

Tenants', Leaseholders' and Residents' Consultative Forum

Special AGENDA

DATE: Wednesday 26 September 2012

TIME: 2.00 pm

VENUE: Committee Rooms 1 & 2,
Harrow Civic Centre

MEMBERSHIP (Quorum 3 Council Members)

Chairman: Councillor Bob Currie

Councillors:

Mano Dharmarajah

Mrs Camilla Bath (VC)
Kam Chana

Representatives of Individual Housing Estate Tenants' and Residents' Associations

Reserve Members:

1. Victoria Silver
2. Ben Wealthy

1. Susan Hall
2. Barry Macleod-Cullinane

Contact: Nicola Fletcher, Democratic & Electoral Services Officer
Tel: 020 8416 8050 E-mail: nicola.fletcher@harrow.gov.uk

AGENDA - PART I

1. ATTENDANCE BY RESERVE MEMBERS

To note the attendance at this meeting of any duly appointed Reserve Members.

Reserve Members may attend meetings:-

- (i) to take the place of an ordinary Member for whom they are a reserve;
- (ii) where the ordinary Member will be absent for the whole of the meeting; and
- (iii) the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;
- (iv) if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

2. DECLARATIONS OF INTEREST

To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:

- (a) all Members of the Forum;
- (b) all other Members present.

3. DEPUTATIONS

To receive deputations (if any) under the provisions of Executive Procedure Rule 50 (Part 4D of the Constitution).

4. INFORMATION REPORT: HOUSING CHANGES REVIEW UPDATE (Pages 1 - 52)

Report of the Divisional Director of Housing Services.

5. INFORMATION REPORT: HOUSING RENT OPTIONS PAPER (Pages 53 - 62)

Report of the Divisional Director of Housing Services.

AGENDA - PART II - NIL

**REPORT FOR: Tenants', Leaseholders
and Residents'
Consultative Forum**

Date of Meeting: 26 September 2012

Subject: **INFORMATION REPORT –
Housing Changes Review
Update**

Responsible Officer: Lynne Pennington, Divisional Director
of Housing Services

Exempt: No

Enclosures: Yes
Appendix 1 – Consultation Outcomes
Appendix 2 - Final draft Tenancy
Strategy
Appendix 3 – Draft Tenancy Policy

Section 1 – Summary

This report sets out an update on the Housing Changes Review which involves a full review of and completion of a range of housing strategy and policies as required by the Localism Act 2011. It concentrates on the final draft Tenancy Strategy and draft Tenancy Policy. TLRCF are invited to make comments.

FOR INFORMATION

Section 2 – Report

- 2.1 TLRCF received an update on the Housing Changes Review at its meeting on the 17 July with regard to the draft Tenancy Strategy and Allocation scheme. The Tenancy Strategy has now been amended following the close of the formal consultation and the final draft is now attached for comment before being reported to Cabinet for approval in December 2012.
- 2.2 The draft Tenancy Policy is also attached for comment. This follows the principles set out in the Tenancy Strategy to enable the introduction of flexible fixed term tenancies for new tenants of the Council's housing stock.

Section 3 – Further Information

3.1 Tenancy Strategy

- 3.2 The draft Tenancy Strategy sets out the Council's intention to support the introduction of fixed term tenancies for new tenants. All new tenants will be given fixed term tenancies but there will be automatic renewal for vulnerable groups such as the elderly and those with disabilities. There will be a review process for all other tenants at the end of the fixed term and in the majority of cases tenancies are likely to be renewed because circumstances are unlikely to change. However tenancies would not be renewed where the property is larger than the household housing need and/or where the household could afford to find alternative suitable housing elsewhere.
- 3.3 The proposed income and savings limits at which a household would be deemed to be able to find suitable affordable housing have been amended following the formal consultation. The income limits have reduced slightly and are the gross income required to pay the median market rent for a property in Harrow assuming that housing costs should not exceed 30% of gross income. These are:

Household Size	Income Limit
1 bed	£30,000
2 bed	£38,000
3 bed	£48,000
4 bed	£60,000

The proposed savings limit has been increased to £24,000. These income limits would also be set out in the Allocation Policy and households earning above these limits would not be accepted as eligible for social housing in Harrow. This income would also be sufficient to enable purchase of shared ownership affordable housing (as an alternative to renting in the private rented sector).

- 3.4 A summary of the consultation responses is attached at Appendix 1. The main changes made as a result of the consultation are:
- Care Leavers have been added to the specified groups to be given automatic renewal of a fixed term tenancy.
 - All non specified groups will be given a fixed term 5 year tenancy subject to review at the end of the fixed term.
 - Full time carers, who are not family members, will be treated similarly with regard to discretionary succession.
 - Community contribution will be taken into account in the tenancy review process although this would not override the need for people to move who are living in properties that are too big for their current needs.
 - We will not include the option to renew tenancies for households that can afford to move and increase the rent to Affordable Rent levels.
 - We have included the need to consider advocacy as well as advice and support to vulnerable households where there is any review process.
 - We have made it clear that the proposed Affordable Rent levels are guidance only, rather than targets.
- 3.5 The proposed Tenancy Strategy is attached at Appendix 2 and is currently out for final consultation prior to being reported to Cabinet for approval in December 2012. Under the Localism Act 2011 the Council is required to have its Tenancy Strategy adopted before January 2013.
- 3.5 **Tenancy Policy**
- 3.6 The Council's draft Tenancy Policy is attached at Appendix 3. It follows the guidelines in the Tenancy Strategy and once adopted would mean that all new Council tenants, apart from specified groups, will be given 5 year fixed term tenancies. At the end of the fixed term there will be a review process considering current housing need and ability to afford other accommodation for all households apart from those in the specified groups, to decide whether the tenancy should be renewed.
- 3.7 The policy also proposes to introduce Introductory and Probationary tenancies for Council tenancies to be followed by a fixed term tenancy.
- 3.8 The policy sets out the review and complaints process an applicant or tenant can use if they want to seek a review of any decision relating to the granting or renewal of a fixed term flexible tenancy.
- 3.9 The draft Tenancy Policy is currently out on formal consultation and comments are invited from TLFCF before being reported to Cabinet in December 2012.

Section 4 – Financial Implications

- 4.1 The thrust of the Housing Changes Review is to make the most effective use of our existing social housing stock as well as the private rented sector, increase new housing supply and other housing options that

ultimately will assist in mitigating General Fund revenue pressures relating to the predicted rising costs of homelessness.

- 4.2 The introduction of fixed term tenancies for Harrow Council stock may have resource implications in terms of staff resources and training to undertake tenancy reviews. However these are anticipated to be cost neutral in terms of the additional lettings generated and no additional resource is budgeted for at this time.

Section 5 - Equalities implications

- 5.1 An overarching equalities impact assessment was published for the Housing Changes Review with the intention to publish individual assessments for each strategy/policy at the point of consultation and this approach has been followed for the Tenancy Strategy.
- 5.2 The Tenancy Strategy EqIA concluded on a range of actions to remove the identified adverse impacts and better promote equality. For example the strategy proposes options to ensure that fixed term tenancies do not adversely impact on the health and well being of households that include someone with a disability. Through the consultation process an amendment has been agreed with regard to Careleavers to ensure that the introduction of fixed term tenancies does not lead to an increased vulnerability for this priority group and the EqIA has been amended to reflect this.

Section 6 – Corporate Priorities

- 6.1 This report incorporates the following corporate priorities by involving residents in determining future housing policies and strategies that support people in priority housing need:
- United and involved communities: A Council that listens and leads.
 - Supporting and protecting people who are most in need.

Name: Milan Joshi	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 13 September 2012		

Section 7 - Contact Details and Background Papers

Contact: Alison Pegg/Jane Fernley
Housing Partnerships and Strategy Manager
Email: Alison.pegg@harrow.gov.uk or jane.fernley@harrow.gov.uk

Tel: 020 8424 1933/ 020 8424 1283

Background Papers: Housing Changes Cabinet report and associated appendices 15 December 2011, Housing Evidence Base, TLRCF Housing Changes Report 11 January 2012, 29 February 2012 and 17 July, Housing Changes Cabinet report 19 July 2012.

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Informal Consultation 2011 Outcomes

Consultation Question	Summary of Responses Responded overall - 254	General Comments from Responders	Harrow Response
<i>Where do you live now?</i>	<p>Responded - 209</p> <p>27% of those who took part in the consultation events were Council tenants. Across Harrow as a whole, the proportion of households who are Council tenants is 5.2%. A high number of council tenants have responded due to the location of the consultation events which included road shows on many of Harrow's council owned housing estates. 7% of responders were housing association tenants.</p> <p>The private rented sector response at 20% of the total is representative of the level seen across Harrow. 30% of responders were private owners and 4% were leaseholders which is somewhat below the proportion of homeowners across the borough (around 70%). Again this is likely due to the targeted locations of the road show event.</p> <p>The remainder of the responders were living with family and friends (11%) or in temporary private rent (1%).</p>		<p>The consultation approach has meant that we have had responses from residents living in a wide range of tenures. This includes households who are currently not living in social housing and who are therefore most affected by the proposed changes relating to rent levels and type of tenancy.</p>
Do you think we	Responded – 229	"As long as they	Households from all tenures recognise the

<p>need more affordable housing for rent, especially family housing (3 bedrooms or more)?</p>	<p>87% of those who answered said that yes, Harrow does in their view need more affordable housing for rent.</p> <p>Many people were worried about the lack of larger affordable properties and the long wait for such properties especially on the council's housing waiting list.</p> <p>Waiting times for larger 3 bed properties in Harrow can be as long as 6-12 years depending on the applicant's circumstances and the availability of larger homes and many of those who responded were aware of the length of time they may have to wait for a suitably sized property.</p> <p>Within the age groups, 91% of the 65+ group said yes to this question while 81-82% of 25-54 year olds also said yes to this question.</p> <p>Across all tenures, 70% or more of responders replied yes to this question.</p>	<p><i>are affordable for working people"</i></p> <p><i>"(Yes)...provides a better alternative to the private rented sector"</i></p> <p><i>"I am currently in temporary accommodation (and have been for the last 10 years). I would hope to be rehoused permanently sometime in the future."</i></p>	<p>importance of having affordable housing for rent and this supports housing policies in the Core Strategy as well as options included in the Housing Changes Review.</p>
<p>There is limited funding to support new affordable housing development. If we want to continue building</p>	<p>Responded – 124</p> <p>The response to this question was less clear cut. There was less support for developing new affordable housing at higher rent levels overall (26%) and most people favoured a hybrid approach of increasing rents by a small amount to ensure affordability (37%).</p>	<p><i>"Social rent levels might be increased in line with comparables in the private rented sector which might make increase fairer overall."</i></p>	<p>We will undertake further work with housing associations to assess how much rents can be increased whilst ensuring affordability. There will be further consultation before recommendation is finalised.</p>

