members’ benefit package to reward good behaviour and good customers, and motivate people to take responsibility and change behaviour through incentivisation.

5. Membership criteria was simple: A clear rent account or if in arrears rent plus and agreement to repay and no tenancy breaches. At the outset only 40% of the Associations tenants qualified to join the scheme.
6. In 2001 independent research commissioned by the Housing Corporation on the progress of the Irwell Valley scheme found a growth in membership from 40% to 80%. It also found that rent collection had risen to over 100% (rent plus arrears) with over 70% of tenants having no arrears at all compared to 40% at the start of the scheme; Average arrears of those in debt reduced by 13% during the first 18 months of operation; 27% less was spent on security and vandalism on estates; relet times had fallen and the 80/20 imbalance of working with customers who did not present problems, offered motivation to other customers to change their behaviour.
7. The cost of the Irwell Valley scheme was around £390,000 but it saved around £710,000 on negative expenditure (areas of expenditure that were not adding value to the organisations business). For every £1 spent on Gold Service, Irwell Valley received £2 back in savings. In summary the research found there to be improved housing management performance and lowered costs and a range of other benefits such as changing negative behaviour into positive behaviour and increased satisfaction amongst residents.
8. The Audit Commission has said that housing providers should consider introducing incentive and penalty schemes but should exercise caution when introducing a discount card, such as the standard Countdown discount card, unless this demonstrates value for money.
9. A number of Housing Associations across Manchester and the North West region operate incentive schemes. Some of the high performing ALMOs (Bolton at Home, Stockport Homes, Derby Homes, Kirklees Neighbourhood Housing) have established their own incentive schemes and more recently Parkway Green Housing Trust in Wythenshawe have introduced their own Green Reward Card scheme.
10. Audit Commission inspection reports have highlighted good practice regarding incentive schemes. Recently in the Your Homes Newcastle report (ALMO inspection June 2008), *“Tenants with clear rent accounts are entered into a free prize draw”* and Solihull Community Housing report (ALMO inspection May 2008) *“It has incentives covering clear accounts, arrears reduction and successful direct debit payment. The scheme was introduced in 2006 partly in response to a recommendation in our last inspection report. While the overall incentive scheme has had limited impact on overall arrears, the recent pre-Christmas draw for clear accounts led to a reduction of 400 arrears cases and a drop in arrears of £20,000.”*

Learning from others

11. As outlined above there is strong evidence to support the setting up of an incentive scheme. Further research was undertaken by the Audit Commission during 2005 as part of the Housing Efficiency Innovation Project. This highlighted the emerging difference between public and private sector incentive schemes. The public sector focused on benefits for service users and the community, whereas the private sector focus was on internal organisational goals and personal reward.
12. Reducing inefficiencies and increasing income is commonly identified by organisations as one of the reasons for introducing incentive schemes as well as improving rent collection and reducing anti social behaviour. So far there has been limited analysis on whether incentive schemes can deliver efficiency gains. Also a number of the earlier schemes did not have performance management systems in place to evaluate their impact. As a result the evaluation of schemes has been inconclusive on whether they represent value for money and what efficiency gains can be delivered. A number of organisations have been unable to attribute improvements in performance or quality of the service delivered as an outcome from the implementation of an incentive scheme, or whether other factors led to the improvements. Some of the improvements were often non specific including improvements in the relationship with customers.
13. Research has also highlighted that not all the benefits of incentive schemes are being measured and given a cashable value. Benefits including improvements to the general level of customer satisfaction as well as encouraging positive behaviour change has not been evaluated as part of a cost benefit analysis.
14. It is clear from the experience of others that successful schemes must include clear objectives as part of an overall approach to service improvement, identify costs and budgets, involve staff and customers and operate legally. Successful schemes also have an effective communication strategy for promoting the benefits of a scheme, increasing its impact.
15. Some of the key findings of the Audit Commission that Northwards needs to consider therefore are:
 - a. Customer feedback indicates schemes make them feel valued and they provide an opportunity to influence service development (a feel good factor).
 - b. Schemes need to be open, fair and accessible to customers and address issues of vulnerability.
 - c. Opportunities to procure and deliver a service jointly with partners to improve value for money should be considered.
 - d. Schemes have the potential to be used to identify efficiency gains.
 - e. Incentive schemes will not deliver improvements in isolation but need to be part of a wider process of self-improvement and the delivery of better services to customers.
 - f. An effective performance management system needs to be in place to evaluate the outcome of the scheme, and non cashable gains including customer satisfaction need to be measured to inform future analysis of the outcomes from the scheme.
 - g. We must be able to demonstrate that the scheme offers value for money.

The Northwards Scheme

16. Setting up a scheme within Northwards needs to consider the wider issues which are likely to deliver benefits to tenants, the organisation and the wider community. The aim of the scheme is therefore to:
 - a. Help to drive a change in culture and attitude – one that recognises and values customers as stakeholders.
 - b. Protect and build on Northwards aspiration to be the best social landlord in North Manchester.
 - c. Encourage positive behaviour and strengthen existing sanctions (a balanced carrot and stick approach).
 - d. Support the financial inclusion agenda and incentivise tenants to pay their rent without the need for recovery action.
17. The above is consistent with Northwards corporate objectives and contributes to the provision of **quality services**, developing **successful communities**, **safer places to live** and an **attractive environment**.
18. Successful marketing of the scheme is the key to success. A comprehensive policy and procedure is currently being drafted to address the detail of the incentives as well as the eligibility criteria (see appendix A), ensuring appropriate safeguards are in place so that the scheme is an equitable and inclusive one that protects the rights of particularly vulnerable tenants.
19. The administration of a prize draw scheme can be achieved within existing resources by keeping the scheme simple, allowing time for it to bed in during the first 12 months of operation. As well as general publicity for the scheme, regular publicity will be targeted at those tenants who fail to meet the criteria so as to incentivise them to make changes so that they can be included in future prize draws and competitions. This will include additional targeting and publicity in areas where ineligibility for the scheme is highest or is concentrated on particular streets or estates.
20. Improving organisational performance is a key driver. At present rent collection performance is bottom quartile when compared to other ALMOs and the evidence suggests that incentivisation is another tool in which to improve performance in this key business area.
21. To measure the success of the scheme baseline data will be captured in September at the start of the scheme and the impact of the scheme will then be assessed against expected outcomes.

