



WHAT YOU NEED TO KNOW ABOUT THE UPTAKE OF FIXED TERM TENANCIES AND AFFORDABLE RENT

Last week the Department for Communities and Local Government (DCLG) published statistics on social lettings in England during 2012/13. They are of particular interest because this is the first complete year in which social landlords have let some properties at affordable rent and/or on fixed term tenancies. The statistics provide an early indication of the effect of these changes and this briefing for CIH members sets out the key headlines from them.

In summary, the initial impact of both fixed term tenancies and affordable rent has been relatively modest. Despite their introduction, the vast majority of properties were still let at social rent and using secure or assured tenancies. However this may change in the future if more organisations start to make use of fixed term tenancies and as more properties are converted at re-let to affordable rent.

Social and affordable rent

- The number of properties let at affordable rent has increased by 18% from the previous year (during which affordable rent was first introduced)
- However they still constitute a relatively small proportion of all lets, just 10%. In total 27,003 properties were let at affordable rent, compared to 233,334 general needs lettings at social rent
- Affordable rents are being set at an average of 68% of local market rent
- In cash terms, the average affordable rent is £108.58pw for a 1 bed property (compared to an average social rent of £74.14pw for housing associations and £66.46pw for local authorities) and £112.78pw for a 2 bed property (compared to £85.86pw and £74.59pw)
- In London, affordable rent is being set at a lower proportion (49%) of market rent but is considerably higher in cash terms. Average affordable rents there are £147.67pw for a 1 bed property and £171.04pw for a 2 bed property
- 31% of affordable rent lets were to existing tenants who had previously paid a social rent
- The employment statuses of tenants paying social and affordable rent are broadly similar, with about 57% of each group being unemployed/sick/not seeking work. However a slightly greater proportion of tenants (an additional 2%) paying affordable rent are eligible for housing benefit
- Very few of those paying affordable rent are pensioners (just 4%) and a slightly higher proportion are in employment (an extra 4%, compared to those paying social rent).

CIH comment

Affordable rent is gradually taking hold in England. It does not seem to be changing the profile of people living in social housing, however, despite being set at rates significantly below market rent, it is pushing up



costs for tenants and demand for housing benefit. The figures suggest that some households would not need to claim housing benefit if they were paying a social rent.

Fixed term tenancies

Statistics for local authority lettings do not clearly differentiate between secure and flexible tenancies. However information provided by housing associations (and the small number of other private registered providers) does differentiate between traditional ('lifetime') assured tenancies and fixed term assured shortholds. This provides an initial picture of the use of fixed terms in that part of the social housing sector.

- Housing associations let a total of 11,262 general needs properties (just 9% of their general needs lets) using assured shorthold tenancies. A majority of these are likely to be 'fixed term tenancies'
- However this rises to 28% for properties that are let at affordable rent
- Of these general needs properties let by housing associations on fixed terms:
 - Most tenancies are for a term of 3-5 years. This is the case for 51% of those let at social rent and 76% of those let at affordable rent
 - A smaller proportion (28% of those let at social rent and 5% of those let at affordable rent) are for terms of 2 years or less.

CIH comment

It is still difficult to accurately predict the effect that fixed term tenancies will have on turnover at this stage. Much depends on how many of these tenancies are renewed at the end of the initial fixed term, which will not become apparent for several more years. However the higher percentage of affordable rent properties which are being let on fixed terms suggests that some tenants are experiencing both higher housing costs and less security as a result of organisations' need to raise development funding.

Further information

The complete set of social lettings data for 2012/13 is available on the [DCLG website](#).

CIH has also published guidance to help you consider the use of fixed term tenancies in your organisation and, where the decision is taken to use them, to implement them correctly. For more information, see:

- [How to... develop your tenancy policy](#)
- [The practical implications of tenancy reform](#)

We will also shortly be publishing a further document on 'New approaches to using fixed term tenancies', which will explore how and why some landlords are using fixed terms and the lessons that others can learn from these early adopters.