<p>affordable housing there are some options to consider. Which option do you support?</p>	<p>36% of people who answered favoured building at current rent levels.</p> <p>Responses also depended on who you asked as can be seen from the equalities analysis e.g. existing Council tenants were less likely to agree to an increase in rents and more likely to suggest that we should continue building at current rent levels whilst those in the private rented and owner occupier tenures held the opposite opinion.</p>	<p><i>“Any rent increases should depend on household income changes.”</i></p> <p><i>“Rents should be increased for those who can afford it so long as the increased rent goes towards new affordable housing.”</i></p> <p><i>“Higher rents – the margin has to be felt by individuals.”</i></p>	
<p>The government is allowing councils to offer fixed term tenancies, generally 5 years (or 2 years in exceptional circumstances). Would it be fair to offer shorter tenancies to</p>	<p>Responded – 210</p> <p>69% said that they agreed that it would be fair if Harrow offered shorter term tenancies. 20% of respondents were of the opinion that this would not be fair in any situation.</p> <p>Many people also pointed out that reviews at the end of tenancies would have to be undertaken fairly to ensure community stability and that options which allowed people to stay in their homes such as charging higher rents where appropriate</p>	<p><i>“Yes it would be fair to review tenancies periodically but it also depends on the individual circumstances of the household.”</i></p> <p><i>“There needs to be stability for young people.”</i></p> <p><i>“Look at the</i></p>	<p>This option is proposed to be taken forward subject to further impact assessment. Agreed that the Review process needs to ensure that the specific needs of households is taken into account and is open and transparent. There will be further consultation before recommendation is finalised.</p>

<p><i>new tenants in Harrow so that we have more tenancies to go round?</i></p>	<p>might be fair.</p> <p>When split by tenure, those currently in temporary accommodation were least supportive of these proposals, followed by council tenants while private renters were most supportive. 60% of responders across each of the other tenures were supportive of these proposals</p>	<p><i>income of the family. Those working should be in a position to keep their employment should they be asked to move.”</i></p> <p><i>“...memories, accomplishments, rebuilding families, building a life for some, might not be a good idea to cause upheaval in certain circumstances.”</i></p>	
<p><i>8. Should some groups (like older people or people with disabilities) whose circumstances are not likely to change always be offered much longer or lifetime tenancies?</i></p>	<p>Responded – 214</p> <p>87% of those who responded to this question said that Harrow should continue to offer longer tenancies to certain groups such as older people and those with disabilities. Many people suggested that vulnerable groups including disabled and the elderly should be excluded from fixed term tenancies.</p> <p>Council tenants were most supportive of this proposal and the age groups 55-64 and 65+ were unsurprisingly the most supportive age groups with 57 out of 58</p>	<p><i>“Yes, especially those with disabilities.”</i></p> <p><i>“Yes, always in these circumstances.”</i></p> <p><i>“10-20 years and then reassess.”</i></p> <p><i>“No, review for all cases as needs change over time.”</i></p>	<p>Noted and will be incorporated in actions outlined above.</p>

	<p>people in these groups responding with a 'yes'. Over 65% of responders in each of the other tenures replied yes to this question.</p>	<p><i>"Yes, but each case on its own merits."</i></p> <p><i>"Yes and this could mean moving to different addresses depending on changing needs."</i></p> <p><i>"Yes if they are Harrow based residents."</i></p>	
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Summary of Formal Consultation Outcomes (Consultation period 9 May 2012 – 5 July 2012) and proposed amendments

Consultation Question	Summary of Responses	Comments from Responders	Harrow Response
	<p>Responded overall – 106 questionnaires received at 5/7/12 and 30 groups represented at the Voluntary Sector Forum 10/5/12.</p> <p>HA responses received from Catalyst, Network, Apna Ghar and Metropolitan.</p> <p>Harrow Law Centre (HLC), colleagues from Children Services and the GLA also responded (The Mayor is a statutory consultee)</p>	<p>HLC commented that “In our view the consultation is flawed. The Local Authority has already decided that its default position will be that all tenancies, with only very limited exceptions, will be fixed term. This stance</p>	<p>It is disappointing to note that some of Harrow’s key HA partners have not responded (and equally that some failed to consult Harrow on their own Tenancy Policies) and they will be chased for a response.</p> <p>We do not accept the assertion that the consultation is flawed. In the initial consultation (see Appendix 1 of the consultation draft) carried out in summer/autumn 2011 Harrow residents were</p>

Consultation Question	Summary of Responses	Comments from Responders	Harrow Response
	<p>The GLA states it “ is satisfied that the proposals in your draft Tenancy Strategy would given Registered Providers the flexibility they need in order to meet their contractual commitments”. The Mayor welcomes and shares our commitment to tackling underoccupation in order to meet the needs of larger households.</p> <p>The Mayor would like reassurance that the policies relating to social tenant movers set out in section 4 would also apply where households are seeking to</p>	<p>actually precludes a full consultation on whether the Council should adopt the legislative provisions of allocating fixed term tenancies at all and as such the Local Authority may be opening up the possibility of a legal challenge”</p>	<p>asked whether they supported the introduction of fixed term tenancies or not, in the context of the small supply of affordable housing in Harrow. 69% of the respondents did support the introduction of fixed term tenancies for new tenants and this has informed the development of the final Tenancy Strategy.</p> <p>The draft Strategy has been amended to reflect the Mayor’s comment with regard to the</p>

Consultation Question	Summary of Responses	Comments from Responders	Harrow Response
<p>1. Do you agree with Option 1 that lifetime tenancies should be offered to the specified new tenants and fixed term tenancies to everyone else OR Option 2 that most new tenancies would be fixed term but there would be automatic renewal in some circumstances?</p>	<p>move through the <i>housingmoves</i> scheme in which Harrow is participating.</p> <p>48% of the respondents agreed with Option 2, 34% with Option 1 and 18% were not sure. The Voluntary Sector Forum thought that Option 1 was the simplest and considers the needs of the vulnerable but that Option 2 would be administratively easier to run. Careleavers should also be offered life time tenancies or automatic renewal as the uncertainty of a fixed term tenancy may increase vulnerability for this priority need group.</p> <p>HA responses – All agree with option 2.</p> <p>HLC response: No difference between the 2 options.</p> <p>The GLA prefer option 1 “because it more clearly articulates our shared aim of providing security and certainty for vulnerable households”</p>		<p><i>Housingmoves</i> scheme</p> <p>CareLeavers have been added to the specified groups to be given fixed term flexible tenancies with automatic renewal.</p> <p>Taking into account the low supply of social housing in Harrow (10% compared to London average of 24%) we have decided that Option 2 is the one that will ensure it is targeted at those who are most in need whilst providing security and certainty</p>

Consultation Question	Summary of Responses	Comments from Responders	Harrow Response
<p>2. Do you agree that a minimum 5 year fixed term tenancy is reasonable?</p>	<p>61% of respondents agreed that a 5 year fixed term tenancy is reasonable, 33% said no and 5% were not sure. The Voluntary Sector Forum agreed that 5 years is reasonable and felt that 5 years is an optimum tenancy length for households to take of the property. HA responses: Not renewing tenancies due to household income may be a disincentive to tenants wishing to better themselves.</p>	<p>“2 year tenancy should be a minimum. Council housing should be a stepping stone to assist, not there for a lifetime generation after generation. Residents should actively be encouraged to find housing” “yes, it will give more</p>	<p>for vulnerable households. For example we do have evidence that over time household composition changes as children move out or family relationships break down meaning that some social rented homes that are specially adapted or purpose built for people with disabilities are no longer being occupied by people with disabilities.</p> <p>Consultation responses support a minimum 5 year tenancy.</p>

Consultation Question	Summary of Responses	Comments from Responders	Harrow Response
<p>Are there any other exceptional circumstances in which a 2 year tenancy might be appropriate eg awaiting a cash settlement which when received would enable the applicant to find suitable accommodation in the private sector?</p> <p>3. Are there any other circumstances in which a discretionary succession should be considered?</p>	<p>HLC do not agree with fixed term tenancies on the basis that security of tenure provides a settled home and lifestyle. Danger of creation of ghettos filled with vulnerable, poor, marginalised people as people who made improvements to their lives (e.g. career) are moved out. Housing supply will not change under the new proposals.</p> <p>Most people agreed that a 2 year tenancy is an absolute minimum.</p> <p>HA response: Exceptional circumstances may include serious household arrears, ASB, poor property upkeep, serious breach of tenancy conditions.</p> <p>There should be discretionary succession to vulnerable dependents eg someone who is older, has disabilities especially where the property has been adapted to meet</p>	<p>options to people to actually look for better purpose of life and take responsibility”</p> <p>“Planning school applications, childcare, relationships etc are impossible if you do not know where you will live beyond 5 yrs”</p> <p>“Yes. I believe discretionary succession should be granted to vulnerable dependents.”</p>	<p>We do not believe it appropriate to include these as exceptional circumstances. These should be dealt with as part of normal tenancy management procedures and should be taken into account in deciding whether to renew a tenancy or not.</p> <p>The strategy as drafted would allow for a family member who has lived in the household for at least 5 years to succeed</p>

Consultation Question	Summary of Responses	Comments from Responders	Harrow Response
	<p>these needs. The Voluntary Sector Forum thought that carers should have discretionary succession if they are living with the person they are caring for. If the carer cannot be considered for discretionary succession, then they should be supported to find alternative accommodation.</p> <p>HA responses: Suggested criteria for succession is narrow.</p> <p>HLC response: Discretion should be extended to non-statutory successors e.g. carers who gave up accommodation to care for a tenant for a minimum of 12 months.</p>	<p>“if the tenant is older and less able”</p> <p>“No. Individual merit. Each case should be looked at and a decision made”</p>	<p>to the tenancy if it is the right size and the family member cannot afford either shared ownership or private rent. If the property is too big for the family member then they would be asked to move to suitably sized housing. This would cover the situation of an older and/or vulnerable family member provided they have lived in the property for at least 5 years. In our experience the occupancy has usually been for longer than 5 years in the case of an elderly parent and older child.</p> <p>The Strategy has been amended to take account of full time carers who may not have been family members, provided they are not employed in this</p>

