



## Cabinet 19 January 2011

### Social Housing Reforms: Affordable Rents

#### 1. Summary and Reasons for Recommendations

- 1.1 The Government is planning to introduce some radical reforms to social housing which are currently the subject of consultation. These reforms and the Council's suggested comments on the reforms are attached as Appendix 1.
- 1.2 One of the reforms will introduce a new form of tenancy, an 'affordable rent', which will enable registered providers (housing associations) to offer tenancies on fixed terms of at least two years, and also to charge a rent that is up to 80% of the local market rent. As part of this consultation response, the Borough Council agrees in principle to accept the new 'affordable rent' on new social housing schemes, including schemes currently in development where appropriate and full Council will be asked to endorse this approach.
- 1.3 This report outlines the affordable rent concept and seeks a commitment to the concept at an early stage so as to enable the registered providers in the Borough to work up their offer to the Homes and Communities Agency for future development of social housing.
- 1.4 The Borough Council also agrees in principle to set targets for social rent and affordable rent tenancies as part of a new tenancy strategy, and to work with partners to develop these targets and strategy. Full Council will also be asked to approve the New Tenancy Strategy.

#### 2. Recommendations

- 2.1 The proposed response to the consultation set out in Appendix 1 of Report B421 be endorsed;
- 2.2 As part of this consultation response, the Borough Council agrees in principle to accept the new 'affordable rent' on new social housing schemes, including schemes currently in development where appropriate.
- 2.3 The Borough Council also agrees in principle to set targets for social rent and affordable rent tenancies as part of a new tenancy strategy, and to work with partners to develop these targets and strategy.

#### 3. Corporate Objectives

- 3.1 The recommendation(s) meet the following, as contained within the Corporate Plan:-
  - (a) Corporate Priority: *'Improving the safety and well being of the community'*; and
  - (b) Vision 2025: St Edmundsbury will be a place which: *'has a range of affordable housing.'*

**Contact Details**

Name  
Telephone  
E-mail

**Portfolio Holder**

Anne Gower  
(01440) 706402  
anne.gower@stedsbc.gov.uk

**Lead Officer**

Carole Herries  
(01284) 757603  
carole.herries@stedsbc.gov.uk

#### **4. Key Issues Background**

4.1 The Government has published *Local decisions: a fairer future for social housing* which is a consultation on the future of social housing. It sets out plans for a fundamental reform of the provision of social housing in England. The proposals include:-

- (a) the introduction of a new more flexible tenancy with a minimum fixed term of two years;
- (b) the introduction of an 'affordable rent' in order to finance the provision of new social housing;
- (c) reforms to the social housing allocations system;
- (d) introducing a nationwide social home swap programme;
- (e) enabling local housing authorities to fully discharge homelessness duties into the private rented sector;
- (f) addressing overcrowding; and
- (g) a stronger role for local tenants to hold their landlords to account for service delivery.

It is, therefore, a radical reform of both the provision and allocation of social housing.

4.2 The Government is consulting on these proposals until 17 January 2011 and the Council's response will be sent prior to this deadline, but if Cabinet do not endorse this response in full then the Government will be notified accordingly. After the consultation, reforms will be introduced through the Decentralisation and Localism Bill and through a revised tenancy standard, probably in autumn 2011.

4.3 The Council's suggested comments to the proposals in the consultation have been completed and published in Members Bulletin on 7 January 2011 and are attached as Appendix 1. Any comments received will be reported to Cabinet at this meeting.

#### **Affordable Rents**

4.4 One of the new proposals in the consultation is the introduction of 'affordable rents', which the Government announced in the Comprehensive Spending Review. These will be a new type of tenancy that will be offered by registered providers (housing associations) primarily on new properties but also on a proportion of existing properties that come up for re-let when vacated by existing tenants. This new tenancy recognises that different households have a differing ability to meet their housing costs, and the affordable rents will be set at less than 80% of local market rents. They will be for a fixed term of a minimum of two years, after which it will be reviewed and will still allow for one succession. Affordable rent tenants will still be able to be supported by housing benefit if they are unable to pay. It is proposed that these new affordable rents will generate additional resources for the registered providers to build more homes.

