

Tenancy Strategy



**STROUD
DISTRICT
COUNCIL**
www.stroud.gov.uk

Foreword

*The Localism Act 2011 introduced reform to ensure that more decisions about housing are taken locally, including changes to social housing tenure. The Act requires every local housing authority to publish its policies in a **tenancy strategy** within 12 months of this part of the Act coming into force. The strategy must be provided to the District's registered providers for their guidance and be reviewed from time to time.*

With around 5,200 affordable homes in our ownership, Stroud District Council is by far the largest affordable homes provider in the district. However, we acknowledge the vital contribution to meeting the district's housing needs that other registered affordable housing providers make, and this Tenancy Strategy is intended to guide their decision making around affordability and security of tenure to ensure that all affordable homes in the Stroud district make a positive contribution to the wellbeing and sustainability of our communities.

Cllr Mattie Ross, Executive Member for Housing

January 2013

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Section One: Introduction

The Localism Act 2011 places a duty on all local authorities to produce a Tenancy Strategy. The purpose of this strategy is to set out the broad objectives to be taken into consideration by affordable housing providers when formulating the policies that will govern how they will implement a range of new flexibilities that the Government has granted them through a series of reforms to social housing policy and legislation.

Government housing reforms have given affordable housing providers greater freedoms that will allow them to:

- Provide new tenants with a fixed-term tenancy* if it is felt to be more appropriate than the offer of a lifetime tenancy. The minimum length of fixed-term tenancy that affordable housing providers will be able to offer to new tenants is two years in exceptional circumstances, with five years being the minimum in all other cases. Providers still have the option to grant lifetime tenancies.
- Determine the length of the fixed-term offered to each tenant on an individual basis.
- Develop their own policy setting out the criteria to be used to determine whether or not to reissue a new tenancy at the end of a fixed-term.
- Build new homes and re-let existing homes under the new 'affordable rent' tenure, which enables housing providers to charge higher rent levels for accommodation than is presently charged for social rented accommodation

The Government has made it clear that it wants local authorities to have a degree of strategic influence over how affordable housing providers implement these reforms. Housing providers will be expected to give 'due regard' to the objectives and principles set out in local authority Tenancy Strategies when formulating the policies that will govern how they will implement and utilise these new flexibilities.

Some housing providers have already produced a Tenancy Policy to take into account their development of the new affordable rent product through the Homes and Communities Agency capital funding programme. However, we would expect Housing Providers operating in the district to take into consideration the principles outlined in the Stroud District Council Tenancy Strategy 2012-2015 as they either seek to review their existing policy or develop their tenancy policies in respect of the changes afforded to them through the Localism Act. Housing Providers' individual tenancy policies that are already in place can usually be found on their websites – please see Appendix 2.

Stroud District Council's overarching objectives with specific relevance to the Tenancy Strategy are:

- Preventing homelessness
- Supporting the delivery of new affordable housing to meet existing and future housing needs.
- Creating mixed and sustainable communities

The Tenancy Strategy has been developed with a commitment to the principles of the Council's Corporate Equality and Diversity Policy, and the Equality Act 2010.

*For Local Authority landlords these are known as **flexible tenancies**

Section Two: Tenancy Strategy

1. Ensuring affordability

The district council wants to ensure that affordable rents levels in the district remain affordable into the future.

The new affordable rent tenure enables affordable housing providers to set affordable rents **up to a maximum of 80 per cent** of the market rent for a comparable property within the same locality.

The district's market rent levels vary between localities. These variations will necessarily be reflected in the affordable rents calculated for each locality.

The district council aims to prevent excessive disparities between different localities in terms of affordable rent prices to ensure affordability for households that are dependant on welfare benefits as well as low income working households. For this reason, The district council would like affordable housing providers to ensure that **rents charged for affordable rented properties do not exceed the relevant Local Housing Allowance (LHA) rate** that is applicable for that property size at the time of rent setting. This is to avoid excessively high affordable rents in higher value areas.

The Government plans to introduce a benefit cap in April 2013 and Universal Credit from October 2013 which will limit the amount of benefit available to families to £500 per week. When setting rents, affordable housing providers should also be mindful of the potential impact of the proposed benefit cap. Research suggests that the introduction of the cap could create affordability problems for large families living in larger affordable rent homes. This research also suggests that the issue of affordability for those subject to the £500 p/w benefit cap is exacerbated in higher value areas, such as the more rural villages in the district. Therefore, in order to ensure mixed and sustainable communities and preserve affordability, **the district council expects affordable housing providers to avoid setting rent levels that risk households being unable to afford their rent.**

In order to ensure fairness and transparency we would expect all affordable housing providers to advertise Affordable Rent properties through the Gloucestershire Homeseeker choice based lettings system.

