

NEW APPROACHES

FEBRUARY 2014

TO FIXED TERM TENANCIES

Supporting organisations to pioneer
new ways of working and review
current and emerging practice

WHY NOW?
WHAT ARE
OTHERS DOING?
GETTING IT RIGHT





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The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals with the advice, support and knowledge they need to be brilliant.

CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing industry. We have a diverse and growing membership of more than 22,000 people who work in both the public and private sectors, in 20 countries on five continents across the world.

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What is this all about?

This briefing explores the use of fixed term tenancies in the social and affordable housing sector in England.

The term 'fixed term tenancies' refers to both:

- flexible tenancies – a new form of tenancy introduced by the Localism Act 2011 which can be used by local authorities. A flexible tenancy is a time-limited form of secure tenancy and carries many of the same rights a secure tenancy
- assured shorthold tenancies, granted for fixed term – a form of tenancy granted by housing associations where they wish to let a property for a fixed period of time

The briefing looks at the potential opportunities and challenges associated with using these tenancies and the approaches of some organisations that have already adopted them. It is intended for organisations that are still considering whether to use fixed term tenancies, or that have already started but are now thinking about reviewing their approach. Its aim is to support you in your decision making and to present a picture of current and emerging practice.

The briefing is divided into three sections:

- the first asks **why should you consider using fixed term tenancies?** It focuses on the potential benefits of fixed term tenancies, setting out what the government was trying to achieve by introducing them and identifying a number of possible objectives which your organisation could choose to pursue
- the second asks **what are others doing?** It explores how a number of organisations are already using fixed term tenancies to achieve their objectives
- the third asks **how do you make sure you get it right?** It considers the challenges and issues that you need to take into consideration when deciding on and implementing your approach

How have we developed this briefing?

The background research to the briefing took place over three stages:

- initially we consulted existing literature from a range of sources, covering the original aims and ambitions behind the introduction of fixed term tenancies
- we conducted an online survey of our members, with a total of 84 respondents, aimed at capturing a broad picture of the reasons some organisations have chosen to use fixed term tenancies and the operational challenges that they have encountered in doing so
- finally, we carried out in-depth telephone interviews with 23 organisations, including a mix of local authorities, ALMOs and housing associations from across the country and also some organisations who have chosen to continue issuing traditional, 'lifetime' tenancies. Through the interviews we aimed to understand in more detail the way in which organisations have made strategic decisions about the use of fixed term tenancies, as well as their experiences of introducing them in practice

The organisations that we spoke to at length were:

- Barnet Homes
- Brighton & Hove District Council
- Coventry City Council
- Derwent Living
- Family Mosaic
- Guinness Partnership
- Hull City Council
- Knightstone Housing Association
- London Borough of Lambeth
- London Borough of Wandsworth
- Leeds City Council
- Liverpool Mutual Homes
- Manchester City Council
- Midland Heart
- North Lincolnshire Homes
- Orwell Housing
- Radian
- Riverside
- South Cambridgeshire District Council
- St Albans District Council
- Teign Housing
- Vale of Aylesbury Housing Trust
- Yarlinton Housing Group

Why should you consider using fixed term tenancies?

In deciding whether or not to make use of fixed term tenancies, the starting point should be to consider the strategic objectives that you want to achieve. Having a clear understanding of your goals and what success would look like will make it easier to determine your approach and to make decisions about how you might implement fixed term tenancies. These decisions are considered in more detail in the section 'What are others doing?' later in this briefing.

To help you to think about your overall aims, this section sets out both the government's reasons for introducing fixed term tenancies and the reasons some organisations, that have already implemented them, have chosen to do so.

Why did the government introduce fixed term tenancies?

The government introduced fixed term tenancies through the passing of the Localism Act 2011 and by making changes to the regulatory framework for social housing, which removed the requirement that all social landlords offer the most secure form of tenancy compatible with the purpose of the housing and the sustainability of the community'. As a result, both local authorities and housing associations gained the legislative and regulatory freedom to offer fixed term tenancies, in most cases with effect from April 2012.

The government intended that this change would award 'substantial freedoms' to housing providers, enabling them to grant different kinds of tenancies to respond to the particular needs of their local communities.

More specifically, they envisaged that fixed term tenancies would allow housing providers to:

- **increase mobility** by encouraging tenants to move between properties and sectors as their housing need changed
- **ensure that social housing is used only for those in genuine need**, by moving people earning a higher wage into other forms of tenure
- **target social housing so it meets the needs of the community**, for example by addressing under-occupation of larger family accommodation
- **promote localism** through local decision making at a community level

Why are some organisations choosing to use them?

The use of fixed term tenancies has been gradual and still remains relatively low. According to the latest DCLG statistics, just nine per cent of all homes let by housing associations in England during 2012/13 were let using fixed term tenancies (CIH members can download a more detailed [briefing on the up take of fixed term tenancies and affordable rent](#) from our website).

It is apparent that not all organisations have chosen to use their new freedoms and many are still considering their approach. For those that are using them, some have adopted very cautious strategies to implement the change.

