

TENANCY STRATEGY - 2013

London Borough of Richmond upon Thames

1 Introduction

- 1.1 Richmond upon Thames is a large scale voluntary transfer authority and no longer carries out a landlord function in relation to social housing. The Council in its strategic housing role is therefore keen to guide its Registered Provider partners to meet local housing needs and priorities, as outlined in the Tenancy Strategy.
- 1.2 Richmond upon Thames Tenancy Strategy outlines the Council's position with regard to the type, duration and renewal of tenancies available to Registered Providers in Richmond upon Thames. It also sets out the Council's policy position on 'Affordable Rent'.
- 1.3 The Localism Act 2011 requires local authorities to provide information that Registered Providers will have 'regard' to in relation to a) the type of tenancies Registered Provider's grant, b) the circumstances in which they will grant a tenancy of a particular kind, c) where they grant tenancies for a fixed term the duration of the term and d) the circumstances in which they will grant a further tenancy on the expiry of a fixed term tenancy.
- 1.4 The Tenancy Strategy is built upon extensive research of the local housing market carried out by University of Cambridge and DTZ consultancy. University of Cambridge reviewed the private rented sector in the borough whilst DTZ brought this information together in a wider report on the housing market. DTZ also engaged with a number of stakeholders including the major Registered Providers in the borough for their views to inform the Tenancy Strategy. Both pieces of research were jointly commissioned with RHP, the largest Registered Provider in the borough.
- 1.5 The Council is aware that Registered Providers work across boroughs / regionally but where possible the Council would like to ensure all Tenancy Policies are transparent and so far as possible, equitable to housing applicants.
- 1.6 In light of recent national policy changes and upcoming welfare reforms the Council may produce summary updates to the Tenancy Strategy, allowing the Council to take a flexible approach to emerging issues.

2 Type of Tenancy

- 2.1 Registered Providers can offer either lifetime or fixed term tenancies which can be let at either a 'Target Rent' or 'Affordable Rent' to households on the Housing Register. The Council expects that all 'Affordable Rent' properties the Council has nomination rights to will be let to households in need, as prioritised via the Housing Register.
- 2.2 Tenancies let at either Target Rent or Affordable Rent levels should be suitable to the majority of households on the Housing Register. Registered Providers should take into consideration rental levels on Affordable Rent

properties, both for working households on low incomes or those reliant on welfare benefits.

- 2.3 Tenancies let at Affordable Rent levels may well be suitable for vulnerable households who can afford the rental levels; however where a household's income is derived from welfare benefits affordability is a key criteria. In addition there will need to be checks in place in relation to tenancy duration for older people and disabled households.
- 2.4 For some specific vulnerable groups tenancies let at Affordable Rents may not be suitable. The Council has clear objectives of ensuring care leavers are in education, training or employment. Tenancies let at Affordable Rents will generally not normally be offered to care leavers (there may be exceptions) where higher rent levels would be likely to create significant challenges for care leavers attempting to access a lower paid 'first job'.
- 2.5 In specific circumstances disabled households likely to access work (such as those with learning disabilities, mental health conditions or a physical disability) may be excluded from properties let at Affordable Rent levels, this will be on a case by case basis with each case assessed on its merits.
- 2.6 The Council does not expect re-lets from existing sheltered or extra care housing schemes to be offered at Affordable Rent levels although we will work with Registered Providers to support new extra care housing schemes as long as issues including affordability and security regarding tenancy duration are considered.

3 Tenancy Duration

- 3.1 The Council supports Registered Providers using introductory tenancies¹.
- 3.2 Fixed Term tenancies should be for a minimum period of five years although some Registered Providers may choose longer periods, such as ten years. The Council believes this balances the need to make best use of housing association stock whilst not creating a significant administrative burden for Registered Providers.
- 3.3 The Council supports shorter tenancies of two years duration only in 'exceptional circumstances' such as when Registered Providers are planning renovation or renewal works. The Council is committed to ensuring housing association tenants are not impacted by anti social behaviour caused by other tenants. As such, the Council wishes to offer Registered Providers the greatest flexibility in the tools available to them to address anti social behaviour. The Council strongly supports Registered Providers offering two year 'exceptional circumstance' tenancies where appropriate, for example a housing association tenant or Housing Register applicant with a confirmed history of anti social behaviour
- 3.4 The Council requires Registered Providers to offer tenancies of longer duration to vulnerable households such as those with a long and enduring illness or condition of a serious nature and where a person's circumstances

¹ Introductory tenancies are tenancies often for 1 year, which provides the tenant with a trial period. Tenants can then progress to Fixed Term or Secure tenancies. It is useful tool for landlords to address issues such as anti social behaviour.

are unlikely to change. In these situations a longer fixed term with assumption to renew (subject to Registered Provider's medical assessment) or a lifetime tenancy will be suitable.

