

**Tenancy Strategy**

**October 2012**

# 1. Introduction

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- 1.1 The Tenancy Strategy provides an overview of how the Council will address the issues of rent, tenure reform, and changes to the housing register. The Medway HomeChoice and Allocations policy will be reviewed independently of this strategy to ensure it reflects any changes that can be introduced as a result of the Localism Act and the relevant government consultation<sup>1</sup>.
- 1.2 The Council has a vision for Medway as a city of rich heritage and a great future. The Tenancy Strategy make a direct contribution to the Council's Housing Strategy which in turn makes a contribution to the Council's five priority areas and two core values set out in the Council Plan:
- Safe, clean and green Medway
  - Children and young people have the best start in life in Medway
  - Adults maintain their independence and live healthy lives
  - Everybody travelling easily around Medway
  - Everyone benefiting from the area's regeneration
- 1.3 The two core values set out the principles of the how we work to deliver these priorities, they are:
- Putting our customers at the centre of everything we do, and
  - Giving value for money
- 1.4 This will be driven by the changes to legislation, regulatory framework and funding mechanisms have occurred recently that impact on how both existing and new affordable housing is managed and delivered. Under the Localism Act 2011<sup>2</sup>, all local authorities have a duty to publish a Tenancy Strategy by 15 January 2013. This strategy must set out the objectives to be taken into consideration by individual Registered Providers of social housing as they make decisions about their own tenancy policies.
- 1.5 In November 2010, the government announced the Affordable Rent model in its housing policy consultation document *Local decisions: a fairer future for social housing*<sup>3</sup>. The majority of new homes funded through the Homes and Communities Agency's Affordable Homes Programme<sup>4</sup> will be delivered at Affordable Rents.
- 1.6 In November 2011, the national housing strategy *Laying the Foundations: A Housing Strategy for England*<sup>5</sup> was published. This strategy, supported by the provisions of the Localism Act, allows for significant reform of social housing, increasing the flexibility for local authorities to determine their own priorities, improving access to homeownership and introducing new measures to reinvigorate the housing market.

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<sup>1</sup> [CLG, Allocation of accommodation: guidance for local housing authorities in England, 2012](#)

<sup>2</sup> [Section 150 – Localism Act](#)

<sup>3</sup> [CLG – Local Decisions: A Fairer Future for Social Housing](#)

<sup>4</sup> [Homes and Communities Agency: Affordable Homes Programme](#)

<sup>5</sup> [CLG – Laying the Foundations: A Housing Strategy for England](#)

- 1.7 There are choices to make but these need to be made carefully in order to help achieve the stated aims and objectives detailed in the *Medway Housing Strategy 2011 –14: Housing for a Better Tomorrow*<sup>6</sup>, which reflects the housing needs and aspirations of our residents.
- 1.8 Section 150 of the Localism Act 2011 requires local authorities to prepare and publish a Tenancy Strategy setting out the matters, to which the Registered Providers<sup>7</sup> of social housing and other social landlords and Housing Associations for its area are to have regard to when formulating policies relating to:
- The kind of tenancies they grant
  - The circumstances in which they will grant a tenancy of a particular kind
  - Where they grant tenancies for a fixed term, the length of the terms
  - The circumstances in which they will grant a further tenancy on the coming to an end of an existing tenancy
- 1.9 In addition to these the Tenancy Strategy will also outline the Council's position on how:
- Registered Providers may choose to introduce the new 'affordable rent' product
  - Registered Providers will be able to 'convert' a number of existing social rented homes to a higher 'affordable rent'
  - The Council could change who can access social and affordable rented homes. They could decide to limit those who can join the register or could give additional preference to other groups
  - The Council may choose to discharge its homelessness duty into the private rented sector
- 1.10 The Tenancy Strategy is designed around four themes:
- Rent Levels
  - Tenancy Framework
  - Homelessness
  - Allocations
- 1.11 The key aims of the Medway Council Tenancy Strategy are:
- To set out clear expectations for Registered Providers and other social landlords operating in Medway
  - To make the best use of the Council's housing stock and wider social housing stock in the area
  - To prevent homelessness and enable housing to be offered to those in the greatest need
  - To offer tenancies which are in the interest of the individual household
  - To create and maintain sustainable communities

