

# Test Valley Borough Council Tenancy Strategy

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## **1. Introduction**

The Council wants the local housing stock to be used as effectively as possible to provide homes for Test Valley residents in housing need who are unable to secure a home for themselves in the private sector. This can be achieved if we are able to help more people move on from affordable housing once they are in a position to sustain an alternative solution, such as home ownership or renting privately.

The Government's key housing policy<sup>1</sup> goal is to ensure that everyone has the opportunity of living in a decent home, which they can afford, in a community where they want to live.

To accomplish this, the Government is seeking to:

- Achieve a wide choice of high quality homes, both affordable and market housing, to address the requirements of the community
- Widen opportunities for home ownership and ensure high quality housing for those who cannot afford market housing, in particular those who are vulnerable or in housing need
- Improve affordability across the housing market, including increasing the supply of housing and;
- Create sustainable, inclusive, mixed communities in all areas, both urban and rural.

The Government is enabling providers of social housing with the option to use fixed term flexible tenancies, which in most cases will be for a minimum of 5 years. This recognises that presently tenancies granted by local authorities or Registered Providers are done so to meet an immediate need, such as overcrowding or homelessness, which may change over time resulting in homes being under-occupied or occupied by tenants who could afford to buy a home or rent privately.

The Council accepts the additional local flexibility that fixed term tenancies will provide, and this local strategy sets out our approach to granting tenancies for affordable housing in Test Valley.

Registered Providers are expected to have due regard to the local authority strategy in framing their own policies.

## **2. Aims & Objectives**

This Strategy provides an overview of how we will address the issues of rent and tenure reform.

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<sup>1</sup> Laying the Foundations: A Housing Strategy for England, HM Government, November 2011

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.

The Strategy does not detail changes we will make to the Allocations Policy or the housing register, as we will carry out a separate review of these. However, it will set the strategic principles for this area of work.

### **Aims**

The Tenancy Strategy is intended to provide guidance to Registered Providers operating in the local authority area, informing their policies and practices to produce lettings for customers that meet local housing need and improve the functioning of the housing market in the Borough. The Tenancy Strategy will respect local sensitivities which intend to be tackled through local lettings plans.

### **Objectives**

1. To ensure that affordable housing meets locally, identifiable housing need
2. To assist in making the best possible use of housing stock in the borough
3. To assist in tackling the issue of under-occupation in Test Valley
4. To assist in the creation of sustainable communities
5. To provide guidance and direction to Registered Providers regarding their use of Affordable Rented properties and flexible tenancies
6. To provide a framework for up to date knowledge of the housing market in Test Valley, that can then be used to inform policy and practice and monitor trends
7. To indicate to prospective tenants, and current tenants, what they can expect from their fixed term tenancy.

### **Context**

Test Valley Borough Council has an established effective cross authority working arrangement through Hampshire Home Choice with neighbouring local authorities. These local authorities are committed to ensuring that where possible, consistency is applied to the development and implementation of tenancy strategies. This will help to make best use of stock across the whole area and create more sustainable communities, however it is recognised that different approaches will be needed for rural and urban areas.

Test Valley Borough Council is working with six other local authorities from across the North and Central Hampshire Housing Market Area to agree some key principles in relation to Fixed Term Tenancies. This document, when published, will be available separately. Its purpose is to help Registered Housing Providers that have stock located across more than one local authority area, as each organisation begins to develop their own tenancy policy they can have some confidence that each individual local authority tenancy strategy will be based on the same core principles even if some specific details change from area to area.

The Council's Corporate Plan sets out the Council's ambitions. The Council's emphasis is on making the most of our available resources and transforming

the way we work, to provide even better value for money and effective service delivery. Action Plan updates are produced annually and contain key actions for delivery in the coming year, along with medium term plans to deliver the Council's priorities for improving quality of life for all in Test Valley.

Test Valley aims to ensure that a wide range of housing needs are met by working closely with a number of agencies to deliver affordable housing across the Borough. We are delivering affordable housing in Test Valley by:

- Having a three year Housing Strategy. 'Helping local people access a decent home', which sets out how we will deliver affordable housing in the Borough
- Using our planning policies to make sure that private housing developments have a percentage of new homes for sale or rent to local people at affordable prices
- Working with Registered Providers to increase the number of new homes for rent and for sale
- Making it easier for people to apply for affordable housing;
- Sometimes making Council-owned land available for affordable housing.