- 3.5 Other groups that the Council considers in need of lifetime or longer duration fixed term tenancies with a strong presumption to renew include; older people in sheltered accommodation, families with disabled children (where in the medical examiners view a longer tenancy would provide stability), people leaving care and injured ex service personnel.
- 3.6 Secure tenancy rights of existing housing association tenants should be protected so as not to discourage downsizing or movement within the housing association stock and cross borough mobility schemes.

4 Tenancy Renewal

- 4.1 The Council would expect tenancies generally to be renewed and fixed term tenancies should not detract from maintaining stable communities. Tenants with longer fixed term tenancies are more likely to invest in their homes and contribute to their communities.
- 4.2 Given the shortage of affordable housing in the borough under occupation may be one of the principle reasons that a tenancy is not renewed and smaller accommodation (appropriate to the household's size) offered as an alternative. We would expect pensioner households to be moved on a voluntary basis, noting there may be some exceptions. The need to be near medical and caring/family support networks should always be factors for housing associations to consider when offering alternative accommodation for older and vulnerable households.
- 4.3 Tenancies may also not be renewed where the property has been extensively adapted for a person with disabilities and where the person with a disability no longer resides in the property. There would be an expectation that suitable affordable housing is provided to the remaining tenant. Discretion to remain or extend the tenancy may also apply where no customer with disabilities can be identified to take the property.
- 4.4 When considering the renewal of tenancies Registered Providers should consider favourably any work or community contribution the tenant has made throughout the lifetime of the tenancy in line with the Council's Allocation Policy 2012, which provides additional priority to working households and those making a community contribution. Community Contribution could include volunteering for a not for profit organisation or organising activities for young people, for a minimum of 18 hours a month. For renewal purposes evidence would have to be provided demonstrating a minimum period of two years work during the fixed term tenancy.
- 4.5 For those with health and care needs the process of tenancy review should involve input from health/social care professionals and carers with a presumption to renew if independently medically verified.
- 4.6 The Council expects that for households with children, tenancies will be automatically renewed (subject to 4.7 below) For those with children (but in properties where a household is under-occupying a property) Registered Providers may wish to consider offering alternative affordable housing

appropriate to the family size. In these circumstances Registered Providers should consider any impact at critical points in education, such as when taking public examinations.

- 4.7 Registered Providers should consider any serious breaches in tenancy when considering tenancy renewal such as significant rent arrears or anti social behaviour.

5 High incomes and Tenancy Renewal

- 5.1 The Housing Allocations Policy contains criteria on the income and savings levels households may have in order to access affordable housing. When making decisions on tenancy renewal Registered Providers should work positively with tenants who have had a substantial positive change in financial circumstances to highlight opportunities to either purchase a shared ownership property, explore any 'Preserved Right to Buy' or 'Right to Acquire' opportunities or buy on the open market. The Council's aim is to encourage home ownership opportunities for housing association tenants, where feasible.
- 5.2 The Council supports the aspirations of low income working families who have improved their financial circumstances. The Council is of the view that Housing Association tenants should not be penalised by non renewal of tenancies for improving their economic circumstances, unless their household income is significantly higher than average incomes in the borough² and they can afford alternative housing opportunities relevant to their household size.³
- 5.3 The Council recognises the administrative burden that monitoring of tenants' income may incur on Registered Providers and outline these proposals as freedoms for Registered Providers to consider when developing their tenancy policies and considering the renewal of fixed term tenancies. If adopted Registered Providers should pay particular attention to issues around the affordability of alternative housing options, particularly for larger family sized homes. More detailed information including the potential to charge higher rents is available in Appendix A.

