



Melton
Borough
Council

Tenancy Strategy 2012 – 2017

Draft for Consultation



1. Context

- 1.1 The Localism Act places a duty on all local authorities to produce a tenancy strategy, setting out what individual registered housing providers should take into consideration within their individual tenancy policies. This document also provides local guidance on the use of the 'affordable rent' tenure of affordable housing.
- 1.2 There is an acute need for more affordable housing locally, there are currently over 750 households seeking housing on the Council's Housing Register, almost half of which are families with children. To help meet the housing needs of as many households as we can, we need to make the best possible use of our affordable housing stock as well as increase overall stock. This tenancy strategy has an important role in achieving these aims through the use of both fixed term tenancies and affordable rent. However careful management is required to ensure that any unexpected consequences are mitigated, particularly any impacts on homelessness levels in the Borough.
- 1.3 Including the Council, there are 12 different registered providers of approximately 2400 rented affordable homes in the Melton Borough. The Council is the largest landlord and owns just over three-quarters of these rented homes. This strategy is not the tenancy policy for the Council's housing stock; a tenancy policy will be developed separately having regard to this strategy.
- 1.4 Many registered providers work across a number of local authority areas and will need to consider a number of local authority tenancy strategies in developing their tenancy policies. They will also need to consider the implications of their tenancy policy on their overall business and development plans, including development contracts with the Homes and Communities Agency. We recognise that this may restrict their ability to comply fully with our strategy; however, we expect providers to consider this strategy when developing or updating their policies:
- 1.5 This tenancy strategy has been developed:
 - To meet the requirements of Localism Act 2011
 - In consultation with key local stakeholders including local registered providers of affordable housing.
 - In consideration of the Council's Housing Strategy, Homelessness Strategy, Allocations Policy, Corporate Plan and Sustainable Community Strategy.
- 1.6 Links to registered providers tenancies policies will be [published on our website](#).
- 1.7 We will monitor the impacts of this strategy and review it within a minimum of five years.



2. Affordable Rent

Background

Affordable rent was introduced by the government in April 2011; it is rented housing where the rent is up to 80% of the local private market rent. This is typically higher (and cannot be lower) than the social rents that social landlords currently charge. Affordable rent is rebased each time a tenancy is issued or renewed, so will fluctuate in line with local private market rents. The 80% maximum must however be inclusive of all service charges and not exceed the Local Housing Allowance (LHA) cap for housing benefit, so households on lower incomes are still able to afford to live in these homes.

Affordable rent was introduced because higher rents will increase rental incomes and allow more investment by housing associations and other registered providers to deliver additional affordable housing in a time of constrained grant budgets. Funding raised from affordable rent cannot be ring fenced for local use, although use at a regional level is strongly encouraged by the HCA.

Affordable rent is expected to be used increasingly to provide new rented affordable housing. It will be used for all rented affordable homes that are built as part of the Homes and Community Agencies (HCA) development program (2011-15) as well as some new affordable homes built outside the programme, for example, where there is viability or funding issues. Some social rented homes will also be converted to an affordable rent when they become available to be re-let, this has been agreed by the HCA and is also designed to increase investment for more affordable homes. Local authorities will not be able to convert their existing housing stock into affordable rent.

In practice in the Melton Borough this means that some new affordable rented homes could be provided at an affordable rent and some existing affordable rented homes owned by housing associations may be converted from social rent into affordable rent when they become available to re-let.

- 2.1 The Council understands the need to accept an element of affordable rented housing locally to support future affordable housing development, particularly on schemes which rely upon HCA funding, but there is also a need to balance such provision with providing the best possible outcome for tenants.
- 2.2 Social rent will still be the best type of tenure for many tenants, particularly those with low incomes. We are concerned with regard to the potential impact of higher rents and benefits dependency, particularly for those who are looking to get back into work. We will continue to monitor housing need and promote the use of lower cost social rented housing where required and feasible.
- 2.3 The increased cost associated with affordable rent raises concerns about affordability, particularly in relation to tenancy sustainment and homelessness. For example, we have concerns about setting affordable rent at the maximum Local Housing Allowance which can fluctuate down as well as up. Without careful management tenants in receipt of housing benefits could potentially be threatened with homelessness because they cannot afford to remain in a provider's property which is suitable for their needs.