To make sure the right types of affordable homes are built in the right places, we research housing need in Test Valley. This information is used to agree policies that guide the type and location of new affordable homes. We worked with other Local Authorities in central Hampshire (New Forest, East Hampshire, Basingstoke and Deane, and Winchester) and the Partnership for South Hampshire (PUSH) authorities to produce two Strategic Housing Market Assessments.

The Council's most recent Homelessness Strategy, sought to prevent homelessness, help those who are homeless and support people so they didn't return to homelessness. The levels of homelessness acceptances and households in temporary accommodation fell significantly 2003 – 2010, during the same period the number of households who were prevented from becoming homeless increased. Use of various incentives to help people access accommodation in the private rented sector was the most successful method of finding alternative accommodation before someone became homeless. In the past two years, this situation has changed significantly. Homelessness in Test Valley has again shown a substantial increase with acceptances trebling in 2011/12 from 16 to 46 cases and preventions increasing from 306 in 2101/11 to 396 cases in 2011/12.

The Localism Act 2011 allows local authorities to adopt a power so they can end the statutory homelessness duty by using private rented sector accommodation. The Council intends to use this power as another option to help homeless people as appropriate and will, wherever practical be offering suitable private sector accommodation rather than social rented housing to those facing homelessness. By following this approach the Council can free-up social rented properties to allocate to other vulnerable households who must find a home. It also ensures the Housing Register is the main access route into social housing in the Borough.

Information about how applicants are prioritised for social rented housing can be found in our own Housing Allocations Scheme, as well as the Allocations Framework for Hampshire Home Choice. This is a joint register for all social housing properties across four Hampshire local authority areas. Applicants who are deemed to be the most vulnerable in the most acute housing circumstances who have been waiting the longest are prioritised for housing. Monitoring the effectiveness of this Tenancy Strategy can help to inform how applicants are prioritised for social and affordable rented housing in the future.

### **3. Governance**

The individual Registered Providers are responsible for their individual tenancy policies.

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 Test Valley review their own tenancy policies after the publication of this strategy to ensure that, wherever possible, their policies work to complement our strategy.

Various existing groups, such as the Housing Development Partnership, Hampshire Home Choice and Strategy Delivery Group will scrutinise and review the effectiveness of this strategy.

Monitoring will include trends in:

- Housing needs, including housing register data
- Homelessness (aligning with Homelessness Strategy)
- Reviewing effectiveness of allocation policy
- Rent levels across all tenures
- Registered Providers activity
- Number of new homes built including affordable, and which tenure(s)

### **4. Evidence**

The Appendix to this strategy sets out a range of data and information that has been used to inform this Strategy. We know that housing needs in Test Valley are high, and we know that housing supply is limited. Creating turnover in the social housing stock and ensuring it is let to those in need, is critical in meeting needs in the future.

#### **Housing needs information**

The number of households on the Council's housing waiting list has increased by 28% in the last 13 years, from 1,873 in 1997 up-to 2,619 in 2010. A total of 5.5% of all households living in Test Valley are registered on the housing waiting list, compared to 7.8% across the whole of Hampshire, 6.3% across the South East, and 8.2% across England.

Approximately 3,600 households are registered on the waiting list for social housing, 2,290, fall within the Government's definition of housing need as set out in the DCLG guidance. .

Private Registered Provider's average weekly rent in 2010 was £84.52, an increase of 41% from 1997 when the amount was £49.66.

Test Valley has more households who under-occupy and there is less overcrowding than the countywide, regional, and national averages. 83% of households have at least 1 spare room compared with 75% nationally, 3% of households are living in an over crowded home compared to 7% nationally.

## **5. Affordable Rent Tenancies**

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) will be 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 also able to introduce Affordable Rents on a proportion of their re-lets. 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 if it is financially viable. Significantly, tenants in properties let at Affordable Rents will be eligible for Housing Benefit, which is currently uncapped in the social housing sector.

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. There is significant difference between existing social rents and the level of rent that tenants will be paying at 80% of market rents (minus management and maintenance costs), particularly in larger properties.

