



Managing the impact of housing reforms in your area: Working towards the tenancy strategy

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1. Introduction

In 2015 the social and 'affordable rent' housing offer is likely to look very different from today. How effectively it meets local housing needs and demand depends on local government and the housing sector.

Working with registered providers, other local stakeholders, tenants and residents, the local authority is the only organisation with a remit to understand, plan for, and manage change in the local area so that needs and demand are met and wider health, economic and wellbeing outcomes are achieved. If reforms don't add up in the future, will we only find out when it's too late? And who will the public hold to account for the outcomes?

This paper presents the background to housing reforms, briefly explores the role of local government and others suggested by the government, and recommends that authorities and their partners need to think beyond this if they want to make the best of what will be a very different housing system, for the sake of their local communities. It builds on recommendations made in CIH's *The Local Authority Role in Housing Markets*¹ published in April 2011, and suggests that action is needed now.

2. Why the change?

2.1 *The problem*

The government has identified a number of problems with social housing in its current form:

- Social housing is a scarce resource and it is not being used as effectively as it could be to meet housing needs
- Some low income households, unable to access social housing, are living in more costly accommodation e.g. temporary accommodation or in the private rented sector
- The housing benefit bill is considerable and rising
- There are high levels of unemployment in the social rented sector and people get 'stuck' in the sector
- Compared to the private rented sector, the social rented sector is not as flexible in meeting needs and demand
- Social housing has a poor reputation amongst the public
- New homes are desperately needed to meet housing need but there is a lack of public subsidy for new social housing supply.

¹ *The Local Authority Role in Housing Markets*, CIH 2011 <http://www.cih.org/policy/fpp-LArolehousingmarkets-Apr11.pdf>

2.2 *The solution*

The government's solution is to enable, in varying degrees, the housing sector to resolve these problems at a more local level.

Social housing reform² is intended to:

- Enable decisions about who lives where and for how long to be taken on the basis of local need and circumstances
- Result in a housing system that is better focused; protecting and supporting those who need it most
- Shift the public's perception of social housing to it being a springboard into work and self sufficiency.

To achieve these outcomes the government is:

- Introducing fixed term tenancies for social housing
- Proposing a duty for local authorities to publish a tenancy strategy
- Giving local authorities greater control of their waiting list
- Enabling authorities to discharge their homelessness duty through accommodating a household in the private rented sector
- Encouraging social landlords to improve existing tenants' opportunities to move home (Further detail on reforms is provided in Appendix 1).

The government's 'affordable rent' programme is intended to deliver new housing supply with limited public subsidy. New 'affordable' homes will attract a higher rent (up to 80% of market rent), and a proportion of homes in the existing social rented housing stock will also be 'converted' to a higher rent when they are re-let, creating a surplus for reinvestment. Registered providers and local authorities are expected to draw on their assets and reserves so, together with additional private sector investment, a lower level of subsidy will be required.

Welfare reform is intended to address the rising benefit bill and encourage people into employment. The proposal to reduce housing benefit for households under-occupying social rented homes and for single people under the age of 35 are just two of the measures expected to contribute.

Unlike social housing reform there is less room for local authorities to play a decision making role in relation to the 'affordable rent' framework and welfare reform; local authorities have been given limited opportunity to feed into decisions on the former whilst the latter is centrally driven policy that local areas must simply manage.

² Social housing reform is described primarily in *Local Decisions: a fairer future for social housing* and the Decentralisation and Localism Bill

3. What action should we take?

3.1 *The government's perspective*

The government has set some expectations on what organisations working in the sector should do to implement change, in particular around the introduction of fixed term tenancies and the participation of registered providers in the 'affordable rent' framework.

Local authorities will, by the end of 2012, publish a tenancy strategy. This will:

- Describe the high level objectives ('matters') that registered providers should 'have regard to' in their tenancy policies
- Signpost people to where the registered provider tenancy policies can be found, or summarise these
- Have been developed:
 - With consideration to the local allocations policy and homelessness strategy (both are intended to communicate how housing needs will be met, and are still statutory requirements³)
 - In consultation with registered providers
- Be reviewed every 5 years, with registered provider input.

