



Environmental Health and Consumer Services

Tenancy Strategy 2012-17

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1. Introduction

The Localism Act 2011 requires housing authorities to develop a Tenancy Strategy which sets out the local strategic priorities which will be met by Registered Providers through the use of flexible tenancies.

This Strategy has been developed in full consultation with key stakeholders in Bournemouth and will be reviewed every 5 years.

The strategy considers the strategic priorities for the council to meet in terms of housing priorities in the context of the changing housing offer both in tenure type and tenure length terms.

2. Overview

The Government is introducing changes which mean it will be possible for Council's and other providers of affordable rented homes to grant a fixed term tenancy. This is a move away from the current situation whereby most affordable homes are let on a secure tenancy, which is effectively for life as long as the rent is paid and other tenancy conditions complied with.

Existing council and housing association tenants will not be affected by these changes, and will continue to enjoy their existing security of tenure and other terms and conditions, including the right to buy, succession rights and the right to exchange their tenancy with another secure tenant.

From April 2012, most new tenants will be granted a fixed term tenancy for a minimum of five years, although we will continue to grant secure or lifetime tenancies to people of pensionable age and those with a long term disability. Tenants granted a fixed term tenancy will enjoy many of the same rights as secure tenants, including the right to buy.

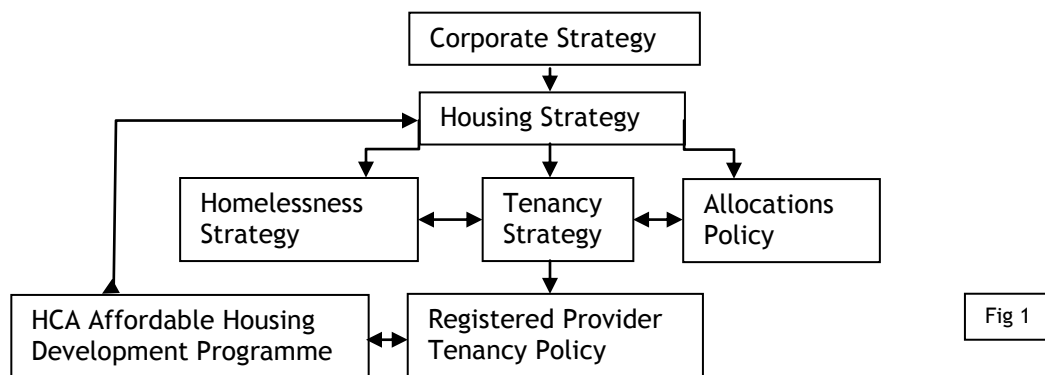
3. Objectives

- To ensure that a crucial balance is struck between use of affordable rent and the requirement to meet local needs
- To ensure that the approach to fixed term tenancies in Bournemouth is consistent and enables the best use of stock to meet housing need
- To ensure that the implementation of flexible tenures does not have a negative impact in terms of homelessness

- To acknowledge that some neighbourhoods have specific issues/needs and to tailor solutions to address these
- To improve communications with the public, existing and potential customers about what is on offer, how this meets need and demand and what other options exist
- To identify who will not have their needs met through the new offer, and prompt action to address gaps in provision so that this can be addressed in the council’s Housing Strategy

4. Strategic Context

This strategy has been developed with Registered Providers and sits as an appendix to the council’s overarching Housing Strategy. Its relationship to other key strategy documents is outlined in the following illustration;



5. Local Context

Housing Need

Bournemouth has a population of 163,444. Levels of owner-occupation are similar to national levels. However, the private rented sector is significantly larger in Bournemouth than nationally with a private rented sector level of . Conversely the proportion of social housing is lower than the national average.

Affordability is a significant issue in Bournemouth. The latest update to the Strategic Housing Market Assessment (SHMA) in 2011 found that the average house price in Bournemouth is 11.3 times the average household income of £23,920 despite a small increase in income levels and a decrease in property values. The SHMA found that 26% of households across the Housing Market Area (HMA) cannot afford housing at the current market price without some form of subsidy - Bournemouth has the biggest issue in the HMA with a level of 33.1%.

The SHMA has concluded that the levels of housing need in Bournemouth have increased by 35.7% since 2007 with a net new affordable housing requirement of 4694 units per annum. The housing register comprises of 8441 households at present, with 65% of those households qualifying for some form of preference due to their housing need.

