

AGENDA ITEM NO. 5
CABINET

Date **22 NOVEMBER 2012**

Title **DRAFT TENANCY STRATEGY**

1. PURPOSE/SUMMARY

Section 150 of the Localism Act 2011 requires local housing authorities to prepare and publish a tenancy strategy. The deadline is April 2013.

2. KEY ISSUES

- There is no prescription on content or format for a tenancy strategy but it must set out the matters to which registered providers (RPs) in the area are to “have regard to” when formulating their tenancy policies.
- The strategy must summarise RP tenancy policies or explain where they may be found. To satisfy this requirement links to the individual RP policies will be incorporated into the final version of the strategy.
- The draft tenancy strategy (as attached) is compatible with the agendas relating to localism, growth in the Fenland district and the creation of mixed, balanced, sustainable and cohesive communities.
- Local authorities must send a copy of the draft tenancy strategy to every RP operating in the area and give them an opportunity to comment on it. Consultation is to be conducted from 26 November to 21 January via the FDC web site and consultation links will be sent to RPs with housing stock in the district.
- A comments log and proposed final tenancy strategy will then be brought back to cabinet for consideration.

3. RECOMMENDATION(S)

It is recommended that the Cabinet approve this draft strategy to be sent out to wider consultation.

Wards Affected

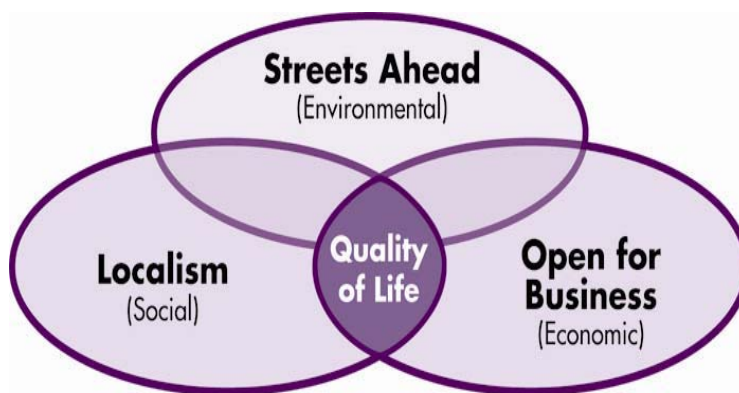
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Forward Plan Reference No. (if applicable)	
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Background Paper(s)	Localism Act 2011 Fenland Tenancy Strategy Statistics (attached) Glossary of terms (attached)

Fenland Draft Tenancy Strategy

Our Strategic Aims

Fenland District Council is committed to improving the quality of life of its residents. We seek to tackle the high levels of deprivation in the district by focusing on the three overarching objectives: improving social, economic and environmental conditions. In this way we believe that we can achieve a better quality of life for all residents.



Fenland is part of the Cambridge sub regional housing market. We work with six other local authorities to achieve the following priorities outlined in the Housing Statement 2012:

- Deliver new homes to support economic success
- Enable better health & well- being through housing, affordable housing and housing support
- Create mixed, balanced, sustainable and cohesive communities
- Improve standards in existing homes and encourage best use of housing stock
- Extend housing choice and meet housing need
- Prevent and tackle homelessness
- Promote the benefits that good partnership working can bring housing-related issues

The Fenland Housing Strategy 2009 -12 explains that the Council will “work in the best way we can to provide homes of a suitable type and size, in a warm and safe condition, together with appropriate support services, for all those in housing need”. Our housing strategy recognises that our partners, in particular our Registered Provider (RP) partners, are essential to achieving our housing goals.

Why we need a tenancy strategy

The Council has a statutory duty to provide a strategic lead to our Registered Provider (RP) partners on a number of aspects to how affordable housing tenancies are managed and rents are levied. This new duty has resulted from the Localism and Decentralisation Act 2011. The Act has offered our RP partners the opportunity of greater flexibility on the time span of tenancies and rents that are charged.