The Bill does not preclude neighbouring local authorities from developing a shared strategy. Indeed, the very low cost associated with developing and reviewing the strategy over 30 years identified by the government⁴ suggests that this is expected.

The local authority role in relation to the HCA framework has been limited to providing feedback on proposals from registered providers via the HCA. Government expects that the tenancy strategy will to cover tenure only, not rent levels.

Registered providers will:

- Be able to offer a 'flexible' or fixed term tenancy on affordable and social rented homes in the future⁵
- Explain, through their tenancy policy:

³ These duties have been included in the recent consultation on the government's review of statutory duties. The CIH advocated for their continuation

⁴ The impact assessment of the policy provision within the Localism Bill suggests a cost of between £1,500 and £4,500 over a 30 year period

⁵ RPs will be able to offer fixed term tenures on affordable rent homes (new or converted from social rented homes) following agreement on proposals with the Homes and Communities Agency i.e. as early as July 2011. Subject to regulatory reform, RPs will be able to introduce fixed term tenancies on social rented homes from April 2012.

- The kind of tenancies they will grant
- The circumstances in which they will do this
- The length of tenancy terms and
- The circumstances in which a further tenancy will be granted.

Registered providers have also been asked to submit proposals to the HCA if they wish to deliver 'affordable rent' homes, with HCA guidance describing what is expected.

The government's perspective in relation to local authorities will be considered as the Localism Bill progresses through the House of Lords. Two issues are likely to be discussed: whether requiring particular local authority strategies is appropriate in an era of localism, and whether the tenancy strategy will be relevant if it is only required to be in place after registered providers tenancy policies are produced.

3.2 CIH perspective

The government's expectations do not adequately reflect that it is in the interests of local authorities, registered providers, residents and tenants and other local stakeholders (e.g. health and wellbeing partners) to understand, plan for, and manage the combined impact of: social housing reform; the 'affordable rent' product; welfare reform proposals; rapidly changing housing need, demand and markets; and the weak economy.

There are real concerns⁶ that the new approach will not contribute enough to housing supply and that new supply will not adequately support mixed communities or meet the needs of vulnerable people. Local authorities, working with others, are in the best place to monitor and manage the situation locally.

Local authorities are responsible and accountable to their local communities. In order to be effective and transparent, strategy formulation must be based on evidence, not supposition. That evidence must be drawn from local intelligence and be sufficiently robust to inform long-term decisions that will have significant local impacts.

We encourage local authorities to develop a tenancy strategy now, regardless of whether it is a statutory requirement and regardless of the timescales set out by government.

⁶ The Joseph Rowntree Foundation) report, '*Tackling housing market volatility in the UK*' concludes that within current subsidy levels, additional social and other affordable housing is likely to play only a "limited role" in creating new housing supply and that current policy plans for the sector would not tackle the needs of the vulnerable. <http://www.jrf.org.uk/sites/files/jrf/housing-markets-volatility-full.pdf>

Partners in local areas should be asking themselves:

1. What will the social and affordable rent housing offer look like in 2015 in the local area? What will be different?
2. What must we do to ensure that the new offer:
 - a) Meets housing need and demand?
 - b) Contributes to wider community objectives?
 - c) Is understood by the public and customers?
 - d) Makes the best use of all resources?
3. If housing needs and demand (or other desired outcomes) won't be achieved, what action will we take?

Asking, and answering, these questions should be an integral part of the local strategic approach to housing.

