

1. Introduction

- 1.1 Under the Localism Act 2011, all local authorities have a duty to produce a tenancy strategy, setting out the objectives to be taken into consideration by individual registered housing providers as they make decisions about their own tenancy policies. These strategies must explain the local authority's responses to the changes to affordable housing tenures introduced in the Act.
- 1.2 This strategy is North Somerset Council's response to that duty. It sets out how we would like registered providers with affordable housing stock in the district to respond to the relevant changes introduced by the Localism Act. The changes that this strategy covers are:
- The introduction of the new 'affordable rent' product
 - The use of fixed term tenancies
 - The potential to make changes to the HomeChoice Register and allocations criteria for affordable housing
 - Changes to the way we use the private rented sector to house homeless people.
- 1.3 All of these changes are explained in more detail below.
- 1.4 It is important to note that registered providers need only 'have regard to' our tenancy strategy in developing their own tenancy policies. In addition, they have already signed their contracts with the Homes and Communities Agency over the development of the new affordable rent product for the delivery of affordable housing until 2015, which means they will already have plans in place. However, we ask that registered providers in North Somerset review their own tenancy policies after the publication of this strategy to ensure that, wherever possible, their policies work to complement and do not contradict our strategy.
- 1.5 This strategy sits below the North Somerset Housing Strategy and works to ensure that the changes in the Localism Act do not hinder our progress in meeting the priorities set out within it. It works in conjunction with the Council's Homelessness Strategy to prevent homelessness in the district. It also has links to the current HomeChoice North Somerset Lettings and Assessment Policy, which defines the process for allocating affordable housing in the district. The Lettings and Assessment Policy will be reviewed in due course to ensure that it reflects any changes that are introduced as a result of the Localism Act.

- 1.6 We consulted on the draft version of this strategy for 12 weeks, ending on 9th April 2012. We received responses from a range of stakeholders, including registered providers, town and parish councils, members of the public and North Somerset Council staff and councilors. The majority of the respondents felt that the strategy was an appropriate length and the language was clear and jargon-free. Most agreed with our expectations of registered providers in relation to affordable rents and fixed term tenancies. A great number of the responses to the strategy focused on potential future changes to the Lettings and Assessment Policy. These will all be considered as part of that review which will take place over the next year. We have made some minor changes to the text in this strategy to reflect comments raised in consultation, but the overall approach remains the same.

2. Scope

- 2.1 This strategy provides an overview of how we will address the issues of rent and tenure reform, the homelessness duty and the private sector, and changes to the housing register.
- 2.2 Although baseline data on rents across the district is considered, this strategy does not advise on rent setting. It does not consider tenancy management issues, except those relating to the termination of fixed tenancies
- 2.3 The strategy does not detail changes we will make to the lettings and assessment policy or the HomeChoice register, as we will carry out a separate review of these. However, it sets the strategic principles for this area of work.
- 2.4 The strategy does not make changes to national policy with regard to welfare reform; the council must comply with the changes set out by government.

3. Context

- 3.1 The Localism Act has introduced new powers relating to the letting of 'affordable housing' and to the way in which local authorities can use the private rented sector to discharge their homelessness duty.
- 3.2 The Government has also introduced changes to the types of tenancy that providers of affordable housing are able to offer new tenants, and to rents in the affordable housing sector, with the introduction of a new rent product, Affordable Rent.
- 3.3 This strategy fulfills our duty to publish a strategy that set outs the matters that registered providers of affordable housing in the district must have regard to when they develop policies relating to:

- The kinds of tenancies they should grant
- The circumstances in which they will grant a tenancy of a particular kind
- Where they grant tenancies for set terms, the length that those terms will be
- The circumstances in which they will grant a further tenancy on the ending of the existing tenancy

3.4 This strategy goes further and outlines our position on:

- The application of the affordable rent tenure
- Discharging the homelessness duty into the private rented sector
- The opportunity to make changes to the criteria for acceptance onto our housing register

3.5 We set up a Project Reference Group, consisting of representatives from a variety of council departments and external partners, to develop this strategy. This has ensured that we have gained a range of views from different perspectives to ensure that we could develop a strategy that would best meet the needs of our residents.