Consultation Question	Summary of Responses	Comments from Responders	Harrow Response
<p>4. Is there anything else that should be considered when deciding whether to renew a tenancy?</p>	<p>The principles to be taken into account when reviewing tenancies were generally agreed. Strong responses were received with regard to keeping up to date with rent payments, keeping the property in an acceptable condition and not committing anti social behaviour or criminal activity. Other consideration suggested and not currently included in the draft strategy were local community contribution.</p> <p>HA responses: Renewal should include connection to area and family needs e.g. education.</p> <p>HLC response: Admin burden and costs would increase and an intrusion into tenant affairs. Employment instability will affect review. "There may be little incentive for a tenant with a fixed term tenancy to invest in their community"</p> <p>GLA: "The Mayor believes, that when allocating social housing, boroughs could seek to give some additional</p>	<p>"If they are in rent / council tax arrears, noisy neighbour, property kept in acceptable condition. If children turn 18 and are employed they should be included in the rent re what is due"</p> <p>"Good behaviour and co-operation with the landlord and other tenants. Contribution to the local area such as joining tenants committees etc"</p> <p>"how the tenant has manage the flat or house, payment of rent and also if there has been a complain about the tenant"</p> <p>"Yes current income, I know a lot of people on very good salaries who</p>	<p>role.</p> <p>The Strategy has been amended to include community contribution in the review process, although this would not override for example the need to move people who are living in properties that are now too big for their needs.</p> <p>We believe that the review process can be a positive one for both the tenant and the Council to consider housing aspirations for example to home ownership as well as provide advice and assistance with regard to employment or training options.</p>

Consultation Question	Summary of Responses	Comments from Responders	Harrow Response
<p>Do you agree with the proposed income and savings cap?</p>	<p>priority to people who make an active and positive contribution to their community eg – through employment or volunteering – and who may also face barriers to accessing suitable housing in other tenures. It might be appropriate to take this into account when determining whether a tenancy is renewed or not, as well as the factors set out in section 7.</p> <p>45% agreed with the proposed income and savings cap, 26% did not and 30% were not sure. The Voluntary sector forum thought that the income cap was reasonable and the savings cap could be considered generous.</p>	<p>are still in council properties which is very unfair, they can easily afford to privately rent.”</p> <p>“People should have the need to feel secure in their homes and not have to worry about moving when being placed in a semi permanent property, but I still feel like something needs to be done about families that have no intention of self development, working, volunteering, or supporting the area.</p> <p>“Once people earn over 26k, they should find their own accommodation. If they still cannot afford to move then at least downsize their accommodation or make them share with people who do need this</p>	<p>The Strategy has been amended to take account of community contribution in the review process.</p> <p>We have revised and reduced the proposed income limits taking account of local incomes and tax changes. They will be the same as that proposed for the new allocation scheme and</p>

Consultation Question	Summary of Responses	Comments from Responders	Harrow Response
<p>Would it be appropriate to renew tenancies for</p>	<p>HA response: The income affordability figures will need monitoring both in the rental and purchase sector, as prices continue to rise faster than income in this region.</p> <p>GLA: Note the income limit and comment that it will need to be kept under constant review so that it takes account of the relative affordability of other housing options in Harrow, particularly the Mayor's FIRST STEPS programme.</p>	<p>accommodation.”</p> <p>“The maximum income limits do not take account of past debts, previous commitments and local house prices. Any two parent family earning a household income of £45,000 pa could not afford to buy a home in Pinner and therefore both parents working would only create a situation where they were worse off than someone who chose to stay at home while their partner worked so their rent remained the same. Where is the incentive to get off benefits if you have to worry that you may earn "too much" to try to save for an improved future. “</p>	<p>will be subject to further consultation before a final decision is made. We are also proposing to increase the assets/savings cap to £24k which will also be subject to further consultation.</p> <p>The draft strategy already proposes an annual review which will include review of the income limit and this can be done in line with the Mayors own review of income criteria for the FIRST STEPS programme (which in our experience is done at the most annually).</p>

Consultation Question	Summary of Responses	Comments from Responders	Harrow Response
households who could afford to move provided they still needed the same size of property and increase the rent up to the maximum Affordable Rents set out in our guidance?	41% agreed with this proposal, 42% did not and 16% were not sure		This could be administratively complicated to administer and may result in larger properties continuing to be underoccupied and in view of the unclear support is not included in the final strategy.
5. Do you agree with our approach to advice and assistance if a tenancy is not to be renewed?	65% agreed with our approach to advice and assistance, 13% did not and 21% were not sure. Advocacy services should be offered to support CareLeavers during the tenancy review process if they are to receive fixed term tenancies. HA response: Reasonable approach.		The consultation responses support our proposed approach to advice and assistance. The offer of advocacy service to CareLeavers or any other vulnerable groups has been included in the Strategy.
6. Do you agree with our approach to Affordable Rents?	65% agree with our approach to Affordable Rents, 21% did not and 13% were not sure.		The consultation responses support our proposed approach to

Consultation Question	Summary of Responses	Comments from Responders	Harrow Response
	<p>HA responses: Approach to affordable rents is fair. HA approach is within the parameters suggested.</p> <p>HLC response: Homeless households in homes at affordable rents will act as a disincentive to households from going into employment.</p> <p>GLA: Expects boroughs to maximise the delivery of Affordable Housing through their planning and housing policies and does not accept this can be achieved by setting specific rent caps in local planning policies or tenancy strategies.</p>		<p>Affordable Rents</p> <p>Harrow has undertaken a lot of detailed analysis together with local HAs to determine the level of rents that can support a viable affordable development programme and be affordable to families in the highest priority housing need, especially larger families. The wording of the strategy has been amended to make clear the rent levels are intended as guidance rather than absolute caps.</p>

Consultation Question	Summary of Responses	Comments from Responders	Harrow Response												
7. Do you have any comments on the Equalities Impact Assessment (EqIA)?	<p>There is no reference to CareLeavers in the EqIA and it should be amended to consider their specific issues.</p> <p>HLC response: Para 12 of the EqIA identifies the disproportionate impact on the disabled and vulnerable. In all the strategy neither promotes/improves equality.</p>		<p>The EqIA has been amended to take this comment on board. Other points raised in respect of CareLeavers have been taken into account above.</p>												
Equalities:															
Age Groups	<table border="1" data-bbox="724 1032 932 1576"> <tr><td>16-24</td><td>8%</td></tr> <tr><td>25-34</td><td>19%</td></tr> <tr><td>35-44</td><td>27%</td></tr> <tr><td>45-54</td><td>28%</td></tr> <tr><td>55-64</td><td>13%</td></tr> <tr><td>65+</td><td>3%</td></tr> </table>	16-24	8%	25-34	19%	35-44	27%	45-54	28%	55-64	13%	65+	3%		
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25-34	19%														
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Gender	<table border="1" data-bbox="1203 1211 1339 1576"> <tr><td>Male</td><td>39%</td></tr> <tr><td>Female</td><td>58%</td></tr> <tr><td>Prefer not to state</td><td>3%</td></tr> </table>	Male	39%	Female	58%	Prefer not to state	3%								
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Female	58%														
Prefer not to state	3%														

Consultation Question	Summary of Responses	Comments from Responders	Harrow Response
Tenure			
Ethnicity			
	Asian or Asian British - Afghan	2	
	Asian or Asian British - Indian	13	
	Asian or Asian British - Pakistani	2	
	Asian or Asian British - Sri Lankan Tamil	4	
	Black or Black British - Caribbean	6	
	Black or Black British - Ghanaian	2	
	Black or Black British - Any other Black background	2	
	Mixed - White & African	1	
	Mixed - White & Caribbean	1	
	Mixed - Any other Mixed background	1	
	Other Ethnic Group - Arab	3	
	Other Ethnic Group - Iranian	1	
	Other Ethnic Group - Any other ethnic group	2	
	White - British	31	
	White - Irish	4	
	White - Polish	2	
	White - Romanian	2	
	White - Any other White background	2	
	Prefer not to state ethnic group	10	



Tenancy Strategy 2012

**Revised Draft taking into account consultation comments:
9 August 2012**



Introduction

The Localism Act 2011 introduced a number of new flexibilities for local authorities to consider when deciding how to make best use of existing social housing and how to encourage the development of new affordable housing. Alongside this there have also been changes to Housing Benefit rules capping the maximum private rents for which benefit can be claimed, particularly for larger properties, as well as further changes to benefits in general set out in the Welfare Reform Act 2012. As a consequence the Council decided to carry out early consultation with residents from August – October 2011 on how it would respond to the new flexibilities and the difficulties residents were facing due to the benefit changes. This Housing Changes review was reported to Cabinet in December 2011 together with a number of options and a direction of travel was agreed. The Tenancy Strategy sets out the Council's approach to:

- the introduction of flexible fixed term tenancies in Harrow;
- the introduction of Affordable Rents in Harrow

The new strategies and policies within the Housing Changes Review intend to protect residents who most need our support and provide a range of realistic housing options in all tenures. They recognise that because the supply of housing at a low rent for life will never be sufficient to meet all of the priority housing needs in Harrow that residents must consider other options such as renting privately either in Harrow or elsewhere to meet their housing needs.

1. Background

The Localism Act 2011 introduced flexible tenancies. These are fixed term renewable tenancies of not less than 2 years and can be offered to new tenants alongside secure or assured tenancies. It is proposed that the general minimum length of flexible tenancies will be 5 years. A new approach to rents has also been introduced for housing association properties. New build homes and a proportion of relets can now be charged higher rents of up to 80% of market rents.

Existing council and housing association tenants will not be affected by these changes unless they move to a new Affordable Rent property and will continue to enjoy their existing security of tenure and other terms and conditions including the right to buy, succession rights and the right to exchange their tenancy with another secure tenant.

The Act requires every local authority to produce a Tenancy Strategy setting out the expectations for all social landlords in the local area in relation to:

- The types of tenancies that will be granted
- The length of fixed term tenancies when these are granted
- The circumstances under which a particular type of tenancy will be granted
- The process for reviewing tenancies at the end of the fixed term and the circumstances under which a tenancy may or may not be renewed either in the same property or in a different property.

Every social landlord is also required to have a Tenancy Policy. In addition to the above, the Tenancy Policy should contain:

- The way in which a tenant or prospective tenant may appeal or complain about the length and/or type of fixed term tenancy offered and a decision not to renew the tenancy at the end of the fixed term
- How the need of those who are vulnerable by reason of age, disability or illness, and households with children are taken into account including the use of tenancies which provide a reasonable degree of stability
- The advice and assistance to be given to tenants to find alternative accommodation if a fixed term tenancy is not renewed.

The Regulatory Framework for Social Housing in England from April 2012 sets out the specific standards that Registered Providers (RPs) must meet and takes account of the amendments made as a result of the Localism Act. The Tenancy Standard requires RPs to let their homes in a transparent and efficient way and to take account of the housing needs and aspirations of tenants and potential tenants. They must demonstrate how their lettings:

- Make the best use of available housing
- Are compatible with the purpose of the housing
- Contribute to local authorities' strategic housing function and sustainable communities

RP's are also expected to co-operate with local authorities' strategic housing function and their duty to meet identified Local housing needs. This includes assistance with local authorities' homelessness duties, and through meeting obligations in nominations agreements.