It is an opportunity for local authorities to:

- Understand and potentially enhance the diverse offer that registered providers bring to the local area (we have included a flavour of the issues being considered by providers in light of reforms and the affordable rent framework at Appendix 2)
- Work with other local authorities, sharing capacity and capability, where there are common issues and objectives
- Acknowledge that some neighbourhoods have specific issues and to tailor solutions to address these
- Attract partners in health and the economy into a dialogue about how changes might impact on their desired outcomes, perhaps through the Local Enterprise Partnership and/or new Health and Wellbeing Board
- Engage with the public and tenants to understand how well the offer works now, and what the impact of changes might be on community sustainability
- 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 (across all tenures)⁷
- Identify who will not have their needs met through the new offer, and prompt action to address gaps.

⁷ CIH's practice brief *Allocations and local flexibility* contains some useful guidance here

It is an opportunity for registered providers to:

- Understand their customers' (existing and potential) needs now and in the future in a local context. For example what impact will welfare reform have on tenure-related behaviour?
- Work through the risks that social housing and welfare reform, and the affordable rent framework, present to their business, the wider community and customers
- Identify the impact of their business decisions on the local community and customers, and how any negative impacts can be mitigated through partnership working
- Explore how they can offer a more cost effective, locally sensitive approach to tenancy management, for example the process of tenancy review, and the provision of housing options information and advice
- Improve the perception of the role of the registered provider locally with strategic partners, the public and customers.

4. Are there examples of practice we can build on?

In short, yes. A number of local authorities have accepted the role of leader and enabler and are already working with registered providers in their areas. Full case studies are in Appendix 3, but in summary:

- Information and direction has been provided to registered providers to inform their proposals to the HCA's 'affordable rent' framework and their tenancy policies. Good examples are found in St. Edmundsbury, Bristol and South Gloucestershire⁸ where data on needs, income, market rent and social rent levels have been provided, alongside preferences for the length of tenancy.
- Understanding the impact of welfare reform is an important part of the jigsaw, but it is difficult to predict how people will respond to changes. To begin with, however, an understanding of rent levels in the private rented sector and comparison with local housing allowance rates is useful. Cambridgeshire's annual review of a sample of private rents for each district in the area has really paid off and the sub-region has created a new data atlas (available at <http://atlas.cambridgeshire.gov.uk/Housing/LHA/atlas.html>). They have also modelled LHA rates after the proposed changes.
- Agreeing with providers what information will be shared to inform business plans, tenancy policies, the tenancy strategy and housing strategy will be productive in the short and longer term. Following the production of guidance to providers in advance of the HCA framework proposals, Cambridge City Council has agreed with providers the relevant information and data that will be shared, and how, and hope that this will inform the longer term evidence base.

⁸ South Gloucestershire's intelligence
<http://www.southglos.gov.uk/Resources/Publications/HSG/11/0200/HSG-11-0003>

- St Edmundsbury Borough Council and partners have been giving consideration to some of the issues arising from the introduction of the new offer that require the input of more than one organisation to address, for example the allocation of homes according to income. A Councillor Working Group was established and has worked for several months, looking at the issues and working with officers in developing their strategic approach. The council is also considering the possibility of carrying out the reviews for partners to assess tenancies as they come up to the end of their fixed terms; and initial discussions with partners have been undertaken.
- Consideration is being given to how customers can be enabled to understand the changes sooner rather than later. Officers across the Cambridge housing sub-region have been working together to create publicity material for the Home-Link Magazine and website (they subscribe to the same choice based lettings system), in readiness for the affordable rent offer.

5. What support is on offer from CIH?

Our Strategy and Research Team, START, offers a range of support. In addition to free publications, such as *The local authority role in understanding housing markets*, and Practice Online chapters on strategic housing, allocations and homelessness, we offer bespoke support to individual authorities and partnerships, and to registered providers including:

- Introductions to the 'new world' through presentations and facilitated discussion with management teams, elected members, Boards or Strategic Housing Partnerships
- Challenge and plan for change sessions; establishing what intelligence is needed to inform your approach; assessing the policy options; considering the collective impact of decisions and how a balance can be struck between competing needs and objectives
- A critical friend role to support the development of approaches.

Our housing benefit calculator will be useful to those who have not yet sought to identify the impact of proposals. We are also working with Hometrack to enable local authorities and providers to develop their evidence bases. A free round table event will be held in the summer.