4. Affordable Rent

4.1 The 2010 Comprehensive Spending Review introduced the concept of Affordable Rent as an alternative to social rent, to help fund new development. All registered providers who have entered into development contracts with the Homes and Communities Agency (HCA), are able to charge Affordable Rents, which can be set at up to 80% of market rents on new homes for new tenants at the point of letting. Providers with these contracts in place are required to introduce Affordable Rents on a proportion of their relets. All new homes that receive HCA grant will be let in this way. In new affordable housing developments that do not receive HCA grant, providers do not have to develop Affordable Rent homes and can continue to build traditional social housing. Providers that sign up to the HCA Short Form Agreement on specific sites will also be able to provide homes at Affordable Rents on those sites. Tenants in properties let at Affordable Rents will be eligible for Housing Benefit, which is currently uncapped in the social housing sector.

What this means in North Somerset

4.2 Before the introduction of Affordable Rents, all rented properties in the affordable housing sector were let at social rents, which are significantly lower than market rent. The table below highlights the difference between the average social rents, market rents and 80% of market rents, as at February 2011:

| Property Type | Market Rent | 80% of Market Rent | RP Social Rent - average across all N.S stock (inc service charges) | Difference (+/-) between average RP Social Rent and 80% of Market Rent |
|---------------|-------------|--------------------|---|--|
| 1 Bed | £108.24 | £86.59 | £76.19 | £10.40 |
| 2 Bed Flat | £124.38 | £99.50 | £87.51 | £11.99 |
| 2 Bed House | £132.46 | £105.97 | £91.40 | £14.57 |
| 3 Bed House | £155.53 | £124.42 | £98.70 | £25.72 |
| 4 Bed House | £187.61 | £150.08 | £108.16 | £41.92 |

- 4.3 This shows the significant difference between existing social rents and the level of rent that tenants will be paying at 80% of market rents, particularly in larger properties. These are average rents across North Somerset, and when they are broken down into smaller locations, the difference in some areas is more significant still. This is shown in the tables in Appendix A.
- 4.4 Currently, tenants moving into Affordable Rent properties will be eligible for Housing Benefit, which means that any otherwise unaffordable gap between social and Affordable Rents may be paid through this means. However, the introduction of Universal Credit and Welfare Benefit cap in 2013, will limit the levels of benefit a household is entitled to and housing costs will be a part of this. This means that households may struggle to meet the costs of the new rent levels. We have particular concerns about this in areas with high market rents and in properties with four or more bedrooms.
- 4.5 We will continue to negotiate 30% affordable housing, with no public subsidy, on all relevant open-market sites in accordance with the Council's planning policy. On these sites we continue to expect a tenure split of 82% social rent, 18% shared ownership, as per the needs evidence in the Strategic Housing Market Assessment (SHMA). However, if provision of affordable housing at this tenure split is proven to be unviable, we will be flexible and may allow affordable rent. Although this may improve viability, we are not yet certain how affordable this tenure will be. Therefore, the SHMA evidence base will need updating to set a percentage level for affordable rent in our Supplementary Planning Document. We will work with the other West of England Authorities during 2012/13 to begin development of a revised SHMA.

What we expect Registered Providers to consider

- 4.6 We recognise that providers of affordable housing have already signed contracts with the HCA over their development of new affordable

homes. However, there are still a number of points that we hope providers will consider when developing or updating their policies:

