



Erewash Borough Council Tenancy Strategy - Guidance For Registered Providers

**regarding
Social and Affordable Housing
Tenancies in Erewash**

SUMMARY

November 2012

The Council works well with registered providers who develop, own and manage social and affordable homes in the Borough, through groups such as the Erewash Affordable Housing Development Partners and the Housing and Homeless Forum, and on a one-to-one basis.

We recognise that registered providers want to provide good quality homes and housing services to tenants and other customers, and that this requires sustainable business plans. We also value providers' contributions to improved health and wellbeing, economic stability and growth, quality environments and safe neighbourhoods. We understand that in the current climate, providers are facing a number of risks to their businesses; and have to make decisions taking this into account. As many registered providers are national organisations, we also appreciate that their own tenancy policies will be formulated to cover many local authority areas, not just Erewash.

We would, however, also like providers to recognise that whilst we have similar goals, the Council has a wider responsibility for ensuring a good quality of life for all residents and communities, and not just for those households already living in social and affordable housing. The Council also needs a sustainable plan (described in the community strategy, corporate plan, medium term financial plan, local housing strategy and homelessness strategy), for which the Council is held to account by the public. The Council has a responsibility to help Erewash residents have good quality homes and housing services which meet their needs, and help create sustainable, mixed and balanced communities. At the same time, we need to ensure that those in urgent housing need are housed as soon as possible.

We acknowledge therefore that whilst our different roles as the Council and as registered providers may result in some different perspectives and practice, we will all be working together to achieve the best outcomes for our Borough, for tenants and prospective tenants.

We are conscious that registered providers only have to "have regard" to the Council's tenancy strategy in formulating their own tenancy policies. We also appreciate that there are many valid arguments for and against some of the choices available.

Therefore, the aim of this strategy is to influence and guide providers into making the choices which are right for them, and for the residents of the borough, rather than the Council specifying the choices we think the registered providers should make. Taking into account our local knowledge and understanding, we have therefore outlined the factors which our registered providers need to take into consideration when making their choices.

Please note that this is a Summary Document only. The full Erewash Tenancy Strategy/Guidance document is also available with much more detail.

Fixed term tenancies (flexible tenancies)

The Council accepts that more effective matching of stock with those in most need is essential.

However, registered providers need to consider the following local issues and factors if they are to offer fixed term tenancies:

- That **fixed terms of less than five years** will lead to a great deal of uncertainty and upheaval, and may provide only similar stability private rented homes.
- The **length of the initial fixed term** should be **variable** according to circumstances and needs of the individual household
- That vulnerable people, such as **elderly people** living in “over 60s” homes, are **unlikely to have changed circumstances** in terms of under-occupation or income at the end of the term. Therefore the insecurity felt by the tenants of having a fixed term tenancy in these situations may be unjustifiable and detrimental to health and well-being.
- **Terminating** tenancies on the **basis of income** may result in **disincentives to aspiration and the ‘residualisation’ of estates**
- Those with incomes to now enable them to buy, should be offered the opportunity and **encouragement to buy the property** either outright or on a shared ownership basis, as long as this option will still be **genuinely affordable**
- People need to know that, wherever possible, they will be able to **remain within the same community** which they are part of, even if their circumstances have changed. So even if they have to move from their current property, there should, wherever possible, be alternative long-term accommodation available to them in the area, if that is what they wish. This is particularly pertinent to **families with children settled in local schools**, or people who need to remain in the area to **give or receive support**.
- The **impact of a fixed-term tenancy** should be **made clear** to the tenants at the beginning of their tenancy – not only in written form, but also verbally on a face-to-face basis to sure that they do fully understand.
- The **terms and conditions** of the fixed term tenancy should be clear and unambiguous. Tenants should know when the tenancy will be reviewed, and the conditions under which they would have to surrender or change their tenancy
- On the review of the tenancy – the tenant should receive **comprehensive and independent advice** regarding the options available to them, at least 6 months before the end of the term
- Wherever possible, tenants should **not** have to move to a short-term **private rented sector tenancy** at the end of their fixed term – **unless they choose** to do so, and fully understand the implications of doing so
- People leaving a tenancy at the end of the fixed-term period should **not** be in the position of being **homeless or living in unsuitable or temporary** accommodation
- The **cost of administration** for the Registered Provider of fixed term tenancies, should be **balanced against the advantages** of fixed term tenancies in making the best use of stock, and ensuring social and affordable housing is available to those who need it.
- There is a **shortage of suitable properties** for people with **physical disabilities**, and therefore it seems **reasonable** to ask those in significantly adapted or purpose-built properties **to leave** these at the end of the fixed term, if they no **longer need it**. However, the situation should be dealt with **sensitively**, and an alternative long-term property offered.
- The use of fixed term tenancies as tools to address **anti social behaviour and severe rent arrears** should be considered only where other legal remedies have not been appropriate or effective.