For more information please contact us:

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Appendix 1 - Social housing reform and fixed term tenancies

It will be useful in developing the local tenancy strategy to understand the background to social housing reform:

- The 2006 Smith Institute *Rethinking Social Housing* questioned why a temporary lack of suitable housing results in a legal right to a subsidised home for life. The report recommended phasing out assured and secure tenancies to create a wider single rented tenancy which does not necessarily assume a tenancy for life’.
- The 2007 *Hills Review of social housing* explored the future role of social housing and emphasised the need to consider a “more varied menu” for both prospective and existing tenants, including the possibility of regular review every few years to run through whether someone’s circumstances had changed to allow them to take up a different part of the offer.
- The government’s explicit belief that social housing is welfare and should be a step on to other types of housing. Their perspective is that the current statutory framework is too rigid and doesn’t enable the best use of housing (assets) subsidised by public monies (social and affordable housing); life-time tenancies take no account of how circumstances might change; tenancies can be inherited by family members not in housing need; there is limited flexibility to respond to local circumstances and make best use of housing stock to reduce housing needs
- The government is making comparisons between the social and private rented sectors, with the latter felt to offer greater choice and flexibility, in turn enabling greater mobility. However, the private rented sector is felt to be more costly in terms of housing benefit, and does not offer the security that social rented housing does
- The government’s plans to reduce the deficit include reducing the housing benefit bill. The current framework is felt to contribute to high levels of housing benefit in the social housing sector, with little incentive for tenants to gain employment), a high level of under-occupation (yet under-occupation in social housing is at a lower level than other tenures) and households residing in temporary accommodation and other more costly forms of accommodation (including the private rented sector) because they can’t access more affordable housing
- The introduction of fixed term tenancies is intended to give greater freedom to local authorities and housing associations to manage assets for best financial return, to respond to local circumstances and the needs of individual households, to promote clarity and fairness, and to ensure support focuses on the most vulnerable people in society. Government has three main aims in its housing reforms:
 - Power will be devolved to social landlords so they can make decisions on the basis of local need and circumstances
 - The system will be better focussed on need: social housing should provide protection and support for those who need it most for the period they are in need
 - There will be a change in the public perception of social housing; it should be seen as a springboard into work & self-sufficiency.

Appendix 2 – Registered Provider topics of conversation

In relation to fixed term tenancies:

- The fear of challenge on decisions to end fixed term tenancies is leading some RPs to shy away from their use
- The legal implications of fixed term tenancies of more than 7 years are unfamiliar
- The management cost of introducing fixed term tenancies does not appear to offer value for money – what will be the real gain?
- Most RPs are considering 5 years to be a minimum fixed term, with some thinking about offering a starter tenancy and then a 5 year fix after that
- RPs recognise that they need to link up with the local authority in the process of review and assessing needs at the end of tenancy. There's a danger that the tenant will return to the local authority to seek assistance if the approach is not the right one
- As housing benefit reform aims to reduce under-occupation, it is not clear that fixed term tenancies will contribute much more to achieving this objective
- Some developing RPs felt they had to take a position on fixed term tenancies in order to submit HCA proposals. However, they may revise their approach on the basis of a LA tenancy strategy being published
- Some RPs are planning to use 'getting on' tenancies of two years similar to those used in supported housing
- Some RPs are not planning to use fixed term tenancies because they have no intention of using social housing conversions to support new affordable rent homes.

In relation to affordable rent:

- Approaches to the use of affordable rent vary, with some RPs suggesting the model only works for small accommodation whilst others are suggesting their use only on larger homes. The different approaches relate to rent levels, local housing allowance and consideration to the need for social rent, for examples families are felt to be most in need for social rented homes
- Not doing many dispersals because most of stock fits with what the HA is trying to do
- RPs anticipate difficulties letting affordable rent homes if an applicant has choice of social rent at the same time
- The attraction of affordable rent to higher income groups is unknown but it's thought that households would prefer to live in the private rented sector in a cheaper area than in 80% market rent in expensive area, particularly in an area such as London.

