



Derby City Council

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TENANCY STRATEGY

CONSULTATION DRAFT

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Foreword

Derby City Council is committed to improving the health and well-being of its residents. In respect of housing this means that we will continue to work hard with our partners to provide homes of a suitable type and size, in a warm and safe condition, along with appropriate support services, for all those in housing need.

Our new Tenancy Strategy will set out how we will continue to achieve these outcomes in the light of significant changes now taking place in the housing world. It will provide the basis for changes we make in the management of our own stock, and give guidance to other providers of social housing that are active within our city.

We welcome your views on this consultation draft – please see section eleven on how to participate in the consultation process.

Note on 'Plain English' and Terminology

We have had to use some technical terminology in writing this document. However, a Plain English summary of the key issues is provided as a separate document.

We have also added a glossary of terms and abbreviations in Appendix A

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EXECUTIVE SUMMARY

Introduction – Legal Context and the Purpose of the Tenancy Strategy

- a) The framework under which social housing is resourced, allocated and managed will in future be radically different to that of a few years ago. Firstly, the government has set out a far-reaching programme of reform through the Localism Act 2011. Secondly, service delivery is taking place in the context of economic downturn and drastically reduced funds to local authorities and their partners.
- b) In view of these changes it is necessary to review the way we will achieve our strategic housing objectives. (Indeed, the Localism Act requires this review). In particular we need to assess the new freedoms provided by the Act and develop a strategic approach as to how we will utilise them to provide affordable housing of a decent standard; support vulnerable households; and promote cohesive and balanced communities. This is the purpose of the Tenancy Strategy - it sets out the basis for action on our own stock while also giving a steer to other housing providers as to the position of the Council on the key issues
- c) Potentially the most controversial new freedom relates to security of tenure for social housing tenants: Whereas previously new tenants would expect to receive a lifetime tenancy (following an introductory period), the position now is that Councils and Housing Associations are able to grant new tenancies on a fixed term basis. At the end of the fixed term, subject to an assessment of suitability and continuing need, and subject to various safeguards, the tenancy may be renewed or allowed to expire. In the latter case the tenant will be asked to 'move on'. (Changes to security of tenure will affect *new* tenants only, with existing tenants being unaffected in the vast majority of cases)
- d) The Tenancy Strategy is therefore principally concerned with tenure reform. However, reforms in related areas such as to rent models, allocations policies and measures to address homelessness also impact and in some case overlap with tenure issues. Furthermore, government guidance requires that tenancy strategies be 'consistent with' homelessness strategies and allocations policies. Consequently, the Strategy addresses not only tenure but also homelessness, allocations and rents.

More detail on legal context and the purpose of the strategy is on pages 11-12

The Reforms in Detail and the Response of the Council

- e) Housing and certain welfare reforms are being implemented by the government to address what it sees as failings in the current system of providing social housing. These ‘failings’ can be summarised as follows:
- Social housing is a scarce resource and it is not being used as effectively as it could be to meet housing needs
 - Some low income households, unable to access social housing, are living in more expensive accommodation such as temporary accommodation
 - The housing benefit bill is considerable and rising
 - Compared to the private rented sector, the social rented sector is not as flexible in meeting needs and demand and providing mobility for those wishing to move to access employment.
 - New homes are desperately needed to meet housing need but there is a lack of public subsidy for new social housing supply
- f) In order to address these ‘failings’ the government is implementing wide-ranging reforms. A number of these reforms, such as to council housing finance and welfare, will be implemented nationally. But there are a large number of significant reforms where implementation will be subject to a degree of local discretion. These include:
- Introducing fixed term tenancies for social housing (‘Tenure’)
 - Using ‘affordable rents’ to deliver new housing supply with reduced public subsidy. ‘Affordable’ rents are set at higher levels than social rents, at up to 80% of market rent.
 - Giving local authorities greater control of their housing registers or waiting lists (‘Allocations’)
 - Enabling authorities to discharge their homelessness duty through an offer of accommodation in the private rented sector

It is these housing reforms with which the Tenancy Strategy is principally concerned and our strategic approach to their use is outlined below:

Tenure Reform

Details and Rationale

- g) Registered Providers (including Councils and Housing Associations) will be able to let to housing register applicants on fixed term tenancies¹. The purpose of this reform is to enable better targeting of the social housing stock

¹ Often referred to as ‘flexible tenancies in relation to Council stock. Lifetime tenancies may still be offered where this is considered appropriate

to those in most need. It is expected that by giving shorter tenancies to those that are able to move on and access other housing options, stock will be freed up and made available to households in greater need.

The Council's Approach

- h) The Council accepts that more effective matching of stock with those in most need is essential. However we are also concerned that such tenancies may not be appropriate for certain vulnerable groups, such as those in supported housing for example. There is also the danger that terminating tenancies on the basis of income may result in disincentives to aspiration and the 'residualisation' of estates. Our initial approach therefore is to use these tenancies for general needs applicants only, and that on expiry of the fixed term renewal will happen by default unless under-occupation or unused adaptations are present.
- i) However, we recognise that government guidance suggests that income *is* taken into account and we reserve the discretion to introduce it as a factor following the consultation process. We similarly reserve the discretion following consultation to introduce the use of fixed term tenancies as tools to address anti social behaviour and severe rent arrears.

More detail on tenure reform and fixed term tenancies can be found on pages 23-26

Affordable Rents

Details and Rationale

- j) Subject to certain conditions, a proportion of new-builds and relets can be designated 'affordable rent' properties with rents charged at up to 80% of a market rent. The intention is that the additional funding generated by the higher rents can be used to support new build investment in a time where Homes and Communities Agency (HCA) subsidy is falling dramatically.

The Council's Approach

- k) The Council accepts that they will increasingly be part of 'the housing offer', particularly as some element of affordable rent is a condition of most new development contracts with the HCA.
- l) However, there are concerns over the implications for affordability and consequent accessibility for housing register applicants if rents are allowed to rise excessively.

- m) Our research shows that rent rises for larger properties could be extreme - up to £34p.w. (36.5%) for 4-bed properties. Unless supported by housing benefit, such rates will be unaffordable for many low-income tenants.
- n) Our approach therefore is that there should be a measured implementation, with smaller properties being allowed some increases but larger properties (i.e. those having 3 beds or more) having the percentage rate of increase restricted to maintain affordability. Increases to dwellings in specific sites can be considered on a case by case basis.

More detail on affordable rents can be found on pages 27-29

Homelessness

Details and Rationale

- o) It will be possible to discharge the duty to homeless households by the offer of suitable accommodation in the private rented sector (PRS). (Previously the household could refuse an offer in the PRS and insist on an offer with the Council or a Housing Association). This change is intended to respond to the shortage in social housing while also reducing the substantial costs that can arise from accommodating households in temporary facilities.

The Council's Approach

- p) We welcome these changes as an additional tool to tackle and prevent homelessness. They should also reduce costs and facilitate access to private accommodation where there is no social housing. The minimum length of a private rented tenancy considered suitable for a homeless household will be 12 months.

More detail on private accommodation for homeless households can be found on pages 29-30.

Allocations

Details and Rationale

- q) Whereas previously almost anyone could apply for social housing, local authorities will now have the freedom to set their own eligibility criteria to join the lists, according to local needs and priorities.
- r) This measure, as with tenure reform, is primarily intended to allow housing to be targeted at those in most need. Households able to access other tenures,

such as private rented, will be expected to pursue those options instead, rather than joining the social housing register.

The Council's Approach

- s) Our view is that the allocations system is in need of fundamental review. Data from Derby Homefinder shows that many households on the register stand no realistic chance of being housed, while average waiting times for 2 bed properties are over one year. Households seeking four bed properties wait on average over two and half years.
- t) Review of our allocations system will be undertaken independently of the Tenancy Strategy. However, the key areas under consideration may be as follows:
- Eligibility to join the register may be restricted to those applicants with a realistic chance of being housed. This may involve a restriction to the 'reasonable preference groups' with some supplementary categories to take account of local circumstances.
 - To assist with geographical mobility the 'local connection' requirement may be weakened or eliminated.
 - Choice Based Lettings (CBL) may be reviewed to see if alternate allocations processes are more appropriate under the new framework.
 - The housing register will be maintained at a level that will sustain demand and allocations to private Registered Providers (Housing Associations)
 - Additional preference may be given to those making a 'positive contribution to the community'

More detail on allocations can be found on pages 31-32

Consultation Process

- u) This consultation document seeks views on the new freedoms now available to us, and how they can most effectively be used to deliver a better housing service for the residents of Derby. It is intended to provide an opportunity to shape the final strategy. Through a series of questions throughout the document, we seek your views and where applicable your policy position. Section 11 gives full details on how to participate in the consultation process.
- v) A tabulated summary of the key issues and the approach of the Council is provided on the next page:

Tabulated Summary of our Position on Implementation of the Reforms

Policy Area / Option	Key Considerations	Our Position
Flexible / Fixed Term Tenancies	<ul style="list-style-type: none"> ▪ Insufficient supply of housing to meet the demand for it – more effective targeting of stock to those in need ▪ Risk of administration, bureaucracy, legal challenge, rent loss, voids ▪ May discourage aspiration and contribute to 'residualisation' of estates. 	<p>Targeted Implementation:</p> <ul style="list-style-type: none"> ▪ Used for all new general needs tenants but not for tenants in supported / sheltered / extra care housing etc. ▪ Renewal by default unless under occupation or unused adaptations are present. ▪ A position on ending tenancies on basis of <i>income alone</i> subject to further consultation.
'Affordable' Rents	<ul style="list-style-type: none"> ▪ Additional funds for new build. ▪ Surpluses generated this way may be invested outside Derby. ▪ Impact on affordability. ▪ An element of affordable rent a requirement for most HCA development contracts 	<p>Partial Implementation:</p> <ul style="list-style-type: none"> ▪ No increases to 1 bed properties due to HB reform and extending of single person allowance to under 35 year olds ▪ Limited increases to larger properties (i.e. with 3 beds or more) where rises to the full 80% of market rent may impact on affordability.
Homelessness (Discharge of Duty by Offer in Private Sector)	<ul style="list-style-type: none"> ▪ Shortage of accommodation for those in most urgent need ▪ Ability to access private accommodation in locations where social housing is scarce ▪ Reducing cost of temporary accommodation 	<p>Widespread Implementation:</p> <ul style="list-style-type: none"> ▪ 'Suitability criteria' will apply with offers of accommodation based on the appropriateness of the property, rather than whether it is owned privately or by the Council or a Housing Association
Allocations	<ul style="list-style-type: none"> ▪ Many households currently on register with little genuine chance of being housed ▪ Excessive waiting times, particularly for larger properties ▪ Reducing unnecessary administration and bureaucracy 	<p>Comprehensive Review:</p> <ul style="list-style-type: none"> ▪ Possible restriction to the 'reasonable preference groups' with some supplementary categories to take account of local circumstances. ▪ 'Local connection' requirement may be weakened to promote mobility ▪ CBL also reviewed to see if alternate allocations processes are more appropriate