6 Non Renewal of Tenancies

- 6.1 Where tenancies are not renewed for breach of tenancies or on income grounds Registered Providers should work with tenants, providing adequate time for the household to find alternative accommodation.
- 6.2 Tenancy reviews should take place no later than six months prior to the end of tenancy allowing enough time for information to be collated and considered as well as allowing time for appeals.
- 6.3 The Council recommends earlier reviews in certain circumstances such as under-occupation where a Registered Provider is likely to need to source suitable alternative accommodation.

² Average earnings in 2012 were £41,000

³ See Appendix A for more discussion on income and tenancy renewal

7 General

- 7.1 Registered Providers are expected to provide information and consult on their Tenancy Policies with the Council.
- 7.2 The Council expects Registered Providers to consult with their tenants in developing their Tenancy Policies.

8 Affordable Rent Properties

Understanding the Private Rented Market in Richmond upon Thames & Implications for setting rent levels for Affordable Rent properties

- 8.1 The Council and RHP recently commissioned the Cambridge Centre for Housing and Planning Research at University of Cambridge to carry out an independent analysis of the private rented sector in Richmond upon Thames. The full report is available [here](#) which includes detailed maps of average rent levels in the borough.
- 8.2 The research found that the borough is an expensive area in which to rent privately with high quality housing, popular with wealthy households. Lettings agents are primarily focused on high end lets to households headed by people working in the City, young professionals and corporate lets.
- 8.3 Large areas of the borough including Barnes, Kew and Richmond have exceptionally high rents, averaging rents of **above** £2200 per month for a two bedroom property. Affordable Rents at 80% of market rents are clearly not affordable in these areas taking them outside of all Local Housing Allowance rates by a significant margin. These would then be unavailable to housing applicants claiming welfare benefits including the low waged, which comprises the majority of households on the Richmond Housing Register. The incomes required to fund these rent levels would be outside of the Borough's recent Allocation Policy (2012) levels.
- 8.4 In some areas of the borough rents are lower, such as Hampton North, Heathfield and Whitton. In these areas there may be more flexibility to charge higher rent levels up to 80% of market rents.
- 8.5 Research carried out by the Council found that affordability was particularly an issue for larger properties (3 bedroom and higher) with issues around affordability for three bedroom Affordable Rent properties in 13 out of 18 wards in Richmond upon Thames.
- 8.6 Registered Providers must consider the atypical nature of the private rented sector within the borough (which largely focuses on high income households) when setting rent levels for Affordable Rent properties.
- 8.7 The Council and RHP commissioned DTZ to research the housing market in Richmond upon Thames, issues around housing need and supply and develop an evidence base to inform the Tenancy Strategy. The research is available [here](#).

Direction to Registered Providers with regard to Affordable Rent

- 9.1 Due to the diverse nature of the private rented market in the borough Registered Providers should take a 'site by site' approach to setting Affordable Rent levels paying particular attention to scheme rent levels in high market value areas. This will provide Registered Providers with the flexibility they need to need to fulfil their GLA housing contracts whilst ensuring that the product they deliver at a local level is affordable and relevant to the housing needs of Richmond upon Thames.
- 9.2 The Council wishes to ensure that Affordable Rent properties are affordable to low income working families. As such 3 bedroom properties should not be re-let at the maximum affordable rents of up to 80% market rents.
- 9.3 The guiding principle for Registered Providers to consider when setting rent levels for Affordable Rent properties is to ensure they are affordable to households on the Richmond Housing Register (both low income working households and those reliant on welfare benefits).
- 9.4 The Council has the second smallest social housing sector in Greater London⁴ (GLA 2010) and development sites are limited and often small in scale, with one third of the borough made up of historic parks and Thames landscape. A key priority of the Council is therefore to ensure the affordable housing that is developed meets Members' commitments to help the most vulnerable and low income working families.
- 9.5 Rents set at up to 80% of market rents may be affordable for one and two bedroom properties in western wards of the borough such as Hampton North, West Twickenham and Heathfield. In higher rental areas such as Teddington, a blended approach of 65% market rents should be adopted. In the most expensive areas in the east of the borough (Richmond, Kew and Barnes) Registered Providers are required to pay particular attention to issues of affordability (see 9.6 and 9.7).
- 9.6 The majority of households on the Housing Register are reliant on welfare benefits. The Council has therefore provided guideline rents that Registered Providers must consider when setting rents in the most expensive areas of the borough. These are based on the welfare cap levels⁵ to be introduced under Universal Credit.
- 9.7 Guideline rents are based on the amount of minimum income a household on benefits requires for living expenses and increases with family size. As an example a family with four children will need to use a higher amount of their benefits available under the welfare cap for food, bills and household expenses than does a single person. Larger families are likely to have less income available for rent and this is of particular importance in high rental areas such as Richmond upon Thames. To ensure long term affordability consideration must be given to the minimum income a household requires for living expenses by family size outlined in the guideline rents table below. These guideline rents must also include service charges payable by the tenant.