2. Applying tenancy flexibilities

Under the Government's housing reforms, housing providers will have the flexibility to determine the length of tenancy that they offer to new tenants.

The district council is also keen to ensure that these flexibilities are applied in a manner that does not undermine community sustainability, and ensures that all tenants are provided with the level of stability they require.

In order to achieve these outcomes, the district council advocates that:

- **Fixed-term tenancies should normally be only offered where absolutely necessary and justified, and for a minimum period of five years** excluding any probationary period.

The district council is of the opinion that fixed-term tenancies should only be used in exceptional circumstances, as this is unlikely to encourage a household to invest in their home and community. Two year tenancies should only be considered in cases where it is clear that the tenant may no longer require the property within a short time of commencing occupancy.

As an alternative to fixed-term tenancies, housing providers are encouraged to consider opportunities to offer a commitment to households to provide them with a suitable home for as long as they require it, but not necessarily via a single lifetime tenancy. As an example, a housing organisation may wish to explore whether a 'commitment to house' a household could be met through the ongoing provision of either a flat, family house or bungalow according to that household's needs over time.

The circumstances of all households, but particularly those who have dependent school-aged children, those living in adapted properties, and those with a support need that is long-term but not necessarily lifelong, should be considered when deciding on the length of the tenancy offered by an affordable housing provider.

Tenants with a lifelong need for support that would disadvantage them in securing alternative accommodation should be offered lifetime tenancies without exception. This applies to tenants in both general purpose accommodation and those in specialist and/or supported accommodation.

The district council is also of the view that those residing in accommodation such as sheltered or 'extra care' housing should continue to be granted lifetime tenancies without exception.

Government reforms require affordable housing providers to formulate policies that will govern the process under which tenancies will either be renewed or terminated at the end of a fixed-term. The district council is of the view that, in the majority of circumstances, housing providers should seek to renew a tenancy at the end of a fixed-term.

Affordable housing providers should consider the following factors when formulating the policies that will govern the review of tenancies at the end of a fixed-term:

- **The current circumstances of the household and the need for a property of the type and size that they presently occupy.** The district council is keen to see that housing providers utilise the new flexibilities to address issues such as under-occupation, and to make better use of adapted accommodation which is no longer required by a household and for which there is a local need. This decision should be taken in the context of the local housing need for and supply of the property type in question. Furthermore, those whose tenancies are not renewed on this basis should be offered an alternative property suited to their needs, unless there are other qualifying factors to be taken into consideration (such as those set out in the following two bullet points):
- **The financial capability of the tenant to secure alternative market accommodation or affordable tenures, both in terms of earned income and entitlement to benefits.** However, the district council is keen to ensure that any assessment of financial capability is managed in a manner that ensures that it does not act as a disincentive to work. Providers are encouraged to consider introducing incentive schemes in order to encourage households to downsize where appropriate.
- **The conduct of the tenant throughout the fixed-term.** This includes any anti-social behaviour problems, rent arrears or property management problems

Where the housing provider intends not to renew a tenancy at the end of a fixed-term, the affordable housing provider's policies should set out how the tenant can complain or appeal against tenancy decisions. This may be facilitated through existing complaints procedures. Tenants should also be informed of the necessary review procedures for appeals.

3. Facilitating appropriate move-on

The district council is committed to ensuring that any decision to terminate a fixed-term tenancy does not lead to increases in levels of homelessness in the district.

Therefore, in situations where a decision has been taken by a housing provider not to renew a tenancy at the end of a fixed-term, the provider should seek to engage with the tenant at the earliest possible opportunity to make them aware of the provider's intentions. We would also expect the provider to notify the Council's Housing Advice Team, at the same time that they notify the tenant, of the decision to end the tenancy.

Housing providers should provide households affected by the termination of a tenancy with any relevant advice and assistance that will assist them in successfully relocating to alternative accommodation. This advice and assistance could include:

- Giving the tenant at least six month's notice of the intention to terminate the tenancy.
- Advice on low-cost home ownership options and other alternative affordable housing tenures.
- Specialist housing and or welfare-related advice and/or signposting to appropriate advice services.
- Advice on renting in the private rented sector and assistance in identifying and securing a suitable property (this may involve assistance with a deposit where necessary).
- We would expect that tenants should be allowed to remain in their property at the end of a tenancy until a suitable alternative property has been found.

4. Protecting tenant mobility

The district council wants to ensure that the introduction of the new housing reforms does not restrict the mobility of existing tenants living in the social rented sector, particularly where an existing household is presently under-occupying their property. To enable mobility and encourage stock turnover, the district council expects that social rented tenants should be allowed to retain their existing security of tenure if they choose to transfer to a smaller property, even if that property is owned or managed by a different affordable housing provider.