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. The Welfare Reform changes for size criteria and the benefit cap will be introduced from 1 April 2013 ahead of Universal Credit and this will have the greater impact initially. This means that households may struggle to meet the costs of the new rent levels. There are particular concerns about this is in areas with high market rents and in properties with four or more bedrooms. Affordability is also particularly an issue among larger rural properties. The full implications on housing costs with the introduction of Universal Credit from October 2013 are not clear at this stage.

The Council will continue to negotiate up to 40% affordable housing, with no public subsidy, on all relevant larger open-market sites in accordance with the Council's planning policy. On these sites the Council continues to expect a

tenure split of 25% rent, 15% 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 properties to be let at an Affordable Rent. There is an option to vary the tenure to improve viability, for example more shared ownership to help pay for the rented units. We will take a pragmatic view on the preferred tenure split on a case-by-case basis. 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 the Supplementary Planning Document. We will work with the other Hampshire Authorities during 2012/13 to begin development of revised SHMAs.

### **Expectations of Registered Providers**

It is recognised that providers of affordable housing have already signed contracts with the Homes & Communities Agency over their development of new affordable homes. However, there are still a number of points that it is hoped providers will consider when developing or updating their policies:

- Because of affordability concerns, we would anticipate that providers will not re-let properties with four bedrooms or more at Affordable Rents, especially in high market rent areas. If they do let these large properties at an Affordable Rent, we expect the rent level of all properties to be set at no higher than the Local Housing Allowance rate for that area and to take into account disposable income levels when setting rent levels.
- 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 Hampshire Home Choice choice-based lettings system, to ensure fairness and transparency. Liaison and close working with the local authority will be vital if people are not to be confused.
- 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 Homes & Communities Agency and that those agreed numbers be shared with the council in order for effective monitoring to take place.
- We will seek Social Rented homes on new developments where no Homes & Communities Agency 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.

## **6. Fixed Term Tenancies**

This section sets out guidance to Registered Providers and the Borough's expectations for granting Assured or lifetime tenancies and those circumstances in which a fixed term flexible tenancy will be used. This approach takes account of the objectives set out above and the continuing rights of existing Assured tenants.

### **Assured tenancies**

We expect Registered Providers to grant assured tenancies to the following households:

- Assured tenants whose tenancy commenced before 1 April 2012 moving to another housing association property - already protected in law
- Older people who have reached state retirement age and will occupy a general needs property. The terms of sheltered housing tenancies will remain the same as they are currently and will be let as lifetime tenancies
- Households where the applicant, their spouse or a dependant child is disabled, validated by means testing for employment and support allowance
- Households where the applicant or their spouse is terminally ill;

In all other circumstances, it is anticipated that a fixed term tenancy of five years will be granted to new tenants from April 2012.

As at present, all tenancies will initially be on an introductory basis for the first year of the tenancy.

### **Ineligible applicants**

Applicants who are officially ineligible for housing, for example foreign nationals who are subject to immigration control and other people from abroad excluded by statute or regulation and do not, therefore, have recourse to public funds, will not be expected to be housed by Registered Providers and will be obliged to seek their own accommodation.

### **Tenancy Reviews**

No less than 6 months before a flexible tenancy is due to end, we expect it will be subject to a review using the criteria detailed below. If it is decided, as a result of the tenancy review, that a tenancy will not be renewed, written notice advising the tenant of such, will be served. The notice must contain the reasons for the decision and, at the same time, notify the tenant of their right to appeal. Should a tenant appeal and fail to have the decision overturned, the landlord will be able to seek possession of the property. The landlord's right of possession may then be challenged in the county court only on the grounds that the landlord has made a legal error or a material error of fact.

The tenancy review criteria will reflect the continuing needs of tenants, any assets they might have accrued or inherited, attitude to work / training opportunities that might have presented themselves and pressures on social housing.