Appendix 3 - Case studies

Housing market data and the effect of Local Housing Allowance (LHA) changes

Cambridgeshire County Council's research group leads on the research for the housing sub-region's Strategic Housing Market Assessment.

When changes to housing benefit and LHA were announced in 2010, one of the existing SHMA tasks - an annual review of a sample of private rents for each district in the area – really paid off. Combined with data from Hometrack on private rent levels, the Research

Group created a new data atlas. This is available at <http://atlas.cambridgeshire.gov.uk/Housing/LHA/atlas.html>.

Mapping and graphics help comparisons between average rents charged with current LHA rates, and LHA rates after the proposed changes. It also presents the combined rent data mentioned above, by district and ward, to help compare the 'real rent' to the level of subsidy which will be available.

Contact:

Polly Jackson, Research Officer (Housing) polly.jackson@cambridgeshire.gov.uk

Agreeing what information is needed and monitoring arrangements

Cambridge City Council has met with each developing RP operating in the City prior to the submission of proposals to the HCA, including Cambridgeshire Partnerships (CPL) who manage the Cambridge Challenge on the growth sites. The council put together a guidance note as part of the process, identifying the factors it wished RPs to take into account, the strategic direction, data on incomes and affordability.

The council also drew up, from the information gleaned from RPs, an indicative four year profile of planned affordable housing development, showing numbers and percentages, and locations, of homes which RPs anticipated being developed at social and affordable rents and as intermediate tenure.

Both of these documents were shared with the HCA prior to bidding.

The council subsequently held a joint meeting with all RPs. It has been agreed that relevant information and data will be shared to inform the RP business plans, and the council's tenancy strategy and housing strategy review, and hopefully the development of the next SHMA. The council and RPs are drawing up lists of the information they'd like from each other. Examples include:

- The actual impact of benefit changes
- The profile of applicants being housed under the new regime including the Home-Link priority band they were in
- Regular updates on the numbers and locations of affordable rent and fixed term tenancy properties planned and delivered
- The number and location of conversions of social rent to affordable rent levels
- Provider's policies on affordable rent and fixed term tenancies.

Information, as it develops, will be circulated electronically and there are plans to meet every few months to review the joint work.

Contact:

Helen Reed, Housing Strategy Manager, helen.reed@cambridge.gov.uk

Alan Carter, Head of Strategic Housing Services, alan.carter@cambridge.gov.uk

Working together

St Edmundsbury Borough Council and partners have been giving consideration to some of the wicked issues that will arise from the introduction of the new offer, and how their strategic approach to tenancy matters will manage this, for example allocating properties according to income.

A Councillor Working Group was established and has worked for several months, looking at the issues and working with officers in developing their strategic approach.

The council produced an 'Interim Statement' for all RPs before they made their cases to the HCA for funding. The statement sets out considerable information and guidance on the housing market and the strategic aims of the council

The council is also considering the possibility of carrying out the reviews for partners to assess tenancies as they come up to the end of their fixed terms; initial discussions with partners have been undertaken.

Contact:

Carole Herries, Head of Environmental Health and Housing,
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Communicating with customers

Officers across the Cambridge housing sub-region subscribe to the Home-Link choice based lettings system. The group has been working together to create publicity material for the Home-Link Magazine and website, in readiness for the affordable rent offer. This is hoped will give customers time to understand the likely changes and why Home-Link advertisements will be different in the future.

Although changes have not yet been legislated for, the group plans to release information on those areas of change that are expected to come sooner rather than later and which are already being addressing via enhancements to the Home-Link back office.

The initial areas are:

- Broad explanation of the changes and why
- Explanation of affordable housing and social housing rent levels
- Length of tenancies
- What will happen at the end of a fixed term tenancy
- What will happen if an existing tenant wishes to move.

The aim is to keep the content short, simple and understandable.

Contact:

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