Demand therefore far outstrips supply, and the gap continues to grow. The introduction of the Affordable Rented tenure will enable provision of new affordable housing to continue, but it will present challenges for the Council in terms of how the make up of the social housing stock fits the need profile.

The Housing ‘Offer’ in Bournemouth

Over the life of this strategy the anticipated provision of new affordable homes is 178. These will all be affordable rented units with the exception of 26 units at the Jewish Extra Care scheme which will be let at appropriate levels for an extra care scheme.

As providers take the opportunity to convert stock from social rented to affordable rented, the picture will change as follows;

Tenure	Stock Requirements as per SHMA	Actual Stock	Stock Projections 2017	Percentage change
Equity based intermediate	4%	0.5%	0.73%	+0.23%
Intermediate Rented	9%	0%	0%	0%
Affordable Rented	29%	0.5%	6.82%	+6.32%
Social Rented	58%	99%	92.45%	- 6.55%

Fig 2

These figures are based on the Council taking the position within its own stock to retain social rents for all accommodation. If this changes, the reduction in the number of affordable rented accommodation increased.

The impact of the position therefore is that whilst social rented housing remains a priority, the ability to continue to offer this tenure is diminishing. However, the projected levels from the SHMA would seem to support this change. The Council therefore needs to retain a role of monitoring the impact of conversions to affordable rented accommodation and safeguarding affordability for all tenure types offered.

Affordable rented tenure is offered at 80% of market rents by Registered Providers. In Bournemouth at the time of writing, consultation with landlords has established the following average rent levels which can be compared against market, LHA levels and the average household income;

Unit Size	LHA Level	Average Market Rent	Proportion of Average Net Household Income*	Affordable Rent Level	Proportion of Average Net Household Income*
1 bed	£524	£556	35.84%	£500	32%
2 bed	£650	£804	37%	£600	27%
3 bed	£800	£1088	42%	£725	28%
4 bed	£1100	£1419	53%	£900	33%

Fig 3

*Based on net monthly income of £1,551 and benefit assistance estimates;

1 bed - couple - no benefit entitlement

2 bed - couple with one child - entitled to child tax credits and child benefit of £593.66 per month

3 bed - couple with two children - entitled to working families and child tax credits, housing and council tax benefit of £1,023 per month

4 bed - couple with three children - entitled to working families and child tax credits, housing and council tax benefit of £1,122 per month

(Estimates based on entitlements calculator LGBP)

LHA figures correct as at February 2012

Average Market Rent figures source - Zoopla

‘Affordable’ housing costs are generally defined as being no more than a third of a household’s income. The information above shows that in Bournemouth at present, even with benefits taken into account, households earning the average household income fall outside of the affordability definition. Affordable rents bring these proportions much closer to affordable levels. However, traditional target rents set the proportions well within the definition of a third.

The affordable rented product therefore whilst ensuring that providers are able to continue to deliver affordable housing, has its limitations in terms of affordability and will increase issues of benefit trap scenarios where households feel they cannot come out of the benefits system due to high housing costs. The council therefore needs to ensure that at the same time as supporting the delivery of affordable rented units, the opportunity to sustain social rented units is fully maximised.

The SHMA figures quoted in figure 3 above will be used to prioritise resources available in meeting housing need. The Bournemouth Development Brief will also be updated accordingly.

6. Bournemouth's Requirements

Affordable Rented Tenure

Ensuring Affordability

The affordable rent model will enable affordable housing providers to set affordable rents at up to a maximum of 80 per cent of the market rent for a comparable property within the same locality.

The council aims to prevent excessive disparities between different localities in terms of affordable rent prices to ensure affordability for both low income and working households, and also for households that are dependent on welfare benefits.

- ***For this reason, the council requires affordable housing providers to ensure that rents charged for affordable rented properties do not exceed the relevant Local Housing Allowance (LHA) rate that is applicable for that property size at the time of rent setting. This is to avoid excessively high affordable rents in high value areas.***

The Government plans to introduce a universal credit system and benefit cap in April 2013 which will limit the amount of benefit available to families to £500 per week. When setting rents, affordable housing providers should also be mindful of the potential impact of the proposed benefit cap.

It is anticipated that the introduction of the cap will create affordability issues for large families living in larger affordable rent homes. We also anticipate that affordability for those subject to the £500 p/w benefit cap is exacerbated in higher value areas.