Landlords will in the first instance use their housing management powers to enforce Tenancy Agreements. However, tenancies will not normally be extended where one or more of the following apply:

- There is evidence of a significant breach in the terms of the tenancy (eg rioting, drug dealing, burglary) such that possession or other legal action has been commenced, namely
  - A Notice of Seeking Possession
  - Court action
  - Anti-social Behaviour Order or Anti-social Behaviour Contract
- The tenant has breached the terms of their tenancy and has failed to reach or maintain an agreement with their landlord to remedy this breach. For example, there are ongoing rent arrears and the tenant has not agreed or maintained an agreement to clear these
- The property is under-occupied by two bedrooms or more
- The property has been extensively adapted but for someone with a disability who no longer lives with the tenant (this allows the property to be released for someone who will benefit from the adaptations)
- Assets – the tenant or their spouse has assets or savings greater than the amount stipulated in the Council's Housing Allocations Scheme which would normally exclude someone from being granted a social tenancy. The Government is currently consulting on using a threshold of £60,000 per household (sole or joint incomes of the householder and partner) which would be consistent with the level below which people trying to get onto the property ladder would be eligible to receive Government support to access housing – such as the FirstBuy scheme.

The Council recognises that there may be circumstances in which it would be unreasonable to expect someone to move even if the above criteria applied, and we would anticipate a Registered Provider to normally allow a tenancy to continue if:

- Customers assessed by the Council to have life-threatening health conditions (urgent health priority level) that are directly linked to unsuitable housing conditions and have been given an urgent medical or welfare assessment.
- The tenant has children attending a local school where they live within the school's catchment area.

- The tenant is a foster carer and the tenancy needs to continue to enable them to fulfil this role (unless the tenancy has two bedrooms in excess of the number necessary to perform the fostering role).
- The tenant is a care leaver and still receiving support from adult and children's services because of this.
- The tenant is actively participating in a Family Intervention Project programme.

### **Succession**

There is an automatic right for a spouse or partner of a tenant to succeed to a flexible tenancy, but this can only happen on one occasion. Any other successions will be entirely at the discretion of the Registered Provider as stipulated in the Housing Allocations Scheme.

All successions to a flexible tenancy will be expected to be only for the remainder of the life of that tenancy, and subject to a full review as set out below when the end of the tenancy is due.

### **Notice Period**

When flexible tenancies are coming to an end, it is essential that the tenant is given sufficient notice so that they can seek advice about their options. Accordingly, we expect that notice will be served 6 months before the tenancy is due to end. Well in advance of a tenancy being terminated, both the Registered Provider and the Council will work proactively with the tenant who is in this situation, to assist them to explore their options for alternative housing, which could include home ownership, a privately rented home or a more suitable affordable rented home.

If the tenant refuses to move when the notice period expires, the normal eviction procedure will take effect.

### **Right of Appeal**

If a tenant disagrees with the decision reached by their landlord to terminate their tenancy, they may appeal. Each Register Provider has adopted their own appeal process, tenants will have to reference their own landlord appeal policy for details of their appeal process.

Some general guiding principles for what should be included in the appeals are set out below:

- All applicants have the right to request general information about their tenancy review, including the facts that have been taken into account and the reasons for terminating their tenancies
- An applicant who is unhappy with a decision made under this policy should in the first instance contact their landlord to explain why they think that the decision is unreasonable
- The applicant will be notified whether the decision still stands and the reasons for this, usually within 48 hours.

- If an applicant wishes to pursue the matter further, they can make a request for a formal review of the decision within 21 days. In these cases the applicant will be invited to make a written submission stating the reasons for their request for a review and the Council will seek any further information it requires, including advice from other specialist advisers. Formal reviews will be conducted by a team leader or a manager who has had no previous involvement in the case. The manager or team leader will notify the applicant of the outcome of the review including the reasons for their decision within 56 days.
- Where an applicant wishes to appeal the termination of a tenancy and the notice period expires during the period of the appeal, the tenant will be permitted to stay in the property where this is not likely to lead to an unreasonable delay in the property being vacated.
- If the formal review upholds the decision, the tenant then has recourse to the county court.
- Should the county court uphold the decision, the tenant will be obliged to leave the property.

### **Advice**

The Council's Housing Options Service will be able to assist tenants with a wide range of advice to help them resolve the issues arising out the termination of their tenancies. This will include working closely with other services within the Council and directing people to voluntary organisations that help people with their housing issues.

## **7. Consultation**

The Test Valley Borough Council Strategic Tenancy Policy has been subject to consultation with local RPs, voluntary agencies, residents, private landlords, some of the Council's staff and a representative of the Ministry of Defence. Discussions have taken place with the Council's Hampshire Home Choice partner authorities.