4.5 Officers have already met with registered provider partners to open up discussions on these radical changes and the implications for them and the Council, and to begin work on an implementation plan of the new reforms.

4.6	<p>The Homes and Communities Agency (HCA) have indicated they wish to move quickly to implement the new approach on affordable rents, and are seeking to start making funding decisions in April 2011. In order to meet this deadline the registered providers have to make 'offers for delivery' on both new supply of homes and other sources for generating capacity. To enable the registered providers to meet this deadline, the Council needs to give them a clear steer on affordable rents so they can work up their plans to submit to the HCA by April 2011. The Council will also have to support the plans that the registered providers submit. We are in an ideal place to build on the existing work we have done with the HCA on the Local Investment Plan (LIP) to deliver the priorities in the LIP, and the HCA will work closely with us to maximise investment in new supply. As new supply will be increasingly reliant on the registered providers borrowing capacity from new affordable rent homes, it is recommended that the Council supports the concept of affordable rents on both new build and also the conversion of some existing homes when they are available for re-let. It should be noted that any new properties would be built on sites which have already been identified as priorities in the Council's adopted Local Investment Plan.</p>
4.7	<p>The Council will have a new duty to develop a 'tenancy strategy' which will seek to provide the balance between future allocations of social rents and affordable rents, and thereby influence the future supply. There will need to be close co-operation and trust between the Council, the HCA and the registered providers and a steering group of officers has been formed to start to develop the strategy. It is proposed to involve Members in the formulation of the strategy and to hold workshops for both Members and staff to raise awareness as the strategy develops. Joint working may also be possible with Forest Heath District Council.</p>
<b>5.</b>	<b>Other Options considered</b>
5.1	<p>The Council could choose to reject the concept of affordable rents, but this would result in a high risk of the registered providers being unable to develop further new homes as they will be reliant on the increased funding from affordable rents to reinvest in building new homes. The HCA will support those registered providers who commit to reinvest extra revenue in new supply.</p>
<b>6.</b>	<b>Community impact</b> <i>(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)</i>
6.1	<u>General</u>
6.1.1	<p>Provided that other options are also available to the Registered Social Landlords (RSLs), (such as social rents, shared ownership) affordable rents will offer the opportunity to support a diverse range of people on the Council's housing register. They will allow flexibility for many families to access social housing for as long as they need it. They will also allow greater flexibility to offer lifetime security where it is needed but to set shorter terms where that makes more sense.</p>
6.2	<u>Diversity and Equality Impact</u> <i>(including the findings of the Equality Impact Assessment)</i>
6.2.1	<p>The rights of existing secure and assured tenants are protected. This new affordable rent will only apply to new homes and existing homes on re-let. Lifetime tenancies can still be offered to those vulnerable households that require them. A full equality impact assessment will be needed for any new tenancy strategy when it is developed.</p>
<b>7.</b>	<b>Sustainability Impact</b> <i>(including environmental or social impact on the local area or beyond the Borough)</i>
7.1	<p>Affordable rents will be allocated in the same way that social rent properties are now, and the new tenancy policy will be flexible to respond to suit the local needs and provide mixed income communities.</p>