FDC Tenancy Strategy Consultation Draft Oct 12

The Council has the responsibility of identifying which of the potential changes, arising from the new flexibilities, are appropriate in the Fenland housing market. We recognise that it is important, that we take a measured view of the impact of possible tenancy changes on the Fenland communities to ensure it is compatible with the Council's vision for growth. We need to monitor the impacts in the context:

- Implementation of Welfare Reform changes
- Changes to how new affordable housing is funded
- Changes to funding structures for other statutory agencies e.g Health and Social Care
- To offer flexibility to Registered Providers in Fenland to encourage future inward investment to support new affordable housing

A short summary of the welfare reforms

The Welfare Reform Bill 2012 includes measures that; set welfare funding caps, increase non dependent deductions, set local housing allowance (LHA) calculations to 30th percentile of market rents, limit the size of property supported by LHA for working age people, with further limits to LHA to under 35s. The introduction of universal credit and council tax reforms will be phased into operation over the course of 2013. We are working, together with other local authorities in the Cambridge sub regional housing market, to monitor and calculate the impacts of these changes in our individual local authority areas.

Length of tenancy- what is right for Fenland?

The majority of the existing affordable rented properties in the district are either let on assured tenancies (or secure tenancies in the case of former council tenants). These tenancies are often referred to as tenancies for life. These tenancies can run for as long as the tenant wishes, assuming no serious breaches of conditions that warrant an eviction by court order.

Currently most of our RP partners make use of initial fixed term introductory tenancies. These are generally run for 6 months giving the RP time to assess how the tenant is behaving, before deciding to continue to let the property on an assured tenancy. We are keen that introductory tenancies are used to ensure that effective action can be quickly taken on a new tenant who through their actions or persons from their property are not adhering to the terms of their tenancy.

Our RP partners are now able to let new homes and existing homes, on fixed term tenancies. The reasoning behind this new flexibility is that the use of shorter tenancies will free up housing stock to those in greatest housing need (The Secretary of State has recommended 5 years as a standard minimum length for fixed term tenancies for RPs that wish to use this flexibility where deemed appropriate).

Security of tenure is a key factor in providing stability in communities. The use of fixed term tenancies needs to be balanced with the need to maintain stable and cohesive communities.

To balance the need to make best use of affordable housing stock with our wider aim to ensure that we are maintaining stable communities we support the following:

- Continued use of 'lifetime tenancies' with an initial introductory tenancy.

FDC Tenancy Strategy Consultation Draft Oct 12

- Long term security of tenure to enhance the quality of life for people with special needs (including mental health and learning disabilities).
- The flexibility to use of fixed term tenancies where there are unacceptable waiting times for homes of a particular size and location for applicants with the most urgent need ratings.
- The use of incentives to assist tenants to downsize from properties they are under occupying (the Roddon's Easy Move scheme is an example of good practice)

In addition, support for fixed term tenancies will be given, if there is evidence that this is a requirement in order for an RP to secure funding for development in Fenland

It is felt that through these principles we complement the intentions of the new localism act as we offer flexibility to maximise the benefit of social housing in the Fenland area to ensure it can contribute positively to encouraging sustainable growth and inward investment from RP's

Rent charges- what is right for Fenland?

There has been a national affordable rent reform. RPs are now able to let new build and re-let properties, at rents up to 80% of the local private market rent (subject to contractual obligations with the Homes and Community Agency). Existing affordable rents (social rents) in Fenland are generally charged at between 45% and 65% of the local private market rent. The intention of the rent reform is to generate additional rental income to support the building of new affordable homes, with either less or no grant funding from the Homes & Community Agency (HCA).

Currently, rents charged at 80% of local private market rents, for all sizes of properties, is beneath the ceiling of local housing allowances (LHA) set for the district. See the interactive map via <http://atlas.cambridgeshire.gov.uk/Housing/LHA/atlas.html> This means that although rents will increase for many affordable housing tenants (the increase for larger family homes will be particularly significant), the LHA should bridge the gap for tenants who are unable to afford the increases. Any increase revenue should be ringfenced for investing in new affordable homes.

The Council is committed to the increased growth of Fenland. The Fenland Neighbourhood Planning Vision cites that housing and employment growth should include consideration of good quality affordable housing. We want to promote the conditions for continued affordable housing development. At the same time we have to balance the need for rents that are affordable to the Fenland population. We therefore:

- Seek a commitment from our RP partners not to charge rents that exceed the local housing allowances calculated for Fenland
- Request that the additional income raised with the conversion of social rents to affordable rents from Fenland tenants be reinvested in new affordable homes in Fenland.