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<sup>6</sup> [Medway Housing Strategy 2011 - 14](#)

<sup>7</sup> Registered Providers (RPs) are independent housing organisations registered with the Homes and Communities Agency under Section 80(2)(a) of the Housing and Regeneration Act 2008

## 2. The Local Housing Market

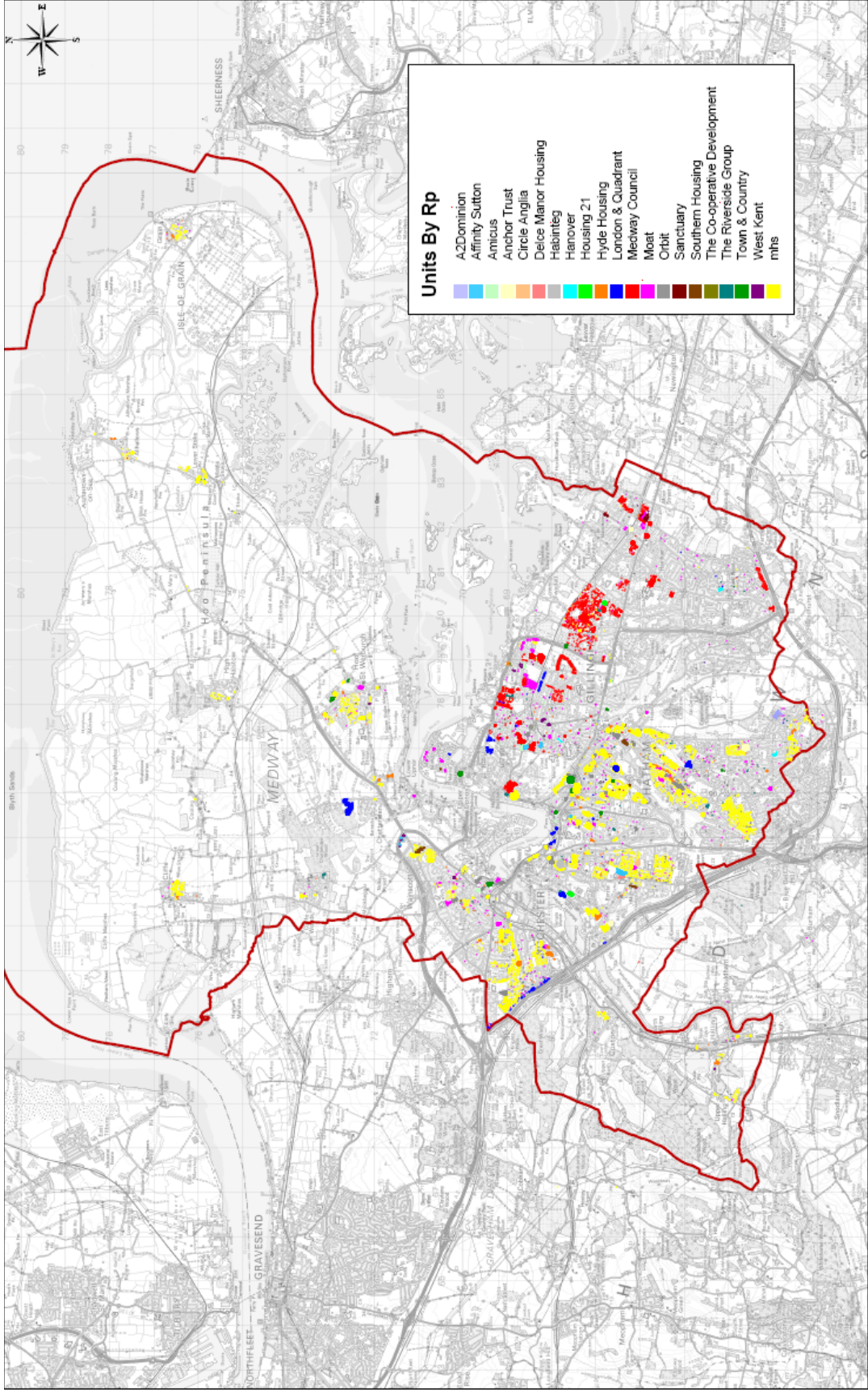
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- 2.1 Medway has benefited and continues to benefit from considerable investment arising from its strategic location within the Thames Gateway. Recent infrastructure investment includes Chatham Waterfront Bus Station and the High Speed Rail Link. This is resulting in a welcome diversification of the economic base towards creative industries, financial services, business services, education, environmental and energy technologies. This has added to Medway's long-standing manufacturing strengths and important energy and port facilities located on the Hoo Peninsula.
- 2.2 Good progress has been made in raising skill levels, which are growing significantly faster than the regional and national averages. The unique cluster of universities and the Mid Kent College have contributed greatly to this. However, Medway remains a relatively low wage area with high numbers of people commuting out to work and skill shortages are evident at some levels.
- 2.3 In recent years, as part of the Thames Gateway regeneration area, Medway has undergone extensive regeneration particularly in the former derelict riverside areas of Rochester, Chatham and Gillingham, which are in the process of being transformed into thriving business, higher and further education, and residential communities. Medway is now looking to continue its regeneration along the riverside in the town centres and through the only new settlement in the Thames Gateway at Lodge Hill, Chattenden, which will accommodate up to 5,000 new homes.
- 2.4 The population of Medway is currently about 263,900 and is expected to grow to 280,000 by 2026. Overall, Medway is not a deprived area being ranked 150<sup>th</sup> most deprived local authority area out of 354 in England but it has higher levels of deprivation than neighbouring local authorities in Kent and the South East. At ward level it has both some of the most affluent and some of the most deprived areas in the country. Within Medway are 25 neighbourhoods which fall into the top 25% of most deprived areas in the country.
- 2.5 In Medway, there are 16,586 affordable homes 3,030 of which are owned by the Council. Housing Associations own 13,556 with the majority being owned by mhs Homes (47%). The map below shows the distribution of the affordable housing units.
- 2.6 Further information on the regional and local housing market can be found in the North Kent Strategic Housing Market Assessment<sup>8</sup>. How Medway Council and its partners intend to address the housing needs of the community can be found in the *Medway Housing Strategy 2011 –14*<sup>9</sup>.