Scheme Rules

1. All prize draws and competitions will be advertised (in local offices and in the *Northwards Natter*) and held quarterly. The draws will take place during the last week of March, June and September and the December draw will take place just before Christmas. This will help ineligible tenants and residents to plan when the draws are due to take place so they can work towards becoming eligible.
2. The quarterly draws will offer large cash prizes to ensure the maximum possible impact and incentive: 1 prize of £1000, 2 prizes of £500 and 4 prizes of £250. In addition several extra prizes will be added during the year, such as a garden or a room makeover. The room makeover will be in addition to any bathroom or kitchen improvements already carried out as part of the Decent Homes work.
3. Regular competitions via the *Northwards Natter* and website will include prizes to be awarded in each of the Area Panel geographical areas. This will increase publicity for the scheme across neighbourhoods. Prizes for the competitions will for example include gardening tools, decorating equipment, laptops, pay as you go mobile phones, portable DVD players, digital cameras, family days out, cinema tickets, shopping vouchers, ipods etc.
4. Competitions such as crossword puzzles, spot the difference or wordsearch puzzles will depend on skill, judgement or knowledge and comply with the regulations of the Gambling Act 2005.
5. The scheme will make sure that the value of cash prizes does not adversely affect a tenant's entitlement to benefits. The winners of any cash prizes will be advised of the requirements as per the Department of Work and Pensions that they should declare additional income above a certain level. Alternatively winners can opt to receive the equivalent of a cash value prize in high street shopping vouchers.
6. Regular letters will be sent to all tenants and leaseholders, usually every quarter, who are not eligible for the draw to inform them what they need to do to become eligible.
7. The scheme will be marketed using the *Northwards Natter* which will contain feature pages promoting the scheme e.g. how to meet the eligibility criteria, dates of cash prize draws, competition details and prizes, and the announcement of the winners.
8. The winners of the prize draws and competitions must agree to take part in promotional publicity, including photographs which will appear in the *Northwards Natter* and on the organisations website. Exemptions should be rare and will be considered on a case by case basis.
9. Winners may be required to produce several forms of official identification, including proof of residence, such as a recent utility bill prior to a prize being confirmed.
10. Northwards Housing reserves the right to inspect the property, garden, garage, outbuilding and the immediate area outside the home of any tenant or leaseholder to ensure they meet the eligibility criteria prior to confirming the winners of any prize. A refusal to allow the inspection will make that particular winner ineligible.
11. Northwards Housing reserves the right to delay confirmation of the winner or may permanently withhold a prize if they have reason to believe the winner of any prize draw has given false information to Northwards Housing or does not comply with the eligibility criteria. Northwards Housing's decision is final.

12. Prize draw winners of cash prizes will be expected to clear any debt owed to Northwards Housing. The debt will be deducted automatically from the prize prior to it being awarded to the winner.

Eligibility Criteria

13. The scheme is open to all secure tenants and leaseholders in the Northwards management area. Tenants and Leaseholders will automatically qualify for membership and are not required to register an interest. Those wishing to be excluded from the scheme should write to Northwards Housing who will acknowledge the request in writing.
14. Subject to prior negotiation and agreement with the relevant tenant management Boards, the scheme is open to those Tenant Management Organisations responsible for managing Manchester City Council tenancies and leaseholds within the Northwards management area.
15. Introductory tenants will automatically become eligible after the 12 months probationary period ends providing they are not in breach of their tenancy agreement or any other eligibility criteria.
16. Company Directors, including co-optees to Northwards Board, and Northwards employees are excluded from entry into the scheme.
17. To be automatically entered into the free prize draws and to be eligible to enter the competitions tenants and leaseholders must:
 - a. Have a clear rent account or service charge account at the time the prize draw takes place. If a tenant or leaseholder is in arrears the rent arrears must be less than £150, and a regular repayment plan must be in place with repayments having been made for at least 8 consecutive weeks at the time of the draw.
 - b. Have kept to a regular payment plan to clear outstanding rechargeable repairs or similar charges for at least 8 weeks if the charge is less than £150. Tenants owing more than £150 will be ineligible.
 - c. Tenants or leaseholders with outstanding Housing Benefit claims will be automatically entered into each cash prize draw, even if their account is in arrears. The cash prizes will however only be paid once the Housing Benefit claim has been assessed and any backdated benefit is paid. This is to ensure that the eligibility criteria are met. In the event that housing benefit is not fully backdated to cover all of the arrears Northwards Housing will exercise its discretion on whether to still award a prize, subject to the arrears being cleared with part of the prize money. Northwards' decision is final.
 - d. There must be no legal or enforcement action currently in progress for the recovery of rent arrears or for other breaches in tenancy conditions e.g. untidy garden.
 - e. There must be no breaches in tenancy for anti-social behaviour by any members of the household, including visitors within the last 6 months prior to the draw. Cases currently under investigation will be excluded from the scheme providing there is evidence to support the allegation. The civil standard of proof will apply. Northwards' decision is final.