<b>8. Consultation</b>																																				
8.1 Discussions have been held with registered provider partners and the HCA. Appendix 1 was published in Members Bulletin on 7 January 2011 for information and comment.																																				
8.2 The tenancy strategy will be subject to extensive consultation once developed.																																				
<b>9. Resource implications</b> <i>(including asset management implications)</i>																																				
9.1 There will be a requirement for staff to prioritise the development of the new strategy in their existing workloads. Staff from registered providers and the HCA will also be involved in this work. If, as is currently proposed, RSLs will only be funded by the HCA to build affordable rent properties from April 2011, this may be the only means by which the Borough Council can continue to attract Government funding to deliver its Local Investment Plan for affordable housing.																																				
<b>10. Risk Assessment</b> <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>																																				
10.1																																				
<table border="1"> <thead> <tr> <th>Risk area</th> <th>Inherent level of Risk (before controls)</th> <th>Controls</th> <th>Residual Risk (after controls)</th> </tr> </thead> <tbody> <tr> <td></td> <td>High/Medium/Low</td> <td></td> <td>High/Medium/Low</td> </tr> <tr> <td>Potentially there could be a risk that 2 families living next door to each other could be paying different rents.</td> <td>High</td> <td>Development of the tenancy strategy to try to minimise the potential for this happening and monitoring of the Choice Based Letting system to minimise this risk.</td> <td>Medium</td> </tr> <tr> <td>That the Council is unable to attract HCA funding to deliver its Local Investment Plan.</td> <td>High</td> <td>Indicating a willingness to work with RSLs and the HCA to deliver affordable rent properties and making an early start on this joint work.</td> <td>Medium</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)		High/Medium/Low		High/Medium/Low	Potentially there could be a risk that 2 families living next door to each other could be paying different rents.	High	Development of the tenancy strategy to try to minimise the potential for this happening and monitoring of the Choice Based Letting system to minimise this risk.	Medium	That the Council is unable to attract HCA funding to deliver its Local Investment Plan.	High	Indicating a willingness to work with RSLs and the HCA to deliver affordable rent properties and making an early start on this joint work.	Medium																				
Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)																																	
	High/Medium/Low		High/Medium/Low																																	
Potentially there could be a risk that 2 families living next door to each other could be paying different rents.	High	Development of the tenancy strategy to try to minimise the potential for this happening and monitoring of the Choice Based Letting system to minimise this risk.	Medium																																	
That the Council is unable to attract HCA funding to deliver its Local Investment Plan.	High	Indicating a willingness to work with RSLs and the HCA to deliver affordable rent properties and making an early start on this joint work.	Medium																																	

<b>11. Legal or policy implications</b>
11.1 It is the intention of the Government to implement the social housing reforms from April 2011. The tenancy strategy will have to be developed within 12 months of this.

<b>Wards affected</b>	All	<b>Portfolio Holder</b>	Haverhill and Housing
<b>Background Papers</b>		<b>Subject Area</b>	Housing Services

## **Consultation on the social housing reform proposals**

### **1. Background**

The government has published ‘Local decisions: a fairer future for social housing’ which is a consultation on the future of social housing. It sets out plans for a fundamental reform of the provision of social housing in England. The proposals include the introduction of a new more flexible tenancy with a minimum fixed term of two years; the introduction of an ‘affordable rent’ in order to finance the provision of new social housing; reforms to the social housing allocations system; introducing a nationwide social home swap programme; enabling local housing authorities to fully discharge homelessness duties into the private rented sector; addressing overcrowding; and a stronger role for local tenants to hold their landlords to account for service delivery. It is therefore a radical reform of both the provision and allocation of social housing.

The government is consulting on these proposals until 17<sup>th</sup> January 2011. After the consultation, reforms will be introduced through the localism bill and through a revised tenancy standard, probably in autumn 2011.

### **2. THE PROPOSALS**

The proposals are outlined in more detail below.

#### **2.1. Tenure**

- Local authorities and housing associations will be able to let social housing on fixed term rather than lifetime tenancies
  - The fixed term would be a minimum of two years
  - When the fixed term of a flexible tenancy comes to an end tenants could:
    - remain in social housing, either in their existing home or another social property at social or Affordable Rent
    - move into the private rented sector
    - move into home ownership
  - Where a landlord decides not to reissue a tenancy at the end of the fixed term, and the tenant is unable to obtain alternative accommodation and becomes homeless, the tenant would be considered to have become homeless unintentionally (unless the decision not to reissue the tenancy is a direct consequence of the tenant’s behaviour)
  - There is an expectation that advice and assistance will be provided for tenants moving out of social housing at the end of a fixed term, to help the tenant find suitable alternative accommodation
  - There is a recognition that social housing will always be the best tenure option for some groups, particularly for older people and those with a long term illness or disability
- Local authorities will have a new duty to publish a strategic policy on tenancies
  - this is part of their strategic role not their landlord role