This Tenancy Strategy sets out the Council's approach to fixed term tenancies, how these should contribute to making the best use of available social housing and the principles that we expect all social landlords to have regard to when setting out their own Tenancy policies. The intention is to have consistency in social landlords approach to new tenancies so that residents are reassured they will have the same housing offer regardless of who is their social housing landlord in the borough We have combined it with our statement on our approach to Affordable Rents which has also been reviewed and updated. As Harrow Council owns and manages around 5,000 council tenancies we will produce our own Tenancy Policy which will follow the principles set out in this document.

Initial consultation was carried out with local residents prior to the draft Tenancy Strategy being published for formal consultation. Broadly there was support for the introduction of fixed term tenancies for new tenants on the basis this will contribute to making sure that social housing continues to be made available to those who most need it. However the majority of respondents felt that older people and those with disabilities should continue to be offered lifetime tenancies, or at the very least more certainty that their tenancy would be renewed if their circumstances remained the same. The Tenancy Strategy takes into account the views expressed during the initial consultation and has been revised to take account of the views expressed during the formal consultation. The outcomes of all consultation is summarised and available at ...[add link].

2. Context

Harrow is an outer London borough with excellent transport links to central London, schools and access to attractive Green Belt and other open space. Along with other boroughs demand for housing is high and this is reflected in the high cost of housing both to buy and to rent privately. Unlike many other boroughs Harrow has a small supply of social housing at only 10% of the total housing stock. Twice as many people now live in the private rented sector (20%) whilst the vast majority (70%) own their homes.

As a result of Housing Benefit changes and the effects of recession many more people have been coming to the Council for help with their housing over the past year. Due to the limited supply of social housing we help most people by assisting them to remain in their current homes or by encouraging and assisting them to find alternative housing in the private rented sector. It is becoming increasingly important that our small supply of social housing is used to its full potential to provide homes for those in the highest priority housing need. Whilst the introduction of fixed term tenancies is not likely to produce significant numbers of additional social housing for relet it will help us to target social housing at those who most need it and makes an important contribution alongside other initiatives such as those to encourage underoccupiers to downsize.

You can find more information on the facts and figures supporting this strategy at:

http://www.harrow.gov.uk/info/200003/housing_policies_and_planning_for_housing/2522/housing_evidence_base

3. Objectives

This strategy supports a number of our overarching objectives approved by Cabinet in December 2011 as follows:

- **Deliver excellent services shaped and valued by our communities** – we have developed this strategy in consultation with the community
- **Increase the supply of housing, including locally affordable housing and make best use of the existing social housing stock** – whilst we aim to build as much additional affordable housing in Harrow as we can we know this will never meet all needs and therefore our existing social housing stock must be targeted at those who most need it
- **Continue to tackle homelessness by improving access to, and improving standards in the private rented sector** – the tenancy strategy should support and complement initiatives that promote economically realistic housing options in the private sector
- **Enhanced housing options, promoting mobility and choice** - supporting households to consider the economically realistic housing option that best meets their current housing need and to think about what that might be in the future
- **Supporting sustainable and viable communities** – this strategy should contribute to tenancy sustainment and the promotion of employment and training opportunities

so that tenants are supported in adapting to the changing welfare benefits environment and the most vulnerable households are protected and supported in their home.

4. Who should be given which type of tenancy

The Council supports the use of introductory or probationary tenancies followed by fixed term tenancies for the majority of new tenants. They will help us to ensure that our scarce social housing stock is used in the best way to help those most in need.

We have consulted on the best way to balance the need to make the best use of our stock whilst protecting those households who most need our support and whose circumstances are highly unlikely to change in the future and/or not to penalise existing secure tenants who may need to move.

We recommend all new tenancies to be flexible fixed term tenancies, except for:

- (i) older people moving into sheltered or extra care housing, older people who have reached state retirement age and are moving to a smaller property; and
- (ii) underoccupiers of state retirement age moving to a smaller property,

who should be granted life time tenancies and for automatic renewal in certain other circumstances.

The circumstances for automatic renewal are set out in section 7 – Tenancy Reviews (page 6). We would also recommend that secure tenants transferring or mutual exchanging, including through the Housingmoves scheme, to an Affordable Rent property should be offered a life-time tenancy.

The reason for this recommendation is that there may be situations where for example someone no longer needs a specialist or adapted property and the granting of a lifetime tenancy in all circumstances would prevent making best use of the property. Automatic renewal where the need remains still provides the necessary certainty of support to vulnerable households.

5. Minimum length of Tenancy

The council supports the offer of an introductory or probationary tenancy followed by a minimum 5 year tenancy period in most circumstances where a fixed term tenancy is being granted. We consider that a 5 year tenancy offers reasonable security to most households and is considerably more secure than the average initial tenancy granted in the private sector. In addition, we expect the majority of fixed term tenancies will be renewed because people's circumstances have not changed materially, for example the household income has not increased and there is no other more economically realistic affordable housing option and/or the household size still matches the size of property. However, reviewing the tenancy periodically will enable tenants to consider what other housing options there are or might be in the future and to discuss other opportunities for example relating to employment/training initiatives.

The Localism Act allows the granting of shorter tenancies of no less than two years in exceptional circumstances. The council does not generally support the granting of a shorter tenancy period in any circumstances other than those specified below.

- Where a shorter tenancy period is required to enable redevelopment to take place
- In any of the circumstances under section 7 when considering renewal of a tenancy the tenant could move to another property but it would be unreasonable to enforce it at this time

6. Succession

There is an automatic right for a spouse or partner of a tenant to succeed to a fixed term tenancy, but this can only happen once. Social landlords have the discretion to grant additional successions. In view of the limited amount of social housing in Harrow the Council supports discretionary succession only in the following circumstances:

- Where a family member¹ has been part of the household for at least 5 years or where a full time carer (who is not a family member or employed as the carer) gave up accommodation to care for a minimum of 12 months, the property meets their housing needs and no alternative economically realistic housing option exists. In the situation where the property is larger than the needs of the family member or full time carer a suitable alternative economically realistic housing option may be the offer of a suitable social housing property on a flexible tenancy. A succession to a flexible fixed term tenancy should only be granted for the remainder of the life of that tenancy and renewal subject to a review when the end of the tenancy is due.

7. Tenancy Reviews and advice and assistance when a tenancy might not be renewed

The tenancy review should primarily be an opportunity for both landlord and tenant to consider if the current home still best meets the tenants needs and how it might be possible to meet future aspirations for example for home ownership by discussing low cost home ownership options available, savings for deposits etc and by offering advice and guidance to non working households on national and local employment and training initiatives. Based on our evidence we expect the majority of tenancies to be renewed and we also want our strategy to contribute to the continuation of mixed and balanced communities and prevent unnecessary churn and upheaval.

We have recommended in Section 4 that all new tenancies are granted as fixed term tenancies but are automatically renewed in the following circumstances:

- The tenants are of state retirement age and living in a 1 bedroom general needs property;
- The tenant(s), their spouse or partner or a dependent child is disabled validated by means testing for disability benefits;
- The tenant(s), their spouse or partner or a dependent child has a severe learning disability or severe enduring mental health need validated by the relevant officer in the Council's Community, Health and Wellbeing directorate;
- The Tenant was a Care Leaver and is still receiving support from the Council.

The Council expects the following principles to be taken into account when considering whether to renew the tenancy:

¹ The definition of family member is all those individuals defined as family members under s.113 of the Housing Act 1985 as amended.

- The property should not be larger than the current housing needs of the tenant and their household². An examples of where the property is no longer suitable might be if the property is under-occupied by one-bedroom or more and an alternative suitably sized property is being offered, the property has been extensively adapted but for someone with a disability who no longer lives with the tenant and an alternative property is being offered. In these circumstances it would be reasonable not to renew the tenancy so that the property can be let to someone who needs it. Other considerations to be taken into account with regard to the suitability of alternative accommodation might include specific individual circumstances and access to family support networks;
- The tenant's household income is sufficient to enable the tenant and their household to find other suitable accommodation either by moving into intermediate housing (low cost home ownership or sub market rent), private rented or buying on the open market. We propose using the following household income eligibility limits as an absolute income cap, that is anyone earning above these limits would be expected to move independently into the private sector either to rent or buy:

Household Size	Income Limit
1 bed	£30,000
2 bed	£38,000
3 bed	£48,000
4 bed	£60,000 ³

The information used to calculate these limits is attached at Appendix 1 and will be reviewed and updated annually.

A financial assessment should be carried out for applicants earning below these limits to determine what other affordable housing options are available;

- The tenant's household has assets or savings greater than £24,000. The proposed income and savings limits are the same as will be proposed in the Councils revised Housing Allocations Scheme which would normally exclude them from being granted a tenancy;
- The tenant has breached the terms of their tenancy and failed to reach or maintain an agreement with the Council or their landlord to remedy this breach. For example there are rent arrears and the tenant has not agreed to maintain an agreement to clear these or there has been serious and persistent documented anti-social behaviour.
- The tenant or a member of the household has a conviction for civil disturbance carried out in the locality of Harrow or other criminal activity such as housing fraud.

We would expect the review to take place at least 9 months before the tenancy is due to come to an end to allow sufficient time for a tenant to find alternative housing if the tenancy is not renewed and alternative accommodation is not to be provided.

² The definition of household is the tenant(s) and all those reasonably expected to reside with them

³ The income limits have been calculated with reference to local rents and on the basis that housing costs should not exceed 30% of gross income

We recognise there may be circumstances where it might be considered unreasonable to expect someone to move even if one of the above criteria apply and would recommend allowing a tenancy to continue if:

- The tenant or a member of their household is suffering from a terminal illness;
- The tenant has children attending a local school at key stages of education, specifically in year 10/11 or year 12/13 and no economically realistic alternative housing is available locally.
- The tenant is a foster carer and the tenancy needs to continue to enable them to fulfil this role;
- The tenant is participating in a Tenancy Sustainment Programme or a training and employment programme and moving at this stage would prevent the tenant from completing the programme;
- The tenant makes an active and positive contribution to their local community, through for example volunteering for an approved organisation on a regular weekly basis.

In any of the above circumstances it may be appropriate to offer a shorter tenancy renewal of at least two years or a further five year tenancy depending on individual circumstances.

Given the Council's intention to prevent homelessness wherever possible and to ensure that appropriate economically realistic housing options are available to people in housing need it would be pointless for landlords not to renew tenancies unless they have carried out the review thoroughly including offering appropriate proactive advice and assistance to find alternative accommodation. Options for alternative housing could include home ownership either outright or through the various First Steps initiatives or other government initiatives, a privately rented home either in Harrow or elsewhere or a more suitable affordable rented home either in Harrow or elsewhere. We would also expect appropriate advice on employment and training initiatives to be provided to non working households including young adults who form part of the household.

Where a Tenancy Review is being carried out with a vulnerable household, such as a Care Leaver or other vulnerable adult appropriate support arrangements should be made such as use of an advocate or advocacy service.