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<sup>8</sup> [North Kent Strategic Housing Market Assessment](#)

<sup>9</sup> [Medway Housing Strategy 2011-14](#)



**Affordable Housing Stock in Medway**

### 3. Consultation

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- 3.1 To ensure the widest possible involvement in the development of this Strategy we have consulted with a diverse range of partners and stakeholders. The Draft Tenancy Strategy was published on the website with an accompanying online questionnaire. Consultation was also undertaken with Resident and Tenant Groups and through the Strategic Housing Partnership Board. Feedback received from the consultation has been taken into account in the subsequent development of the Strategy and its Action Plan.
- 3.2 A Diversity Impact Assessment has been undertaken.

### 4. Theme One - Rent Levels

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4.1 As well as tenure reform, the Government has reformed the way in which the development of new affordable homes is funded and has introduced the 'Affordable Rent' product as its preferred model for new rented social housing provision. Registered Providers now have the flexibility to charge rents of up to 80% of local market rents for new homes and a proportion of re-lets but only where this is part of their agreement with Government to build new homes. The ceiling of 80% is inclusive of service charges.

#### **Affordable Rents**

Affordable rented housing is let by Local Authorities or private registered providers of social housing to households who are eligible for social rented housing.

- 4.2 Whenever an affordable rented home is let either by granting a new tenancy or renewing an existing one, providers are required to recalculate the rent to ensure that the rent remains no more than 80% of the relevant market rent.
- 4.3 The government's intended policies in this respect are:
- To maximise the delivery of new social housing, making the best possible use of constrained public subsidy and the existing social housing stock over the next Spending Review period, and matching delivery of new build to areas of housing need.
  - To provide an offer, which is more diverse for the range of people accessing social housing, providing alternatives to traditional social rent and making the provision of social housing more flexible.
- 4.4 The affordable rent model is intended to enable Registered Providers secure additional financial capacity for the provision of new homes.
- 4.5 While initiatives aimed at increasing the supply of affordable housing are welcome, the Council will work with Registered Providers to ensure that rents are kept affordable for households in housing need. The rents (including any service and management charges) of affordable rent properties (both new and

conversions) should be as affordable having regard to local factors such as market rents and Local Housing Allowance (LHA)<sup>10</sup> rates.