There are several key objectives that organisations who are already letting homes using fixed term tenancies are aiming to achieve, and which you may wish to consider pursuing in your organisation. The objectives are not necessarily mutually exclusive and you may decide that several of these are relevant to your wider organisational and strategic goals.

The key objectives are to:

- **make the best use of housing stock**, by ensuring that the right person is in the right home at the right time
- **encourage tenants to explore other housing options**, like low-cost home ownership or the private rented sector
- **support tenants in their wider aspirations**, for example in gaining employment
- **support tenancy sustainment**, for example helping vulnerable people or particular groups of people to develop the right skills they need to successfully manage a tenancy
- **tackle specific housing management issues**, such as anti-social behaviour (ASB) and/or other breaches of tenancy
- **maximise revenue for development**, by using fixed terms in conjunction with affordable rent

What are others doing?

This section sets out how some of the organisations who are already letting homes with fixed term tenancies are using them to pursue the objectives identified above.

The way fixed term tenancies have been introduced offers a considerable degree of freedom, not just over *whether* you choose to adopt them but also *how* you implement them.

Some of the key decisions that you will need to make include:

- whether you are going to apply fixed term tenancies across the board, for all of your new lettings, or selectively depending on specific property types or according to the needs of an individual household
- what length of tenancy you are going to use. The regulatory framework requires that, in most cases, this should be no less than five years. However you may use a longer term if you wish to and you are also able to use shorter terms, of no less than two years, in 'exceptional circumstances'
- what criteria you are going to apply to decide whether to renew a tenancy at the end of the fixed term

These decisions will need to be set out in your tenancy policy. Further guidance on producing this is provided in the CIH briefing [How to... develop your tenancy policy](#).

Your approach will need to clearly reflect the objectives that you are aiming to pursue. This section sets out how some organisations have achieved this, and shaped their approach with a particular objective in mind.

Objective one: Make better use of your existing stock

The most popular reason cited by those already using fixed term tenancies is to make the best use of their stock. This is a broad objective and can mean a variety of different things in practice. However, a good way to define this further is to consider – *what do you need to do to ensure that the property that you manage is used most effectively?*

Unlike the other objectives, the starting point here is what you want to achieve with your *stock*. The other objectives focus more around supporting the needs of the *person*. However, hopefully both can be achieved if you are clear about what you want to deliver from the outset.

Some organisations have decided to use fixed term tenancies across their general needs stock for all new tenants, to achieve the broad flexibility to manage their housing assets in order to respond to demand. Most organisations taking this approach have excluded sheltered, extra care and supported housing stock from fixed term tenancies.

The advantage of adopting this method, is that when the fixed term period ends you will then be able to make decisions concerning the best use of your stock, which notionally could be every five years. Among the organisations we spoke to, Wandsworth Council, Midland Heart, Radian and Family Mosaic have all adopted this broader approach.

Other organisations that are making decisions, based on stock, will have identified specific property types or profiles where they will offer a fixed term tenancy.

The most common properties that had been identified for let at a fixed term were:

- larger family homes, which will help prevent future issues around under-occupation
- properties that have been specifically designed or adapted for use by disabled persons
- property types that are identified as in short supply
- properties in particularly high demand areas

In order to ensure that you are effectively managing your overall objective to make the best use of stock, you will need to think about how frequently tenants' circumstances are likely to change and to set the length of your fixed terms accordingly. For example, if you are using fixed term tenancies to prevent future under-occupation, for a household with a young family a longer tenancy term of 10 years may be more appropriate. At the end of a fixed term, you will then need to consider whether or not offering the current occupant a further tenancy is consistent with the wider goal of making the best use of your stock.

In practice, this means that there may be a general expectation that most tenancies will be renewed as long as, for example:

- the tenant's circumstances remain the same
- the tenant still has a need for the type of property they are currently occupying
- the tenant is not under occupying or the property is not overcrowded
- any adaptations that have been made to the property are still required

Learning from others

Wandsworth Council has three key objectives it wants to achieve: making best use of the stock; meeting residents' needs and aspirations; and providing a reasonable degree of stability through the use of appropriate tenancy length.

The council will generally grant a five year long tenancy (in addition to a one year introductory tenancy) to all general needs housing tenants and will use the opportunity these tenancies provide to periodically review tenants' household circumstances and tenancy as part of their housing options. In exceptional circumstances shorter tenancies may be offered (for example where a tenant has a history of anti-social behaviour or non-payment of rent but the council is still willing to offer them a tenancy) and secure periodic tenancies may be offered to tenants who already have them (for example to facilitate an under-occupation transfer, a management transfer or a mutual exchange).

For sheltered housing, the council will generally grant secure periodic tenancies, but may in some instances grant fixed term tenancies to tenants in sheltered housing, for example when there may be changes in household circumstances that mean it is appropriate to explore alternative housing options at a later stage.

