

Bolton Council

Report to: Executive Cabinet Member for Environment, Regulatory Services and Skills

Date: 25th March 2013

Report of: Director of Development and Regeneration

Report No: ECME/90/13

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Report Title: Draft Tenancy Strategy.

Non Confidential:

This report does **not** contain information which warrants its consideration in the absence of the press or members of the public.

Purpose:

Legislation enacted through the Localism Act 2011 has placed a duty on all local authorities to produce a *Tenancy Strategy*. The document attached is a draft Tenancy Strategy for Bolton which aims to provide guidance to Registered Providers on the type and length of tenancies to be used in Bolton.

Recommendations:

The Executive Cabinet Member is recommended to approve the Tenancy Strategy.

Decision

Background Doc(s):

Signed:

Leader / Executive Member

Monitoring Officer

Date:

1. Introduction

1.1 Legislation enacted through the Localism Act 2011 has placed a duty on all local authorities to produce a *Tenancy Strategy*. Government housing reforms provide Registered Providers with greater freedoms that will allow them to:

- Provide new tenants with a fixed-term tenancy if it is felt to be more appropriate than the offer of a lifetime tenancy.
- The minimum length of a fixed-term tenancy will be five years. Registered Providers will still have the option to grant lifetime tenancies and in exceptional circumstances grant two year fixed term tenancies.
- Determine the length of the fixed-term offered to each tenant on an individual basis.
- Develop their own policy, setting out the criteria to be used to determine whether or not to reissue a new tenancy at the end of a fixed-term.
- Build new homes and re-let existing homes under the new 'affordable rent' tenure, which enables housing providers to charge higher rent levels for accommodation than is presently charged for social rented accommodation.

1.2 Demand for social housing in the Borough continues to outstrip supply, and the development of new affordable housing cannot compensate for this. The new flexibilities will enable registered providers to make better use of their properties to meet housing need, whilst protecting the most vulnerable.

1.3 Traditionally, registered providers have let properties on assured tenancies, effectively granting tenants a home for life as long as they comply with the terms of their tenancy agreement. However, household circumstances change over time, and the immediate need that led to the original allocation of a property may no longer be relevant. This can result in properties being under-occupied, or occupied by households who could afford to buy a home, or rent privately.

1.4 This strategy sets out the Council's view on whether these new flexibilities should be used. The Council expects each registered provider in the borough to take this strategy into account in setting their own tenancy policies.

1.5 The Tenancy Strategy covers a 3 year period and enough flexibility is required to allow Registered Providers to adapt to the changing housing market and wider policy development.

2 Consultation

2.5 Consultation with Registered Providers has been undertaken to establish their intention to use fixed term tenancies in the Borough. At present none of our partner Registered Providers intend on doing so and have published Tenancy Policies stating the continued use of lifetime tenancies.

2.6 Elected Members were originally consulted on the use of fixed term tenancies about 18 months ago and there was no appetite for using fixed term tenancies in the Borough. The draft Strategy has also been through PDG and Elected Members showed continued support for the use of lifetime tenancies.

- 2.7 Consultation with the public has been carried out jointly with Bolton at Home as they were consulting on the development of the Tenancy Policy at the same time. Two workshops were held covering existing tenants and Housing Register applicants. All were written to and this was followed up by a phone call to ensure attendance, however no-one attended on the day.

3 Recommendations

- 3.1 The Executive Cabinet Member is recommended to approve the Tenancy Strategy.

Bolton Council Tenancy Strategy 2013 - 2016 Draft

1. Introduction

Legislation enacted through the Localism Act 2011 has placed a duty on all local authorities to produce a *Tenancy Strategy*. Government housing reforms provide Registered Providers with greater freedoms that will allow them to:

- Provide new tenants with a fixed-term tenancy if it is felt to be more appropriate than the offer of a lifetime tenancy.
- The minimum length of a fixed-term tenancy will be five years. Registered Providers will still have the option to grant lifetime tenancies and in exceptional circumstances grant two year fixed term tenancies.
- Determine the length of the fixed-term offered to each tenant on an individual basis.
- Develop their own policy, setting out the criteria to be used to determine whether or not to reissue a new tenancy at the end of a fixed-term.
- Build new homes and re-let existing homes under the new 'affordable rent' tenure, which enables housing providers to charge higher rent levels for accommodation than is presently charged for social rented accommodation.

The Council welcomes these new flexibilities, and the ability to respond to local circumstances. Demand for social housing in the Borough continues to outstrip supply, and the development of new affordable housing cannot compensate for this. The new flexibilities will enable registered providers to make better use of their properties to meet housing need, whilst protecting the most vulnerable.