- We expect providers not to let properties with four bedrooms or more at Affordable Rents, especially in high market rent areas, and if they do let these at affordable rent we expect that the affordable rent to be set at no higher than the Local Housing Allowance rate for that area and to take into account the proposed national welfare benefit cap.
- We expect that all providers will offer tenants who are likely to be affected by welfare benefit changes advice and information about what these changes will mean to them, having particular regard to the introduction of the Universal Credit and housing benefits changes, for example, under-occupancy changes.
- We expect all providers to advertise Affordable Rent properties through the council's HomeChoice choice-based lettings system, to ensure fairness and transparency.
- We expect conversions from social rented properties to Affordable Rent properties at the point of re-let to be based on the agreed contract with the HCA and that those agreed numbers be shared with the council in order for effective monitoring to take place.
- We will seek social rent homes on new developments where no HCA grant has been given, in line with our existing tenure split policies, subject to the viability of the scheme.
- We will not support the conversion of social rented properties that are subject to section 106 agreements to affordable rent.
- We expect registered providers to consider the tenure make-up of an area before converting social rents to Affordable Rents, and to avoid conversions to Affordable Rents in areas with low percentages of social rented housing.

5. Fixed Term Tenancies

5.1 The Localism Act enables registered providers to let affordable housing on fixed term assured tenancies to new tenants, as opposed to the assured ("lifetime") tenancies they currently use. The fixed terms used should be set at a minimum of 5 years in all but exceptional cases, when two years (in addition to any probationary tenancy period) may be considered. The reason for this change in national policy is to encourage people living in affordable housing to move on when their circumstances improve to the extent that they can afford another tenure option, so freeing up the affordable housing for a household in greater need. At the end of the fixed term, and depending on the circumstances of the individual household, tenants could have the following options:

- To remain in affordable housing, either in their existing home or in another affordable home (either at a social rent or Affordable Rent)
- To move into the private rented sector
- To move into home ownership, either via a low-cost home ownership route or otherwise.

- 5.2 When a provider decides not to reissue a tenancy at the end of the agreed term, the provider must give notice of this decision 6 months before the end of the tenancy and must provide advice and assistance for tenants to help them find suitable alternative accommodation.
- 5.3 It is important to note that there is no obligation for registered providers to use this type of tenancy.

What this means in North Somerset

- 5.4 As a council, we are committed to meeting the housing needs of residents and we work hard to prevent homelessness. We welcome opportunities to ensure that the housing stock in North Somerset is put to the best possible use, as illustrated in our Housing Strategy. However, we must also be aware of issues relating to the sustainability of communities and neighbourhoods. It is important that we do all we can to ensure that the introduction of fixed term tenancies in affordable housing does not undermine the concept of a sustainable community, by encouraging too much transience in local populations. We must also be aware of the potential for people to become caught in a 'benefits trap' if the security of their tenancies is linked to them not improving their own circumstances. Further, it is important to take into account the needs of particular groups in specialist housing – for example older people, or those receiving support linked to their accommodation – as to achieve the best outcomes for these groups it may be unsuitable to use fixed term tenancies. For these reasons, it is with caution that we welcome the introduction of these tenancies and we encourage providers to be cautious in their use of them.

What we expect Registered Providers to consider

- We expect providers to use 5 years as the minimum term for all fixed term tenancies (excluding the period of any introductory tenancy).
- We expect providers of specialist older people's housing to use lifetime tenancies for this group in those specialist homes.
- We expect those receiving long-term support that is related to their housing to receive lifetime tenancies, or longer fixed terms, depending on their needs.
- We expect registered providers to carry out an assessment of the housing options for any potential tenant who would require a major adaptation to ensure the sustainability of the tenancy granted and the best outcomes for the tenants.
- We expect providers to renew all fixed term tenancies other than where the tenants' circumstances are improved to the point that they are able to afford a different tenure or where they under occupy their home by two bedrooms or more. In cases of under occupation, the tenant should be offered a smaller home with the same or alternative registered provider.

- We expect that tenants who have had a review of their tenancy will be given at least six months notice if the provider is minded to end the tenancy, and that adequate reasons for the decision to end the tenancy are given with information on the right to appeal the decision. We would also expect the provider to notify the council of the decision to end the tenancy.
- We expect registered providers to allow a tenant to remain in their property at the end of a tenancy until a suitable alternative has been found.

6. Changes to the HomeChoice register

6.1 The Localism Act has enabled local authorities to determine which categories of applicants should qualify to join the register/waiting list for affordable housing. This is different from the current situation, in which anybody (with very few exceptions) may join the waiting list, no matter what their level of housing need. In the new legislation, councils are able to close the list to some categories of applicant. Central government has retained a role in determining which groups should be given priority for affordable housing, however, by preserving the current reasonable preference categories.