Although it is clear in the Localism Act 2011 that it is the responsibility of the landlord to provide the advice and assistance the Council already provides a comprehensive service locally to all applicants for affordable housing including advice and assistance on finding suitable private rented accommodation, and can therefore be contracted to provide this service. The Council will be using this service to provide advice and assistance where it does not renew fixed term tenancies. For details of the service available please contact Jon Dalton by emailing jon.dalton@harrow.gov.uk or phoning 020 8416 8647.

As the Council retains the statutory responsibility to provide housing for priority homeless households we want to ensure that a robust approach is taken to advice and assistance where a tenancy is not renewed and we would ask all social landlords in Harrow to:

- Notify the Council when a tenancy is not to be renewed and of the agreed alternative housing arrangements;
- If not making use of the Council's advice and assistance service (which is our preferred option) to provide details of the advice and assistance provided.

8. Reviews and Complaints

All social landlords are required to set out the way in which a tenant or prospective tenant may seek a review of or complain about the length of the fixed term and the type of tenancy offered and against a decision not to grant another tenancy on the expiry of the fixed term. The Council expects Registered Providers to ensure their Tenancy Policies:

- State how and to whom review requests should be made eg to a senior officer not involved in the original decision
- Give timescales in which the review will be dealt with
- State how the tenant can take their complaint further if they are dissatisfied with the response eg to Housing Ombudsman or by way of judicial review and where they may get independent advice
- Be accessible and widely publicised eg published on websites, available in housing offices, local community buildings etc

The Council would also be able to carry out independent reviews on behalf of social landlords working in Harrow. Please contact Jon Dalton as detailed in section 7 for further information.

9. Affordability

A key element of the Council's Housing Strategy is to enable the development of additional affordable housing and we recognise that at the current time housing associations have been required to contribute to this by charging the new Affordable Rents (up to 80% of market rents) on new developments and a proportion of relets in order to obtain grant funding. We are concerned that charging the maximum of 80% market rent would mean new homes are unaffordable as a result of welfare reforms, especially for large families. However we also need to take account of the small supply of social housing in Harrow and as a result the majority of households in housing need are now offered private rented sector housing either in Harrow or elsewhere at the Local Housing Allowance market rent.

We produced guidance on our approach to Affordable Rents in May 2011 taking account of the above issues. The guidance supported the continued development of affordable housing in the borough and as a consequence accepted that rents of up to 80% could be charged on 1 and 2 bedroom properties to enable social housing rents to be let on the larger family homes. This resulted in a blended average of rents at 50-55% of market across the average new scheme depending on unit mix.

This approach produced an anomaly on some schemes of rents of two bedroom properties being higher than three bedroom properties making it difficult to encourage households to downsize. We have therefore reviewed our guidance with RPs and amended the guideline rent levels, taking account of local affordability, for each bed size as follows:

- 1 bed – up to 80%
- 2 bed – up to 70%
- 3 bed – up to 60%
- 4 bed plus – up to 40% with a suggested guideline maximum of £200 per week subject to individual scheme viability⁴

Our general principles in relation to Affordable Rents are therefore:

- We support the introduction of Affordable Rents on new schemes provided they contribute to the continued development of affordable housing in Harrow;
- Registered Providers must take account of welfare benefit caps and set rents that will be affordable locally;
- We support the conversion of a maximum of 25% of the existing RP stock to Affordable Rents provided they contribute to the continued development of affordable housing in Harrow. However where the conversion of properties with 3 bedrooms or greater is proposed, this will not generally be supported;
- We do not support the disposal of stock which results in a net loss of social housing supply and particularly the disposal of family housing.

Our detailed guidance is attached at Appendix 2.

10. Equalities

We have used the outcomes from our consultations and our Evidence Base to complete our Equalities Impact Assessment which is available from the Council's website through the following link: [\[add link\]](#)

11. Reviewing the Tenancy Strategy

This strategy will be monitored and reviewed annually. Revisions, such as to the income and savings caps, will be authorised by the Portfolio Holder for Housing.

⁴ £200 guideline represents 40% of universal cap of £500 per week.

Appendix 1: Income limit Calculation

Income Limits: 18 July 2012

Bed size	Open market purchase				Shared Ownership purchase				Market rent		
	Median House Price	20% deposit required	Mortgage	Gross income required*	Assumed OMV	25% share	10% deposit	Minimum gross income required	Lower quartile rent pw	Lower Quartile Rent PCM	Gross income required
1 bed	£174,650	£34,930	£139,720	£39,920	£195,000	£48,750	£4,875	£26,000	£173	£750	£30,000
2 bed	£286,300	£57,260	£299,040	£65,440	£249,950	£62,488	£6,249	£32,000	£219	£950	£38,000
3 bed	£363,400	£72,680	£290,720	£83,063	£350,000	£87,500	£8,750	£44,000	£277	£1,200	£48,000
4 bed	£471,800	£94,360	£377,440	£107,840	£430,000	£107,500	£10,750	£54,000	£346	£1,500	£60,000

NB. Based on housing costs not exceeding 30% of gross income (which is currently equivalent to 40% of net income where net income is 75% of gross. In 2011 the gross median weekly wage of Harrow residents was £603 (£31,356 per annum) and the gross median weekly wage of Harrow residents working in Harrow was £510 (£26,520 per annum)

Appendix 2

Harrow Council

Policy on Affordable Rent Development – April 2012

Introduction

This Policy Statement updates and replaces the Affordable Housing Framework Position Statement published in May 2011. The original position statement was provided in advance of the deadline for the Homes and Communities Agency 2011-15 bid round.

The interim position provided our Registered Provider (RP) partners with reasonable assurance regarding the levels of open market rent which may be acceptable in Harrow given proposed wider changes to the benefits system at that time. In summary, up to 80% market rent was deemed acceptable on 1 and 2 bedroom properties but that we would ask partners to let 3 bedroom plus homes at existing target rents or as close as possible due to affordability issues.

Changing Policy

Since the Interim position was published, the Welfare Reform Act received royal assent (8th March 2012). The Act puts into law the Welfare Reform Bill and confirms the introduction of Universal Credit.

As a result of changes brought about by the Localism and Welfare Reform Acts, Harrow is reviewing its entire suite of housing policies and strategies to reflect the national changes. An evidence base has been developed to inform the policy changes and this can be found at:

www.harrow.gov.uk/housingchanges

Issues such as population change, affordability, housing need, the existing housing waiting list etc are examined in detail and inform this Affordable Rent policy.

The Affordable Housing Delivery Group was consulted in February 2012 regarding the need to review the Interim position on Affordable rent levels. The main conclusion from the consultation was that many of the RPs had adopted similar approaches to Harrow based on their own research. It was considered that an element of flexibility should be allowed from the original interim guidance, particularly in relation to the anomaly between 2 and 3 bed rent levels, so that priorities such as retaining affordable housing supply could be properly balanced with issues relating to affordability and the range of market rents across bedsizes and across certain areas in the borough..

Rent Levels in Harrow

Rents have been reasonably static across the borough over the last year. Clearly there are variations across the various postcodes in the borough with Stanmore being the most expensive area and Harrow Weald generally being the cheapest in general.

The table below sets out private market rents across Harrow as at April 2012. This information will be updated regularly in the housing changes evidence base which can be accessed through link provided earlier.

	Market Rent	80% Market	LHA	Existing Social Rent
1 bed	£187	£149.60	£173.08	£100
2 bed	£233	£186.40	£219.23	£115
3 bed	£300	£240.00	£288.46	£133
4 bed +	£381	£304.80	£346.15	£141

The above is based on local comparables at April 2012 which will be updated regularly.

Affordability in Harrow

It is recognised that adopting a one size fits all approach to household affordability is difficult given the complexity of the universal cap for working and non working households.

For those in receipt of benefits

Changes to the benefit system through the universal benefit reform limit the amount non working households can claim to a maximum level of £26,000 per annum or £18,200 for single households. This figure includes housing benefit.

We estimate that around 90-95% of those in priority need on the housing waiting list are in receipt of benefits of some sort and are currently undertaking work to determine the number of households who are completely economically inactive, the results of which will be set out in updates to the housing changes evidence base

The table at Appendix 1 of this briefing demonstrates the effects of these changes on various household sizes and shows that family sized housing at 80% market rent is not affordable in Harrow to those in receipt of benefit and classed as non working.

For working households

The affordability measure in use by the HCA and the GLA ranges from a maximum of 40-45% net income to be spent on housing costs depending on tenure.

CACI data for the borough shows that the total average equivalised household income in the borough in 2010 (latest available) was £30,827. This data also shows that around 38% of households in Harrow have a household income of less than £25,000 per annum. The table below shows the minimum household income required for households at the LHA limit and 80% market rent for each bedsize in Harrow (as at April 2012) using 40% net income as the affordability measure.

	LHA Cap (pw)	Per Annum	Min Net Income Required	Min Gross Income (if Net income = 75% Gross)
1 bed	£173.08	£ 9,000.16	£22,500.40	£ 30,000.53
2 bed	£219.23	£11,399.96	£28,499.90	£ 37,999.87
3 bed	£288.46	£14,999.92	£37,499.80	£49,999.73
4 bed	£346.15	£17,999.80	£44,999.50	£59,999.33

	80% Market (pw)	Per Annum	Min Net Income Required	Min Gross Income (if Net income = 75% Gross)
1 bed	£149.60	£ 7,779.20	£19,448.00	£25,930.67
2 bed	£186.40	£ 9,692.80	£24,232.00	£ 32,309.33
3 bed	£240	£12,480.00	£31,200.00	£41,600.00
4 bed	£304.80	£15,849.60	£39,624.00	£52,832.00

Guidance to RPs on the implementation of the Affordable Rent model in Harrow

Taking into account the affordability issues outlined above and the size of the social housing stock in Harrow, our approach is set out below. We stress the importance of RPs continuing to talk to us at an early stage about their proposals so that we can find solutions that enable affordable housing development to continue that will meet priority local needs.

- RPs should continue to have regard to Harrow’s policies which encourage the development of affordable housing and in particular 3 bed plus family sized housing, wheelchair housing and supported housing which is affordable to those on the Harrow housing waiting list.
- The Council will consider a “hybrid approach” to the new Affordable Rent model which will allow the continued development of affordable housing, including larger homes at lower rent levels alongside 1 and 2 bed homes at higher rent levels where affordability allows. We would stress that the following ranges represent an indication of what may be considered affordable in Harrow but it is highly important that proposed rents are discussed with the Housing Department early in the scheme formation process.

1 bed – up to 80%

2 bed – up to 70%

3 bed – up to 60%

4 bed plus – up to 40% with a suggested guideline maximum of £200 per week⁵

- In the interests of sustainable communities the Council would encourage a stepped approach to rent levels by unit size to ensure that there are no anomalies between 2 and 3 bedroom rent levels. For example it is often the case that if 3 bedroom properties are charged at target rents, a 2 bedroom property on the same development may cost more if charged at 80% market rent. This may fetter the Council’s ability to encourage under occupiers to downsize.