2.4 An analysis of affordable rent has been undertaken to inform the development of this strategy. The findings of this analysis show that in comparison to social rent affordable rent is expected to have:

- a relatively low financial impact on smaller housing (such as 1 to 2 bedroom flats and houses) but a larger financial impact on larger family housing;
- a disproportionate financial impact on bungalows when compared to other type of housing of a similar size because of the relatively high market rent for such accommodation; and
- a greater financial impact for all house types in our rural areas where rented housing is generally more expensive.

2.5 The 80% maximum affordable rent charge inclusive of service charges is predicted to be broadly less than the Local Housing Allowance across all household types in 'Leicester & Surround' and 'Nottingham' allowance areas but not for homes within the 'Grantham' allowance area. This may limit the potential to use affordable rent in this area.

2.6 There are specific issues in the use of affordable rent in bungalows given the disproportional rent increase predicted, particularly in relation to our wider aims to make the best use of our limited affordable housing stock and encourage older under-occupying households to downsize. The impact of affordable rent is also proportionally higher in larger properties. This is considered inequitable and to effectively penalise larger sized families.



2.7 The increased expense of affordable rent may act as a disincentive for some households, potentially reducing demand and limiting the types of households who are willing to accept such accommodation. We want to enhance the quality of life for everyone in the borough of Melton to achieve a sustainable, prosperous and vibrant community, a place where people want to live, work and visit. We have concerns about providers using affordable rent across the board without having regard to the distinct needs of local areas and neighbourhoods. Affordable rent may not be appropriate for all types of housing in all areas.

2.8 We need to support a wide variety of households to live in our rural areas to support the rural economy and promote mixed and sustainable communities. In our rural areas, market rents are typically higher, the supply of affordable housing is more limited and local pay is often low. The effect of higher market rents will mean that people living in similar affordable rented housing will have to pay a premium to live in our rural areas. Two bedroom housing is often provided as part of specialist rural affordable housing developments restricted for local people (such as rural exception sites) because it is considered more sustainable than smaller accommodation in the long term. These homes are often designed to be occupied by households in need of both 1 and 2 bedrooms and there are specific affordability concerns about the use of affordable rent for some of these types of homes.

Affordable Rent

When developing their tenancy policies we expect providers to have regard to the following;

- We encourage the retention and development of social rent where feasible.
- We discourage the use of affordable rent in bungalows and accommodation designated for older people. If providers do let such homes at an affordable rent we expect this to be set at no more than 70% open market value or target rent which ever is highest.
- We expect providers to take into consideration the need for mixed and sustainable communities;
 - We encourage providers to take into consideration neighbourhood management advice from the Council regarding the use of affordable rent, particularly in our priority neighbourhoods.
 - We expect providers to set affordable rents so not to unfairly disadvantage rural communities. This may include setting rents lower than 80% open market value where market rents are high and on some homes within specialist schemes with local occupancy criteria.
- We expect providers to be pro-active in both setting and re-evaluating their affordable rent levels so tenants in receipt of housing benefits can afford to reside in a property which is suitable for their needs. For this reason we encourage providers to set total affordable rent charges at no higher than 95% of the Local Housing Allowance rate for that area and take into consideration total benefit caps.
- We expect all providers to advertise affordable rent vacancies through the Council's choice-based lettings system in the same way as social rent, to ensure fairness and transparency.
- We expect conversions from social rented properties to affordable rent properties at the point of re-let to be based on the agreed contract with the HCA and that those agreed numbers be shared with the council in order for effective monitoring to take place.
- We expect providers who convert their social rented stock to affordable rent within the Borough to demonstrate a commitment to develop additional affordable housing within the Borough.
- We will seek social rented homes on new developments where no HCA grant has been given, in line with identified needs, subject to the viability and the specific nature of the scheme.
- We will not ordinarily support the conversion of social rented properties that are subject to section 106 agreements to affordable rent.