4.6 As LHA levels will continue to limit the amount of Housing Benefits available to households, Registered Providers should consider using these LHA rates as an upper cap in the setting of affordable rent levels. It would be prudent for Registered Providers to set rents below this level and to have a variable percentage using the LHA rate as a guide.

4.7 Further information on affordable rents and the Homes and Communities Agency 2011 –15 Affordable Homes Programme – Framework can be found at <http://www.communities.gov.uk/housing/socialhousing/affordablerent/>

#### **4.8 Conversion of existing social housing to Affordable Rent**

The affordable rent framework allows registered providers to convert a proportion of their existing homes to affordable rent when they become vacant and to dispose of properties where they feel this is necessary and supports the delivery of their overall programme. We recognise that this flexibility is an important element in registered providers' business plans and provides valuable additional revenue that can support affordable housing development locally.

4.9 Medway Council in return expects all registered providers to actively engage with us on the issue of conversions to ensure that as far as possible any conversions do not have a negative impact on the achieving of our stated local housing priorities.

4.10 Unless a strong case can be demonstrated to the satisfaction of the council we are unlikely to accept the conversion of larger family sized properties in higher value areas due to the issue of affordability.

4.11 Where a registered provider proposes to convert the tenure of properties, it is expected that they will have a development programme and /or use the funds raised on improving existing stock within Medway. Where this is not the case Medway Council reserves its right to not support this conversion programme.

#### **4.12 Disposals of social housing**

The sale of existing social housing may be required to raise funds for development under the new framework. However, disposals of existing social housing will only be supported by the Council if it is clearly demonstrated that the property no longer meets a priority housing need or requires significant investment which would not represent good value for money. In all cases, we would expect that the proceeds generated from any disposal would result in additional affordable housing being delivered in Medway.

4.13 The Council will assess the need for affordable properties in the area of any proposed disposals and make an informed decision on the disposals based on this information. This will include withholding our support for disposals where an

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<sup>10</sup> LHA was introduced in 2008 to provide Housing Benefit entitlement for tenants renting in private sector accommodation. Under LHA, a flat allowance is used to decide the eligible rent of all claimants with similar sized households living in a broad rental market area.

acute geographical need is evident and where such units are unlikely to be replaced in the future. This might include homes in rural areas, adapted homes or those suited for larger families.

#### 4.14 Monitoring requirements

The Council requires all Registered Providers with stock in the area to provide details of their tenancy policies and how these will be applied to Medway. All registered providers with stock in Medway are also expected to provide quarterly lettings returns in a format approved by the Council.

<b>Actions to Achieve Theme One</b>		
<b>No.</b>	<b>Action</b>	<b>Monitoring</b>
1	Work with partners to overcome the potential disincentive of the affordable rent product to entering training and/or employment	Annual Review
2	Monitor the impact of using the affordable rent product on housing need and demand	Annual Review
3	Carry out joint training with Providers on the use of affordable rent and the importance of communicating this to tenants	Programme to be developed
4	Ensure that Providers provide quarterly lettings returns	Quarterly
5	Ensure that affordable rent homes are clearly advertised through Kent HomeChoice	Advertised fortnightly & monitored quarterly

## 5. Theme 2 – Tenancy Framework

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5.1 Fixed term tenancies provide a way of making the best use of a limited housing stock. Medway Council would prefer a five-year fixed term tenancy as the minimum for most households. Lifetime tenancies or longer fixed term tenancies are preferred where a household's circumstances are unlikely to change over time e.g. people with long-term health conditions, older people for whom the move to a new home may be their last one etc.

5.2 Medway Council would like fixed term tenancies to be re-issued at the end of the term unless there is a change of circumstance as defined in the Allocations policy.

5.3 For most household groups changes in circumstances are likely to include:

- financial e.g. where either the income of the household has significantly changed or other changes to household wealth have occurred such as inheritance;
- household composition;
- housing need related to health and wellbeing.