What this means in North Somerset

6.2 In North Somerset, we currently operate what is known as an ‘open waiting list’, where anybody (with few exceptions) is able to apply for affordable housing and join the register. This has led to a large number of people being on the register. Once the applications are processed, applicants are placed into priority bands A – D, with Band A containing those in most housing need. As at April 2012, the numbers of households in each band were:

| | |
|--------|------|
| Band A | 182 |
| Band B | 425 |
| Band C | 3944 |
| Band D | 3050 |
| Total | 7601 |

6.3 With only 591 lets made in the last financial year (2011/12), it is clear that social housing cannot provide the housing solution for all of these people. Therefore, it seems sensible to review our HomeChoice Lettings and Allocations Policy in light of the Localism Bill, to identify how we may close the register to some categories of applicants. Whilst this strategy does not set out the specific changes that we will make to this policy, we set out below the issues we are considering.

Issues to consider

6.4 The main issues we will be considering as part of our policy review are:

- Whether we should only accept applications from the people who are most in need.
- Whether extra priority should be given to people in work on low incomes or who make a contribution to the community.
- What local residency criteria should be applied.
- Whether people who have sufficient financial resources to enable them to buy a property or rent privately should be excluded.
- Whether those applicants who have previously had a poor tenancy record should be excluded.

7. New powers to discharge the Homelessness Duty through the private rented sector

7.1 The Localism Act has introduced a significant change to the way that local authorities can use the private rented sector to house those assessed as being statutorily homeless. Local authorities are now able to discharge their duty to homeless households with an offer of suitable accommodation in the private rented sector, provided that the tenancy offered is for a minimum of 12 months. Before this, local authorities could only discharge the homelessness duty in the private rented sector with the agreement of the household, but this agreement is no longer required.

What this means in North Somerset

7.2 In North Somerset, we already work closely with landlords and letting agents in the private rented sector to secure accommodation for homeless people in the district. This change in legislation presents us with greater opportunities to do so and we welcome this option. However, we will need to be careful in discharging our duty in this way to ensure that we only use suitable accommodation and that we do not encourage repeat homelessness by placing people in the private rented sector. This concern stems from the fact that 444 (18.2%) people who presented as homeless in 2010/11 did so because of a private rented tenancy ending.

7.3 We also need to be aware of the changes that will be made through the Welfare Reform Act and the timescales in which each of those changes is likely to be made. This is to ensure that we do not place anybody who we owe the homelessness duty to in the private rented sector in a property that they will no longer be able to afford when changes are made to the Local Housing Allowance and other benefits.

How we will use the new powers

- We will only use the private rented sector to discharge the homelessness duty when we have assessed the household as being suitable for private sector housing and where an appropriate property is available on a 12-month tenancy.
- We will closely monitor the affect of placing people into the private rented sector and whether the households present as homeless again after the 12-month tenancy. If this happens, we will consider reviewing our approach.
- We will encourage landlords to offer tenancies of 12 months or more using a range of incentives – for example, advice and support, private sector leasing schemes, deposit bonds and rent in advance.
- We will monitor the impact of welfare benefit changes on the supply of private rented housing as well as on those presenting as homeless due to receiving a notice of seeking possession.