⁴ Greater London Authority estimate (2011)

⁵ The welfare cap is currently proposed at £350 pw for a single person and £500pw for a family

Bedsize	Total Benefit available under Welfare Cap	% of welfare benefits to be available to meet housing costs	Guideline Rent in Expensive private rented areas in Richmond
One Bedroom	£350	60%	£210
Two Bedroom	£500	45%	£225
Three Bedroom	£500	40%	£200

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- 9.8 Registered Providers in setting Affordable Rents inclusive of service charges should consider a) LHA rates, b) % of welfare benefits being applied to meet housing costs by property size, c) 80% of prevailing market rents⁶. The Council will support the lower of these figures.
- 9.9 The Council recommends Registered Providers also considers setting rents at a level to ensure that annual rent increases of RPI+0.5% do not erode the residual income either through work or benefits that a household has to live on so as to render the property unaffordable in the future.
- 9.10 Guideline rents in the more expensive private rented market areas (most of the east of the borough) are £210 for a one bedroom property, £225 for a two bedroom property and £200 for a three bedroom property. Four and five bedroom homes should be let at Target Rents. Once a guideline rent figure has been reached the Council would not wish to see any further rent increases for the remainder of the tenancy period unless the welfare cap figures are also increased. Guideline figures will be updated in the future following Government updates.

Development issues and Affordable Rent

- 10.1 The borough will support Registered Providers to deliver affordable housing programme bids where they are aligned to the priorities of the administration as articulated in the Borough Investment Plan (BIP).
- 10.2 Bids and schemes will be supported that minimise the impact of the Affordable Rent model on three bedroom and larger properties either in new provision or re-lets. The need in the borough is still however for family sized accommodation for rent. The Council expects Registered Providers to demonstrate flexibility across their development programme, using Recycled Capital Grant Funding or Disposal Proceeds Funds working with the Council to maintain the supply of family sized homes and to moderate the impacts of excessively high rents that are very likely in parts of the borough
- 10.3 The borough would encourage Registered Providers to use investment raised from affordable rent from either new provision or re-lets within Richmond upon Thames and would prioritise bids that demonstrate a continuing commitment to invest within the borough. As an LSVT authority we expect the

⁶ This is likely only in the cheapest wards of the borough.

relevant Registered Provider to have due regard to the obligations outlined in the transfer agreement in relation to development opportunities.

- 10.4 The Council will support bids that use GLA grant to deliver schemes that lower paid working households can access without the risk of becoming benefit dependent. The borough will also consider use of the Housing Capital Programme to make rents more affordable and the Affordable Housing Fund to enable the delivery of schemes that may otherwise not be viable, or to deliver additional affordable homes. Where the Council makes an investment it will be on the basis of a negotiated rent. Investment will primarily be for larger family homes.
- 10.5 Bids that contain innovative proposals to lower rents or keep affordable rents at a level that better reflects the income of working social tenants will also be supported.
- 10.6 Affordable Rent is suitable for general needs development and could be considered for new supported housing schemes on a site by site basis to ensure units are affordable to tenants already in social housing, especially for those needing to downsize.
- 10.7 Service charges should be included in the Affordable Rent level set whilst remaining within the criteria outlined at 9.8.