3. Tenancies

Background

Historically social housing tenants have been offered an assured or secure tenancy, which granted them a home for life. Fixed term tenancies were introduced as part of the Localism Act with the aim to help registered providers offer more flexible tenancies to enable them to make the best use of their housing stock and to better meet local housing needs.

Registered providers are able to offer fixed term tenancies on a minimum fixed term of five years, however in exceptional circumstances flexible tenancies can be for as little as two years.

Social landlords will still be able to offer the types of tenancies they currently use, for example secure, assured, introductory and demoted tenancies. The new fixed term tenancies are in addition to those currently available and social landlords do not have to use them. Existing secure and assured tenants can not have their tenancies converted to a fixed term tenancy and many are offered special protections if they transfer to another home.

3.1 In order to understand how flexible tenancies might potentially affect households locally an analysis was undertaken.

- Half of the tenancies analysed naturally ended within five years and so a five year fixed term tenancy agreement would not have had an impact on the tenant. Further, a two year fixed tenancy is also not likely to detrimentally impact approximately a quarter of tenancies which naturally ended within two years.
- Tenancies were longest in family housing and bungalows, both averaging around ten to fifteen years in length; half of bungalow tenancies were for 15 years or more. Tenancies in flats and sheltered housing were similar, on average about six and a half years, with over half lasting less than five years. Tenancies in Extra Care housing were the shortest, with two out of three lasting less than five years.
- A fifth of the tenancies analysed ended because of the death of the tenant. A tenancy was for 'life' more often in accommodation designated for older people/those with support needs (41-52%). Approximately a third of tenancies ended because the tenant moved to alternative social housing, with half of family housing tenancies being terminated to transfer to alternative social housing, approximately 10% of these moves were mutual exchanges. A further third of tenancies ended because the tenant moved out of social housing.



- There are 773 households on the Council's housing register seeking affordable housing, of which 582 (75%) are not currently living in an affordable home. This includes 332 families (46%), 96 couples (12%) and 298 single people (42%)
 - 14% of households on the housing register have a 'high' or 'priority need' for affordable housing (49 households are in priority housing need, a further 62 have a high housing need). 27% have a low priority for housing.
 - Just over a third of applicants are aged 16-34 (38%), around a quarter are aged 35 to 49 (26%) and just over a third are age 50 or above (36%).
- 3.2 The potential for fixed term tenancies to make better use of the stock locally relates primarily to under occupation in family housing (two or more bedroom houses and flats). There are limited benefits for use of fixed term tenancies in older persons designated or supported housing where the majority of tenants remain on average little more than 5 years and often for the rest of their lives. There are disadvantages to providers in terms of management and administrative costs and to these often vulnerable tenants in terms of uncertainty and perceived reduced security.
- 3.3 Every household is individual and a one size fits all tenancy is not likely to work for all. We expect those receiving long-term support that is related to their housing and those with disabilities to receive special consideration by providers dependant on their individual household's needs in terms of deciding the appropriate length of tenancy and renewal.
- 3.4 Automatic renewal of tenancies (unless a major change had occurred) is the preferred approach of the Council and its partners; it is also likely to reduce tenants concerns and feelings of insecurity.
- 3.5 Key to successful implementation of fixed term tenancies is close working between the Council and providers as well as clear and high quality housing advice and information services for tenants and potential tenants. This should start at the point of advertising the property to enable tenants to clearly understand how long a tenancy will be for and when a tenancy will and will not be renewed. Tenants should also have a clear and transparent process to appeal tenancy decisions, including a decision not to renew.
- 3.6 Where a tenancy is not going to be renewed we would expect the provider to consider the implications of their decision on the Council's homelessness duties and work closely with the tenant to explore real alternative housing options. Providers should take responsibility for providing advice and assistance to such tenants themselves and not excessively burden partners including housing advice and assistance agencies.