Traditionally, registered providers have let properties on assured tenancies, effectively granting tenants a home for life as long as they comply with the terms of their tenancy agreement. However, household circumstances change over time, and the immediate need that led to the original allocation of a property may no longer be relevant. This can result in properties being under-occupied, or occupied by households who could afford to buy a home, or rent privately.

This strategy sets out the Council's view on how these new flexibilities should be used. The Council expects each registered provider in the borough to take this strategy into account in setting their own tenancy policies.

Existing tenants will not be affected by these changes and will retain their current security of tenure.

2. Strategic Context

National

Laying the Foundations: A Housing Strategy for England 2011

This Strategy sets out the Governments' overall objectives for housing. The strategy pulls together a package of reforms for social housing, and sets out the Governments' view on the role and future direction of the sector:

"Social housing can improve people's life chances, providing support at a time when they need it, for as long as they need it. It also supports mixed, sustainable communities and local economies. But the system is not working: waiting lists have grown excessively; social housing is used inefficiently; and many tenants are not provided with the right support and incentives to take up work."

The new flexibilities on the use of tenancies are one element of the reforms to address these issues, in particular the inefficient use of the limited stock of social housing. The use of fixed-term tenancies will enable landlords to make more efficient use of their stock to house those in need in appropriate accommodation, and respond to changing household circumstances.

Welfare Reform Act 2012

The Government is implementing wide-ranging reforms of the welfare system through the Welfare Reform Act. These reforms include:

- **Universal Credit:** brings together a range of current benefits into a single payment;
- **Personal Independence Payment:** replaces Disability Living Allowance for working age people (aged 16-64);
- **Local Housing Allowance (LHA):** rates have been reduced and the shared room rate now applies to most single people under 35 (this means the maximum LHA they receive will be based on the rent for a shared room rather than a one-bedroom property);
- **Under-occupancy:** housing association tenants of working age who are under-occupying their property will have their housing benefit reduced.

These reforms are likely to have a significant effect on tenants and Registered Providers through reducing income and providing an incentive for tenants to downsize into smaller properties. The full impact of these changes are still unknown but will continue to be monitored, taken into account in any further developments of this strategy.

Regional

The Association of Greater Manchester Authorities has adopted a Greater Manchester Housing Strategy. This strategy sets the following objectives:

- Work in an integrated way to improve the life chances of people living in the most deprived areas on issues such as worklessness, improving education and training, and improvement to health;

- Adopt a sustained approach to continuing existing commitments to addressing housing in the most deprived areas through the Housing Market Renewal Pathfinders and other programmes;
- Use flexible approaches in areas where regeneration can have the greatest impact, with a focus on communities isolated from economic opportunities and inequality, including disadvantaged black and minority ethnic communities;
- Diversify deprived neighbourhoods to generate communities with a greater mix of tenure and income levels;
- Improve housing management within estates and communities, and the continued availability of appropriate and affordable housing-related support services for vulnerable residents.

The Greater Manchester authorities have worked with registered providers to establish a set of Greater Manchester Principles for Tenancy Strategies (see Appendix A). These principles set the framework within which local tenancy strategies will be developed, and have been taken into account in developing this strategy.

Local

The Tenancy Strategy has been developed within the context of Bolton Council's Housing and Homelessness Strategies. The strategic priorities for housing are set out in the Housing Strategy for 2012-15 and are as follows:

- To provide housing that is affordable and offers choice whilst meeting the needs and demands of the future;
- To create and promote communities that are sustainable and inclusive;
- To improve the quality of private sector housing;
- To promote health, well-being and quality of life;
- To strengthen our partnership approach to improve housing, services and communities.

The Homelessness Strategy: Interim Statement 2012-15 sets out to coordinate all work in the Borough aimed at helping those who are experiencing homelessness; as well as those living in temporary or insecure accommodation. The objectives are to:

- Prevent homelessness by improving the range and quality of the housing options available through the provision of appropriate housing and support;
- Enable people to maintain their accommodation or secure more suitable accommodation where possible; and

- Provide appropriate services and interventions to those people experiencing homelessness and ensure that they are supported to play a full and positive role within the community in which they live.

Social Housing Fraud

Bolton Community Homes (Bolton's Strategic Housing Partnership) has taken action to tackle social housing fraud through the development of a joint protocol, by which all Registered Providers in the Borough will work to. This has been successful in identifying fraud and making affordable homes available to applicants on the Council's Housing Register. Action will continue to be taken to ensure that the limited affordable housing in the area is available to those in the greatest housing need.