Affordable Rents

The Council accepts 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. There is a significant **need for more affordable properties** in the borough. We **accept** therefore that **new-build HCA** funded rented properties will normally *have* to be Affordable Rented, and a certain number of **“conversions” of re-lets** will have to take place.

However, registered providers need to consider the following local issues and factors if they are to develop and convert to Affordable Rented homes:

- At the current time, **only** about **11%** of the 2,670 households **on the housing register would be able to afford** Affordable Rents (based on incomes), therefore the needs of many households may not be met
- There is great concern that as Affordable Rents are subject to market forces they can increase dramatically if market rents increase dramatically. This leads to uncertainties, particularly about the **future affordability** of Affordable Rents.
- Affordable Rents should normally be **within Housing Benefit Local Housing Allowance limits (LHA)**. However, the impact of the transition of Housing Benefit into Universal Credit is not yet known. As the LHA limits are based on market rents, then even rents within the **LHA limits could be “unaffordable”** to new tenants in the future.
- Affordable Rents should meet **our affordability criteria**, as outlined on page 8, wherever possible (That households should not spend more than 30% of their gross household income on housing costs (housing costs mean rent, mortgage and service charges)
- As the rents of many *new-build* Affordable Rented homes will have significantly higher rents than social rented, there is a danger that **many people on the housing register will be precluded from accessing new-build** (often more energy-efficient) properties.
- If registered providers did **convert** 50% of their re-lets to Affordable Rent, and concentrated this on **family houses** – there is potential in principle for **all family houses to have been converted** within 10 - 20 years, thus leaving the borough with no Social Rented family homes.
- There is a particular **shortage of 4 bedroomed** affordable properties, and purpose built or significantly **adapted properties** for people with physical disabilities, and very few become available for re-letting. The Affordable Rents on such properties would be **significantly higher than Social Rents**, and therefore it would normally be undesirable to convert these.
- High Affordable Rents will **impact on Housing Benefit expenditure**

Because of the concerns about Affordable Rent highlighted above, and in trying to ensure a mix of tenures to meet needs (particularly family and disabled housing) the Council will be encouraging and **enabling the majority of s106 rented units to be for Social Rent**, and hope registered providers will support us in this. We will, of course, **fully support funding bids and development of non-s106 units for Affordable Rents.**

Shared Ownership

The Council **encourages measures to assist people into home ownership**, such as Shared Ownership. This may be as their first step into independent living; or following a Fixed term tenancy; or as part of Rent-to-Buy scheme

However, registered providers need to consider the following local issues and factors when encouraging people into shared ownership. This is particularly when residents are remaining in their previously tenanted properties:

- Good, independent **advice** should be given to explain what Shared Ownership entails, the advantages and disadvantages compared to renting or full ownership. This advice should be given in **written** form, as well as **verbally** on a one-to-one basis to sure that they do fully understand.
- Particular **issues** which should be **highlighted** include the responsibility and cost of maintenance and repairs; the repossession actions likely to be taken by mortgage lenders if the mortgage is in arrears; variable mortgage interest rates
- Shared Ownership housing costs should meet **our affordability criteria**, as outlined on page 8, wherever possible (That households should not spend more than 30% of their gross household income on housing costs (housing costs mean rent, mortgage and service charges)

Full Home Ownership

The Council **encourages measures to assist people into home ownership**, such as Preserved Right to Buy or Right to Acquire

However, registered providers need to consider the following local issues and factors when encouraging people into full home ownership. This is particularly when residents are remaining in their previously tenanted properties:

- Good, independent **advice** should be given to explain what home ownership entails, the advantages and disadvantages compared to renting or shared ownership. This advice should be given in **written** form, as well as **verbally** on a one-to-one basis to sure that they do fully understand.
- Particular **issues** which should be **highlighted** include the responsibility and cost of maintenance and repairs; the repossession actions likely to be taken by mortgage lenders if the mortgage is in arrears; variable mortgage interest rates. Of particular concern are the number of households who get into arrears and/or a **repossession** due to **additional lending for home improvements**, extensions etc.
- People taking up home ownership need to ensure that they will be able to afford their mortgage and other housing costs in the short-term and long-term. Guidance should be given about **affordability**, for example that households should not spend more than 30% of their gross household income on housing costs, wherever possible. (**housing costs** mean mortgage and service charges), but also taking into account other **loans and living expenses**.