- 3.7 Mutual exchange is a useful tool which can help to make best use of our affordable housing stock. We do not want the introduction of fixed term tenancies to impact the effectiveness of mutual exchange. Although there are protections for existing tenants in certain circumstances these are not universal. We encourage providers to set out in their tenancy policies the implications to a tenant's security of tenure if they mutually exchange their home and in general adopt policies which promote the continued use of mutual exchange for all tenants.



Tenancies

When developing their tenancy policies we expect providers to have regard to the following;

- We support the use of introductory and probationary tenancies. We do not support the use of fixed term tenancies for management purposes.
- We expect providers to offer lifetime tenancies for older people in designated or specialist housing. We support the use of fixed term tenancies for other types of accommodation, particularly family housing.
- We expect providers to use five years as the minimum term for all fixed term tenancies. In exceptional circumstances providers may set out shorter fixed term tenancies of a minimum of two years. Such exceptional circumstances should be set out and justified in the provider's tenancy policy. We expect providers to discuss schemes where tenancies of less than 5 years are being considered with us individually.
- We expect providers to reference their mutual exchange policy within their tenancy policy, clearly highlighting any impacts exchanging may have on security of tenure. We encourage providers to frame their mutual exchange policies to encourage its use, this may include offering equivalent security of tenure on exchange to all, even when not obliged to do so.
- We expect providers to take into consideration recommendations from the Council and other partner organisations regarding the use of lifetime or longer term fixed tenancies for specific vulnerable households.
- We expect providers to assess the housing options and appropriate type of tenancy for households which include a disabled member, to best meet the needs of the household as well as ensure the best use long term use of our limited accessible stock and aid and adaptation budgets.

Tenancy Renewal

When developing their tenancy policies we expect providers to have regard to the following:

- We expect providers to clearly set the exact circumstances when a tenancy will and will not be renewed in their tenancy policy and clearly communicate this with tenant prior to them signing their tenancy agreement.
- We expect providers to have a presumption of renewal for all fixed term tenancies. We expect providers to renew fixed term tenancies except where the tenant(s);
 - **financial circumstances are significantly improved** to the point that they are able to afford and access a different tenure of housing that meets their needs locally. This may include purchasing their current home.
 - **have breached the terms of their tenancy** significantly enough as to warrant possession proceedings under the terms of their tenancy agreement (such as anti-social behaviour).
 - **under occupy their home.** In cases of under occupation, the tenant should normally be offered an alternative home with a registered provider. Incentive schemes are also supported to assist such households move.
 - **property has been extensively adapted** but for someone with a disability who no longer requires the adaptations or no longer lives with the tenant. In such cases, the tenant should be normally offered an alternative home with a registered provider. Incentive schemes are supported to assist such households move.
- We expect providers to take into consideration the individual circumstances of household members before making a decision not to renew a tenancy. Providers should take into consideration recommendations from the Council and other partner organisations regarding the extension of tenancies for specific vulnerable households. Such circumstances may include;
 - ill health, disability or terminal illness
 - need for support
 - impacts on children, including their education
 - availability of suitable alternative accommodation within locality
- We expect that tenants will be given at least six months notice if the provider is minded to end the tenancy, and that adequate reasons for the decision to end the tenancy are given along with information on the right to appeal the decision. We expect providers to;
 - provide excellent advice, information and assistance to assist such tenants' access alternative accommodation.
 - frame the appeals process in such a way to allow tenants to make an informed decision as to whether to submit an appeal, including how to seek independent advice and where necessary representation.
 - have particular regard to their duty to cooperate with the local housing authority to prevent homelessness.