Affordable Rent

Affordable Rent is a new tenure that has been introduced in line with the introduction of the National Affordable Housing Programme 2011-2015. Registered Providers who have signed development contracts with the Homes & Community Agency (HCA) are able to charge rents of up to 80% of market rent on new affordable housing and a proportion of existing properties as they are re-let.

The introduction of Affordable Rent is an essential element of delivering new affordable housing, which is a priority for the Council. The conversion of existing properties to Affordable Rent is not covered by this strategy, but will be monitored by the Council so that any effect on meeting housing need can be assessed.

3. The Housing Market in Bolton

The following section provides some key information about how the housing market works in Bolton. Essentially, demand for housing outstrips supply across all tenures, but there are a range of housing options available in the borough.

Tenure breakdown

The table below shows the current tenure base within Bolton¹. There are lower levels of home ownership at 63% compared to the national average of 68%. Bolton has a higher than national average (18%) for social rented and lower than national average (17%) for private rented accommodation.

¹ Census 2011

Tenure	Number of households	% of Households
Total households	116,371	
Own without a mortgage	35,378	30%
Own with a mortgage	38,792	33%
Own an affordable home (such as shared ownership or equity stake ownership)	605	0.5%
Rent from a private landlord	15,930	14%
Rent from Bolton at Home or a Housing Association	23,825	20%
Living rent free	1,841	1%

Registered Providers in Bolton

The Council works closely with a number of Registered Providers in the Borough through the Bolton Community Homes partnership, to provide social, affordable and specialist housing. Registered Providers own and manage over 25,000 properties in Bolton.

Housing Register information

There are currently over 17,000 applicants registered on the Housing Register in Bolton. Bolton operates a Common Housing Register, which means applicants for all Registered Providers are held on one system. Bolton also operates a Choice Based Lettings Scheme which allows applicants to bid for properties that they desire. The table² below shows the number of applicants for different property sizes.

Bedrooms	Number of Applicants
1	11054
2	3933
3	1461
4	505
5+	186

Average rents in Bolton

² Choice Based Lettings Database January 2013

A study³ of average rental prices for private sector properties indicated that the average rent was £465 per calendar month.

House Prices

The table⁴ below shows the average house prices by property type. The overall average house price for Bolton is £13,662 less than that for Greater Manchester and over £70k less than the average house price for England and Wales.

November 2012	Detached average	Semi average	Terraced average	Flat average	Overall average
Bolton	208,727	102,245	58,809	80,361	91,163
Greater Manchester	212,685	114,786	65,466	116,531	104,825
England & Wales	253,501	153,437	122,069	152,550	161,490

House price to income ratio

A simple indicator of the affordability of house prices in an area is the house price to income ratio. Looking at lower quartile house prices to lower quartile income ratios provides an indication of the affordability of entry level house prices. The current lower quartile ratio for Bolton is 4.36 compared to 4.80 for Greater Manchester⁵.

4. Tenancy Policy

The overall aim of the Tenancy Strategy is to make the best use of affordable housing in the Borough, alongside working to increase the supply of affordable housing, and to support households to make appropriate choices about their housing options.

Given this overall objective, the Council will support providers in the use of the following tenancy types:

Lifetime tenancies will continue to be used as the preferred tenancy. The Council believes this to be appropriate to encourage community stability and cohesion. Registered Providers would normally offer starter tenancies for 12-18 months, which then convert to an Assured Tenancy (which is considered to be a Life time tenancy) dependent on review. Life time tenancies should be seen as the norm, with shorter, fixed-term tenancies, being used only in specific circumstances and following consultation with the Council and Bolton Community Homes partnership.

³ Rightmove.co.uk 2011

⁴ Land Registry 2013

⁵ DCLG table 576 Ratio of lower quartile house prices to lower quartile earnings by district, from 1997.

Specific circumstances could include the following:

- *Adapted properties*
- *Family accommodation – tenancy granted up to children leaving school*
- *Linked to Regeneration schemes*
- *Areas of high demand*

The Council does not believe it is appropriate to use fixed-term tenancies to address issues of anti-social behaviour or other housing management issues. Providers have a number of tools available to them to tackle anti-social behaviour, including the use of Introductory Tenancies and local lettings policies, which are more appropriate.