Allocation policy

Fenland uses a choice based letting system (Home-Link) to allocate affordable rented properties. The allocation policy is currently being reviewed. Consideration will be given to the interaction of the allocation policy with tenancy changes when analysing the long term impacts of the tenancy changes undertaken by RP partners.

Monitoring the long term impacts of tenancy changes

The Cambridge sub regional housing market assessment (SHMA) group is working on designing new methodology to help us to understand, the cumulative and individual effects, of the many different changes impacting on the Fenland affordable housing market. We will share these findings with our RP partners. However the approach proposed in this Strategy allows flexibility for RP's to respond to changes in the Fenland Housing Market in a way that does not constrain future growth and is in accordance with the principles of the Localism act.

Statistics relating to the Fenland Housing Market, including length of tenancy and rent data.

Fenland Housing Market

When considering the impact of the new “flexible tenures” and “affordable rent” products, and their introduction to our housing market, it is important to look at the amount of RSL stock available, the turnover of this stock, and how much we might imagine could convert, should we want it to, to the new affordable products. It is also important to consider local data available on household incomes.

Tab 1: Fenland tenure profile, 2001 (awaiting new census data)

	LA rented	RSL rented	Owner occupied	Private Rented	Other	Total
No of dwellings	3,961	885	26,439	2,652	1231	35,168
% of total	11%	3%	75%	8%	4%	100%

Census, 2001.

In 2007, Fenland district council transferred its stock to Roddons HA.

Relets and Turnover

The data on Fenland RSL relets and turnover provide an indication of how quickly the new affordable rents charged at 80% of the open market will be introduced as existing properties are relet. It also suggests that the general needs housing population is relatively stable in terms of living in the same residence. We may see increased turnover as welfare reforms take affect.

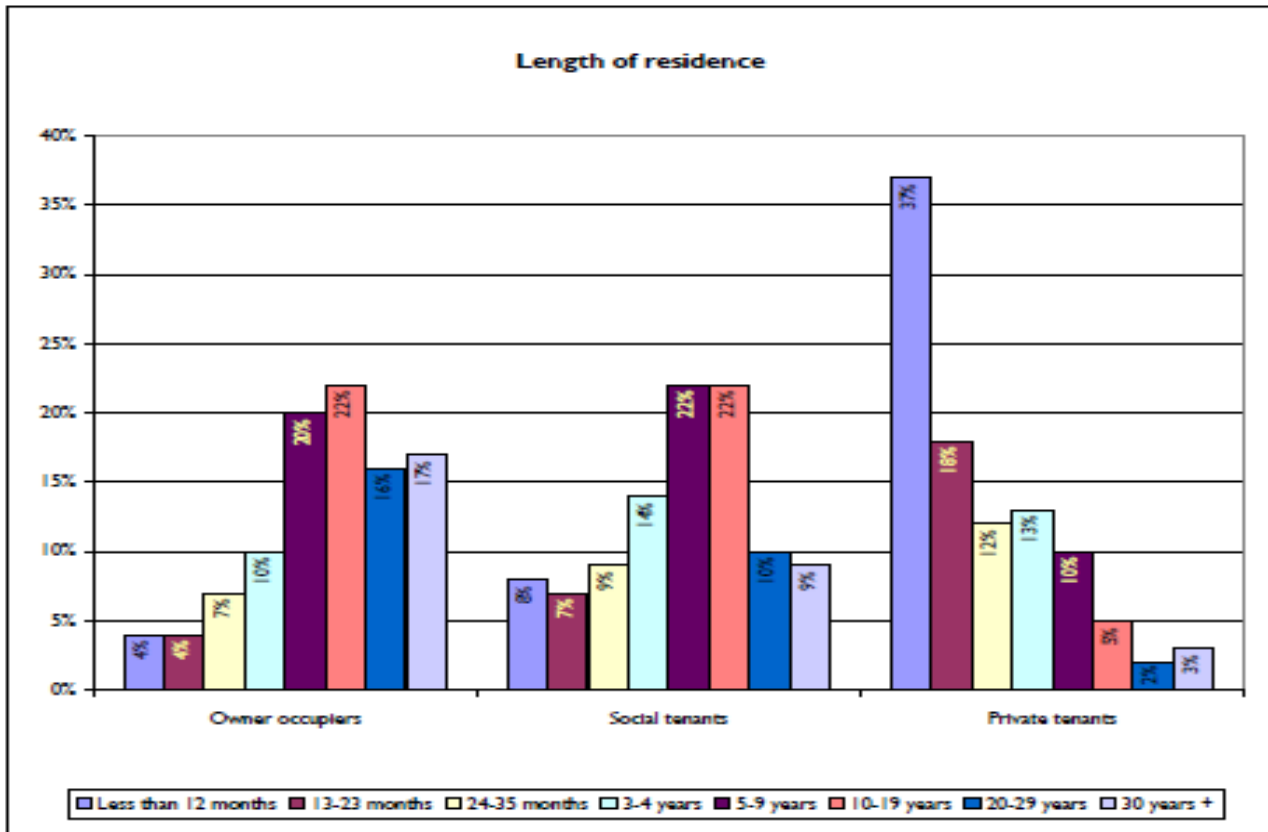
Tab 2: Fenland general needs lettings and turnover, 2005-2009