- ***Therefore, in order to ensure mixed and sustainable communities and preserve affordability, the council expects affordable housing providers to avoid setting rent levels that risk households being unable to afford their rent.***

Allocating Affordable Rented Properties

The Council is not intending at this point to differentiate between working and non-working households in the allocation of Affordable Rent housing.

Affordable Rent will be accessed in terms of the priorities and requirements set out in the Council's Allocation Plan which accompanies the Allocations Policy

which will set the annual priorities for re-housing and allocation. This will allow the Council to maximise use of housing supply to meet need.

The Strategic Housing team will also set local letting plans for new developments where appropriate. Consideration will be given to establishing local lettings plans where there is a high level of social rented housing in a particular block, estate or neighbourhood. There may also be certain circumstances where a local letting plan might be used or agreed where Affordable Rent lettings will be prioritised for certain groups of applicants. These might include:

- *Where there is a high level of deprivation in the area and there is a need to increase the number of economically active households living there.*
- *Where a development is creating a new community or where a significantly large number of new affordable units are being built, or where a block or cluster of dwellings is being let, and there is a need to consider the mix and balance of allocations being made.*
- *Where the Council has a particular housing need/demand it needs to meet - to encourage under occupation transfers, to meet particular special needs, to meet.*

Relationship to Planning Policy

The Council seeks the maximum reasonable provision of affordable housing on development sites in the borough. A mix of intermediate (30%) and social rented (70%) accommodation is sought. However, the council will consider the following SHMA targets (quoted earlier in this document) when assessing the suitability of affordable housing proposals;

Tenure	Stock Requirements as per SHMA
Equity based intermediate	4%
Intermediate Rented	9%
Affordable Rented	29%
Social Rented	58%

The Council remains committed to meeting its overall housing delivery target and to providing social housing to meet identified needs and demands. It will continue to seek the maximum reasonable level of affordable housing on developments and actively promote and support sites coming forward for development.

Affordable Rent tenure is a form of low cost rented accommodation and has the same characteristics as social rent in that it is accommodation

made available in accordance with rules designed to ensure that it meets needs not adequately served by the commercial housing market. However, given the level of need for social rented accommodation and concerns about the long term affordability of Affordable Rented accommodation in Bournemouth the council will continue to prioritise the provision of such in the first instance.

In undertaking financial appraisals of schemes developers will be directed to assume that the low cost rented housing provided (70% of the overall affordable housing target) will be Social Rent unless otherwise agreed with the Council.

In terms of rent level assumptions for Affordable Rents developers will need to consider how to factor in any cross subsidy that may be available to a registered provider including additional income available through reletting of existing social rented stock at Affordable Rent levels. The Council will expect that developers will demonstrate that they have accounted for this cross subsidy in their financial appraisal.

The Council would expect landowners to discuss their Affordable Rent offers with the Council's partner registered providers to "reality" check any prices that are determined. The Council in turn would seek an independent assessment.

In relation to developments on site the Council is willing to negotiate conversion to Affordable Rent with registered providers. However, it will only do this where there is a commitment on the part of the registered provider to reinvest additional rental income in new development that assists the Borough in meeting its housing needs and demands. The terms of the Section 106 are likely to require a revision in these circumstances.

Applying Tenancy Flexibilities

Issuing Tenancies

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

Whilst these flexibilities provide an opportunity to address issues such as under-occupation, improve stock turnover, and encourage the best use of Bournemouth's limited affordable housing stock, we are keen to ensure that these flexibilities are applied in a manner that does not undermine social investment into communities, and ensures that the most vulnerable tenants are provided with the level of stability they require.

In order to achieve these outcomes, the council advocates that;

- ***Fixed-term tenancies should normally be offered for a minimum period of five years, including any probationary period. The council is of the opinion that the minimum fixed-term of two years should only be used in exceptional circumstances, as this is unlikely to encourage a household to invest in their home and community.***
- ***Two year tenancies should only be issued where there is a short-term risk that the tenant may no longer require the property within a relatively short time frame of commencing occupancy.***
- ***In exceptional circumstances the grant of a tenancy that exceeds a five year period may be appropriate for some tenants in order to provide an additional degree of stability and security. The circumstances of households with relevant circumstances should be considered when deciding on the length of the fixed-term offered by an affordable housing provider.***
- ***Tenants with a lifelong need for support that would disadvantage them in securing alternative accommodation should be offered lifetime tenancies.***
- ***This applies to tenants in both general purpose accommodation and those in specialist and/or supported accommodation. The council is also of the view that those residing in older persons accommodation, such as sheltered or 'extra care' housing should continue to be granted lifetime tenancies.***

Reviewing Tenancies

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

It is the Council's preference that in order to secure consistency, the housing authority should make the decision on the review of any fixed term tenancy and in doing so should consider the following factors:

- ***The current circumstances of the household and the need for a property of the type and size that they presently occupy.***

The council is keen to see that housing providers utilise the new flexibilities to address issues such as under-occupation, and to make better use of adapted accommodation which is no longer required by a household and for which there

is a local need. This decision should be taken in the context of the local housing need for and supply of the property type in question.