Starter Tenancies

The Council **encourages** measures to enable **anti-social behaviour and rent arrears to be tackled** at an early stage.

However, registered providers need to consider the following issues and factors when deciding whether to issue starter tenancies:

- It may be **inappropriate** for people who have been **good tenants with other registered providers**, particularly those who are moving from an assured tenancy because of under-occupation deductions, or from fixed term tenancies
- It may be **inappropriate for older people** moving from secure accommodation – including as owner-occupiers or assured or secure tenancies – to be moving to a less secure tenancy.

Tackling Under-occupation

The reduction of benefit is not a “choice” for registered providers, but it is important for them to outline how they will **tackle this issue** – whether this is outlined via their tenancy policies or elsewhere.

The Council **encourages** the **most efficient use of properties, freeing up homes for those who need them, and encouraging people into work.**

However, registered providers need to consider the following local issues and factors when deciding how to tackle under-occupation:

- As at May 2012, there are concerns about the **lack of information** and understanding of the levels of under-occupancy, and difficulty in identifying the households likely to be affected
- There will be **ongoing discussions** between the Council’s Housing Options Team and Housing Benefit section, and registered providers about how to tackle the issues
- There are **2207** general needs social rented or Affordable Rented **three-bedroomed** family houses in Erewash, but **only 831 two-bedroomed**, so there will be a large number of households who have been under-occupying throughout their tenancy.
- The **Council** can use their **strategic and enabling role** to **increase the number of two-bedroomed affordable properties being built**, but this will take time for these to be developed. *(Of 40 likely completions of affordable housing during 2012/13 – only 11 of these will be 2 bedroomed houses)*
- As soon as possible, **tenants should be advised** clearly about the impact of this for their particular situation, and full **discussions made about the options available** to them. This should be not only in written form, but also verbally on a face-to-face basis to sure that the tenants do fully understand
- **Assistance** should be given to those who **want to/need to move**. Moves should be in a **planned and structured** way, which will not negatively impact on those on the housing register waiting to be housed. Every attempt should be made to **keep people within their communities**; where children are settled in school; and where people receive and give support
- It is fully understood that registered providers need to collect full rents in order to

sustain their businesses. However, **understanding** and where possible assistance should be given to those in **arrears** due to this benefit reduction, particularly those who are unable to move.

- People under-occupying may be trying to **secure jobs** which give them an **income** so that they can **pay rent themselves**, rather than rely on benefits. From their housing providers, they may be seeking **sign-posting or direct advice** about jobs, training, and skills – and the advice on the impact this would have on their benefits and their ability to remain in their properties
- Registered providers' processes and liaison with the Housing Options team should try to **avoid tenants** from becoming **homeless or living in unsuitable or temporary** accommodation due to these benefit reductions

Local Lettings Policies

The Council **encourages measures to create and maintain mixed and balanced communities.**

However, registered providers need to consider the following local issues and factors when trying to achieve this through Local Lettings Policies:

- Lettings of Social Rented and Affordable Rented properties should normally be done via the normal Home Options allocations policies.
- However, on **specific sites, or areas, or to tackle specific issues** – local lettings policies may be **used to ensure mixed and balanced communities.**
- These local lettings policies should be **developed jointly with the Council's** strategic housing and housing options staff, and should be **consulted upon** via the Home Options website before they are implemented.
- These will be monitored to ensure that they are **effective**, and do **not** unjustifiably have any **negative impacts** on individuals or groups of people.

ACTIONS

(The actions the Council and its registered providers would like to take, to manage choices and change so that we are able to meet housing need and demand, and achieve our longer term vision for the Borough)

We have set out the general actions we will take, although these will be updated and expanded upon in annual (or more frequent) action plans, which will be on the Council's website

http://www.erewash.gov.uk/housing_and_homeless/tenancystrategy/default.asp

- All registered provider tenancy policies to be on the Council's website, including any updated or reviewed in future months/years
- Any tenancy policies which conflict with this Guidance to be discussed to try to minimise any negative impacts on our residents.
- Relevant data and statistics to be shared and collated to inform discussions on the impact of the choices made by the registered providers
- Impact of the choices to be monitored and discussed in the various housing groups
- Action plans to be drawn up to tackle any negative impacts
- This guidance to be reviewed and updated regularly as appropriate