Achieving Our Housing Objectives

- 1.1 Derby's Housing Strategy 2009-13 sets out a comprehensive plan to address the housing needs of our community. It outlines how housing and related services work together to provide co-ordinated and comprehensive services for Derby's residents. In doing so it identifies a number of key strategic objectives relating to providing affordable housing of a decent standard; supporting vulnerable households; and promoting cohesive and balanced communities.
- 1.2 But the strategy and its intended outcomes must be delivered subject to the resources available to us and to our statutory powers. In other words, delivery is subject to the financial and legal framework in which we operate.
- 1.3 The last few years have seen some radical changes to this framework. Firstly, the recession and economic downturn have resulted in drastically reduced funds to local authorities and their partners. Secondly, and crucially, the government has set out a radical programme of reform which will impact on the way social housing is resourced, allocated and managed. Specific reforms to housing are echoed by reforms to welfare provision more generally, which will impact on the way tenants and potential tenants access and fund their housing costs.
- 1.4 In view of these changes it is necessary to review the way we will achieve our strategic housing objectives. (Indeed, the reforms themselves legally require this review). In particular we need to assess the new freedoms provided and develop a strategic approach as to how we will utilise them to better achieve our goals. This is the purpose of the Tenancy Strategy.

Scope

- 1.5 Potentially the most controversial new freedom relates to security of tenure for social housing tenants: Whereas previously new tenants would expect to receive a lifetime tenancy (following an introductory period), the position now is that Councils and Housing Associations are able to grant new tenancies on a fixed term basis. At the end of the fixed term, subject to an assessment of suitability and continuing need, and subject to various safeguards, the tenancy may be renewed or allowed to expire. In the latter case the tenant will be asked to 'move on'.
- 1.6 The Tenancy Strategy is therefore principally concerned with tenure reform. However, reforms in related areas such as to rent models, allocations policies and measures to address homelessness also impact and in some case overlap with tenure issues. Furthermore, government guidance requires that tenancy

strategies be 'consistent with' homelessness strategies and allocations policies. Consequently, the Strategy addresses not only tenure but also homelessness, allocations and rents.

- 1.7 As housing and related services are not delivered solely by the Council, but in partnership with a number of other agencies and organisations, our Tenancy Strategy will be drawn up in consultation with our 'Registered Provider' partners. It will also give a steer to them as to the position of the Council on the key issues that affect all of us as providers of housing services.
- 1.8 Some of the changes proposed are extremely far reaching and potentially affect anyone seeking to access social housing. The consultation will therefore also include existing tenants, those waiting for housing and the general public more widely.
- 1.9 Finally, it is important to stress that the measures outlined and proposed in this document, particularly regarding security of tenure, will apply to new tenants only. In nearly all circumstances existing tenants will not be affected and the changes will not be applied retrospectively. In other words, *existing tenants can be assured that if they currently have a lifetime tenancy then they are entitled to keep it*. The only case in which this may not apply is where tenants voluntarily move from a home with a lifetime tenancy to new accommodation designated as being for a fixed term. The issue of fixed term tenancies is discussed in more detail on pages 21 and 23-26.

This consultation document seeks views on the new freedoms now available to us, and how they can most effectively be used to deliver a better housing service for the residents of Derby. It is intended to provide an opportunity to shape the final strategy. Through a series of questions throughout the document, we seek your views and where applicable your policy position. Section 11 gives full details on how to participate in the consultation process.

Q1. Do you consider this section clearly sets out the purpose and scope of the draft tenancy strategy and sets the scene for the rest of the document? What suggestions do you have for any additional inclusions or for making it more understandable?

2 SOCIAL HOUSING – THE NATIONAL CONTEXT

2.1 The Government has identified a number of problems with the current ‘system’:

- Social housing not being used effectively – frequently occupied by those that may not need it while thousands wait for accommodation on housing registers
- Expensive use of temporary accommodation
- The Housing Benefit bill is ‘considerable’
- High levels of unemployment in the social rented sector and lack of geographical mobility
- Falling public subsidy for new social housing supply

2.2 Government proposes that these problems are tackled by reforms to a number of key areas, the principal ones being:

- Tenure
- Rents
- Housing Register (‘Waiting Lists’)
- Allocations
- Discharge of the Homelessness Duty
- Mobility Schemes
- Housing Benefits and other Welfare Benefits

2.3 The majority of the reforms relevant to delivering our strategic housing objectives (which are discussed in more detail below) are to be found in the Localism Act 2011.

2.4 Those relating specifically to benefits are found in the Welfare Reform Bill which is expected to receive royal assent early in 2012.

Q2. Do you consider this section adequately outlines the national context for social housing and the broader intention of the legal reforms? What amendments/additions would you make, if any?

3 THE LOCAL CONTEXT – TO WHAT EXTENT ARE NATIONALLY IDENTIFIED PROBLEMS PRESENT IN DERBY?

3.1 The degree to which we will utilise the new powers provided by these reforms in Derby will in principle depend on two pivotal assessments:

i) The extent to which Derby experiences the same issues as those identified nationally – i.e. those issues which the reforms are intended to address.

ii) The extent to which we assess that the implementation of these reforms is an appropriate means to address the particular circumstances of housing delivery in Derby.

3.2 Considering the current situation in Derby it is evident that significant improvements to housing stock and housing-related support services have been made over the last few years:

- Since 2006-7 there have been 3898 new homes supplied. Of these over one thousand have been made available for use as affordable housing
- Since 2008 over 500 privately owned empty homes have been returned to use
- In a similar period there have been an estimated 5000+ households taken out of fuel poverty through partnership working between Warm Front, RPs and the Derby Home Energy Advice Service²
- Since 2008, 138 families have relocated under a new scheme of advice and incentives to support downsizing and prevent under-occupation in Council stock.
- Since 2008-9 over 3000 households at risk of losing their homes have had their homelessness prevented
- Since 2009 over 420 vulnerable households have been assisted to obtain private sector accommodation through our bond scheme³
- Over 517 service users have 'signed up' to the new tenancy sustainment service which has been operational since April 2010. This targets budgeting skills advice to young people in order to prevent arrears and loss of tenancy

3.3 All of these outcomes contribute to achieving our broader housing objectives. But notwithstanding these considerable successes the demand for housing

² This is an approximation which does not take into account the fact that while some households are being helped out of fuel poverty, others may be simultaneously falling into it. This is usually due to rising fuel costs, though other factors affecting income such as unemployment may also be relevant. Furthermore, some households lifted out of fuel poverty in one year may themselves fall back into it in the following year.

³ In some cases households have been helped into what were previously empty dwellings. There is therefore some overlap between the bond figure and the figure for empty homes brought back into use

and related support services continues to grow while resources are being squeezed. The extent to which this is happening is worth examining in more detail, as follows:

Housing Need and Supply

- 3.4 Our Housing Register (or 'waiting list') consistently shows in excess of 7,000 households awaiting housing. This level of demand has persisted for many years.
- 3.5 A separate evaluation of housing need was undertaken as part of our Strategic Housing Market Assessment (SHMA) in 2008. This analysis established that Derby has an affordable housing⁴ shortfall of 553 units per annum. However, since 2008 our annual increase in affordable housing provision has been below 250 units per annum, considerably less than we need. The precise figures are as follows:

Year	2008-9	2009-10	2010-11
No. of dwellings	216	240	241

Figure 1: Affordable Housing New-Builds, 2008-2011

- 3.6 The picture worsens when we consider that these outputs were achieved under a far more generous funding regime than is in place for current and future years.
- 3.7 That is, in the three year period 2008-11, the Homes and Communities Agency (HCA) support for affordable housing was £8.4 billion nationally⁵, with Derby receiving just over £21 million. But in the current four year period 2011-15, this national support has dropped to £4.5 billion with Derby expected to receive less than £10 million.

⁴ Defined as accommodation let at below market rates and made available to people whose needs are not adequately served by the commercial housing market

⁵ Figures from www.homesandcommunities.co.uk The bulk of government support for building new affordable homes is distributed through the HCA

Homelessness

- 3.8 The demand for homelessness services continues to rise. This is evidenced by the increasing numbers of households threatened with homelessness that the service works to prevent:

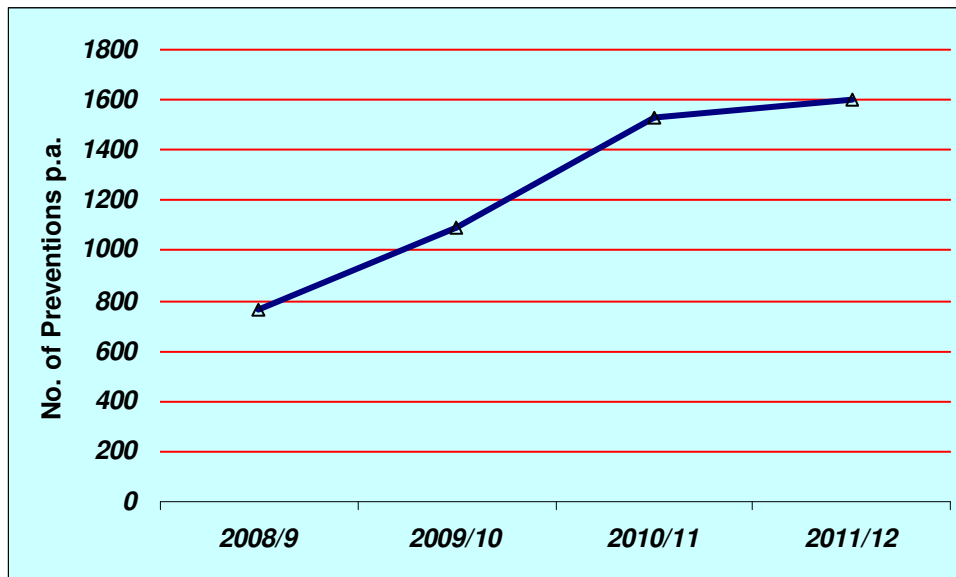


Fig 2: Homelessness preventions 2008-2011

- 3.9 Prevention services are dealing with an increasing caseload, rising from under 800 cases p.a. in 2008-09 to over 1600 (projected) in 2011-12.