⁵ £200 represents 40% of universal cap of £500 per week.

- We will continue to consider shared ownership that is affordable at the current target income levels. The ratio between rented and shared ownership on development schemes will be 60:40 as a starting point as per current planning policy.
- No rents should be higher than the Local Housing Allowance applicable in Harrow.
- There are relatively few relets of existing RP properties in Harrow and, in view of the overall small size of the social housing stock, conversions of existing target rent properties should be no more than 25% of 1 and 2 bed properties. Conversion of larger properties should not generally be undertaken.
- **All conversion proposals should be discussed and agreed with the borough before they are implemented. It is extremely important that RPs discuss this with the borough as soon as a conversion is identified due to the possibility of clashes with policies such as the Under Occupation Strategy. In addition if there is a S106 agreement attached to the scheme this will require properties to be let at target rents and the agreement would need to be varied to enable properties to be let at the new Affordable Rent.**
- Disposal of family homes (3 bed+) should only be undertaken as a matter of last resort, following discussion and agreement with the borough.
- All nominations for Affordable Rent homes will be through the Locata choice based lettings system i.e. similar applicants to existing arrangements.

We encourage RPs to speak to Harrow about proposals for the new Affordable Rent model as early as possible in the formation of development proposals. Early dialogue will ensure that proposals can be assessed in line with overall priority and agreed accordingly from the outset.

For further information please contact the Enabling team:

Elaine Slowe (Housing Enabling Manager) on 020 8420 9229 or

Damien Lynch (Project Manager – Enabling) on 020 8420 9228

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Draft Tenancy Policy

Version 4: 9 August 2012



Introduction

The Localism Act 2011 introduced a number of new flexibilities for local authorities to consider when deciding how to make best use of existing social housing and how to encourage the development of new affordable housing. Alongside this there have also been changes to Housing Benefit rules capping the maximum private rents for which benefit can be claimed, particularly for larger properties, as well as further changes to benefits in general set out in the Welfare Reform Act 2012. As a consequence the Council decided to carry out early consultation with residents from August – October 2011 on how it would respond to the new flexibilities and the difficulties residents were facing due to the benefit changes. This Housing Changes review was reported to Cabinet in December 2011 together with a number of options and a direction of travel was agreed. A set of new draft strategies and policies are now being developed for further consultation before being submitted for approval by Cabinet in December 2012.

The Council's draft Tenancy Strategy provides guidance to all social landlords in Harrow on our approach to:

- the introduction of flexible fixed term tenancies in Harrow;
- the introduction of Affordable Rents in Harrow

This Tenancy Policy sets out how the Council will introduce fixed term tenancies for new Council tenants from the date it is formally adopted. It will not apply to existing Council tenants. The policy is intended to protect residents who most need our support and recognises that the supply of housing at a low rent for life will never be sufficient to meet all of the priority housing needs in Harrow. Most new tenants who can afford to do so will be expected to consider other housing options such as shared ownership or renting privately either in Harrow or elsewhere at the end of their fixed term tenancy.

Please read this draft Tenancy Policy and provide your comments by 2012. You can fill in our online consultation viaor alternatively you can email your comments to Housing Changes (housingchanges@harrow.gov.uk).

1. Background

The Localism Act 2011 introduced flexible tenancies. These are fixed term renewable tenancies of not less than 2 years and can be offered to new tenants alongside secure or assured tenancies. A new approach to rents has also been introduced for housing association properties. New build homes and a proportion of relets can now be charged higher rents of up to 80% of market rents.

Existing council and housing association tenants will not be affected by these changes unless they move to a new Affordable Rent property and will continue to enjoy their existing security of tenure and other terms and conditions including the right to buy, succession rights and the right to exchange their tenancy with another secure tenant.

The Act requires every local authority to produce a Tenancy Strategy setting out the expectations for all social landlords in the local area in relation to:

- The types of tenancies that will be granted

- The length of fixed term tenancies when these are granted
- The circumstances under which a particular type of tenancy will be granted
- The process for reviewing tenancies at the end of the fixed term and the circumstances under which a tenancy may or may not be renewed either in the same property or in a different property.

Every social landlord, including the Council is also required to have a Tenancy Policy. In addition to the above, the Tenancy Policy should contain:

- The way in which a tenant or prospective tenant may appeal or complain about the length and/or type of fixed term tenancy offered and a decision not to renew the tenancy at the end of the fixed term
- How the need of those who are vulnerable by reason of age, disability or illness, and households with children are taken into account including through tenancies which provide a reasonable degree of stability
- The advice and assistance to be given to tenants to find alternative accommodation if a fixed term tenancy is not renewed.

This Tenancy Policy sets out how the Council will use flexible fixed term tenancies of 5 years for its own housing stock. It follows the principles widely consulted upon and set out in our Tenancy Strategy.

2. Context

Harrow is an outer London borough with excellent transport links to central London, schools and access to attractive Green Belt and other open space. Along with other boroughs demand for housing is high and this is reflected in the high cost of housing both to buy and to rent privately. Unlike many other boroughs Harrow has a small supply of social housing at only 10% of the total housing stock. Twice as many people now live in the private rented sector (20%) whilst the vast majority (70%) own their homes.

As a result of Housing Benefit changes and the effects of recession many more people have been coming to the Council for help with their housing over the past year. Due to the limited supply of social housing we help most people by assisting them to remain in their current homes or by encouraging and assisting them to find alternative housing in the private rented sector. It is becoming increasingly important that our own small Council housing stock is used to its full potential to provide homes for those in the highest priority housing need. Whilst the introduction of fixed term tenancies is not likely to produce significant numbers of additional Council housing for relet it will help us to target social housing at those who most need it and makes an important contribution alongside other initiatives such as those to encourage underoccupiers to downsize.

You can find more information on the facts and figures supporting this policy at:

http://www.harrow.gov.uk/info/200003/housing_policies_and_planning_for_housing/2522/housing_evidence_base

3. Objectives

This Tenancy Policy supports a number of our overarching objectives approved by Cabinet in December 2011 as follows:

- **Deliver excellent services shaped and valued by our communities** – we have developed this strategy in consultation with the community
- **Increase the supply of housing, including locally affordable housing and make best use of the existing social housing stock** – whilst we aim to build as much additional affordable housing in Harrow as we can we know this will never meet all needs and therefore our existing social housing stock must be targeted at those who most need it
- **Continue to tackle homelessness by improving access to, and improving standards in the private rented sector** – the tenancy strategy should support and complement initiatives that promote economically realistic housing options in the private sector
- **Enhanced housing options, promoting mobility and choice** - supporting households to consider the economically realistic housing option that best meets their current housing need and to think about what that might be in the future
- **Supporting sustainable and viable communities** – this strategy should contribute to tenancy sustainment and the promotion of employment and training opportunities so that tenants are supported in adapting to the changing welfare benefits environment and the most vulnerable households are protected and supported in their home.

4. Who should be given which type of tenancy

The Council is now intending to use introductory or probationary tenancies followed by fixed term tenancies for the majority of new tenants. They will help us to ensure that our scarce Council housing stock is used in the best way to help those most in need.

We have consulted on the best way to balance the need to make the best use of our stock whilst protecting those households who most need our support and whose circumstances are highly unlikely to change in the future and/or not to penalise existing secure tenants who may need to move.

We will offer the following applicants life-time tenancies:

- Under-occupiers who have reached state retirement age and who are moving to a smaller property; and
- Older people moving into sheltered or extra care housing, older people who have reached state retirement age and are moving into a one bed general needs property.

In all other circumstances a fixed term tenancy will be granted with automatic renewal in certain circumstances. The circumstances for automatic renewal are set out in section 7 – Tenancy Reviews (page 6).

The reason for this approach is that there may be situations where for example someone no longer needs a specialist or adapted property and the granting of a lifetime tenancy in all circumstances would prevent making best use of the property. Automatic renewal where the household continues to have the same needs will provide the necessary certainty of support to vulnerable households.

5. Minimum length of Tenancy

The council will offer a 12 month introductory or probationary tenancy followed by a minimum 5 year tenancy period in most circumstances where a fixed term tenancy is being granted. We consider that a 5 year tenancy offers reasonable security to most households and is considerably more secure than the average initial tenancy granted in the private sector. In addition, we expect the majority of fixed term tenancies will be renewed because people's circumstances have not changed materially, for example the household income has not increased and there is no other more economically realistic affordable housing option and/or the household size still matches the size of property. However, reviewing the tenancy periodically will enable tenants to consider what other housing options there are or might be in the future and to discuss other opportunities for example relating to employment/training initiatives.

The Localism Act allows the granting of shorter tenancies of no less than two years in exceptional circumstances. The council will not grant a shorter tenancy period in any circumstances other than those specified below.

- Where a shorter tenancy period is required to enable redevelopment to take place
- In any of the circumstances under section 7 when considering renewal of a tenancy the tenant could move to another property but it would be unreasonable to enforce it at this time

6. Succession

In view of the limited amount of social housing in Harrow the Council will only offer discretionary succession in the following circumstances:

- Where a family member¹ has been part of the household for at least 5 years or where a carer (who is not a family member or employed as the carer) gave up accommodation to care for a minimum of 12 months, the property meets their housing needs and no alternative economically realistic housing option exists. In the situation where the property is larger than the needs of the family member or carer a suitable alternative economically realistic housing option may be the offer of a suitable social housing property on a fixed term tenancy. A succession to a fixed

¹ Family members include the tenant's: (i) spouse or civil partner, or the person the tenant resides with as husband or wife or as if they were civil partners; (ii) parent, grandparent, child, grandchild, brother, sister, uncle, aunt, nephew or niece, stepchild, illegitimate child as well as relationships of the half blood; and (iii) relationship by marriage or civil partnership will be treated as a relationship by blood.

term tenancy should only be granted for the remainder of the life of that tenancy and renewal subject to a review when the end of the tenancy is due.

7. Tenancy Reviews and advice and assistance when a tenancy might not be renewed

The tenancy review is primarily an opportunity for the Council and tenant to consider if the current home still best meets the tenants needs and how it might be possible to meet future aspirations for example for home ownership by discussing low cost home ownership options available, savings for deposits etc and by offering advice and guidance to non working households on national and local employment and training initiatives. Based on our evidence we expect the majority of Council tenancies to be renewed.