	2005	2006	2007	2008	2009	2010	Average turnover per year, 2005-2010
Lettings	120	106	124	244	374	541	
Turnover	15%	13%	14%	6%	9%	12%	12%

Dataspring

National statistics also provide an indication of the stability of communities based on the length of time people stay at the same address. See figure 1. Generally there is more turnover in private rented properties. Currently the profiles of owner occupiers and social housing tenants are more similar. With the introduction of more flexible social housing tenancies and the affects of welfare reforms the profiles may change. Currently we are not able to extract data specifically for Fenland.

Fig 1 Length of time at current address by tenure, England 2008/9



English Housing Survey

Housing Applicants

Statistics gathered from Home-Link provide information about the Fenland applicants on the housing needs register. Table 3 shows how housing need register (HNR) applicants are categorised in terms of the urgency of housing need. Category A is the most urgent housing need group. Monitoring of the changes and trends in the housing needs register is undertaken in the SHMA.

Tab 3: Current district housing needs register by band October 2012

	Total
Band A	66
Band B	231
Band C	1,707
Band D	1,237
All bands	3,241

Home-Link (Locata)

Housing Association rents as percentage of market rents

Current RP existing affordable rents (social rents) are charged at between 45% and 65% of local private rents

Tab 4: Comparing median market rents and RP social rents, by property size

	Median private market rent	RP social rent	HA rent as % of median market rent
1 bedroom	£398	£260	65%
2 bedroom	£520	£288	55%
3 bedroom	£619	£310	50%
4 bedroom	£750	£339	45%

CCCRG & Dataspring, 2008/9

Comparing rent levels

By comparing the different percentages of rent levels of the local private market rents it is possible to see the difference in the rent charges for the existing affordable rents (social rents) charged at between 45% and 65% of private rents and the new affordable rents charged at up to 80% of private rents.

Tab 5: Comparing current market rents, new affordable rents and current RP rents by size of property, Fenland

	Average local private rent PCM – Jan 2011	40%	60%	80%	Current RP rents
Room	£333	£133	£200	£266	
Studio/Bedsit	£415	£166	£249	£332	£226
1 bed	£409	£163	£245	£327	£260
2 bed	£500	£200	£300	£400	£288
3 bed	£626	£250	£376	£501	£310
4 bed	£816	£326	£490	£653	£339
All	£583	£233	£350	£466	£290

CCCRG (Jan 2011) & Dataspring)

Tables 6,7 and 8 provide an analysis the affordability of the different percentages of rents for existing affordable (social) housing tenants and housing need register applicants . An underlying assumption is that that a contribution of a third of gross income towards rent is affordable. Further explanation of the underlying assumptions can be found in the SHMA. It is clear from the data that the larger properties will become unaffordable for a large percentage of the existing and potential RP tenants. This may result in increased applications for housing benefit as the new affordable rents are introduced. Long term monitoring of the changes will be undertaken by the SHMA.