Supporting People

- 3.10 The Supporting People (SP) programme provides housing related support to a broad range of groups such as teenage parents, vulnerable older people, people with learning disabilities, ex-offenders, single homeless people, people with mental health support needs and people who misuse drugs and alcohol.
- 3.11 The programme in Derby has historically received about £10m per annum, but is now subject to cuts in funding levels as illustrated below:

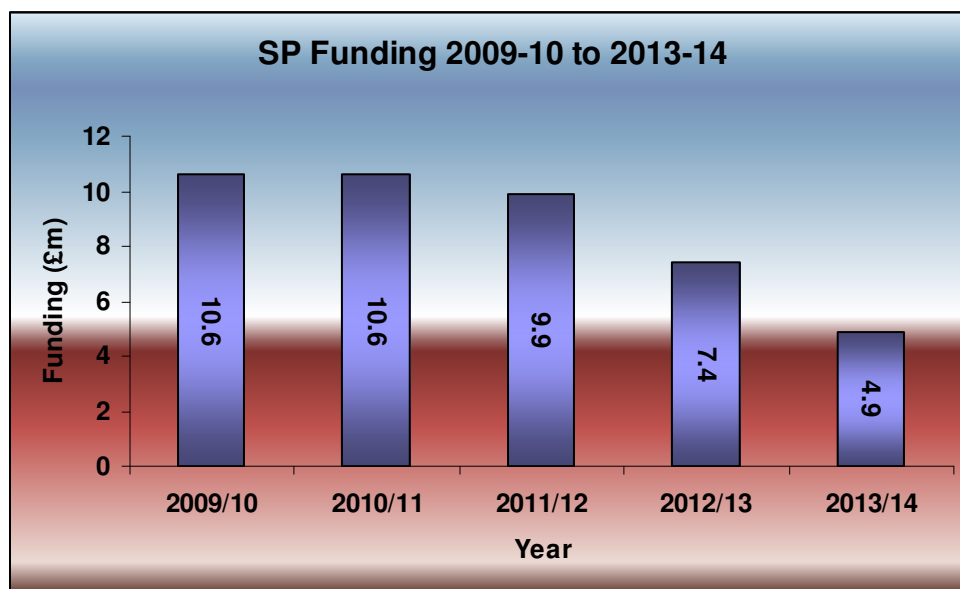


Figure 3: Falls in SP funding between 2009 and 2014 in £m

3.12 As can be seen, the cash funds allocated to the service remained constant between 09-10 and 10-11, representing a cut equivalent to inflation. This was followed by a relatively small cut to the headline budget for the current year, followed by substantial cuts for the following two years.

3.13 The cuts represent significant falls in service provision to the vulnerable groups listed above. These falls will inevitably have a knock-on effect on service provision elsewhere, with increasing demands for housing advice and support, and greater risk of homelessness.

Population Growth Projections

3.14 Derby's population currently stands at 247,300 but is forecast to increase substantially in forthcoming years. The graph below, based on figures from the Office for National Statistics, illustrates this increase. And given that older people are more likely to become vulnerable and in need of additional housing-related support, it is useful to also show what proportion of the total population is made up of older age groups. The graph therefore also indicates the percentage of the population made up by people over 65 years old:

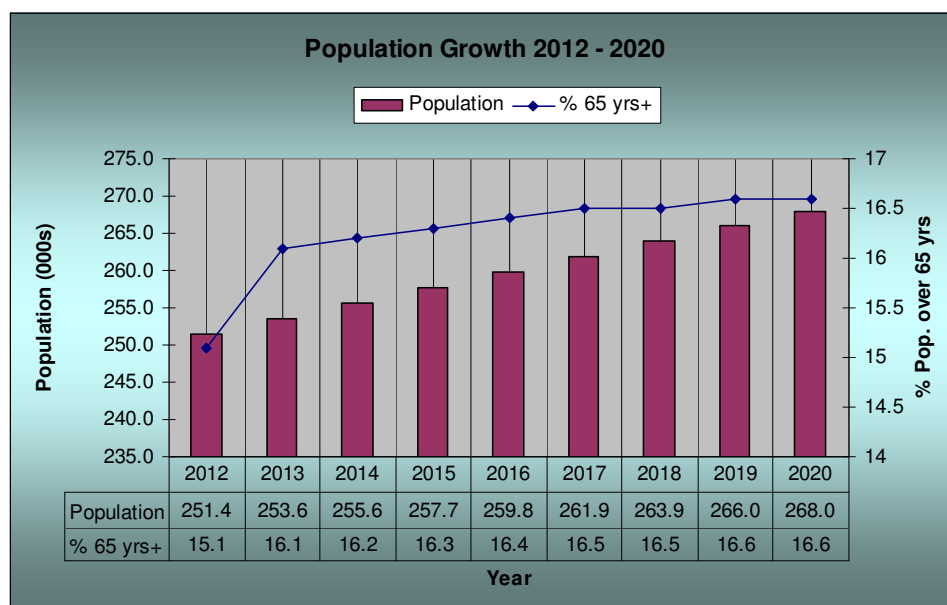


Figure 4: Population Growth / Proportion of Older Persons 2012-2020

- 3.15 In 2012 Derby's population will exceed one quarter of a million for the first time. By 2020 the population size will be around 268,000; an increase of over 20,000 on today's figure.
- 3.16 The percentage of the population which comprises people over 65 years is also increasing – from 15.1% (37,900 people) to 16.6% (44,500) in 2020. And of this group there are exponential rises in the proportions of the very elderly. That is, by 2020 the '75+ population' will grow by 19% and the 85+ population will grow by 37.7%.
- 3.17 This increasing population size, coupled with an increasingly proportion of older people, represents a significant growing demand for housing and related services

Housing for Disabled People

- 3.18 The provision of sufficient and suitably adapted properties for disabled people is another area of concern. At present the backlog of Council organised adaptations in privately owned properties stands at nearly £2 million, while demand for adaptations in social housing continues to rise. Given the ageing population discussed above demand is expected to increase further.

Welfare Reform

- 3.19 The Welfare Reform Bill will introduce (subject to parliamentary approval) a number of changes which will impact severely on vulnerable households and the demand for housing services. Although these changes will be implemented nationally, the extent of their impacts will vary according to local geographies. The key changes are as follows:
1. Caps to the maximum Local Housing Allowance (LHA) payable
 2. Increases in non-dependant deductions
 3. Local Housing Allowance calculated using the 30th percentile of market rents rather than the 50th percentile
 4. Limiting housing benefit for working age tenants so it only covers the size of property they are judged to need
 5. Shared Accommodation Rate – raising of the age from 25yrs to 35yrs
- 3.20 Though caps to the maximum LHA are expected to be more severely felt in the South East than in Derby, (and the north and midlands more generally) the other measures are likely to have a number of negative impacts. These include: increased overcrowding; increased demand for cheaper properties; increased demand for discretionary housing payments; higher demand for social housing from tenants who currently live in the private rented sector; increase in rent arrears; and private landlords becoming less willing to let to benefit claimants.

Housing Market Decline

- 3.21 The general lack of credit and mortgage availability has resulted in a downturn in the housing market. Consequently, owner occupation has become an unaffordable option for a large portion of households seeking to enter that tenure
- 3.22 This downturn has also impacted on the shared ownership model. Households, even if able to participate in these schemes, have been increasingly unwilling to do so due to uncertainty over future price falls and the risk of negative equity.
- 3.23 Problems of housing supply are also exacerbated by the well documented downturn in new house building⁶ which has affected the private sector as well as the social housing sector.

⁶ See for example: *House-building to hit lowest levels since 1923 as housing waiting lists hit record high* at <http://www.24dash.com/news/Housing/>

The Need for Strategic Review

- 3.24 Looking forward there are clearly a wide range of pressures on service delivery; both from cuts to funding for the supply of housing and housing-related support, and from increases in the demand for these services. In view of this it is essential that the new freedoms available should be considered in detail in order to assess what scope there is for better meeting our strategic objectives and tackling housing need.

Q3. Do you consider this section suitability reflects the position in Derby and has identified all the major factors impacting on market conditions, funding, and the demand for service provision?

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4 THE REFORMS IN MORE DETAIL: THE FREEDOMS THEY PROVIDE AND OUR 'POLICY OPTIONS'.

Fixed Term Tenancies (or 'Flexible Tenancies')

- 4.1 Registered Providers (including Councils and Housing Associations) will be able to let to housing register applicants on fixed term tenancies (FTTs). The secretary of state has recommended five years as the standard minimum, though in exceptional circumstances this can be reduced to two. Lifetime tenancies may still be offered where this is considered appropriate.
- 4.2 The purpose of this reform is to enable better targeting of the social housing stock to those in most need. It is expected that by giving shorter tenancies to those that are able to move on and access other housing options, stock will be freed up and made available to households in greater need who are currently waiting for accommodation on the housing register.