All new tenancies, with the exception of life time tenancies, will be granted as fixed term tenancies and automatically renewed if the following tenant's household circumstances are unchanged since they were originally housed:

- The tenants are of state retirement age and living in a 1 bedroom general needs property;
- The tenant(s), their spouse or partner or a dependent child is disabled validated by means testing for disability benefits;
- The tenant(s), their spouse or partner or a dependent child have a severe learning disability or severe enduring mental health need validated by the relevant officer in the Council's Community, Health and Wellbeing directorate
- The tenant was a Care Leaver and is still receiving support from the Council

The Council will take the following principles into account when considering whether to renew the tenancy:

- The property should meet the current housing needs of the tenant and their household. Examples where the property is no longer suitable might be if the property is under-occupied by one-bedroom or more and an alternative suitably sized property is being offered, the property has been extensively adapted but for someone with a disability who no longer lives with the tenant and an alternative property is being offered. In these circumstances it would be reasonable not to renew the tenancy so that the property can be let to someone who needs it. Other considerations to be taken into account with regard to the suitability of alternative accommodation might include specific individual circumstances and access to family support networks ;
- The tenant's household income is sufficient to enable the tenant and their household to find other suitable accommodation either by moving into intermediate housing (low cost home ownership or sub market rent), private rented or buying on the open market. We propose using the following household income eligibility limits as an absolute income cap, that is anyone earning above these limits would be expected to move independently into the private sector either to rent or buy:

Household Size	Income Limit
1 bed	£30,000
2 bed	£38,000
3 bed	£48,000
4 bed	£60,000 ²

The information used to calculate these limits is attached at Appendix 2 and will be reviewed and updated annually.

A financial assessment will be carried out for applicants earning below these limits to determine what other affordable housing options are available;

- The tenant's household has assets or savings greater than £24,000. The proposed income and savings limits are the same as will be proposed in the Councils revised Housing Allocations Scheme which would normally exclude them from being granted a tenancy;
- The tenant has breached the terms of their tenancy and failed to reach or maintain an agreement with the Council to remedy this breach. For example there are rent arrears and the tenant has not agreed to maintain an agreement to clear these or there has been serious and persistent documented anti-social behaviour.
- The tenant or a member of the household has a conviction for civil disturbance carried out in the locality of Harrow or other criminal activity such as housing fraud.

We will carry out the review at least 9 months before the tenancy is due to come to an end to allow sufficient time for a tenant to find alternative housing if the tenancy is not renewed and alternative accommodation is not to be provided.

We recognise there may be circumstances where it might be considered unreasonable to expect someone to move even if one of the above criteria apply and will consider allowing a tenancy to continue if:

- The tenant or a member of their household is suffering from a terminal illness;
- The tenant has children attending a local school at key stages of education, specifically in year 10/11 or year 12/13 and no economically realistic alternative housing is available locally.
- The tenant is a foster carer and the tenancy needs to continue to enable them to fulfil this role;
- The tenant is participating in a Tenancy Sustainment Programme or a training and employment programme and moving at this stage would prevent the tenant from completing the programme.

² The income limits have been calculated with reference to local rents and on the basis that housing costs should not exceed 40% of net income (where net income is 70% of gross)

- The tenant makes an active and positive contribution to their local community, through for example volunteering for an approved organisation on a regular weekly basis.

In any of the above circumstances it may be appropriate to offer a shorter tenancy renewal of at least two years or a further five year tenancy depending on individual circumstances.

The Review will be carried out by trained housing officers and include offering appropriate proactive advice and assistance to find alternative accommodation. Options for alternative housing could include home ownership either outright or through the various First Steps initiatives or other government initiatives, a privately rented home either in Harrow or elsewhere or a more suitable affordable rented home either in Harrow or elsewhere. Appropriate advice on employment and training initiatives will be provided to non working households including young adults who form part of the household.

Where a Tenancy Review is being carried out with a vulnerable household, such as a Care Leaver or other vulnerable adult appropriate support arrangements will be made such as use of an advocate or advocacy service.

We have changed the income and savings limits to more accurately reflect local incomes and costs of housing since we consulted on the Tenancy Strategy. Do you agree with the new proposed limits and savings cap?

8. Reviews and Complaints

There are two stages at which an applicant can seek a review of any decision relating to the flexible tenancy.

Review of offer to grant a flexible tenancy

Following the service of the notice stating that on the coming to an end of the introductory tenancy it will become a flexible tenancy for a period of 5 years, the applicant can request a review of the Council's decision about the length of the period of the flexible tenancy. A review can only be requested on the basis that the term of the flexible tenancy does not accord with the Council's policy.

These reviews are likely to be very small in number as the Council will in the main be granting 5 year flexible tenancies.

A request for a review has to be made within 21 days of receipt of the notice. The Council can extend the time period for seeking such a review. The review will be conducted by a Senior Housing Manager who has had no previous involvement in the case. The applicant will be notified of the outcome of the review including the reasons for their decision within **[56 days]**.

Review of decision not to renew the flexible tenancy

Following the Tenancy review and after the provision of appropriate advice and assistance as set out above, the Council will serve notice where it is not going to renew a tenancy 7 months before the tenancy is due to end. The notice will state that the Council will not be renewing the tenancy on the expiry of the flexible tenancy, the reasons why the tenancy is

not being renewed and explain the review process (“the First Notice”). The Council will also serve a notice 3 months before the tenancy is due to end giving the tenant not less than two months notice that the Council requires possession of the property and the date after which court proceedings may be begun (“the Second Notice”). If the tenant refuses to move when the notice period set out in the Second notice expires a court order will be applied for and the usual eviction process followed.

If a Harrow council tenant disagrees with the Council’s decision not to renew their tenancy they may use the following review process. A request for a review has to be made within 21 days of service of the First notice and must be carried out and the tenant notified of the decision before the date specified in the Second notice expires.

- All applicants have the right to request general information about their tenancy review, including the facts that have been taken into account and the reason for not renewing the tenancy;
- An applicant who is unhappy with the decision should in the first instance contact the Housing Operations manager to explain why they think the decision is unreasonable. This can be done face-to-face, over the telephone, by email or letter;
- The applicant will be notified in writing whether the decision still stands and the reasons for this, usually within 5 working days;
- If the applicant wishes to pursue the matter further, they can make a request for a formal review of the decision and must do so within 21 days of service of the First Notice. The Council will consider a review out of time if there has been a delay during the informal review. The request for a formal review may be made orally or in writing. Where the request is made orally, the Council may hold an oral hearing at which the applicant can be accompanied by an advocate or representative. The applicant will be asked to make submissions stating the reasons for the review request. The Council will seek any further information it considers necessary, including advice from other specialist advisers. This formal review will be conducted by a Senior Housing Manager who has had no previous involvement in the case. The applicant will be notified of the outcome of the review including the reasons for their decision within **[56 days] and by no later than the date specified in the Second Notice as the date after which proceedings for the possession of the property may be begun.**
- **The applicant also has the right to complain to the Housing Ombudsman and/or seek judicial review of the Council’s decision not to renew the tenancy.**
- If the formal review upholds the decision but the tenant refuses to leave a possession order will be applied for and the usual eviction process followed.
- The Court has the discretion to refuse to grant an order for possession if the Court is satisfied that the Council has either failed to carry out the review or that the decision on the review is otherwise wrong in law.

Do you agree with the proposed review and complaints process?

9. Equalities

We have used the Equalities Impact Assessment completed for the Tenancy Strategy to inform this Policy which follows the principles endorsed through the consultation process. The EQIA is available on our website through the following link: [\[Insert link\]](#)

10. Reviewing the Tenancy Policy

This policy will be monitored and reviewed annually. Revisions, such as to the income and savings caps, will be authorised by the Portfolio Holder for Housing.

DRAFT

Appendix 2 – Income Limits

Income Limits: 18 July 2012

Bed size	Open market purchase				Shared Ownership purchase				Market rent		
	Median House Price	20% deposit required	Mortgage	Gross income required*	Assumed OMV	25% share	10% deposit	Minimum gross income required	Lower quartile rent pw	Lower Quartile Rent PCM	Gross income required
1 bed	£174,650	£34,930	£139,720	£39,920	£195,000	£48,750	£4,875	£26,000	£173	£750	£30,000
2 bed	£286,300	£57,260	£299,040	£65,440	£249,950	£62,488	£6,249	£32,000	£219	£950	£38,000
3 bed	£363,400	£72,680	£290,720	£83,063	£350,000	£87,500	£8,750	£44,000	£277	£1,200	£48,000
4 bed	£471,800	£94,360	£377,440	£107,840	£430,000	£107,500	£10,750	£54,000	£346	£1,500	£60,000

NB. Based on housing costs not exceeding 30% of gross income (which is currently equivalent to 40% of net income where net income is 75% of gross. In 2011 the gross median weekly wage of Harrow residents was £603 (£31,356 per annum) and the gross median weekly wage of Harrow residents working in Harrow was £510 (£26,520 per annum)

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**REPORT FOR: TENANTS',
LEASEHOLDERS' &
RESIDENTS'
CONSULTATIVE FORUM**

Date of Meeting: 26 September 2012

Subject: **INFORMATION REPORT –**
Housing Rent Options paper

Responsible Officer: Lynne Pennington, Divisional Director
of Housing Services

Exempt: No

Enclosures: None

Section 1 – Summary

The purpose of this report is to provide an outline of some of the options that may be available to the Council should it wish to re-visit its existing rent strategy.

FOR INFORMATION

Section 2 – Report

2. Current Rent Policy

- 2.1. The rental policy currently being employed by Harrow to set its housing rents was approved by Cabinet and Council in March 2011, and was based on a continuation of Government rent convergence policy, which assumed that rents would increase annually by not more than RPI + 0.5% real growth + £2 until such time as convergence with target rent had been achieved. At the time of setting this year's rent increase, this policy resulted in an average rent of £102.14, an increase of 6.72%, although it should be noted that the RPI figure specified for use in the calculation (September 2011 figure) was 5.6%, which made a significant contribution towards the size of the overall increase.
- 2.2. In addition to its compliance with the Government rent convergence policy for the purposes of calculating rent increases, the Council has also implemented a policy of charging new lettings at the target rent for the property being let, rather than continuing the rent convergence path that would otherwise have been followed if the property had not become vacant. This policy means that progress towards full rent convergence is being made slightly faster than would otherwise have been the case (during 2011/12 253 new lettings were made at target rent out of 293 lets overall).
- 2.3. In adopting this policy, the Council needs to have regard to the average level of actual rents compared with the average level of the Limit rent used in the rent rebate subsidy limitation calculation, which are assumed to converge with target rents by 2015/16. This comparison is necessary because if actual rents are higher on average than limit rents, then the Council may not obtain the full benefit of these rent increases as rent rebate subsidy received within the General Fund may be capped, and the excess chargeable to the Housing Revenue Account.
- 2.4. This paper aims to identify the options that may be available to Harrow Council should it wish to review its policy in respect of future rental income and consider alternative methodologies which may involve increasing rents above the levels currently projected so as to provide more resources within the HRA.

Future rent policy options

Status Quo

- 2.5. The first option available to the Council is, of course, to retain the status quo, i.e. not to take any action to increase its levels of rental income (other than that level of increase assumed by the current convergence process and inflationary increases thereafter).