Key facts about affordable homes in Erewash

<p>The Council's definition of an affordable home is</p> <p>“Housing which can be accessed by households with an income that is on or below the median income for the Borough and such households whose income or employment status prevents them from accessing market housing. These households should not spend more than 30% of their gross household income on housing costs (housing costs mean rent, mortgage and service charges)”ⁱⁱ</p>
<p>The Council does not own any of these homes, as it transferred all its council housing to Three Valleys Housing (a Registered Provider) in 2002</p>
<p>There are 14 registered providers in Erewash, managing just over 6700 homes (14% of the housing stock in the borough) Three Valleys Housing own 5,200 of these</p>
<p>Of the affordable homes -</p> <ul style="list-style-type: none"> • 4361 are Social Rented for “general needs”; • 2058 “over 60s” housing for social rent; • 242 shared ownership or intermediate rent; • 30 supported housing for vulnerable people; • It is anticipated that there will be approximately 40 Affordable Rented properties by 2014 in Erewash, although there are none at October 2012
<p>Of the Social Rented for “general needs” properties, there are</p> <ul style="list-style-type: none"> • 3109 houses (the majority 3 bedroomed) • 1,098 flats (the majority 1 bedroomed) • 139 bungalows <p><i>(full details can be found in Appendix A of the main document)</i></p>
<p>Of the “over 60s” properties, there are</p> <ul style="list-style-type: none"> • 453 ground floor flats (the majority 1 bedroomed) • 253 upper floor flats (the majority 1 bedroomed) • 1402 bungalows (the majority 1 bedroomed) <p><i>(full details can be found in Appendix A of the main document)</i></p>
<p>Properties which became available to rent during the year (“re-lets”) 538 Of which:</p> <ul style="list-style-type: none"> • 147 general needs houses (the majority 3 bedroomed) • 144 general needs flats (the majority 1 bedroomed) • 17 general needs bungalows • 4 general needs bedsits • 72 “over 60s” flats (the majority 1 bedroomed ground floor flats) • 152 “over 60s” bungalows (the majority 1 bedroomed) • 2 “over 60s” bedsits <p><i>(full details can be found in Appendix A of the main document)</i></p>
<p>For a two bedroomed house the average rent per week in Erewash is:</p> <ul style="list-style-type: none"> • £80 for a Social Rented home owned by a Registered Provider

<ul style="list-style-type: none">• £100 for a privately rented property (Local Housing Allowance would cover this)• £87 for an Affordable Rented home owned by a Registered Provider (Estimated. But likely to be more than this for a new-build property)
<p>To buy an average terraced property in Erewash (of about £90,000) with a deposit of 10%, a household would need to provide:</p> <ul style="list-style-type: none">• a deposit of around £9,000, and• have an income of about £23,143. <p>The median household income in Erewash is around £25,000 per year, so based on this, and subject to being able to secure a deposit and mortgage, the incomes to house prices comparison is about 3.6 times income.</p> <p>However, the mode (most common) income in the Borough is lower, at £15-20,000.</p> <p>45% of new households setting up home for the first time, would not have the income to purchase a property.</p>
<p>There are 2,670 households on the Home Options register for social and affordable homes.</p> <p>Only about 11% of these have an income to be able to afford Affordable Rented properties, the rest would need social rented properties.</p> <p>However, there may be a number of new households emerging in the future, who are unable to purchase a property, who may seek affordable housing and access the Home Options register. The proportion of those able to afford Affordable Rented properties may therefore change in the future.</p>
<p>Since 2009, 176 affordable homes have been built or acquired, (an average of 59 per year) of which:</p> <ul style="list-style-type: none">- 149 for Social Rent and 27 for shared ownership or intermediate rent- 105 houses, 70 flats and 1 bungalow
<p>The majority of Registered Provider tenancies are currently on a Social rented "Assured" or "Secure" tenancy basis. This means that people can remain living in the property "for life", as long as they pay their rent, do not cause anti-social behaviour problems or break their tenancy conditions in any other way.</p>

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We would like to acknowledge the following documents which have assisted us in developing this Tenancy Strategy:

- *North West Leicestershire's Tenancy Strategy Consultation Draft. February 2012*
 - *Derby City Council Tenancy Strategy Consultation Draft. February 2012*
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ⁱ Based on number of re-lets of family houses each year, and the total number of family houses

ⁱⁱ Erewash Affordable Housing Supplementary Planning Document. April 2006