Affordable Rents

- 4.3 Subject to certain qualifying conditions, Registered Providers will be able to charge an 'affordable rent' on a proportion of new builds and re-lets. Affordable rent is generally higher than current 'social rent' and defined as a rent of up to 80% of the open market rate.
- 4.4 The intention of this reform is that improved income streams from the higher rents will support greater borrowing, which in turn will enable investment in new build to be maintained despite substantial cuts to HCA subsidies.

Homelessness

- 4.5 It will be possible to discharge the duty to homeless households by the offer of suitable accommodation in the private rented sector (PRS). Previously the household could refuse an offer in the PRS and insist on an offer with the Council or a Housing Association.
- 4.6 This change is intended to respond to the shortage in social housing by making greater use of the private sector. It is also expected to reduce the substantial costs that can arise from accommodating households in temporary facilities while waiting for suitable social housing to become available.

Allocations

- 4.7 There will be the freedom to end the practice of running 'open' housing registers. That is, whereas previously almost anyone could apply for social housing, local authorities will now have the freedom to set their own eligibility criteria to join the lists, according to local needs and priorities.
- 4.8 This measure, as with FTTs, is primarily intended to allow housing to be targeted at those in most need. Households able to access other tenures, such as private rented, shared ownership, or owner occupation, will be expected to pursue those options instead, rather than joining the social housing register.

Q4. Is this a clear and complete summary of the major reforms and the policy options they provide? What additions/amendments would you make if any?

5 THE COUNCIL'S POSITION ON IMPLEMENTATION OF THE REFORMS

- 5.1 The following sets out the position of the Council on the extent to which the new reforms should be implemented locally. It provides the basis of Council action on its own stock, while also informing private Registered Providers of what we consider to be key considerations in the development of their own policies.

Fixed Term Tenancies (FTTs)

- 5.2 The possibility of introducing FTTs, which in some circumstances will not be renewed when they expire, is potentially one of the most far-reaching and controversial of all the reforms proposed. It is therefore considered in some depth as follows:

Targeting of Properties to Those in Most Need

- 5.3 The Council recognises that social housing is a scarce resource - and that the provision of accommodation from new build and turnover from existing stock is insufficient to meet the need for it.
- 5.4 The extent of unmet need has been discussed in section three and exists concurrent to properties being occupied by households which may be able to access other tenures (such as private rented / owner occupied / shared ownership). This ability to access other tenures is not available to many of the households on the housing register.
- 5.5 We thus have a 'mis-match' between supply and demand – many of those in need of social housing unable to access it while at the same time many households currently occupying social housing that do not have the same need for it.

'Unsuitability' (1) - Under-occupation

- 5.6 Studies in Council stock show that potentially over 2000 houses are under-occupied by a single room, with a further 400 under-occupied by 2 rooms⁷. Under-occupation is also present to a considerable degree in Housing Association Stock, as illustrated by one of Derby's leading providers, which estimates under occupancy is present in up to 13% of its stock.

⁷ These are estimates based on the number of persons registered as living at the property against the number of bedrooms at the property. The figures should be treated with some caution as there may be more persons resident than actually registered as resident.

- 5.7 Concurrent to under-occupation is over crowding, and a shortage of large family properties. Attempts to tackle under-occupation by incentive schemes and other measures, while having a degree of success, have not reduced the scale of the problem in a substantial way.

'Unsuitability' (2) - Adapted Properties

- 5.8 There is also an issue with the 'recycling' of adapted properties. That is, when a disabled person moves on from an adapted property, with the rest of the household remaining in residence, the adaptations may be left unused.
- 5.9 The property may be left with redundant adaptations at the same time as new adaptations are installed in other properties. This is clearly not the most efficient use of the funds available for providing adapted properties for disabled households⁸.
- 5.10 This 'unsuitability' of use, whether through under-occupation or the presence of unused adaptations, may in future be minimised by the use of FTTs. The principle is that once unsuitability arises, the tenancy would not be renewed on expiry - though the household may be offered a further tenancy at a different property. This will free up the property more readily for another household for whom it is more suitable in terms of size and/or facilities.⁹
- 5.11 In considering the impact of FTTs on tackling unsuitability, it is important to bear in mind that they will only be applied to new tenancies, not existing ones. Their introduction will therefore not tackle current unsuitability, but should reduce its occurrence in future years.
- 5.12 Notwithstanding the potential benefits to be gained from the use of FTTs, the Council also recognises that there are a number of significant barriers/risks to their implementation:
- *Balanced and Stable Communities:* If tenants achieving certain income levels are asked to move on, this may result in the 'residualisation' of housing estates, occupied only or predominantly by benefit-dependent households. This may undermine our corporate objective to promote sustainable and balanced communities. Related to this point is the fact that tenants will be aware that they no longer have a 'home for life' but may at some point in the future be asked to move on. This may impact detrimentally on the pride they have in their homes and neighbourhoods.

⁸ Since the mid 1990s adaptations costing £500 or more have been made to over 3,500 Council properties. It is not known precisely how many of these adapted properties are still in use by a disabled person.

⁹ We anticipate that non-renewal of a tenancy would only occur in the case of *major* adaptations being unused, such as an extension or specifically installed ground floor wet-room. There is no intention to act on the basis of relatively minor adaptations such as hand-rails, stair-lifts etc.

- *Disincentive to Self-improvement:* If residents believe that remaining in need of support may result in the renewal of a tenancy, while accessing employment and greater income may result in its termination, this may discourage aspiration
- *Size of Social Housing Stock:* The Government is consulting on significant increases in the discounts available to Council tenants buying their property. It's quite possible that the threat of a termination of a tenancy may provide an additional incentive for a tenant to exercise their right to buy, resulting in a reduction in the size of the remaining stock still available for social housing. The combined effective of these changes could therefore be to reduce social housing supply rather than to target it more effectively.
- *Increased Costs:* Across a wide range of areas, costs are likely to increase. Administration, bureaucracy and associated costs will undoubtedly rise, as tenancy reviews will be necessary toward the end of a fixed term. Rent loss and voids costs are likely to increase due to increased turnover. And legal costs incurred in appeals and possession proceedings may rise where decisions are made not to renew.

5.13 These types of considerations seem likely to deter a number of RPs from any use of FTTs. They provide a strong case for maintaining the current practice of issuing lifetime tenancies in the majority of cases.

5.14 Clearly, there are compelling reasons both in favour and against the implementation of FTTs. The Council's view is that there is a balance to be struck between the more effective targeting of stock that FTTs might facilitate, and the need to minimise some of the undesirable effects listed above. Furthermore, the possibility of 'unintended consequences' which cannot yet be foreseen also supports a cautious approach. Our position is therefore as follows:

The Council supports the principle of using fixed term tenancies to make more efficient use of housing stock and to more effectively focus provision on those in most need. But the extent and circumstances in which implementation would be supported is limited.

5.15 Initially, the Council would support the use of FTTs to tackle 'unsuitability', i.e. to tackle:

- a) Under-occupancy
- b) Re-use of adapted properties where the disabled person is no longer resident.

5.16 Higher income alone as a ground for ending a tenancy will not be a policy the

Council intends to adopt for its own housing at this stage, though this will be subject to review once further consultation has been undertaken. However, the Council does recognise that private RPs may adopt this approach more readily where they consider it an appropriate means to efficiently manage their stock.

- 5.17 We have a similar stance on the use of FTTs as a housing management tool to tackle ASB and severe rent arrears – it is not our current intention to adopt this approach but we reserve the discretion to introduce this measure in future and recognise that some RPs may also intend to.

Vulnerable Groups

- 5.18 There are certain vulnerable groups where the use of FTTs may not be considered appropriate. For example older people with support or care needs, or adults with learning difficulties or mental health issues may benefit from a different approach.
- 5.19 Consequently the Council recommends that initially, FTTs are used only for general needs tenants. Those occupying supported, sheltered or extra-care housing may be better served by lifetime tenancies or existing licensing arrangements.
- 5.20 Registered Providers may also wish to consider how best to use FTTs with families with school age children or other households where longer tenancies may be appropriate.
- 5.21 Some general comments on implementing FTTs are provided in **Appendix B**

Q5a. Fixed Term Tenancies

i) Have we taken into account the relevant factors in coming to a position on the use of FTTs? If not, what other factors should be considered?

ii) Do you agree with our position on the limited use of FTTs? In particular:

- **What are your views on initially targeting ‘unsuitability’ (whether though under-occupation or the use of adapted properties)?**
- **What are your views on using income as a criterion?**
- **What is the most appropriate tenancy arrangement for ‘vulnerable groups’?**
- **Any further suggestions?**

iii) RPs, what is your own policy position on FTTs?