5.4 Consultation is currently underway on Medway Council's Allocations Policy and more details on this can be found at <http://www.medway.gov.uk/default.aspx?page=4383>

5.5 Medway Council considers the following to be important in managing fixed term tenancies:

- A person-centred approach
- The engagement of the provider with other agencies involved in meeting the household's needs (e.g. social care) at the review stage and in subsequent action (e.g. should the household need support to move)
- Decisions not to re-issue should be based on clear criteria
- The customer's experience of the approach taken to review and the subsequent action depending on the decision taken (to re-issue or not)
- The impact of decisions on local services such as schools, other amenities and communities

#### **5.6 Specific household groups**

Medway Council has suggested more specific circumstances for some of the household groups.

#### **5.7 *Households with a disabled<sup>11</sup> member (adult or child)***

Medway Council would prefer:

- Lifetime tenancies for households moving into Extra Care or designated older persons accommodation
- Minimum five-year (preferred ten-year) fixed term tenancies for adapted homes and general needs accommodation
- Shorter fixed term tenancies (to be determined locally) for "move on" or respite care
- Affordable rent levels at or below the Local Housing Allowance level

#### **5.8 *Families with children of school age or younger, who form part of that household.***

Medway Council would prefer:

- A minimum fixed term tenancy of five years
- The consideration of local conditions in the use of the affordable rents on family housing (new build and social rent conversions)

#### **5.9 *Single people and couples under 55***

Medway Council would prefer:

- A minimum fixed term tenancy of five years
- Lifetime tenancies for households who may have an enduring vulnerability e.g. mental health, long term health conditions etc.

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<sup>11</sup> Disability - as relevant to an individual's housing need. For further details see Medway Council Allocations Policy.

- The recognition that different needs exist within this household group and the consideration of local conditions in the use of the affordable rents (new build and social rent conversions).

### 5.10 Older people (over 55)

Medway Council would prefer:

- Lifetime tenancies for households for whom it is likely the move will be their last one
- If fixed term tenancies are to be used, to make the best use of designated or adapted accommodation bearing in mind the individual circumstances of the tenant and their household

<b>Actions to Achieve Theme Two</b>		
<b>No.</b>	<b>Action</b>	<b>Monitoring</b>
1	Work with partners to overcome the potential disincentive of fixed term tenancies to entering training and/or employment	Annual Review
2	Monitor the impact of using fixed term tenancies on housing need and demand	Annual Review
3	Carry out joint training with providers on the use of fixed term tenancies and the importance of communicating this to prospective and existing tenants	Programme to be developed

## 6. Theme Three - Allocations

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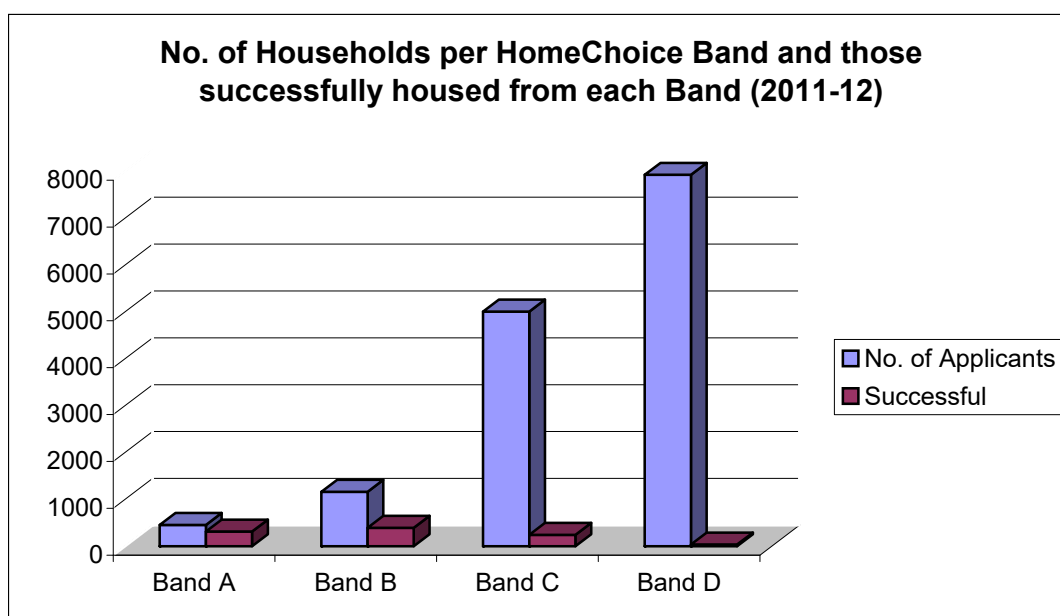
- 6.1 Whereas previously almost anyone could apply for social housing, local authorities will now have the freedom to set their own eligibility criteria to join the register according to local needs and priorities. This measure, as with tenure reform, is primarily intended to allow housing to be targeted at those in most need. Households able to access other tenures such as private rented will be expected to pursue those options instead, rather than joining the social housing register.
- 6.2 Our view is that the allocations system is in need of fundamental review. This commitment to review the policy has already been formalised in the 2011 –2014 Housing Strategy. Data from Kent HomeChoice shows that many households on the register stand no realistic chance of being housed.
- 6.3 There are more than 15,000 households registered with HomeChoice but only an average of 800 - 900 properties are advertised annually. Statistically this means that only about 5% of those on the housing register will be successful in obtaining a new home in any given year.
- 6.4 Of those registered we know that just over half (55%) have never made a bid for an advertised property. This means that almost 8,000 applications have had