We have worked with colleagues from both Register Provider organisations, and other agencies in formulating this strategy. It has been developed through a series of workshops and by circulating early draft versions of this strategy for comment.

## **8. Publishing the Strategy**

This Tenancy Strategy will be:

- Available on the Council's website.
- Available on request at the Council Offices, for which a small charge may be made.

The Strategy will be kept under review and if a revised version is published, stakeholders will be consulted on a draft. In modifying the Tenancy Strategy, the Council will have regard to the relevant Allocations Policy, Homelessness Strategy and Housing Strategy.

## Appendix – Evidence

### Market Profile

Test Valley has a population of approximately 112,739, with a population density of 1.75 people per hectare. This means that in terms of average density Test Valley is well below the average at both the regional and national level (4.20 and 3.77 respectively).

72.5% of the housing stock (33,800 dwellings) are owner occupied 13% of the housing stock (5,900) are privately rented 14.5% of the housing stock (6,759) are Registered Provider homes
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Test Valley straddles two Housing Market Assessment areas (HMA), Central Hants and South Hants. Information to support this strategy has therefore been taken from both HMAs. The price of the average home purchased is nearly 9 times the average annual salary of the buyer.

The number of first time buyers is at a record low; 8 out of 10 first time buyers require financial assistance from family or friends and the average age of an un-assisted first time buyer is 37.

Social Housing waiting lists have almost doubled in the last 13 years and at Test Valley we now have 3,524 households on the Housing Register.

The housing market in Central Hampshire and the New Forest has experienced a recovery in house prices and some increase in sales volumes. Affordability and ability to access mortgage funding remain major issues.

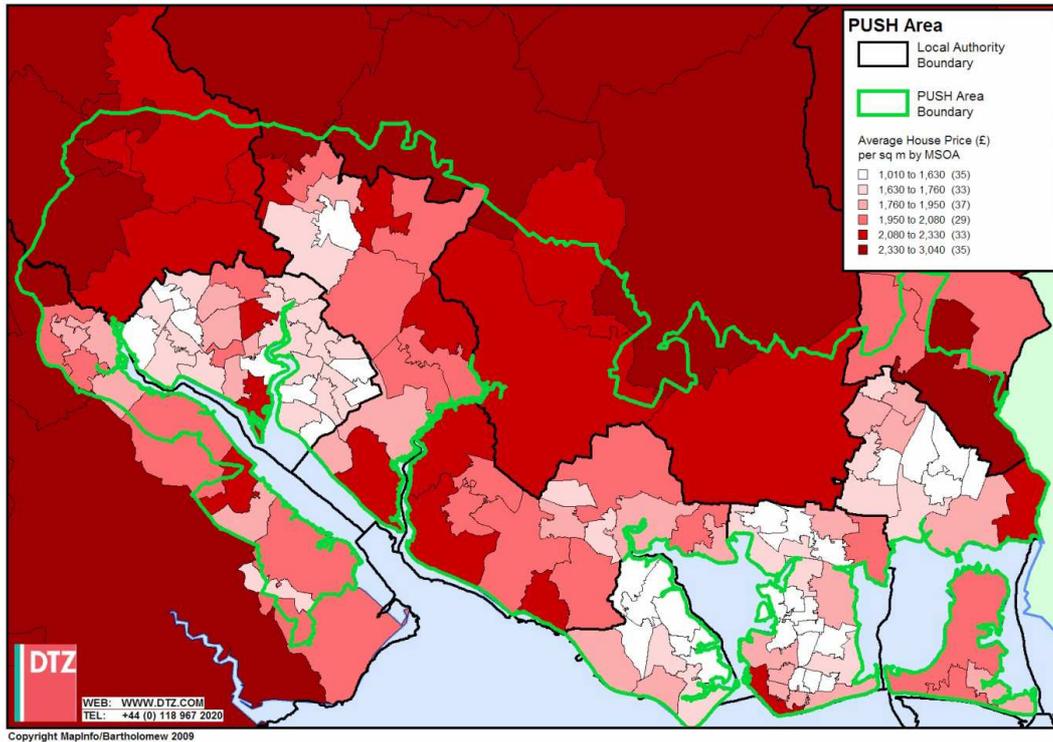
There has been a marked switch in completions from flats to houses. In Central Hampshire houses accounted for 68% of all completions in 2009-10, compared to 49% the year before.