Tenancy Reviews

In the exceptional circumstances where a fixed term tenancy may have been granted, a review of the tenancy would need to take place prior to it ending. On review of a fixed-term tenancy the Council would expect that all housing options are considered and a further tenancy be granted following consideration of the factors below:

- Household income and the ability of the family to secure accommodation in the private sector, taking into account the availability and suitability of private sector accommodation (both rented and owner-occupation options) in the local area;
- Household composition and the requirement for the accommodation currently occupied. If household needs have changed, there should be a presumption in favour of assisting households to secure alternative accommodation in the social rented sector in the local area

Reviews should consider whether accommodation is available, suitable and affordable to the household, whether in the private or social rented sectors. The strategy does not seek to define a minimum household income, above which private sector accommodation is affordable, as this will be dependent on a range of factors including household composition and local property prices. The Council expects providers to use a generally accepted definition of 'affordable', and that this will be included in their tenancy policy, where they intend to use fixed-term tenancies.

Tenancy reviews should be completed at least six months prior to the tenancy end date to ensure that there is sufficient time for any reviews to be completed, and for alternative accommodation to be identified.

Households should be offered a range of housing advice, and should be directed to the Council's Housing Options Centre as soon as possible.

5. Monitoring and Review

The Council intends to monitor the strategy closely, particularly during the early years of its implementation, to ensure it is meeting the vision and objectives.

In order to achieve this we will be looking to work closely with registered providers to collect a range of information relating to allocations.

The Council would also expect registered providers to carry out their own monitoring, involving tenants as appropriate.

An initial review of the strategy will commence 12 months after adoption to identify any changes that may be required. A full review will be completed every 3 years.

6. Equalities

A full Equalities Impact Assessment (EIA) has been undertaken alongside consultation on this strategy. Its purpose is to assess any potential adverse impact on the different equalities groups so that these can be addressed as far as practicable in the final version. There are no adverse impacts on any equalities groups due to the intention to continue providing life time tenancies. If fixed term tenancies are utilised by Registered Providers, then there may be an adverse impact for people with disabilities.

However, the Council would expect that all registered providers will undertake EIAs of their own tenancy policies and to work with the Council to ensure any risks are mitigated.

7. Consultation

Consultation on the development of this strategy has taken place with elected members, registered providers, partners, and residents of Bolton.

Appendix 1: Greater Manchester Principles for Tenancy Strategy

Background

The Principles of the Greater Manchester Tenancy Strategy arise from the need to prepare for the statutory duty that will arise following the enactment of the Localism Act. The context for a Greater Manchester Tenancy Strategy arises from reference to the Greater Manchester Strategy, GM Housing Strategy and the GM Local Investment Plan – brief extracts from which are given below:

The Greater Manchester Strategy (2009) – includes a strategic priority for “creating quality places to meet the needs of a competitive city region.”

Within the city region, there is need to focus on improving the match between the housing ‘offer’ and the aspirations of existing and potential new households, ensuring our housing policy is linked to improving life chances in deprived communities, attracting and retaining the best talent, and moving towards a low-carbon economy. The challenge will be to meet these new demands in ways which provide affordable housing options and help to create and maintain mixed vibrant communities where people want to live.

We need to use our leverage and partnership networks to create a climate where investment will be attracted to help transform the quality and nature of places in the city region, and those places help us to attract and retain the workforce our growing economy needs. In the city region as a whole, we need to enhance the mix available to expand the choice and quality of homes, by investing in both existing and new homes. All new housing needs to enhance the quality of the housing offer, to create a better mix of house types, sizes and tenures in line with peoples’ aspirations, and to reduce carbon emissions and fuel poverty. This will require:

- Putting in place the conditions to support and accelerate delivery of housing growth; and
- Focused intervention in the most deprived areas

Diversifying the housing mix through physical investment will be part of the solution, as will developing and piloting tailored local lettings policies for predominantly social rented areas.

GM Housing Strategy (2010) - Our key ambitions are to:

- Work in an integrated way to improve the life chances of people living in the most deprived areas on issues such as worklessness, improving education and training, and improvement to health
- Adopt a sustained approach to continuing existing commitments to addressing housing in the most deprived areas through the Housing Market Renewal Pathfinders and other programmes

Use flexible approaches in areas where regeneration can have the greatest impact, with a focus on communities isolated from economic opportunities and inequality, including disadvantaged black and minority ethnic communities.

- Diversify deprived neighbourhoods to generate communities with a greater mix of tenure and income levels.
- Improve housing management within estates and communities, and the continued availability of appropriate and affordable housing-related support services for vulnerable residents.

GM Local Investment Plan 2 (2011)

The GM Local Investment Plan 2 (2011) states that the GM Authorities must ensure that we maximise both the investment we can generate and the impact it makes in delivering the change our residents and communities need.