Affordable Rents

- 5.21 Affordable rents are intended to provide additional funding to support new build investment in a time where HCA subsidy is falling dramatically. The Council accepts that they will increasingly be part of ‘the housing offer’.
- 5.22 However, there are concerns over the implications for affordability and accessibility for housing register applicants if rents are allowed to rise excessively. A study by the Council (which can be accessed in full in **Appendix C**) has shown the potential for the following rises when converting from social to affordable rents:

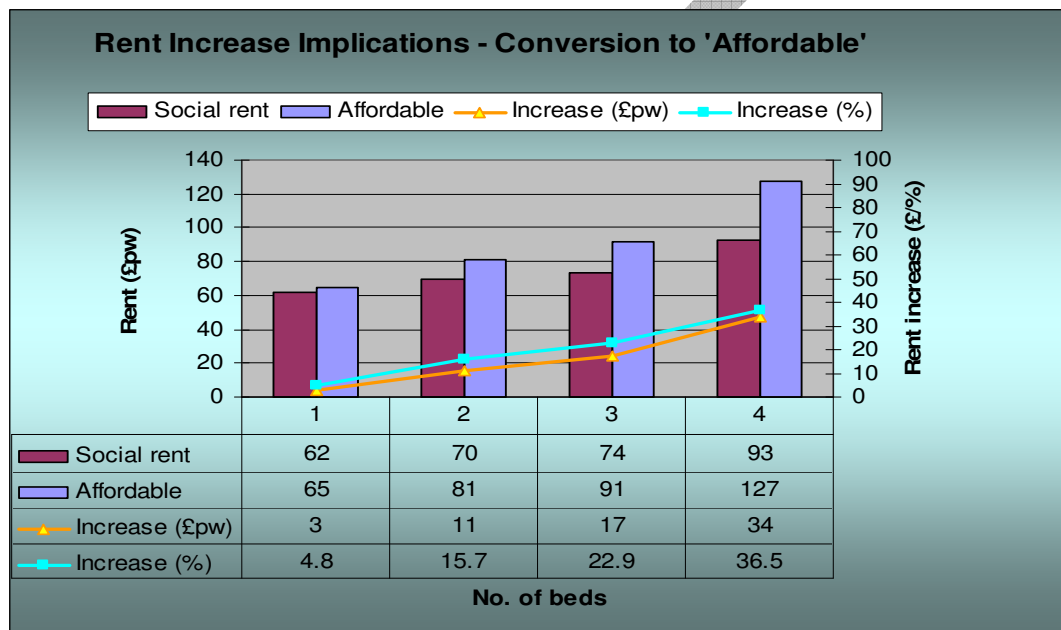


Fig 5: Potential Rises to Rent Levels if Converting to Affordable Rents

- 5.23 Rent increases for 1 bed flats are quite small – less than 5% (£3 p.w.). But for those on limited incomes even such small rises may be significant. Rises for larger properties are greater in absolute and percentage terms, rising to a substantial £34p.w. / 36.5% for 4-bed properties. Unless supported by housing benefit, such rates will be unaffordable for many low-income tenants¹⁰.
- 5.24 Using CORE data from 2010-11 to inform the typical number of re-lets p.a., the study also looked at the potential increased borrowing capacity that could be supported by the higher rents¹¹:

¹⁰ The figures are derived as follows: market rents based from LHA data; social rent based from relets in 2010-11 as recorded on CORE.

¹¹ Based on core data for relets in Derby during 2010-11

No. of beds	No. re-lets 2010/11	Borrowing increase 10% re-lets (£ 000's)	Borrowing increase 33% re-lets (£ 000's)	Borrowing increase 50% re-lets (£ 000's)
1	216	82	270	410
2	328	462	1,530	2,312
3	146	318	1,050	1,591
4	18	78	260	393
Additional Borrowing Capacity (£ 000's)		940	3,110	4,706

Figure 5: Potential Additional Borrowing Capacity Generated by Conversions to Affordable Rents¹²

5.25 Potential additional sums available for new build are substantial – from just under £1m if 10% of re-lets are converted, to just over £4.7m if 50% of re-lets are converted. Of course as properties are recycled, there is scope for year on year continuing conversions from social to affordable rents

5.26 Bearing in mind these considerations over investment potential and affordability, the Councils' view is as follows:

Subject to the caveats stated in 5.27 below, we are broadly supportive of the principle of affordable rents, as a means of broadening housing diversity and choice, and generating additional funds to support new-build programmes. We note also that some RPs have entered into a contract with the HCA which requires an affordable rent element.

5.27 However,

1. Benefit changes mean the single room allowance will soon apply to anyone up to 35 yrs and this will reduce the affordability and demand for 1 bed properties in particular. We would therefore not be supportive of increases / conversions to affordable rents for 1 bed properties.
2. In order to incentivise down sizing and reduce under-occupation in 3 and 4 bed properties we would also seek to limit rent rises to 2 bed properties.
3. Our research shows that increases to larger properties could be over £30 p.w. if a rise to the full 80% of market rents was implemented. We would not be supportive of rises of this magnitude - again on affordability grounds. However, smaller rises may be supported provided it could be demonstrated that the units remain affordable to low income groups.

¹² Analysis from Derby City Council Development Team

- 5.28** Reinvestment sums generated from the higher rent levels can be substantial. But there is no legal or other requirement that sums generated in Derby will necessarily be used for reinvestment in Derby. To be supportive of such increases, the Council would seek commitments from developers/providers that a reasonable level of locally based reinvestment would result.

Q5b. Affordable Rents

- i) Does this analysis accurately reflect the key considerations in implementing affordable rents? If any are missing please specify.**
- ii) What alternative methods of calculating market rents would you use and how would you best measure 'affordability'?**
- iii) RPs, what is your own policy position on affordable rents?**
- iv) Any other comments/suggestions?**

Homelessness (Duty Discharged By Suitable Offer in the Private Rented Sector)

- 5.29** These changes are welcomed as an additional tool to tackle and prevent homelessness. Although the number of discharges into the PRS may increase, such choice of tenure will not become the 'default' position. Rather, offers will continue to be based on the suitability of the property with tenure immaterial / coincidental. The minimum length of a private rented tenancy considered suitable for a homeless household will be 12 months
- 5.30** This measure will also facilitate access to private accommodation in areas where there is no social housing. The map below shows the distribution of social housing in Derby in dark / purple:

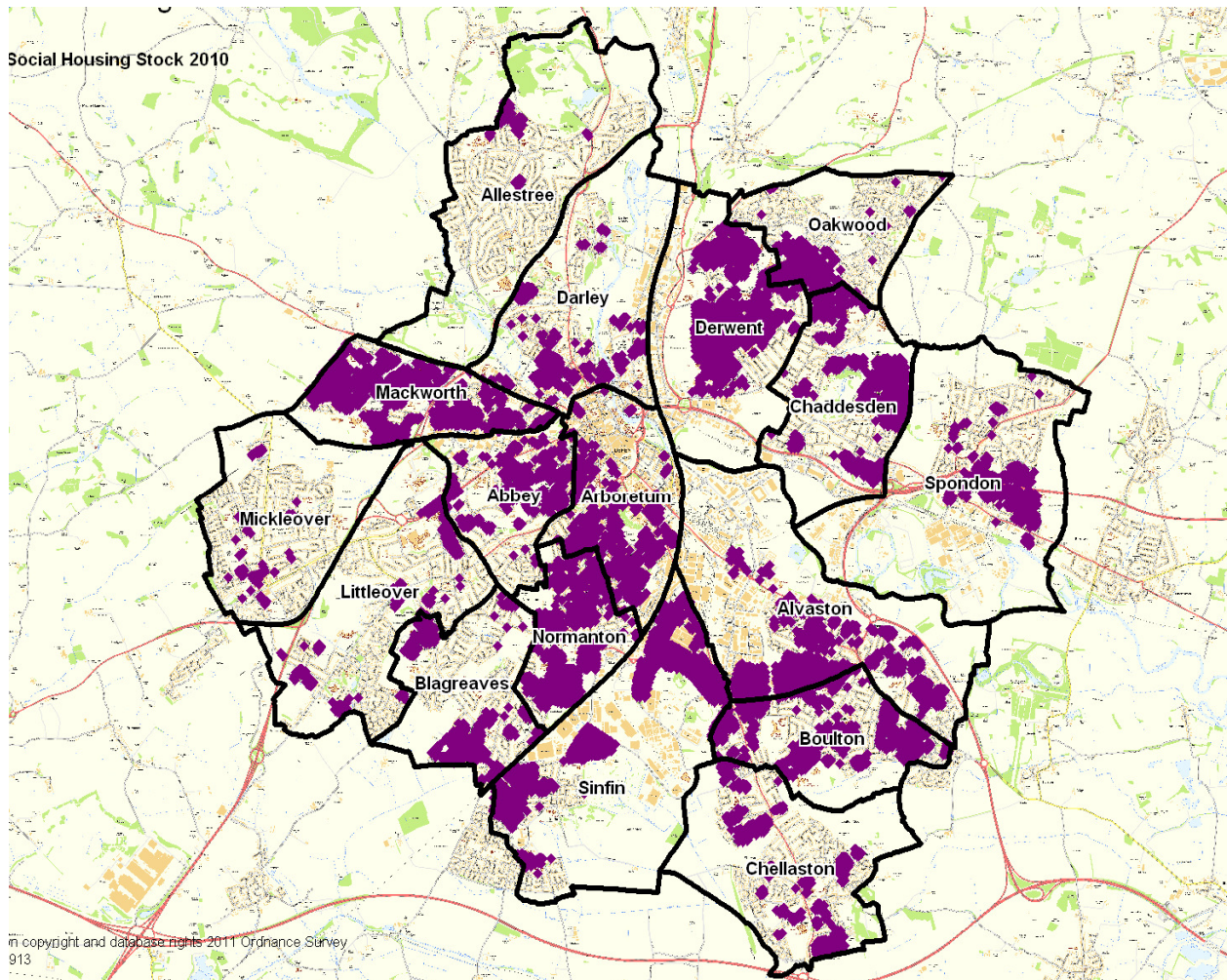


Figure 7: Location of Social Housing in Derby

- 5.31** Clearly there are large areas of the city, particularly within Mickleover, Littleover and Allestree, with little or no social housing. Homeless households for whom accommodation in these areas is essential may have to access private housing if no social housing is located there.
- 5.32** Derby also spends a considerable sum on Temporary Accommodation each year – typically in excess of £300,000 p.a. By fulfilling our duty to homeless households by an offer in the private sector we should be able to reduce the TA bill and free up these funds for other measures to tackle homelessness.

Q5c. Homelessness

What are your views on the approach to offering homeless households accommodation in the private sector? Are there any other measures/safeguards that we should put in place to protect this particularly vulnerable group. Any other comments/suggestions?

Allocations

5.33 The Council's view is that the allocations system is in need of fundamental review. Prior to the Localism Act a number of changes were already planned, but the new freedoms now available are so far-reaching that a further substantial review of the Allocations Policy has become necessary.