8. Risks

| RISK | MITIGATION |
|---|---|
| <p>There is a risk that the number of properties that are relet will reduce, due people being nervous about how changes might affect them if they do move. If relets decrease, this could adversely affect the delivery of new homes, as providers are reliant on income from reletting properties at affordable rent to fund new delivery.</p> | <p>To mitigate this risk, we will need to monitor the progress being made against planned levels of relets and to maintain strong communication with our registered provider partners to ensure that any potential problems are recognised early. We will also need to work hard in our ‘enabling’ role, to ensure we maximise opportunities for new affordable housing delivery.</p> |
| <p>Another risk relating to relets is that the registered providers may relet all of their vacant properties at affordable rents until they have met the quota set out in their development contracts with the HCA. This would lead to a significant reduction in the cheaper social rented properties that will be available.</p> | <p>There is little we can do to mitigate this, but we will monitor the numbers of relets coming through at affordable rent and the associated bidding activity on HomeChoice, to understand what affect the higher rent has on potential bidders.</p> |
| <p>There is a risk of repeat homelessness linked to the placing of more people in the private rented sector.</p> | <p>We will continue to assess the people we place into the private rented sector to ensure as far as possible that they are able to maintain a tenancy. We will also need to maintain and strengthen our relationships with private landlords to ensure the properties and landlords we work with are suitable. We will continue to monitor levels of repeat homelessness and will reassess our use of the private sector if necessary.</p> |
| <p>There is a risk that there could be a lack of suitable properties in the private rented sector</p> | <p>To mitigate this risk, we will need to maintain and strengthen our</p> |

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|---|---|
| and a lack of willing landlords to house households who have presented as homeless. | relationships with private sector landlords and offer appropriate incentives to working with us. |
| Another risk is that, due to the changes being made to the benefits system, there could be an increase in the number of bedsit properties, potentially of poor quality. | Again, we will need to work closely with landlords to ensure that any properties we use to house homeless households, including single homeless people, are suitable and of a high enough standard. |
| There is likely to be an increase in demand for smaller properties in the affordable housing sector, linked to the changes to the under-occupancy and single room rent allowance rules. | Through our Lettings and Assessment Policy, we will ensure the appropriate prioritisation of those bidding for these properties. |
| There is a risk that registered providers will not include the expectations within this strategy in their own tenancy and affordable rent policies. | To mitigate this risk, we are including registered providers in the development of this strategy and would welcome the opportunity to be input into their policies. |
| We will need to ensure that no group is adversely affected by these changes. | We will carry out an Equalities Impact Assessment before publishing our final Strategy. We also expect registered providers to carry our Equality impact Assessments on their own policies. |

9. Resources and monitoring

- 9.1 This strategy will be funded using existing resources. It will be reviewed annually, taking into account the results of monitoring activities that will assess the impact of the changes introduced. The monitoring arrangements will be incorporated into the activities we already carry out.

Appendix A

Spectrum of rents

The following tables highlight the differences in current social rents, market rents and 80% of market rents. All rents shown are weekly and were current at February 2011. The market rents are an average of rented houses advertised on rightmove.com. Service charges are included.

Table 1: Weston-super-Mare

| Property Type | Market Rent | 80% of Market Rent | RP Social Rent - average across all stock in area | Difference (+/-) between average RP Social Rent and 80% of Market Rent |
|---------------|-------------|--------------------|---|--|
| 1 Bed | £108.24 | £86.59 | £76.19 | £10.40 |
| 2 Bed Flat | £124.38 | £99.50 | £87.51 | £11.99 |
| 2 Bed House | £132.46 | £105.97 | £91.40 | £14.57 |
| 3 Bed House | £155.53 | £124.42 | £98.70 | £25.72 |
| 4 Bed House | £187.61 | £150.08 | £108.16 | £41.92 |

Table 2: Portishead

| Property Type | Market Rent | 80% of Market Rent | RP Social Rent - average across all stock in area | Difference (+/-) between average RP Social Rent and 80% of Market Rent |
|---------------|-------------|--------------------|---|--|
| 1 Bed | £126.35 | £101.08 | £81.07 | £20.01 |
| 2 Bed Flat | £139.61 | £111.68 | £94.86 | £16.82 |
| 2 Bed House | £149.00 | £119.20 | £93.12 | £26.08 |
| 3 Bed House | £183.23 | £146.58 | £104.82 | £41.76 |
| 4 Bed House | £276.92 | £221.53 | £112.56 | £108.97 |