In short, the key objectives of this Plan are to:

- Support economic and employment growth
- Deliver housing growth to support a growing economy
- Create places people want to live
- Provide better life chances for our residents
- Make the best use of assets and achieve more for less

Through this Local Investment Plan, we will support these strategies through selective investment in complementary housing and regeneration measures, including piloting measures to reward those in work or making an active contribution to their community through the allocation of high quality social housing. We will invest in new development which will help to break down the mono-tenure nature of some communities, which often helps to maintain a culture of low aspiration and worklessness. Crucially, to achieve lasting change, we also need to break the cycle where those successful in gaining and maintaining employment leave, to be replaced by those not in work. To stop this driving ever greater polarisation, we must make these more attractive places to stay for those who are able to choose to move elsewhere. Housing investment alone will not achieve that, but it can play an important part. Accordingly, AGMA will develop and agree, with the HCA, assessment criteria to guide funding decisions based upon the objectives stated above.

Tenancy strategies and conversion to Affordable Rent

AGMA will in principle support providers using the flexibility to convert existing stock to Affordable Rent to help deliver investment in further new development. In doing so, providers should have regard to the overall balance of housing provision in neighbourhoods, including any impacts on vulnerable groups. AGMA will want to review the implications of proposed conversion rates and any spatial patterns in conversions in advising the HCA on our view of provider offers.

Tenancy Strategy V Rent Strategy

It is important to differentiate Rent Policy from Tenancy Policy (permission to charge affordable rent is given by the HCA via Investment Programme Contracts and is *not predicated* upon specific tenancy types). An RP taking part in the Investment 14

Programme will have a choice of offering (with or without a probationary arrangement):

- Full assured social rented tenancy
- Full assured affordable rented tenancy
- Fixed-term social rented tenancy
- Fixed-term affordable rented tenancy

Draft Principles to create a Greater Manchester Tenancy Strategy Framework

In light of the Localism Act 2011, all Greater Manchester Authorities have agreed to define a number of key principles to create a framework for development of their own individual strategies. In developing their policies GM authorities will take account of the priorities set out in the Greater Manchester Strategy, and supporting strategies will balance the imperative of supporting new development whilst also seeking to maintain sustainable communities.

All Greater Manchester Authorities have agreed to develop an initial Tenancy Strategy lasting for three years. The purpose of the Tenancy Strategy is that RPs are required to take due regard of the Tenancy Strategies of the Local Authorities in whose areas they operate in relation to their drafting of their own Tenancy Policies. The document will create a Framework, which will include decision-making processes, a consultation process, etc. Each local authority will use this framework whilst developing their strategy with the requirements of the Localism Act. The framework will apply to stock owned by Councils (including stock managed by ALMOs) and the stock of other registered providers who (as per the Localism Act) have a duty to consider the policy of the Local Authority.

This Framework also needs to be placed into its policy context, namely that welfare reforms, the Localism Act, changes to Tenant Services Authority (TSA) regulatory guidance all suggest that landlords should be thinking about a variety of new methods and tools to be proactive about their housing management. For example, under-occupied family accommodation will not be freed up by the use of fixed-term tenancies – but by competent targeting, empathetic customer contact, and imaginative use of powers in tenancy agreements and lettings schemes.

The Greater Manchester Tenancy Strategy framework will be based upon the following:

- This framework provides guidance to registered providers on the form of tenancy that the Local Authority would prefer the registered provider to use - it differentiates between guidance in relation to rent levels or the use of affordable rents by those RPs with an investment contract with the HCA, and the choices of tenancy type available to the RP
- There is an over-arching principle that the Greater Manchester Local Authorities wish to maintain and where necessary create successful places – the application of policy in relation to security of tenure must support this principle
- There is a presumption in favour of the use of lifetime tenancies, strongly so in relation to family accommodation

- However.... there is also a recognition that Local Authorities and registered providers must develop local strategies that must take into account the following: covenant requirements of lenders in relation to new development; asset management considerations; locality/neighbourhood management requirements; appropriate strategies to release adapted and under-occupied accommodation, all of which may in some cases lead to the use of fixed-term tenancies
- In the limited circumstances that fixed-term tenancies may be used in accordance with this framework, the Greater Manchester Local Authorities will be guided in the process approaching the review of a fixed-term tenancy prior to its expiration as follows:
 - A requirement that there is a competent housing options and housing advice service made available to the tenant several months prior to the end of the tenancy
 - The initial and specific local circumstances that led to the decision to create a fixed-term tenancy and if they remain valid
 - The published criteria of the RP outlining in what circumstances it will renew or conclude a fixed-term tenancy