Tab 6: Proportion of households able to afford different sizes of property at 40% “affordable rent” levels

	Existing RP tenants	HNR Applicants
1 bed	82%	89%
2 bed	78%	87%
3 bed	64%	76%
4 bed	51%	64%

CCCRG, CORE, Locata, Orbit & CACI

Tab 7: Proportion of households able to afford different sizes of property at 60% “affordable rent” levels

	Existing RP tenants	HNR Applicants
1 bed	64%	76%
2 bed	58%	70%
3 bed	44%	59%
4 bed	29%	44%

CCCRG, CORE, Locata, Orbit & CACI

Tab 8: Proportion of households able to afford different sizes of property at 80% “affordable rent” levels

	Existing RP tenants	HNR Applicants
1 bed	51%	64%
2 bed	39%	54%
3 bed	29%	44%
4 bed	15%	27%

CCCRG, CORE, Locata, Orbit & CACI

Data for the open market rents are derived from Hometrack and combined with independent research undertaken by the Cambridge County Council Research Group.

Tab 9: Comparing CCCRG and Hometrack median rents:

	1 bed		2 bed		3 bed	
	Hometrack	CCCRG	Hometrack	CCCRG	Hometrack	CCCRG
Fenland	£398	£400	£520	£495	£619	£600

CCCRG Review of rents January 2011 and Hometrack, December 2010

Glossary of Housing Terms Fenland Tenancy Strategy

Affordability <p>The terms 'affordability' and 'affordable housing' have different meanings.</p> <ul style="list-style-type: none">• 'Affordability' is a measure of whether housing may be afforded by certain groups of households.• 'Affordable housing' refers to particular products outside the main housing market.¹
Affordable housing <p>Affordable housing includes social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Affordable housing should:</p> <ul style="list-style-type: none">• Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.• Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.²
Affordable rented housing <p>Rented housing let by registered providers of social housing to households who are eligible for social rented housing.²</p> <p>Affordable Rent homes is allocated in the same way as social rent properties. Existing lettings arrangements operated by local authorities and Private Registered Providers will continue to apply. The allocation framework provides some flexibility which local authorities and Private Registered Providers can use in relation to Affordable Rent so they meet local needs and priorities in the most effective way possible.</p> <p>Affordable Rent is not subject to the national rent regime but comes under other rent controls that require a rent is set of no more than 80% of the local market rent (including service charges where applicable). The rent level can only be "rebased" (changed) once a tenancy comes to an end and a new tenancy is issued (to the same, or to a different tenant)</p> <p>Many new homes built from 2012 onwards will also be let at affordable rent.³</p>
Allocation <p>The allocation of housing by a housing authority is defined as:</p> <ul style="list-style-type: none">• Selecting a person to be a secure or introductory tenant of housing accommodation held by that housing authority• Nominating a person to be a secure or introductory tenant of housing accommodation held by another housing authority; or• Nominating a person to be an assured tenant of housing accommodation held by a Private Registered Provider.³
Allocation scheme <p>Housing authorities are required by the 1996 Housing Act to have an allocation scheme to determine priorities, and to define the procedures to be followed in allocating housing accommodation. They must allocate housing in accordance with the allocation scheme.</p> <p>The allocations scheme must cover all aspects of the allocation procedure.</p> <p>All housing authorities must have an allocation scheme, regardless of whether or not they retain ownership of housing stock and whether or not they contract out the delivery of any of their allocation functions.</p> <p>When framing or modifying their allocation scheme, housing authorities must have regard to their current tenancy and homelessness strategies.</p> <p>The 1996 Housing Act requires a housing authority to:</p> <ul style="list-style-type: none">• Publish a summary of their allocation scheme and, if requested, to provide a free copy of that summary.• Make the full scheme available for inspection at their principal office and, if requested, provide a copy of it on payment of a reasonable fee. It is recommended that authorities also publish their full scheme on their website.

- Make sure that, if an alteration is made to a scheme reflecting a major change of policy, the authority must (within a reasonable time) ensure those likely to be affected by the change shall have it brought to their attention. For example a major policy change would include, for example, any change affecting the priority given to a large number of people being considered for social housing.
- Send a copy of the draft scheme or proposed alteration, to every Private Registered Provider with which they have nomination arrangements, giving reasonable opportunity to comment on the proposals; before adopting an allocation scheme, or altering an existing scheme.

Housing authorities should include all those who may be affected by, or have an interest in, the way social housing is allocated when consulting on a new allocation scheme or making major changes to it. It will be important to engage with a wide range of partners in the statutory, voluntary and community sectors, as well as applicants, existing tenants and the wider community.³

Eligibility and qualification for housing

Housing authorities must consider all applications for social housing that are made in accordance with the procedural requirements of the authority's [allocation scheme](#). In considering applications, authorities must establish if an applicant is eligible for an allocation of accommodation, and if he or she qualifies for an allocation of accommodation.