5. Conversions of Existing Properties to Affordable Rent

The new affordable rent model enables affordable housing providers to set affordable rents up to a maximum of 80 per cent of the market rent for a comparable property within the same locality. For providers developing new affordable properties, agreements with the Homes and Communities Agency (HCA) allow those providers to convert existing social rent properties to the new affordable rent tenure on the basis that this conversion helps raise funds to support the provision of new properties.

To facilitate tenant mobility, affordable housing providers should take a responsible view when determining the size, type and location of the stock they plan to convert to the affordable rent tenure. This approach should also be applied when planning the conversion of both existing stock and the retrospective conversion of schemes funded under the National Affordable Housing Programme 2008-2011 to be converted from social rent to affordable rent on completion.

The district council also wants to avoid scenarios where particular localities experience a disproportionately high level of conversions, thus limiting the opportunities available for existing social rented tenants to transfer to areas of their choice without losing the option of transferring to an alternative social rent tenancy with a traditional target rent level. This is particularly relevant in the more rural areas of the District where housing opportunities are limited. Housing providers should also be mindful of the impact of conversions upon the tenure profile and overall sustainability of the communities within which they operate.

Housing providers should also be mindful of the size of properties allocated for conversion to affordable rent, to ensure that each locality retains a good variety of properties available at traditional target rent levels. In addition, care should be taken when considering the conversion of larger properties to affordable rent, to ensure that these properties remain accessible to those on benefits after the introduction of the benefit cap.

As a number of different providers own and manage properties across the district, affordable housing providers are urged to contact the district council in the first instance when considering conversions, to ensure that these are balanced and sustainable across the different localities in the district.

6. New Flexibilities for Allocations

Until recently local authorities were obliged to operate 'open' waiting lists for affordable housing. The housing reforms within the Localism Act 2011 have enabled local authorities to now set their own rules for allocations and to determine which categories of applicants should qualify to join the register/waiting list for affordable housing.

Currently, the six districts in Gloucestershire operate a 'Choice Based Lettings' service through Gloucestershire Homeseeker whereby - with few exceptions - anyone may join the register to apply for affordable housing no matter what their level of housing need.

Gloucestershire Homeseeker policy is in the process of being reviewed in light of the additional flexibilities offered through the Localism Act in relation to the allocation of affordable housing. As part of the review we will be taking into consideration the Government's guidance to give priority to Ex Armed Forces Personnel and whether there could be other categories of people who should be given priority. We will also be reviewing whether we should only accept applications from the people who are most in need and whether people who have sufficient financial resources to enable them to buy a property or rent privately should be excluded. The Gloucestershire Homeseeker review will be fully consulted on separately to this strategy.

7. New Powers to discharge the Homelessness Duty through the private rented sector

Local Authorities have a duty to provide accommodation for certain people who are homeless or about to become homeless through no fault of their own (those households known as statutorily homeless). Prior to the Localism Act 2011 local authorities were able to offer these households accommodation in the private rented sector but there was no obligation for the household to accept this offer.

The Localism Act 2011 has introduced a significant change to the way that local authorities can use the private rented sector to house those assessed as being statutorily homeless. Local authorities are now able to discharge their duty to homeless households with an offer of suitable accommodation in the private rented sector provided that the tenancy offered is for a minimum of 12 months.

Stroud District Council already actively works with landlords and letting agents in the private rented sector to secure accommodation for those threatened with homelessness in the district and we welcome the changes that allow us to use this sector more widely. We will seek to use the private rented sector to discharge the homelessness duty but only when an appropriate and suitable property is available on a minimum 12 month tenancy and that the property is of a sufficiently high standard that would, for instance, meet the requirements of the county wide Fit to Rent accreditation scheme. When assessing the suitability of an offer we will also work closely with the household around affordability of the tenancy, and will pay particular attention to the impact of changes due to proposed Welfare Benefits Reform. In order to assist households in maintaining their tenancy and to mitigate the risk of repeat homelessness we will offer ongoing support to the household via referrals to a support provider.

Appendix 1 – The Local Context

Average Monthly Rent levels for Stroud District - April 2012¹

Stroud District	Council average rent	RP average rent	Lower Quartile market	Upper Quartile market	Median market	LHA ² rate	Average Affordable rent
1 bedroom	283	311	400	490	450	395	<i>No data</i>
2 bedroom	341	365	535	650	575	525	485
3 bedroom	366	405 ³	635	800	725	625	591
4 bedroom	400	405 ⁴	850	1400	1000	794	650

Local Demographics

Current tenure

Overall it is estimated that there are approximately 47,784 households in the District. Of these households, 77.5% are currently owner-occupiers, with 14.2% living in the social rented sector and 8.3% in the private rented sector.