to be dealt with by the HomeChoice and Allocations team for which the applicant has then not sought to bid for any properties.

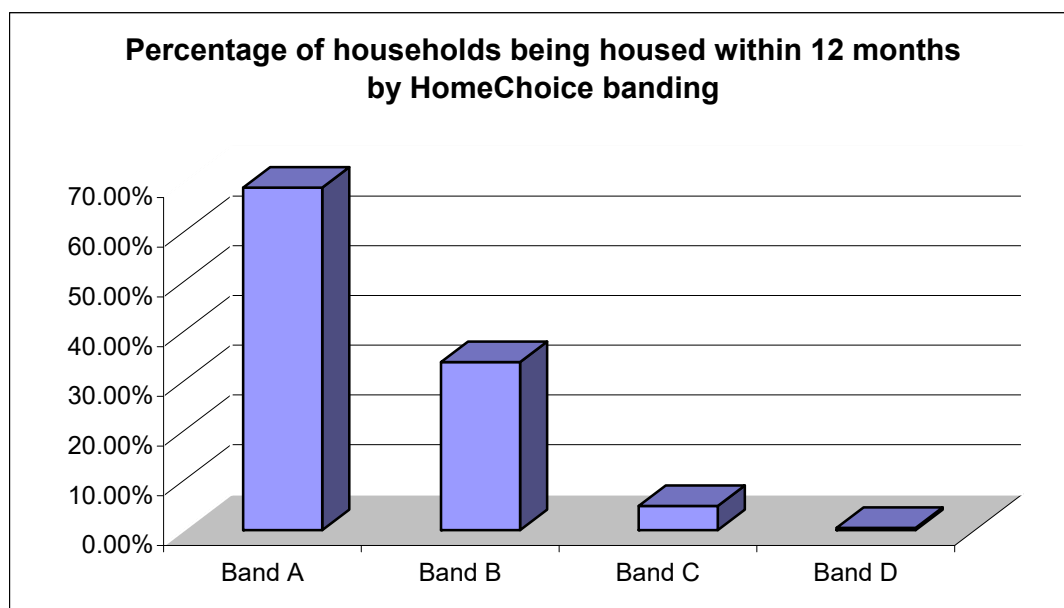


Figure 1. Applicants in each HomeChoice band and the number that have never bid (16<sup>th</sup> July 2012).

6.5 We also know that of those registered, most fall into Bands C (non-urgent housing need and Band D (low priority). These non-urgent and low priority applicants have less chance of being successful. Last year was a successful year for HomeChoice lettings as there were 985 lets, due in part to a large number of new build properties. Of these there were 243 lettings to those in Band C and only 36 lettings to those in Band D. These households were only successful because households from higher bands did not bid, as the properties were not considered suitable by those households.



6.6 The chances of being successfully housed via HomeChoice for those in Band C last year was only 4.88% and for those in Band D, 0.45%. For those in Bands A and B the chance of being housed was much higher.