- it will set out the broad objectives to be taken into consideration by individual registered providers in the area regarding their own policies on the grant and reissue of tenancies
- government will prescribe who local authorities should consult in preparing the policy, such as tenants and local voluntary and community organisations
- the strategic tenancy policy must be regularly reviewed and must be consistent with the local allocation scheme and homelessness strategy
- All registered providers will be required to publish and follow a policy on tenure, which meets the requirements of the tenancy standard and the local tenancy strategy, and which includes:
  - the circumstances in which they will grant either lifetime tenancies or tenancies with fixed terms
  - for fixed term tenancies, their duration and the circumstances in which tenancies will be reissued at the end of the fixed term
- All new secure and flexible tenancies will include a right to one succession for spouses and partners, and landlords will be able to grant additional succession rights if they wish
- Existing secure and assured tenants will be granted a new secure or assured tenancy where they move to another social rent property.

**Comments:** we welcome this flexible approach to tenancies in some circumstances – different people have different needs at different times in their lives and flexible tenancies will help with this. We should try and develop a strategy that allows for flexibility where appropriate – but still allows people to put down roots in a community and find work. We want to incentivise people to do better. We would like the flexible tenancy to be a choice for RSL providers rather than the only option available. There will always be some families who require lifetime tenancies eg. Some elderly and disabled families.

## **2.2 Affordable Rent**

In order to finance the provision of new social housing the government is introducing ‘affordable rent’ as announced in the Comprehensive Spending Review.

- It is intended to help those who would not otherwise have been able to afford adequate housing in the market, and will be allocated just like social housing
- shorter term tenancies at a rent higher than social rent, to be set at a maximum of 80 per cent of local market rents
- it will initially be offered by housing associations, not local authorities
- it will be offered on a proportion of providers’ empty properties from April 2011, and on new stock in due course
- Affordable Rent homes will be eligible for Housing Benefit
- local authorities will be able to discharge their homelessness function through the new tenancy
- tenancies will be offered on a fixed term of at least two years
- The other proposed changes to the law and regulation governing social housing tenancies will apply to Affordable Rent

**Comments:** Affordable rents may help meet the needs of the ‘intermediate’ market – those families who cannot afford to buy on the open market but who have an income that could afford intermediate rents. However, we need to ensure those most vulnerable households are able to access social housing and not fall into the poverty trap.

The overall housing benefit bill is very likely to increase as the affordable rents will be eligible for benefit. We need to do more work to understand how an ‘up to 80% of market rent offer’ will work in practice, as it will not be affordable in high value markets. Any additional money raised by the affordable rents needs to be reinvested in new supply (and not just for paying for increased land prices) and we need to ensure there is enough funding to build new homes.

There is an expectation that all new developments will be at affordable rents and if we wish to have registered providers continuing to develop new homes, it will be at affordable rents. We need to continue to build new homes to meet our identified needs and it will also help us to qualify for the New Homes Bonus so it is important to accept the principle of affordable rents. We will however have to be careful in deciding what proportion of existing social housing is relet at affordable rents to ensure there is a sufficient supply of social tenancies still available for those most vulnerable households but there is also enough funding available for registered providers to reinvest in new homes. One consequence of reletting homes at affordable rents is that 2 families living next door to each other could potentially be paying vastly different rents – one at a social rent, the other at 80% of market rent.

We also would welcome greater clarity on how the 80% market rent will operate, and how the allocation of these tenancies will operate through the choice based lettings systems.

### **2.3 Allocating Social Housing**

- Legislate to give local authorities the means to determine which categories of applicants should qualify to join the housing register.
- The government will retain a role in determining which groups should have priority for social housing through the statutory ‘reasonable preference’ requirements that operate now.
- The rules that determine which persons from abroad are eligible for social housing will continue to be set centrally.
- When local authorities choose to restrict access to their housing register, people who do not qualify for social housing may look for advice or support to help them secure appropriate alternative accommodation (whether in the private rented sector or in low cost home ownership).
- The reasonable preference requirements will not be removed but the government is seeking views on whether other groups in housing need not covered by the existing reasonable preference categories should be added to the list.