5.34 A number of the problems with our current system are discussed in section three. However, it is also useful to gauge effectiveness by considering average waiting times, as illustrated below:

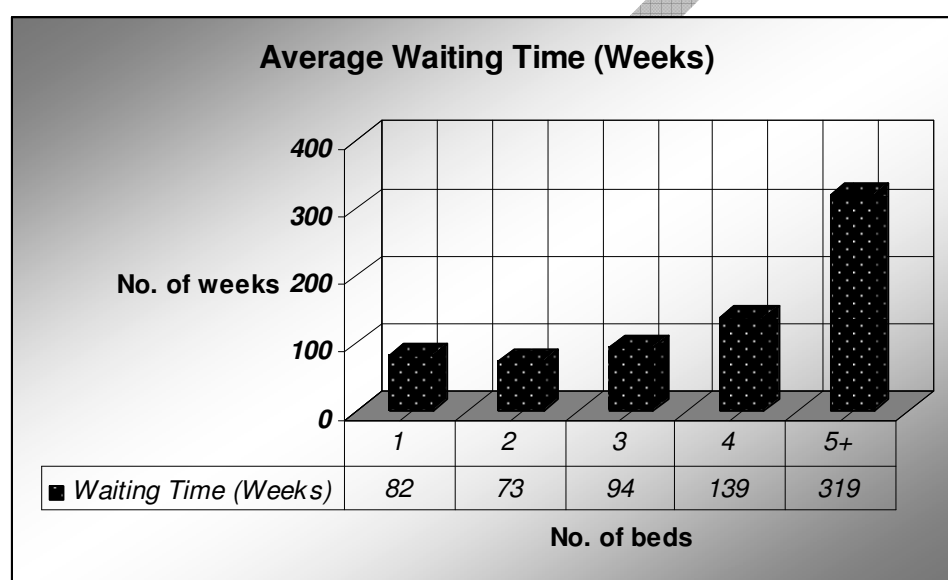


Fig 8: Average waiting time by number of beds, 2010-11 Derby Homefinder¹³

5.35 The waiting times for households allocated properties via the Homefinder system are considerable. Those being allocated two-bed properties had the shortest average wait, though even these households had to wait well over a year. Those allocated four bed properties waited on average over two and half years.

5.36 To address these problems and provide a more effective process, the following amendments will be considered:

- a) Eligibility to join the register may be restricted to those applicants with a realistic chance of being housed. This could involve a restriction to the 'reasonable preference groups' with some supplementary categories to take account of local circumstances.
- b) To assist with geographical mobility the 'local connection' requirement may be weakened or eliminated.

¹³ Figures based on general needs re-lets in 2010-11

- c) Choice Based Lettings (CBL) may be reviewed to see if alternate allocations processes are more appropriate under the new framework.
- d) The housing register will be maintained at a level that will sustain demand and allocations to RPs at reasonable levels.

5.37 However, changes to our allocations must also support our strategic objective of promoting balanced and stable communities. It is also like therefore that we will give additional preference to households making a positive contribution to the community. That is, working households (possibly up to a specified maximum household income), those actively involved in volunteering or some other form of activity which contributes to community life, will also be given preference and qualify to apply for social housing. The precise details of how this will apply in practice will be subject to the allocations review process as discussed below

5.38 Please note that no changes will be made to the allocations policy until a specific consultation process has been undertaken – separate to this consultation for the Tenancy Strategy. There will therefore be the opportunity to engage more fully in the development of a revised allocations policy later in the year.

Q5d. Allocations

i) Do you agree with the broad proposals to amend the allocations policy?

ii) What other measures might you introduce to reduce waiting times, bureaucracy and costs and to allocate housing to those in most need?

iii) What are your views on ‘additional preference’ for those making a positive contribution to the community?

iv) Any other comments / suggestions?

6 MOBILITY IN SOCIAL HOUSING

- 6.1 In general the Council supports greater mobility in the social housing sector as a means of reducing levels of over crowding and facilitating moves to access employment or for health / support reasons. We note also that the Government is committed to introducing a nationwide social home swap scheme.
- 6.2 It is likely that through a direction to the social housing regulator the Government will require registered providers to subscribe to such a scheme, though this is subject further deliberations by the secretary of state following responses to a consultation on this area.
- 6.3 As discussed in section 5, we will reviewing how our allocations policy can be amended to better promote mobility. In line with Government Guidance, we anticipate that all RPs operating in Derby will sign up to a national housing mobility scheme if introduced.
- 6.4 We would expect that wherever possible, tenants moving through such a scheme would be able to enjoy the same security of tenure and rent model in their new property than in their previous one. However, we also recognise that this will not be possible in all cases, particularly where voluntary moves are made to housing which has been designated as 'affordable rented' as part of a contract with the HCA.

Q.6 Mobility

- i) What are your views and if applicable policy position on mobility in social housing?**
- ii) How would you address the issues relating to differences in tenure/ rent model for transferring tenants?**
- iii) Any other comments or suggestions?**

7 FORMULATION OF THE TENANCY STRATEGY

- 7.1 In consultation with registered providers, residents, tenants and other local stakeholders (such as statutory and non-statutory providers of housing related support) it is our responsibility as a Council to understand, plan for, and manage the impact of reforms to the provision of social housing. This must be done in the context of varied and increasing housing need, complex markets, limited and falling funding streams and welfare reform.
- 7.2 The key areas under consideration relate to Tenure, Rents, Homelessness and Allocations processes. In arriving at the preliminary position outlined above we have conducted some detailed research, and taken 'soundings' from some of the more prominent social landlords in Derby. We have also carefully considered national guidance and local circumstances.
- 7.3 The dissemination of this discussion document marks the start of the formal consultation process. We welcome your views on any of the issues it raises, or indeed any other matters you consider should be taken into account in formulating our finalised strategy. Details of how to participate in the consultation process are outlined in section 10.
- 7.4 It is important to take into account that the changes that may be implemented will not be applied retrospectively. The benefits they are intended to give rise to, such as more efficient use of the housing stock, reduced waiting times, under occupation, etc, will therefore only gradually be realised over time. Nevertheless in the long term we anticipate that these changes will bring about substantial progress in achieving our strategic housing objectives.
- 7.5 A matrix of our current stance on the key issues is provided below:

Tabulated Summary of our Position on Implementation of the Reforms

Policy Area / Option	Key Considerations	Our Position
Flexible / Fixed Term Tenancies	<ul style="list-style-type: none"> ▪ Insufficient supply of housing to meet the demand for it – more effective targeting of stock to those in need ▪ Risk of administration, bureaucracy, legal challenge, rent loss, voids ▪ May discourage aspiration and contribute to 'residualisation' of estates. 	Targeted Implementation: <ul style="list-style-type: none"> ▪ Used for all new general needs tenants but not for tenants in supported / sheltered / extra care housing etc. ▪ Renewal by default unless under occupation or unused adaptations are present. ▪ A position on ending tenancies on basis of <i>income alone</i> subject to further consultation.
'Affordable' Rents	<ul style="list-style-type: none"> ▪ Additional funds for new build. ▪ Surpluses generated this way may be invested outside Derby. ▪ Impact on affordability. ▪ An element of affordable rent a requirement for most HCA development contracts 	Partial Implementation: <ul style="list-style-type: none"> ▪ No increases to 1 bed properties due to HB reform and extending of single person allowance to under 35 year olds ▪ Limited increases to larger properties (i.e. with 3 beds or more) where rises to the full 80% of market rent may impact on affordability.
Homelessness (Discharge of Duty by Offer in Private Sector)	<ul style="list-style-type: none"> ▪ Shortage of accommodation for those in most urgent need ▪ Ability to access private accommodation in locations where social housing is scarce ▪ Reducing cost of temporary accommodation 	Widespread Implementation: <ul style="list-style-type: none"> ▪ 'Suitability criteria' will apply with offers of accommodation based on the appropriateness of the property, rather than whether it is owned privately or by the Council or a Housing Association
Allocations	<ul style="list-style-type: none"> ▪ Many households currently on register with little genuine chance of being housed ▪ Excessive waiting times, particularly for larger properties ▪ Reducing unnecessary administration and bureaucracy 	Comprehensive Review: <ul style="list-style-type: none"> ▪ Possible restriction to the 'reasonable preference groups' with some supplementary categories to take account of local circumstances. ▪ 'Local connection' requirement may be weakened to promote mobility ▪ CBL also reviewed to see if alternate allocations processes are more appropriate

8 MONITORING, REVIEW AND GOVERNANCE

- 8.1 Derby City Council has established a steering group to oversee the development of the Tenancy Strategy. The group, which may be expanded as required, currently comprises officers from Strategic Housing, Housing Options and Advice, Legal Services, Derby Homes and Derwent Living.
- 8.2 This group will support the Council in its role of monitoring and reviewing the effectiveness of the strategy
- 8.3 Monitoring will need to consider two main areas:
1. The effectiveness and extent to which the new measures are implemented. This will include measuring the number of FTTs issued, the number of affordable rent properties, changes to allocations processes and homelessness placements in the private sector.
 2. It will also need to consider changing market conditions and their likely impact on the demand for service provision. It will therefore also monitor:
 - Housing need
 - Homelessness approaches, preventions and acceptances
 - Number of new homes built and in which tenure(s)
 - Rent levels across all tenures
 - Changing trends in welfare benefits, particularly housing benefit
 - Affordability
- 8.4 Monitoring these activities will inform future changes to the strategy and enable our service response to remain appropriate and relevant to changing circumstances

Q8. Monitoring, Review and Governance

- i) Do you support the approach to monitoring and reviewing the effectiveness of this strategy?**
- ii) Who do you think should be represented on the steering group?**
- iii) Any further suggestions?**

9 A SUMMARY OF WHERE REGISTERED PROVIDERS' POLICIES CAN BE FOUND AND THE DIFFERENT TENANCY TYPES

9.1 The Localism Act requires the Tenancy Strategy to summarise the policies of registered providers or 'explain where they may be found'¹⁴.

9.2 A schedule detailing where the policies of all the registered providers active in Derby can be accessed will be published in the final strategy. The main different types of tenancy currently used by providers are as follows:

Assured Shorthold Tenancies (ASTs) – These are in common use in the private sector and by some Housing Associations with their market rented stock. The key feature is that the tenancy lasts for a fixed term following which the landlord is entitled to possession of the property.