Re-lets and Affordable Rent

- 11.1 As a stock transfer authority with no affordable housing stock of its own the Council uses its nominations to housing association properties to address local housing need. The amount of stock that Registered Providers re-let at Affordable rents therefore has a greater impact on the borough than those local authorities with their own stock. Whilst recognising the role played by Affordable Rent to fund new affordable housing development the Council still expects that no more than 1/3 of a housing association's re-lets available to the Council would be at Affordable Rent levels.
- 11.2 Registered Providers should distribute properties let at Affordable Rent, converted from re-lets, equally between 75% nomination rights to the Council and the 25% used for their own purposes, such as transfers.
- 11.3 Registered Providers should provide six monthly monitoring updates to the Council on the re-let of Affordable Rent properties including property size, rent levels, and any reasons for refusal.
- 11.4 The Council would recommend that Registered Providers exclude three bedroom or larger properties from being re-let at Affordable Rents.

Appendix A – Income / Savings and Non Renewal of Fixed Term Tenancies

- 1.1 Richmond upon Thames has the highest house prices of any Outer London borough and a private rented sector that focuses on high income groups. These facts need to be recognised in understanding the realistic housing options available to households in the housing association sector and that incomes required to access home ownership or private rented sector opportunities are likely to be higher than in other areas of London.
- 1.2 Where a household has enough income to access shared ownership Registered Providers should consider whether a tenancy should be renewed. The current GLA income range for shared ownership is up to £64,000 (or £74,000 for those requiring three bedroom properties). The affordability of shared ownership should be considered based on the size of property required and the need for a deposit. The availability of shared ownership opportunities should also be considered although Richmond would prioritise any applicants leaving housing association property as outlined in our [Intermediate Housing Policy Statement](#).
- 1.3 The Government has recently consulted on the issue of charging higher rents to those earning high incomes who reside in social housing⁷. Registered Providers may wish to issue a new tenancy but charge higher rental levels if the Government takes forward these proposals (taking into consideration the Richmond housing market) rather than not renewing tenancies.
- 1.4 The Council would expect Registered Providers to re-invest any local income raised by higher rents in the development of affordable housing within Richmond upon Thames.
- 1.5 The Council agrees with the Greater London Authority (GLA) position that tenancy strategies should support the objective of ‘tenure progression’ (when a housing association tenant who has enough income/savings to access shared ownership they are encouraged to progress to this tenure, both freeing up a valuable unit of affordable housing and supporting tenants aspirations for home ownership). Tenure progression does however need to be contextualised to reflect local situations and the extremely affluent housing market within Richmond upon Thames.
- 1.6 When a household has enough income and savings to access owner occupation in the more affordable areas of the borough Registered Providers may consider non renewal of the tenancy. Income and savings will vary dependent on the size of property required by the household.
- 1.7 Any review should also consider the availability of lower quartile properties and issues around the deposit required to access owner occupation (based on 10% deposit). The table below from research carried out by DTZ consultancy outlines the income levels that Registered Providers may consider non renewal of tenancies by bed-size of property required as at August 2012.

⁷ ‘High Income Tenants : Pay to Stay’ consultation (2012)

Household Income and Deposit thresholds required to access Lower Quartile home ownership in the most affordable wards within Richmond upon Thames

Property Type required	Income level	Deposit required
One bedroom flat	£50,000	£15,000
Two bedroom flat	£60,000	£19,000
Two bedroom house	£75,000	£25,000
Three bedroom house	£84,000	£28,000
Four bedroom house	£96,000	£32,000

Source DTZ, 2012

- 1.8 Only the income of household members who would be expected to reside in the family home over the long term should be assessed when reviewing income thresholds e.g. an adult child who was working but looking for their own accommodation should not be included.
- 1.9 Registered Providers may wish to offer a further fixed term tenancy on the understanding that a household will save a deposit for and eventually access shared ownership or lower quartile home ownership opportunities prior to a decision not to renew the tenancy.
- 1.10 Registered Providers should recognise that the deposit required for larger three bed room plus properties may be substantial and shared ownership opportunities or charging higher rents may be more realistic options to take forward.
- 1.11 When deciding not to renew a tenancy due to high income Registered Providers should retain discretion in certain circumstances, such as a tenant's need to be located in a certain area and where moving would cause particular hardship to a household. Considerations could include the need to be near particular medical facilities or specialist schooling for a disabled child who currently resides in a high value area of the borough. In these circumstances shared ownership or higher rents may be better options to progress.
- 1.12 Registered Providers should also consider the availability of mortgage finance. Charging higher rents may be a more suitable option for older working tenants on high incomes, who may have more limited access to mortgage finance.