- 2.6. Given that welfare reform and the introduction of the benefit cap and Universal Credit are imminent, which are expected to place a squeeze on tenants' incomes and potentially give rise to an increased likelihood of rent collection problems and rent losses through bad debts, the Council may decide that this is not an appropriate time to consider any approach that attempts to increase above the levels currently projected (and thus add to the burden of some of the 71% of tenants in receipt of full or partial housing benefit). The rent increase for 2013/14 will be dependent on the level of RPI in September, but if we assume for the moment that it may be the same as July's figure of 3.2% (the most recent one announced at the time of writing this paper), then based on the current rent convergence profile the increase for next year could be in the region of 4.4%. This would mean that the average rent for next year would be in excess of £106 per week (around £4 per week more than 2012/13), even without a change of rent policy.
- 2.7. An additional factor that may count against increasing rents at the moment is "the message" that this would give out: we have been saying that self financing is a good thing and will enable us to meet all of our investment requirements and generate significant surpluses in the HRA, but to then say that we still want to increase rents to generate yet more surpluses may be a message that would not prove to be politically acceptable, unless perhaps it was in the context of providing additional funds for new affordable housing.

Alternative Policies

- 2.8. One option for the Council could be to disregard rent convergence completely, as some other Councils, such as Wandsworth, have done, and implement a policy of the Council's rents being linked by some mechanism to private sector rent levels within Harrow, or to the level of the Local Housing Allowance. This would be a significant departure from the current policy, and would be likely to result in the Council incurring costs in the HRA as a result of Rent Rebate Subsidy Limitation. Whilst this would reduce the overall benefit of the additional rents raised, there could still be additional resources generated for use within the HRA, albeit that the cost to the tenants would be greater than the benefits derived. An example of this would be in the case of Wandsworth, whereby rental income increased by £6.3m between 2010/11 and 2011/12, but Rent Rebate subsidy limitation increased by £0.5m, meaning that nearly 8% of the additional rent was lost due to the subsidy limitation calculation.
- 2.9. A second option could be for the Council to petition the Department for Communities and Local Government to be able to use target rent plus 5% as the convergence target for rents. At the time that rent reform was first introduced, this approach was outlined in the guidance, mainly for the purposes of ensuring that RSLs' (as they then were) business plans

remained viable, as many had long term assumptions for higher rents. Whilst this provision was substantially aimed at the RSL sector, there was an acceptance that in specific circumstances, and provided a valid case could be made to DCLG (DETR at the time), then local authorities too may be able to adopt this strategy. What would be acknowledged as a valid case was subject to individual circumstances, but typically, being in a very high-value area, or consistency with the rent levels of other registered providers may be seen as valid reasons. It is not clear whether approval by DCLG would automatically trigger a commensurate recalculation of the limit rent, but if this were not the case, and rent rebate subsidy limitation therefore was projected to become a factor, then if the Council wanted to do something along these lines then it could always use the approach outlined above in 2.8, rather than petitioning DCLG. If the limit rent calculation was adjusted to take account of the revision to target rents, then this option could generate additional income for the HRA at no additional cost.

2.10. A third option could be for the Council to adopt a policy of re-valuing its properties for the purposes of rent setting following major investment programmes, i.e. significant investment would increase the value of a property, which in turn would increase the value-related element of the target rent calculation. This is an approach being adopted by a significant number of registered providers, who are seeing this as both a logical approach that reflects the increase in value of properties following significant investment, and thereby the increased amenity being provided to the tenants of those properties, and obviously a means by which income may be increased to help fund the additional ongoing investment in the stock. This option is now also starting to come under more scrutiny within local government as a possible means of increasing income under the self-financing regime, as it is one of the few ways available to increase rental income to any significant extent.

2.11. It remains to be seen to what extent investment programmes would increase the value of individual properties, and work is currently underway with the Council's valuers to assess the value of one of each of the beacon properties used for valuation purposes, assuming the completion of a significant investment programme. These valuations will then be discounted back to January 1999 prices (the valuation base used for calculating formula (target) rents) and the revised valuations used to calculate revised target rents. We would then be able to calculate revised convergence profiles and ascertain the potential impact of this approach on income levels and the HRA business plan as a whole.

2.12. The options outlined above are set out below in the Rent Options Matrix:

Rent Option	Description	Advantages	Disadvantages/Risks	Recommendation
Status Quo	No action to increase levels of rental income (other than that level of increase assumed by the current convergence process and inflationary increases thereafter) RPI currently assumed to be 2.5% throughout model, convergence for most properties assumed to occur by 2015/16	Current policy agreed with members and tenants. "Safe" option, no controversy.	No increased income (over that previously projected) Low risk option The rent increase to be applied in 2013/14 will depend on the RPI figure for September 2012, but based on the published figure for July would be in the region of 4.36%	Could be seen as favoured option in short-term.
Disregard rent convergence	Disregard rent convergence completely, and implement a policy of the Council's rents being linked by some mechanism to private sector rent levels within Harrow, or to the level of the Local Housing Allowance.	"Scientific" basis for rent setting Rent differentials maintained between dwelling types Generate additional income for HRA – a 5% increase in average rents would generate additional rental income in the region of £60m over 30 years, although £38m of this would be lost in rent rebate subsidy limitation, giving a net benefit of £22m	High risk politically "Why do this now?" – cynical exercise to raise money. Rent rebate subsidy limitation would lessen benefit Affordability issues for tenants at same time as benefit changes hit Lose comparability with RSL (RP) rents	Risks may well outweigh potential benefits at this stage

Rent Option	Description	Advantages	Disadvantages/Risks	Recommendation
Target + 5%	Council could petition the DCLG to use target rent plus 5% as convergence target for rents. This provision substantially aimed at the RSL sector, but could apply to LAs provided a valid case could be made to DCLG (DETR at the time) Valid case typically included: being in a very high-value area, or consistency with the rent levels of other registered providers.	<p>Consistent basis for rent setting</p> <p>Rent differentials maintained</p> <p>Generate additional income for HRA - an increase of 5% and convergence with this increased target would generate additional rental income in the region of £60m. The net benefit would depend on the extent to which DCLG permitted the increased target rents to be used in the limit rent calculation.</p> <p>Methodology not too far removed from current calculation</p>	<p>High risk politically</p> <p>May be seen as “Arbitrary” increases – again why do this now when HRA being broadcast as being in better position than ever?</p> <p>Rent rebate subsidy limitation could lessen benefits</p> <p>Affordability issues for tenants at same time as benefit changes hit</p> <p>No guarantee would be permitted</p>	Risks may well outweigh potential benefits at this stage
Revalue properties	Re-value properties for the purposes of rent setting following major investment programmes	<p>Logical and transparent</p> <p>Methodology unchanged</p> <p>Rational reason for increasing value element of rent calculation</p> <p>Generate additional income for HRA - preliminary estimates indicate property values used for rent calculation purposes could be</p>	<p>Medium risk option</p> <p>Why do this now when HRA being broadcast as being in better position than ever?</p> <p>Rent rebate subsidy limitation could lessen benefits</p>	Less risky option, likely to be more acceptable, but would it be better to delay until impact of HRA reform and Housing changes more certain?

Rent Option	Description	Advantages	Disadvantages/Risks	Recommendation
		<p>increased by around 7.5% as a result of investment, which would translate to an increase in average target rents in the region of 2.85% (property values only impact on 30% of the initial target rent calculation). Further work is being undertaken to assess the potential impact of planned investment on property values in more detail.</p> <p>An increase at this level would generate additional rental income in the region of £34m over 30 years. The net impact would depend on whether DCLG would permit any increase in target rents to be reflected in the limit rent calculation. If it was not permitted, in the region of £21.5m would be lost through rent rebate subsidy limitation resulting in a net benefit to the HRA of £12.5m.</p> <p>Could be considered as part of the future asset management strategy and relate to regeneration or new affordable housing proposals</p>	<p>Affordability issues for tenants at same time as benefit changes hit</p>	

Conclusions

- 2.13. The Council has a range of options available to it, should it wish to review the rent policy adopted in March 2011. In reviewing the policy, the Council does not have to actually amend it if it feels that the current policy is working satisfactorily and has proven acceptable to tenants, albeit with some reservations regarding affordability and tenants' ability to pay following benefit reform, particularly in periods of high inflation, as was the case for this year's increase.
- 2.14. We have outlined above some options that the Council could investigate further should it wish to consider changing rental policy to generate additional income going forward. One of the options (Target rent + 5%) could potentially be viewed as creating "arbitrary" increases, but the other two have a more scientific basis of calculation. In terms of acceptability, however, for the Council to now decide to disregard rent convergence, having followed it for so many years (unlike authorities such as Wandsworth), may be seen as a cynical means of generating additional income, whereas a methodology based on actual improvements may be seen as more palatable, the improvements being indisputable.
- 2.15. As already indicated above, all options that would involve increasing rents would need to be considered against the possibility of actual rents being in excess of limit rents. In practice this could mean that tenants would not see the full benefit of the increased rents, in terms of improved services or additional investment, due to additional costs being generated in the HRA as a result of Rent Rebate subsidy Limitation.
- 2.16. In considering any of these options, it will be necessary to undertake a full Equalities Impact Assessment to ensure that the effect of any of them would not be disproportionate to any particular sector of our current or future tenants. The aim would be to undertake this once the information for modelling becomes available, although an initial assessment suggests that most of the options likely to be available to the Council would not involve a change in the underlying methodology of the rent calculation, and would not therefore be expected to have a disproportionate impact on any particular group. Disregarding rent convergence completely appears to present the most potential for a disproportionate impact, but this would necessarily depend on the new methodology for rent-setting, which we are not in a position to assess at present.
- 2.17. We are obviously at a stage now where we are starting to develop the HRA and we know that some of the areas we are seeking to develop

will mean additional ongoing costs within the HRA and so reduce the long-term balances. Some of the areas that will impact on the HRA may not be known in time for the 2013/14 budget, or potentially even a year or two beyond that, so we may not have a firm long-term forecast for several years.

- 2.18. It may be the case that the Council may decide not to change its rent policy at this stage, but to reserve the right to re-visit this issue at a later stage when we know what the impact of welfare reform is and have the currently-desired levels of service in place, as at that stage we may be able to better “sell” the need to increase rents to top up the resources projected to be available at the time.

Section 3 – Further Information

3. All relevant information is contained within the report.

Section 4 – Financial Implications

4. Financial matters are integral to the report.

Section 5 – Corporate Priorities

5. The content in this report informs tenants, leaseholders and residents of some of the options that may be available to the Council should it wish to change the way in which it sets rents in the future, and supports the corporate priority of ‘united and involved communities’ by engaging more effectively with residents.

Name: Milan Joshi	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date:13/09/2012.....		

Section 6 - Contact Details and Background Papers

Contact: Dave Roberts, Housing Finance Business Partner
Direct 0208 420 9678

Background Papers:
None

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