Assured Tenancies - These provide similar legal rights to ASTs, but the tenant can stay in the property for an unspecified period of time. There is no automatic right for the landlord to repossess the property at the end of the tenancy.

Regulated Tenancies – These provide the same security of tenure as assured tenancies but also provide a legal right to apply for a fair rent to be registered. Automatic succession rights apply to a spouse or another qualifying family member in the event of the death of the tenancy holder

Introductory Tenancy - An introductory tenancy is a one-year 'trial' Council tenancy. As long as the terms of the tenancy agreement are met it will automatically be followed up with a secure tenancy

Probationary Tenancy (or starter tenancy) is similar to an introductory tenancy but used by Housing Associations. It will generally last for up to 12 months before converting to an assured tenancy

Shared Ownership – This scheme is a combination of renting and buying. Between 12.5% and 75% of the value of the property is purchased, usually supported by a mortgage, with a monthly rent being paid on the remaining share

Q9. Tenancy Types and the Policies of Registered Providers

Is this summary an accurate and complete account of the main types of tenancies in use – please comment on any errors or omissions
RPs: Please inform us of where your own policies can be accessed, in accordance with the requirements of the Localism Act

¹⁴ <http://www.legislation.gov.uk/ukpga/2011/20/section/150/enacted>

10 EQUALITIES

- 10.1** A full Equalities Impact Assessment (EqIA) of this strategy will be undertaken during the consultation period. Its purpose is to assess the impact of the Strategy on the different equality groups with the intention of implementing remedial action where this impact is negative and maximising access to services for everyone. Wherever possible, we will implement any actions or steps identified by the EqIA as soon as it is practical to do so.
- 10.2** We would anticipate all RPs undertaking EqIAs of their own tenancy policies.

11 CONSULTATION PROCESS

- To** All with an interest in housing in Derby are welcome to respond, though the consultation is particularly aimed at the following:
- Registered Providers (Housing Associations)
 - Charities and Non-statutory Agencies Involved in the Provision of Housing or Housing Related Support
 - Voluntary and Community Organisations
 - Resident and Tenants' Groups
 - Households currently awaiting accommodation from the housing register
 - Individual Tenants / Members of the Public
 - Councillors (Elected Members)
 - Private Sector Landlords

Responsibility for this Consultation The Strategic Housing Division at Derby City Council is responsible for this consultation

Timescale This consultation will run from Friday, 27 January 2012 until 5pm on Friday, 30 March 2012

Enquiries For further information on this consultation document please email housing.strategy@derby.gov.uk or telephone Jeremy Mason on 01332 256318

How to respond

Consultation responses can be submitted online by going to:
<https://remote.derby.gov.uk/dccsurveys/hs/tenancystrategy/tenancystrategy.htm>

Or by email to: housing.strategy@derby.gov.uk

Or by post to:
Derby City Council Tenancy Strategy Consultation
FAO: Jeremy Mason
Saxon House
Heritage Gate
Friary Street
Derby
DE1 1AN

After the Consultation

We will publish a summary of the consultation responses and the finalised Strategy. We expect this to be ready in April 2012

DRAFT

APPENDIX A: GLOSSARY OF TERMS

ASB	Anti Social Behaviour
AST	Assured Shorthold Tenancy
CBL	Choice Based Lettings
DCLG	Dept. for Communities and Local Government
FTT	Fixed Term Tenancies or 'Flexible Tenancies'. At the end of the fixed term the tenancy is either renewed or terminates
HCA	Homes and Communities Agency – the main provider of grant funding for Affordable Housing in England
HB	Housing Benefit
HOC	Housing Options Centre
LA	Local Authority
LHA	Local Housing Allowance
NAHP	National Affordable Housing Programme – the HCA's funding programme to support the development of new Affordable Housing.
PRS	Private Rented Sector
RICS	Royal Institution of Chartered Surveyors
RP	Registered Provider of Social Housing. Usually refers to housing associations though Local Authorities that own housing stock are also included. Derby City Council is therefore an RP
SP	Supporting People
SRR	Single Room Rate (of Housing Benefit)
TA	Temporary Accommodation

APPENDIX B: IMPLEMENTATION OF FIXED TERM TENANCIES

It is not the intention of the Council to be prescriptive as to the 'mechanics' of the reviewing and renewing of fixed term tenancies. This information lies in the domain of the detailed tenancy policies which RPs will draw up. However, we would highlight some practical considerations to take into account in the formulation of those policies:

Continuing occupancy and renewal on expiry of the fixed term would still be the default position – unless certain specific conditions apply. As previously mentioned, our view is that tenancies would only not be renewed in the case of under-occupancy or unsuitability (i.e. an adapted property no longer needed). RPs will decide whether to include income and severe ASB/persistent rent arrears as further conditions.

Implementation of FTTs should as far as possible be done in a way which minimises potential housing management problems, with any changes being as simple and transparent as possible. And while there will inevitably be some households that do not benefit from these changes, they should nevertheless be made in as fair a way as possible. To help achieve this, the following may be appropriate:

- On expiry of a tenancy, the onus would be on tenants to provide evidence of a continuing need/eligibility – rather than the landlord having to 'chase' information to decide whether to renew or terminate. This onus should be an express condition within the tenancy agreement itself. Failure to provide the necessary information toward the expiry date may provide a presumption that the tenancy will not be renewed; though providers may wish to take further advice on the human rights implications of such an action.
- Reviews should be 'light touch', assessing simply whether grounds for termination (non-renewal) apply. If not, the tenancy is renewed automatically.
- Fixed term tenancies are likely to be restricted to general needs households of working age.
- Families with school age children should not be asked to move if this disrupts children's schooling.
- Other vulnerable groups should be treated according to circumstances and not unreasonably be asked to move on.

APPENDIX C: AFFORDABLE RENTS:

What impact will a conversion from 'social' rents to 'affordable' rents have on rent levels and new-build funding in Derby?

1. Introduction – Government Proposals and Intended Outcomes

Key Points

- Proposed reforms to social housing include a new regime for rents. The new 'affordable' rents are set at up to 80% of market rents, with RPs having the option (subject to agreement with the HCA) to charge these levels on a proportion of new build properties as well as relets of existing properties.
- Government intends that improved income streams from these higher rents will provide the basis for greater borrowing, which in turn will enable investment in new build to be maintained despite substantial cuts to HCA subsidies.
- The analysis that follows looks at the impact the proposed changes may have in Derby. It considers how much rents will rise if converting from 'social' levels to 'affordable' levels and therefore provides an indication as to how much extra revenue may be raised and the consequent potential additional funding for investment in new build¹⁵.
- Crucially, it also provides relevant information impacting on affordability. As such it will inform our tenancy strategy and the extent to which the Council can support conversions from social to affordable rents.

2. Current Rent Levels

Social Rents

Figures for social rent were generated by looking at two data sets – core data and Derby Home Finder data:

a) *Core data* (based on 1376 re-lets in 2010-11) shows typical social rents in Derby¹⁶ to be as follows:

¹⁵ There is no requirement for RPs to invest monies raised on the back of rent increases in the same locality as where the increases were made. Rent rises in Derby could therefore support new-builds in other local authority areas rather than Derby.

¹⁶ As charged by RP's including Derby homes

No of beds	1	2	3	4	5+
Rent (£/pw)	61.77	69.93	73.84	92.68	112.98

b) Home finder figures are based on advertised rents in 2010-11 (1926 instances):

No of beds	1	2	3	4	5+
Rent (£/pw)	65.10	70.68	74.20	91.67	Insufficient sample size

Market Rents

Government guidance to date indicates that market rent valuations produced using RICSs approved methods will be used to generate figures for affordable rents. Pending more detail on this, the following analysis produces an approximation of market rent by looking at two indicators – the local housing allowance and typical rents as advertised on the web:

a) Local Housing Allowance (LHA)

LHA is defined as (from direct.gov):

‘In the Rent Officer’s opinion, the Local Housing Allowance for tenancies in the area are representative of the rents that a landlord might reasonably be expected to obtain in that area’¹⁷

That is, it indicates market rent. LHA levels in Derby are as follows:

No of beds	1	2	3	4	5+
Rent (£/pw)	80.77	101.54	114.23	159.23	N/A

b) Online Search.

Rentright.co.uk provides extensive data on average monthly rent levels, based on landlords’ / agents’ property advertisements. Extrapolating from their monthly ‘snapshot’ figures to give a weekly average provides the following:

¹⁷ <https://lha-direct.voa.gov.uk/> (accessed 28/9/11)

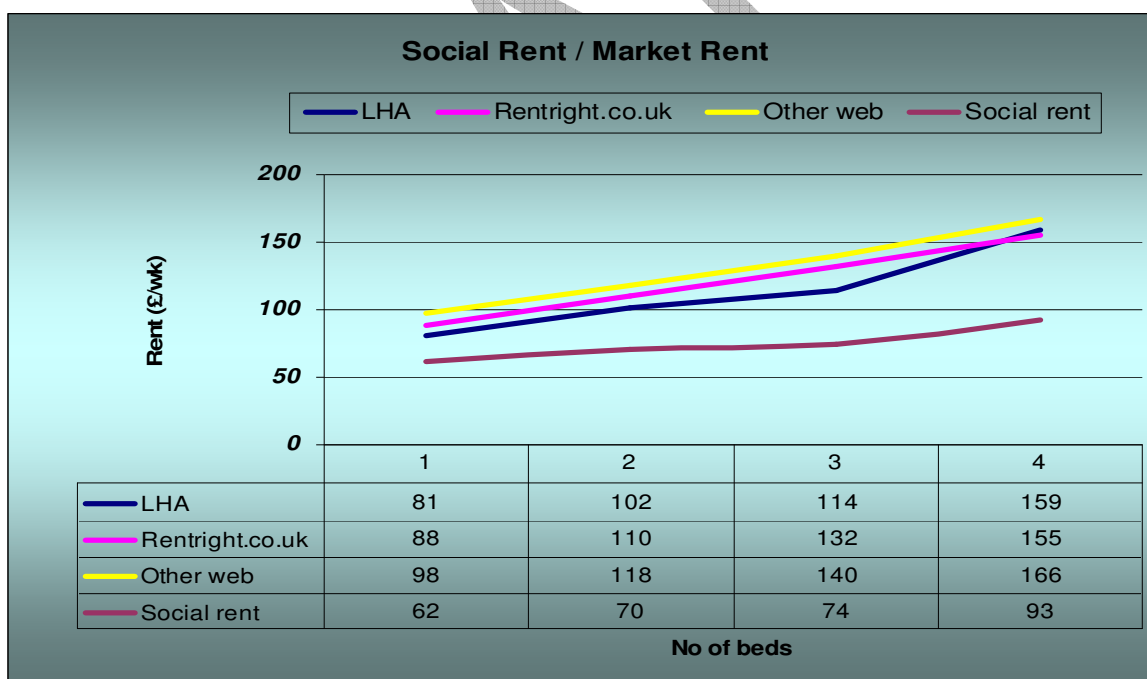
No of beds	1	2	3	4	5+
Rent (£/pw)	88.28	110.03	131.93	155.23	N/A