Furthermore, those whose tenancies are not renewed on this basis should be offered an alternative property suited to their needs, unless there are other qualifying factors to be taken into consideration (such as those set out below).

- ***The financial capacity of the tenant to secure alternative market accommodation or affordable tenures, both in terms of capital, earned income and entitlement to benefits.***

However, the council is keen to ensure that any assessment of financial capacity is managed in a manner that ensures that it does not act as a disincentive to work.

- ***The conduct of the tenant throughout the fixed-term.***

This includes any anti-social behaviour issues, rent arrears or property management issues.

In making its decision, we expect the housing provider to take account of;

- ***The contribution of the household to the overall vitality of the community and potential impact on the community if they were to move out of the area***

Where the housing provider intends not to renew a tenancy at the end of a fixed-term, affordable housing provider's policies should set out how the tenant can register a complaint or appeal against tenancy decisions.

This may be facilitated through existing complaints procedures. Tenants should also be informed of the necessary review procedures for appeals.

Facilitating Appropriate Move-On

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

- ***Therefore, in situations where a decision has been taken by a housing provider not to renew a tenancy at the end of a fixed-term, the provider should seek to engage with the tenant at the earliest possible opportunity to make them aware of the provider's intentions.***

- ***Housing providers should provide households affected by the termination of a tenancy with any relevant advice and assistance that will assist them in successfully relocating to alternative accommodation. This advice and assistance could include:***
 - Advice on low-cost home ownership options and other alternative affordable housing tenures
 - Specialist housing and or welfare-related advice and/or signposting to appropriate advice services
 - Advice on renting in the private rented sector and assistance in indentifying and securing a suitable property (this may involve assistance with a deposit where necessary)

Protecting Tenant Mobility

The council wants to ensure that the introduction of the new housing reforms does not restrict the mobility of existing tenants living in the social rented sector, particularly where an existing household is presently under or over-occupying their property.

- ***To enable mobility and encourage stock turnover, the council expects that social rented tenants should be allowed to retain their existing security of tenure if they choose to transfer to an alternative property.***
- ***To facilitate this, affordable housing providers should take a responsible view when determining the size, type and location of the stock they plan to convert to the affordable rent tenure.***

This approach should also be applied when planning the conversion of both existing stock and the retrospective conversion of schemes funded under the National Affordable Housing Programme 2008-2011 to be converted from social rent to affordable rent on completion.

The council also wants to avoid scenarios where particular localities experience a disproportionately high level of conversions, thus limiting the opportunities available for existing social rented tenants to transfer to areas of their choice without losing the option of transferring to an alternative social rent tenancy with a traditional rent level (target rent).

- ***Housing providers should therefore be mindful of the impact of conversions upon the tenure profile and overall sustainability of the communities within which they operate.***

Operational Requirements

We require housing providers to produce and publish a Tenancy Policy in Plain English which will explain:

- The kind of tenancies they will grant
- The circumstances in which they will do this
- The length of tenancy terms
- The circumstances in which a further tenancy will be granted
- The procedure for taking possession proceedings
- The procedure for requesting a review of the decision not to renew their tenancy

A further protocol will be agreed with housing providers to ensure the timely action between them and the Council in order to ensure that tenants are kept informed at all times and that the approach to reviewing and ending tenancies is consistent.

7. Review of this Strategy

This strategy will be reviewed every 5 years as a minimum. The Council may however choose to review before the end of 5 years if it feels this is necessary due to national or local changes to policy or circumstances.

The Council welcomes comments and suggested improvements that can be made to this strategy and will take account of these when updating it.

In developing this strategy the council undertook a formal consultation exercise with stakeholders.

If you wish to discuss this strategy and/or the Council's approach please contact Lorraine Mealings, Strategic Housing Manager on 01202 458226 or email: Lorraine.mealings@bournemouth.gov.uk