About 29.9% of all households are 'pensioner-only' and only about 26.1% contain children.

40.2% of all moves involved the private rented sector – households moving into it, out of it or within it – despite only 8.3% of dwellings in the District being in this sector.

Income and earnings

The proportion of households containing an employed person varied significantly across tenures. While nearly all (93.6%) households with a mortgage contained an employed person, this fell to 36.6% in the social rented sector, while 53.6% of owner-occupiers without a mortgage were retired.

Survey results for household income in Stroud estimate the median gross household income level to be £24,209 per annum, excluding any housing related benefits. It is worth noting that households containing at least one person in current employment had a median income of £34,032.

The survey also collected data about households' savings and equity levels. It is estimated that the median level of savings in Stroud is £6,647 and the median level of equity is £160,225, for those owning their property (with or without a mortgage).

¹ All figures rounded up to the nearest whole £1. 'RP' – Registered Provider (of affordable housing)

² LHA rate: the maximum rent eligible for Local Housing Allowance, as at April 2012

³ CORE (Continuous Recording of Lettings and Sales) data expressed as '3 bedrooms plus' thus levels shown as the same for 3 & 4 bed

⁴ *ibid*

For households where at least one person is earning, the median income of £34,032 equates to £25,675 net after tax and NI deductions, not including any pension contributions⁵. The table below shows annual rents and related percentage of take-home pay:

Annual rents	Council Rent	% take home pay	Median Market Rent	% take home pay	Affordable Rent	% take home pay
2 bedroom	£4088	16%	£6,900	26%	£5,820	23%
3 bedroom	£4395	17%	£8,700	34%	£7,092	28%
4 bedroom	£4800	18%	£12,000	46%	£7,000	27%

To illustrate either end of the spectrum, an employed household occupying a four bedroom council property would expect to pay 18% of their net household income in rent, while a household with the same income would be paying 46% of their net income to occupy a four bedroom property at median private rent. Guidelines suggest that households should pay no more than 25 - 30% of net income on rent or mortgage costs in order to be able to sustain payments without running into difficulty.

The Need for Affordable Housing⁶

Survey data suggests that 2,593 households (5.4%) in the District are currently living in unsuitable housing. The main reasons for this are mobility/support needs, overcrowding, and expense of accommodation.

Overall, it was estimated that 1,571 of the 2,593 households would need to move home to find a solution to the unsuitability of their housing. Of these households, an estimated 1,025 could not afford a suitable solution in the housing market without some form of subsidy and were therefore considered to be in current housing need. In total an estimated 64.7% of households in current need are found in the social rented sector and 22.8% in the private rented sector.

The data suggests that on an annual basis there will be about 245 newly forming households requiring affordable housing and a further estimated 564 existing households. The total gross future need for affordable housing is therefore estimated to be 809 units per annum.

The supply of affordable housing to meet this need has also been estimated from the supply provided in the 2007-09 period. This data suggests that the current stock of affordable housing is likely to provide around 463 units per annum. This generates a total shortfall, or net future housing need, of approximately 346 units (809 – 463 = 346). Assuming that the backlog of need is to be met over five years, the estimated annual CLG need figure for additional affordable housing units is therefore **393** ((236 ÷ 5) + 346).

⁵ Source: thesalarycalculator.co.uk 01/05/12

⁶ Stroud Housing Needs Assessment 2010, Fordham Research

Appendix 2 – Housing Provider Contact Details

For Stroud District Council:

Telephone: 01453 754876

Website link: http://www.stroud.gov.uk/docs/housing/housing_main.asp

Registered Providers:

Name	Telephone	Website
Bromford Group	0330 1234 034	www.bromfordgroup.co.uk
Cottsway Housing Association	01993 890000	www.cottsway.co.uk
Guinness Hermitage	01452 529255	www.guinnesshermitagegloucester.co.uk
Hanover Housing Group	01249 707000	www.hanover.org.uk
Housing 21	0370 192 4000	www.housing21.co.uk
Jephson Housing Association	01454 204036	www.jephson.org.uk
Knightstone Housing Association	01934 524300	www.knightstone.co.uk
Merlin Housing Society	01454 821100	www.merlinhs.co.uk
Oxbode Housing Association	01452 505359	www.oxbodehousing.org.uk
Rooftop Housing Group	01386 420800	www.rooftopgroup.org
Salvation Army Housing Association	0800 083 9283	www.saha.org.uk
Sanctuary Housing Association	0800 916 1525	www.sanctuary-group.co.uk
Severn Vale Housing Society	01684 272727	www.svhs.org.uk
Sovereign Housing Association	01635 572220	www.sovereign.org.uk
Two Rivers Housing	0800 316 0897	www.tworivershousing.org.uk