Less detailed data is provided from home.co.uk and findaproperty.com. Combining and averaging figures from these sites gives the following:

No of beds	1	2	3	4	5-6
Rent (£/pw)	97.67	118.39	139.67	166.15	N/A

3. A Comparison of Social and Market Rents

The differences between the findings for core data and Home Finder are small – typically less than 2% (with the exception of 1 bed properties where the difference is 5%). But as core data uses actual rents rather than advertised rents this is the chosen data for comparison purposes, as illustrated below:



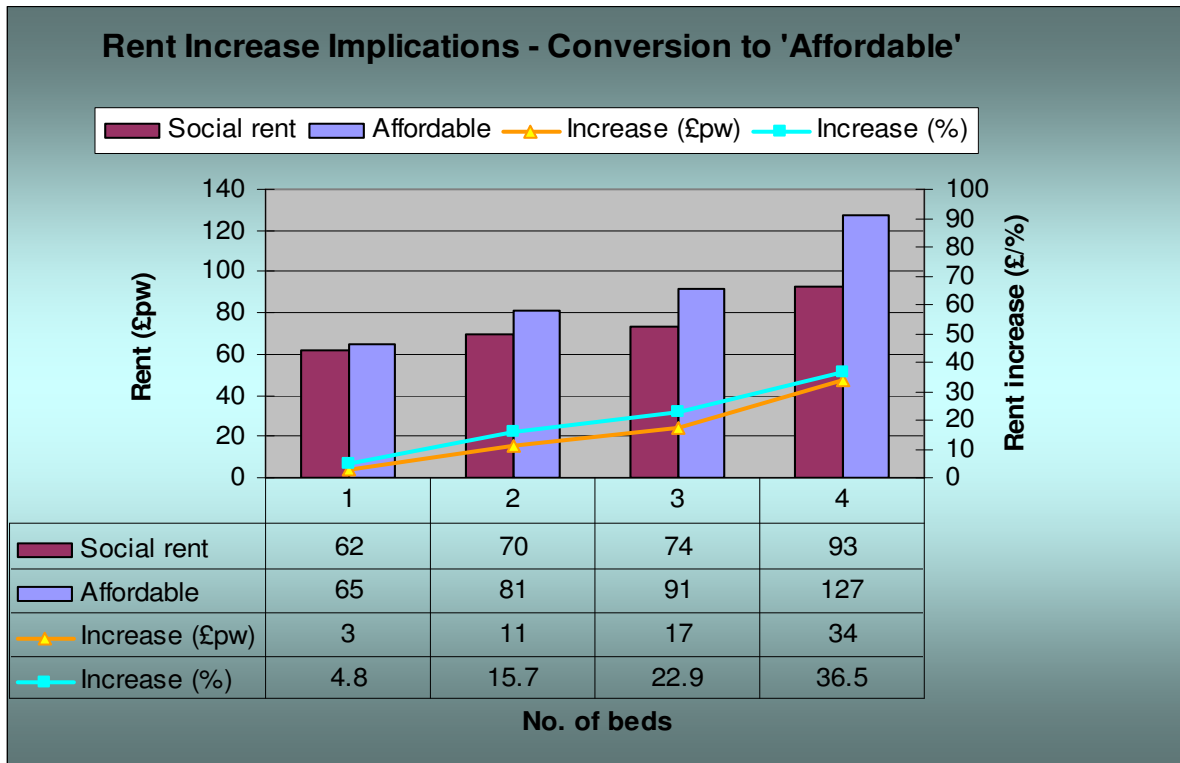
(Note: Rents rounded to the nearest £. 'Other web' comprises data from home.co.uk and findaproperty.com.)

Unsurprisingly, social rents are markedly lower than any of the measures of market rent. Of these, LHA rates are slightly lower than other market rent measures. This may be due to the fact that the data for the other measures is derived exclusively from commercially advertised properties, which could well be higher than average

rates. For this reason, and because it is based on a far larger sample size, LHA will be the preferred indicator for assessing affordable rents.

4. Likely Rent Increases when Converting from Social Rents to Affordable Rents

The graph below illustrates the rent rises that would follow if converting social rents to affordable rents – ‘affordable’ being defined as 80% of market (LHA) rent.



Rent increases for 1 bed flats are quite small – less than 5%. Rises for larger properties are greater in absolute and percentage terms, rising to a substantial £34p.w. / 36.5% for 4-bed properties.

5. Additional income and borrowing capacity to RPs through conversion to affordable rents

If conversions from social to affordable rents were implemented according to the figures above, the following increases would apply:

Increases / No. of beds	Rent increase p.w. (£)	Revenue increase over 30 yrs (£/unit)	Borrowing capacity increase (£/unit) ¹⁸
1	3	4,630	3,800
2	11	17,160	14,100
3	17	26,520	21,800
4	34	53,040	43,700

The potential increase in borrowing capacity in all cases but for 1-beds is considerable. Looking at the entire private RP stock (excluding Council stock), if conversions to affordable rents had been made on the basis of relets in 2010-11, the following extra sums could be borrowed:

No. of beds	No. relets 2010/11	Borrowing increase 10% relets (£ 000's)	Borrowing increase 33% relets (£ 000's)	Borrowing increase 50% relets (£ 000's)
1	216	82	270	410
2	328	462	1,530	2,312
3	146	318	1,050	1,591
4	18	78	260	393
Additional Borrowing Capacity (£ 000's)		940	3,110	4,706

Potential additional sums available for new build are substantial – from just under £1m if 10% of relets are converted, to just over £4.7m if 50% of relets are converted. Of course as properties are recycled, there is scope for year on year continuing conversions from social to affordable rents.

Although past performance is no guarantee of future performance, it is likely that future relets will be of broadly similar levels to those from 2010-11 - that is roughly 10% of stock, which RP partners have indicated is fairly typical. Looking forward then, it would seem in principle that there is scope for considerable extra borrowing on the back of these higher rents levels.

6. Points for further consideration / action

- Rent increases for 1 bed flats seem small, at less than 5% (£3pw). But for those on limited incomes even such small rises may be significant.
- For larger properties rent increases are huge – up to £34 pw (between three and seven times current inflation rates). Unless supported by housing benefit, such rates will be unaffordable for many low-income tenants. This raises the question as to whether RPs would wish to charge such rates and whether LA Tenancy Strategies should seek to restrict them

¹⁸ Figures from Housing Development Team, DCC. The analysis makes the following assumptions: Borrowing rate: 6%; Repayment term: 30 years; Management costs: £900 pa; Responsive maintenance: £700 pa; Major works: £900 pa; voids & bad debt: 4%

- If restricting rises seems appropriate, what clear and transparent mechanism could be implemented to bring this about? Note that affordable rents are defined as *up to* 80% of market rent. It could in principle therefore be possible to set up a 'sliding scale' depending on number of beds. That is, an arrangement something like the following could be put in place: 1-beds could be set at 80% market rent, 2-beds at 70%, 3-beds 60% etc. This would have the effect of mitigating the rises and curbing increases on larger family homes, helping to retain their affordability for low income households.
- The increases in borrowing capacity following from conversion are considerable. But crucially there is no requirement for RPs to invest monies raised on the back of rent increases in the same locality as where the increases were made. Rent rises in Derby could therefore support new-builds in other local authority areas rather than Derby itself.

These considerations can be summed up as a series of questions:

- I. To what extent is the introduction of new Affordable Rent tenancies viable in Derby and whose housing needs would they meet?
- II. At what rent level should they be set, that is, where between social rent levels and 80% of market rents?
- III. What proportion of social housing relets should be converted to this new tenure?
- IV. Will they meet the housing needs of people currently on Derby Homefinder or – given the rent levels will be significantly higher - would they be aimed at meeting the housing needs of other people, and if so whom?
- V. The differential between social rents and affordable rents is sufficient to generate a significant future income stream, but what measures if any could we put in place to ensure the additional revenue is used in Derby and not elsewhere?

Qualifying Comments and Limitations of the Analysis

- Market rents quoted here were determined by desk top web research / LHA rates. The web may exaggerate rent levels as higher value properties will provide more of margin to meet advertising costs than low level ones. The proposed RICS-type valuations (when introduced) may provide a more robust methodology.
- Rents vary enormously by area, even within a local authority boundary or LHA 'broad market rental area'. But this analysis makes no breakdown by internal area. The trends outlined are likely to be greater in more popular areas and possibly less pronounced in less popular areas. Consequently, rent increases in popular areas are potentially even greater than those illustrated and may make these areas even less accessible to low income households than is already the case.

- Social rents quoted do not include service charge. If affordable rents include an element of service charge the figures would need to be revisited and the total increase may be smaller.
- Conversions to affordable rent of social housing stock is based on the assumption that 'average' social houses could achieve 'average' market rents if let on the open market. But it's likely that the rents achieved by 'former' social housing would be lower. The correct comparable should be 80% of what a former social house would fetch on the open market – this is likely to be lower than 80% of average market rent.

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