**Comments:** this proposed measure will place greater power in the hands of local authorities and local communities to set out who they want to prioritise for housing. It will be important however, that communities are representative and we do not end up with certain categories of applicant excluded. A balance will need to be struck between meeting the needs of the most vulnerable and balancing local lettings so communities are sustainable. We will need to monitor any local lettings to see if they extend time applicants stay in bed and breakfast or temporary accommodation or those in unfit housing have to wait longer. It is good news that existing homelessness and reasonable preference categories have been maintained.

## **2.4 Mobility**

The government is seeking to increase mobility within the social housing sector. The measures proposed to achieve this are:

- Taking transferring tenants out of the allocation system, which would avoid them competing with new applicants on the waiting list (we are seeking clarification on this proposal)
- a social home swap programme
- put the data sharing/data pooling between providers of social housing on a statutory basis

legislate to grant the Secretary of State a power to direct the social housing regulator to issue a standard on mutual exchange.

**Comments:** These are, in general, welcome proposals and will complement the schemes already in existence to help mobility. However, we are concerned about the proposal to take transfer applicants out of the allocations system. The existing Choice Based Lettings system is flexible enough to allow landlords to rehouse their tenants and is transparent.

## **2.5 Homelessness**

- The government has announced funding of £1.5m to test a scheme for local voluntary sector private rented sector support schemes
- There will be no change in the homelessness priority need groups, and no change in the duty on local authorities to secure suitable accommodation for people in these groups who are eligible for assistance and become homeless through no fault of their own
- The government will legislate to give local authorities greater flexibility in bringing the homelessness duty to an end with offers of accommodation in the private rented sector, without requiring the applicant's agreement.
- Authorities will be given the discretion to decide if a person owed the homelessness duty needs social housing or whether their needs can be met in the private rented sector.
- Legislation will be introduced to require private rented tenancies to be an assured shorthold tenancy for a minimum fixed term of 12 months.
- A safeguard will be put in place for the homelessness duty to recur for applicants that become homeless again within a period of two years through no fault of his or her

after their main homelessness duty had been ended with an offer of accommodation in the private sector.

- There will be no changes to the existing legislation governing restricted cases.

**Comments:** This is potentially a positive step as it will create more flexibility for local authorities in finding suitable accommodation for homeless applicants, and to support them to move into good quality, settled accommodation in the private rented sector. It is also welcome that there will be no change to the priority need groups. However, we will have to play an increasingly active role in ensuring the quality of the property is up to standard and the management by the landlord is of a good standard. The safeguard measure is also an important one although there is some concern whether the 2 year period will be sufficient for all vulnerable households.

## **2.6 Overcrowding**

The government has set a series of proposals for local authorities and landlords to reduce overcrowding:

- removing transferring tenants from the allocation rules
- strengthening home swap provisions
- reforming homelessness rules
- retaining the 'reasonable preference' categories
- through the new flexible tenancies help landlords to provide housing that meets households' needs over the longer term.

In order to remove barriers and provide the right legal framework to address overcrowding the government is seeking views on the reform of the legal and regulatory framework concerning overcrowding in particular with regards to overcrowding standards, the enforcement framework and separate statutory provisions which cover the operation of the Housing Health and Safety Rating System.

**Comments:** Overcrowding is not a significant problem in St Edmundsbury, and the choice based lettings system does take overcrowding into account in the banding criteria. There would need to be very clear guidelines drawn up if it was incorporated into the Housing Health and Safety Rating system

## **2.7 Empty Homes**

£100m will be invested - through the HCA - to refurbish over 3,000 empty properties and manage them at an affordable rent for up to 10 years. The government is also consulting on using the New Homes Bonus to provide an incentive for local authorities to tackle empty homes.

**Comments:** this is very welcome. It is hoped that the funding will be available for small schemes of individual properties as well as the larger urban schemes.

## **2.8 Social Housing regulation**

The HCA will become the regulator of social housing instead of the Tenant Services Authority (TSA). It also introduces a new role for Ward Members and MPs in the scrutiny of registered providers. Members may be asked to take part in panels set up by tenants to look at the service delivery of their landlords.

## **2.9 Response to consultation**

It is proposed to respond to the consultation document along the lines of the comments to the proposals outlined above

Carole Herries  
Head of Environmental Health and Housing  
07.01.2011