6.7 The review of our allocations system will be undertaken independently of the Tenancy Strategy. The key areas under consideration will be as follows:

- Restricting the eligibility to join the register to those applicants with a realistic chance of being housed. This may involve a restriction to the 'reasonable preference groups' with some supplementary categories to take account of local circumstances.
- Giving additional preference to those making a 'positive contribution to the community'.
- Local connection criteria.
- Standardising bedroom eligibility across all providers.

6.8 Changes to our allocations will also support our strategic objective of promoting balanced and stable communities. It is likely therefore that we will give additional preference to households making a positive contribution to the community e.g. working households (but on low incomes), those actively involved in volunteering or some other form of activity which contributes to community life. The precise details of how this will apply in practice will be subject to the allocations review process currently underway. Details on the council's current allocations policy and the consultation towards a revised policy can be found at:

<http://www.medway.gov.uk/housing/affordablehousing/housingapplications/kenthomechoice/allocationsconsultation.aspx>.

<b>Actions to Achieve Theme Three</b>		
<b>No.</b>	<b>Action</b>	<b>Monitoring</b>
1	Undertake a review of the current allocations	February 2013

	system and introduce a new policy	
2	Undertake a DIA on the new allocations policy	February 2013
3	Ensure that our policies and procedures are updated so that they take into account any changes introduced by the new allocations policy	April 2013

## 7. Theme Four - Homelessness

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- 7.1 It is anticipated that there will be a growing demand on homelessness services as a result of the economic climate, pressures on household incomes and welfare reforms come into effect. There is already an acute need for affordable accommodation in Medway and the use of temporary accommodation for those in the most urgent need has risen recently. The use of temporary accommodation is not considered ideal and can prove costly whereas the private rented sector can offer households a wider choice of locations.
- 7.2 Medway has a relatively small (but growing) private rented sector and access for vulnerable clients or those on low income can be difficult where they are out competed by other groups including students. The relatively high level of private sector rents in comparison to household incomes could affect tenants' ability to move from benefits into work, and place households in a 'poverty trap'. Some sections of the private rented sector suffer from poor standards.
- 7.3 Under the Localism Act 2011, it is now possible to discharge the Council's duties to homeless households by identifying suitable accommodation in the private rented sector and offering this to them. Previously the household could refuse an offer in the private rented sector and insist on an offer of social housing. This change is intended to respond to the shortage in social housing while also reducing the substantial costs that can arise from accommodating households in temporary accommodation, while social rented housing becomes available.
- 7.4 The Council welcomes these changes as an additional tool to tackle and prevent homelessness. They should also reduce costs and facilitate access to private rented accommodation where there is no social housing available. The minimum length of a private rented tenancy considered suitable for a homeless household will be 12 months.
- 7.5 Whilst the number of households entering the private rented sector through the homeless route may increase, this will not become the 'default' position. Rather, offers will continue to be based primarily on the suitability of the property with tenure considerations immaterial. Suitability criteria will be based on size, condition, accessibility, location and cost of the accommodation.
- 7.6 We will continue to work with landlords to improve standards and encourage responsible landlords to join the Medway Landlord Accreditation Scheme.
- 7.7 If the household becomes homeless again within 2 years through no fault of their own, the main homelessness duty will automatically re-occur (even if the

household's circumstances have changed and they would otherwise not be owed a duty).

<b>Actions to Achieve Theme Four</b>		
<b>No.</b>	<b>Action</b>	<b>Monitoring</b>
1	Ensure that the Housing Options service incorporates the private rented sector as an option to be considered when assessing homelessness applications	April 2013
2	Ensure that the Housing Options service can refer to opportunities to improve household income e.g. training and employment	January 2013

## **8. Delivery and Monitoring**

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8.1 It is proposed that the Tenancy Strategy, when adopted will form an additional chapter of the Medway Housing Strategy 2011-14. As such the Tenancy Strategy will be reviewed periodically by the Medway Strategic Housing Partnership Board to ensure its continued effectiveness. This group consists of representatives of registered providers and other key stakeholders in housing and meets quarterly. The Localism Act requires local authorities to signpost people to where the registered providers' tenancy policies can be found or summarise them.

8.2 Medway Council intends to provide a detailed schedule of where the tenancy policies of all registered providers active in Medway can be accessed. This will be published in the final version of the strategy and periodically updated on the council's website.