In 2010/2011 there were 220 private homers started and 2340 completed and 150 RP homes are started and completed in the same period.

Property transactions are a better indicator of the health of the housing market than prices. In the year to June 2010 transactions increased by 12% in the PUSH area, compared to a 17% increase in the South East. However, levels remain about 60% of normal market volumes recorded in the decade to 2007.

On average house prices in the PUSH area increased by 10% in the year to June 2010, compared to an increase of 12% in the South East as a whole.

Over 2010 house prices increased by 10% in Winchester and East Hampshire Districts, by 5% in Test Valley, 4% in New Forest and fell marginally (0.8%) in Basingstoke & Deane. Examining housing completions reveals a mixed picture – with a slight increase in the Central Hampshire area, but a significant fall in New Forest District. 1,973 new homes were completed in the Central Hampshire area, compared to 2,180 in 2008-9 (a fall of 10%).



Since April 2011, the level of grant available from the Homes and Communities Agency (HCA) which provides public funding to deliver affordable housing has reduced. This is expected to have an adverse impact on the ability of Registered Providers to deliver new affordable homes in Test Valley. In order to address this, the Government has enabled Registered Providers to offer new tenants a new type of tenancy under the Affordable Rent regime.

This new tenure will have its rents set at levels of up to 80% of local market rents. This new tenure will be less affordable as rents will be significantly higher than the traditional social or target rents. The Affordable Rent tenancies will generate increased income for Registered Providers and in this way, reduce the level of capital subsidy required.

Rent (pcm)	80% of Market Rents					70% of Market Rents				
	Andover	Romsey	Stockbridge	Rural Villages	Borough	Andover	Romsey	Stockbridge	Rural Villages	Borough
1 bed	£390	£410	-	£410	£390	£340	£350	-	£360	£340
2 bed	£470	£660	£720	£570	£540	£410	£580	£630	£500	£470
3 bed	£560	£800	£850	£740	£710	£490	£700	£740	£650	£620
4 bed	-	£1,210	-	£1,200	£1,200	-	£1,050	-	£1,050	£1,050
5 bed	£960	£1,970	-	£1,810	£1,930	£860	£1,720	-	£1,580	£1,890

Affordable = not more than 33% of gross household income but households spend more in practice, especially those on low incomes

Income needed	Test Valley Borough			
	Market Rent	80%	70%	Social Rent
1 bedroom	£17,700	£14,100	£12,400	-
2 bedroom	£24,300	£19,500	£17,000	-
3 bedroom	£31,900	£25,500	£22,300	£13,185 (average)
4 bedroom	£54,200	£43,300	£37,900	-
5 bedroom	£86,700	£69,400	£60,700	-

240 households are actively interested in intermediate products in Test Valley. The majority could afford market rent for size of property they need. Affordable Rent at 80% would help an additional 30 households, most needing 2-3 beds

Affordable Rent is allowing Registered Providers to deliver affordable housing with much less grant. Most of those households in priority housing need would be unable to afford Affordable Rents set at 80% of market rents, based on their current incomes.

Some existing tenants in social rented homes would be able to afford Affordable Rent but their willingness to move into this tenure is uncertain.

Most of those households, who have registered their interest in intermediate affordable housing, would be able to afford Affordable Rent based on their current incomes and it could help those needing larger properties in particular. Housing Benefit will generally allow households to access properties priced at 80% of market rents but would not be affordable for some property sizes in Romsey and Stockbridge.

Two changes to the benefit system could have more dramatic impacts on the ability of households to afford suitable accommodation: Universal Credit and the Benefit Cap. 27 households have currently been identified as being adversely affected by the benefit cap.

The completions of new affordable housing have fallen significantly over the last year. Only 626 new affordable homes (net) were completed in Central Hampshire in 2009-10, compared to 779 in the previous year, a fall of 20%.

With many excluded from home ownership by current conditions in the mortgage market, the demand for private rented property continues to grow. The indications are that generally market rents have increased over the course of 2010.

24 September 2012