The provisions concerning eligibility and qualification for an allocation of accommodation are contained in s.160ZA of the 1996 Housing Act.³

Flexible (or fixed term) tenancies

'Fixed term tenancies' is a term used for all tenancies offered for a specified period of time, compared to more traditional 'lifetime tenancies' for social housing.

The new 'national tenancy standard' will require providers to offer a tenancy for a fixed term of at least 5 years, other than in exceptional circumstances where they may offer a tenancy for no less than 2 years. The provider must set out such "exceptional circumstances" in their [tenancy policy](#).

"Flexible" is the word being used in government documents to describe the new ability for housing providers to let homes to tenants on a "less than lifetime" basis. In the past, a social letting would generally be for life (often once an [introductory](#) or starter period had passed) but now there is the possibility of offering a tenancy for 2, 5 or more years. This would enable a review and a re-evaluation of the rent level.²

Housing association or Registered Provider

In the United Kingdom, housing associations are private, generally non-profit making organisations that provide low-cost "social housing" for people in need of a home. Trading surpluses are used to maintain existing housing and to help finance new homes. Although independent they are regulated by the state (through the [Tenant Services Authority](#)) and commonly receive public funding. They are the United Kingdom's major providers of new affordable housing for rent, while many also run shared ownership schemes to help those who cannot afford to buy a home outright.

Housing associations provide a wide range of housing, some managing large estates of housing for families, while the smallest may perhaps manage a single scheme of housing for older people. Much of the supported accommodation in the UK is also provided by housing associations, with specialist projects for people with mental health or learning disabilities, with substance misuse problems, people who were previously homeless, young people, ex-offenders and women fleeing domestic violence.

Housing association and Registered Social Landlord are also known as [Private Registered Providers](#).

Housing need

The quantity of housing required for households who are unable to access suitable housing without financial assistance.¹

Introductory (starter) tenancy

A starter tenancy is a trial tenancy, and gives the tenant the same rights as an assured shorthold tenancy. This means the tenant has fewer rights and less protection from eviction than a secure or assured tenant. Most housing associations give a starter tenancy for the first year, but this varies. At the end of the starter tenancy the tenant should automatically become an [assured tenant](#) if the

housing association does not take steps to evict. If it is a joint tenancy, the trial period ends as soon as one of the joint tenants has completed the trial period. Any time spent as a starter tenant with another housing association should count towards the trial period, but again this may vary. ⁴
The draft Tenancy standard makes it clear that a fixed term tenancy can be preceded by a probationary period. Housing associations can extend starter tenancies for up to 18 months in the same way local authorities can with their introductory tenancies. ²
Lifetime tenancy 'Fixed term tenancies' is a term used for all tenancies offered for a specified period of time, compared to more traditional 'lifetime tenancies' for social housing.
Market housing Private housing for rent or for sale, where the price is set in the open market. ¹
Registered provider See Housing association
Registered social landlord See Housing association
Social rented housing Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. The proposals set out in the Three Year Review of Rent Restructuring (July 2004) were implemented as policy in April 2006. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency as a condition of grant. ¹
Tenancy strategy Section 150 of the Localism Act 2011 requires local housing authorities to prepare and publish a tenancy strategy, by law. There is no prescription on content or format but it must set out the matters to which registered providers in the area are to "have regard to" when formulating their tenancy policies. The strategy must summarise tenancy policies or explain where they may be found. Local authorities must send a copy of the draft tenancy strategy to every private registered provider in the area and give them an opportunity to comment on it. ³

¹ "PPS3: Housing" found at <http://www.communities.gov.uk/documents/planningandbuilding/pdf/1918430.pdf>

² Lerner, Pipe, Tucker; "The practical implications of tenure reform" Chartered Institute of Housing; Coventry; January 2012. Website:

<http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Practical%20Implications%20of%20Tenure%20Reform%20-%20Jan%202012.pdf>

³ "Allocation of accommodation: guidance for local housing authorities in England: Consultation"; Department for Communities and Local Government; London; January 2012 Website:

<http://www.communities.gov.uk/documents/housing/pdf/2060702.pdf>

⁴ http://england.shelter.org.uk/get_advice/renting_and_leasehold/housing_association_tenancies/starter_tenancies