Table 3: Clevedon

| Property Type | Market Rent | 80% of Market Rent | RP Social Rent - average across all stock in area | Difference (+/-) between average RP Social Rent and 80% of Market Rent |
|---------------|-------------|--------------------|---|--|
| 1 Bed | £123.00 | £98.40 | £77.43 | £20.97 |
| 2 Bed Flat | £142.15 | £113.72 | £90.39 | £23.33 |
| 2 Bed House | £138.17 | £110.53 | £94.96 | £15.57 |

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|-------------|---------|---------|---------|--------|
| 3 Bed House | £163.38 | £130.70 | £104.69 | £26.01 |
| 4 Bed House | £230.00 | £184.00 | £117.75 | £66.25 |

Table 4: Nailsea

| Property Type | Market Rent | 80% of Market Rent | RP Social Rent - average across all stock in area | Difference (+/-) between average RP Social Rent and 80% of Market Rent |
|---------------|-------------|--------------------|---|--|
| 1 Bed | £95.19 | £76.15 | £77.59 | £-1.44 |
| 2 Bed Flat | £126.92 | £101.53 | £90.28 | £11.25 |
| 2 Bed House | £155.19 | £124.52 | £92.20 | £32.32 |
| 3 Bed House | £173.00 | £138.40 | £102.14 | £36.26 |
| 4 Bed House | £311.53 | £249.22 | £119.42 | £129.80 |

Table 5: Rural (based on the parish of Blagdon)

| Property Type | Market Rent | 80% of Market Rent | RP Social Rent - average across all N.S stock (inc service charges) | Difference (+/-) between average RP Social Rent and 80% of Market Rent |
|---------------|-------------|--------------------|---|--|
| 1 Bed | £150.00 | £120.00 | £79.27 | £40.73 |
| 2 Bed Flat | £142.50 | £114.00 | £91.12 | £22.88 |
| 2 Bed House | £173.00 | £138.40 | £92.53 | £45.87 |
| 3 Bed House | £196.15 | £156.92 | £103.75 | £53.17 |
| 4 Bed House | £392.30 | £313.84 | £114.54 | £199.30 |

Appendix B

Glossary

Affordable housing: Housing options available to residents who cannot afford to rent or buy a home in the open market. Includes social rented housing, affordable rent housing and intermediate housing solutions, such as shared ownership.

Affordable Rent: Rents offered by Registered Providers of social housing at up to 80% of the rent that would be charged if the property were let in the open market.

Comprehensive Spending Review: Government review of national public sector spending to plan expenditure over the medium term. Reviews take place every three years.

Fixed term tenancy: A tenancy with a fixed start and finish date.

HomeChoice Register: A list held by North Somerset Council of all the people currently registered to bid for affordable housing in the district.

Homes and Communities Agency: The national housing and regeneration agency for England, responsible for allocating funding for new affordable housing. A non-departmental public body, sponsored by the Department for Communities and Local Government.

Homelessness duty: A local authority owes the "main homelessness duty" when the authority is satisfied that a homeless household is eligible for assistance, unintentionally homeless and falls within a specified priority need group. Where this duty is owed, the authority must ensure that suitable accommodation is available to the household.

Local Housing Allowance: The current form of housing benefit paid to people with low incomes who are renting in the private sector.

Market rent: The rental income that a property would most probably command on the open market.

Reasonable preference categories: Particular groups who must be given priority on registers for social housing, as defined by national government.

Registered housing providers: Organisations that provide affordable housing to those in need. Often these providers are housing associations.

Section 106 Agreement: Legally binding agreements made under Section 106 (S106) of the Town and Country Planning Act 1990. These agreements are used to enhance the quality of development, enabling proposals to go ahead where they might otherwise have been refused. They can include an obligation for a developer to deliver affordable housing.

Social rent: Housing for which guideline target rents are determined through the National Rent Regime, aimed at helping people in housing need. Rents are usually significantly lower than market levels.

Strategic Housing Market Assessment: An assessment of how housing markets operate in defined areas, used to identify housing needs within that area.

Tenancy policy: A Registered Provider's policy that defines how the provider will make decisions about the types of tenancy they will provide to tenants.

Welfare Reform Bill: A bill introduced by national government in 2011, which proposes to make significant changes to the welfare benefits system.