Decisions on these exceptional circumstances will be made on a case by case basis and will aim to balance tenants' stability (particularly for those vulnerable by reason of age, disability or illness, and households with children) with the objective of making best use of stock.

Towards the end of the tenancy term the council will work with tenants to ensure their housing needs and, as far as possible, preferences (in terms of locality) are met by either securing or helping them to obtain another tenancy (at the same property or a different one that is more suitable to their needs). The council may explore home ownership options with the tenant, for example, supporting them to exercise their right to buy, or purchase a shared ownership property. A further tenancy is unlikely to be offered if the tenant's annual household income is greater than the household income threshold set by the Greater London Authority for the 'First steps to home ownership in London' scheme (currently £66,000 for a one or two bedroom home and £80,000 for a larger home).

Contact: Chris Jones, chrisjones@wandsworth.gov.uk



North Lincolnshire Homes is using fixed term tenancies as a tool for making best use of their stock that is either in short supply or needed for specific households. Its principal aim is to ensure that large or specialist properties continue to be occupied by the households for which they are intended.

To achieve this, they issue five year fixed term tenancies to those moving in to specific properties, such as four or five bedroom homes and properties adapted for people with disabilities.

Contact: Steve Hepworth, steve.hepworth@nlhomes.org.uk

Riverside aims to balance community sustainability with the ability to make best use of stock by using fixed term tenancies in the context of particular housing markets.

Riverside's use of fixed term tenancies is under specific and limited circumstances and the length of tenancies is normally five years (following a starter or probationary period which is normally one year). They are monitoring the use of fixed term tenancies and may decide to review how they are being used in the future.

Currently, in order to inform their decision about whether to let a property on a fixed term tenancy, they will consider:

- the nature of the housing market in the area, for example, whether properties are in high demand
- whether the property is classed as specialist accommodation intended for a particular group of tenants, who may not require a tenancy for life
- whether a fixed term tenancy would be consistent with the local authority tenancy strategy (as Riverside manage properties over different local authority areas)

At the end of a fixed term, they would then consider a range of factors including family size and the suitability of the property, levels of demand for that property type locally, household income and vulnerability.

Contact: Barbara Houghton, barbara.houghton@riverside.org.uk



Objective two: Encourage tenants to explore other housing options

Many organisations that have decided to use fixed term tenancies see them as a useful tool to encourage tenants to consider other housing options at the end of the tenancy period. These options could include, for example, a tenancy in the private rented sector or a shared ownership, if tenants are able to afford them.

In pursuing this objective, the length of tenancy that you offer is likely to depend on your assessment of the period of time that is required for tenants' finances to improve sufficiently for them to be able to access other housing options. Organisations that are already using fixed terms in this way have identified a range of tenancy lengths from two, to five, seven and 10 years, depending on the profile of their tenants and the local circumstances. You may also find it beneficial to provide ongoing housing advice during the fixed term, to increase the chance that tenants will be able and prepared to move on to another tenure at the end of their tenancy.

At the end of a fixed term, you will need to consider tenants' financial circumstances and their ability to access another form of accommodation when deciding whether to renew a tenancy. One way in which some organisations are doing this is by implementing an 'income cap', over which tenants are no longer deemed to be in need of social rented housing.

If you are going to apply an income cap, you will need to give serious consideration to the level at which you are going to set

it - those already being applied by organisations we spoke to ranged from £26,000 to £100,000. When thinking about yours, you should take into account local circumstances and the affordability of different housing options in your area. If you set the cap too low there is a danger that it could undermine your attempts to create mixed communities by only offering housing to the most disadvantaged households. However if you set it at a much higher level, you will need to be realistic about the number of tenants that will opt to move on to other tenures as a result.

It can also be difficult to accurately gauge a household's ability to access other housing options using a single income cap that is applied across the board. This approach does not take into account individual need. For example larger households looking to move in to home ownership will obviously need a larger and therefore more expensive property, and a straightforward income cap does not make any allowance for this. It also does not take into account the need for them to be able to provide an upfront deposit, in order to access mortgage finance.

As an alternative, some organisations are aiming to consider each household's ability to access other housing options and their preferences on more of a case-by-case basis. They see this as a way of helping tenants to achieve their longer term housing aspirations, by making a positive move on to their tenure of choice, rather than as a way of restricting, or 'gatekeeping', access to social housing.

Learning from others

The main aim of **Midland Heart's** tenancy policy is to ensure that its customers have the right home for as long as they need it. From the outset, it identified that the introduction of fixed term tenancies would assist it in meeting this strategic aim.

It uses six year fixed term tenancies as a mechanism to deliver tailored housing options, advice and assistance to tenants. Each new tenant is supported to consider their future aspirations and encouraged to discuss this with Midland Heart. This is then reviewed at regular intervals which tie-in with the review cycle for fixed term tenancies.

Midland Heart has used fixed term tenancies for every new let, for customers who did not, directly before becoming a Midland Heart tenant, hold a social housing tenancy. Since April 2012, it has granted approximately 1500 fixed term tenancies.

Contact: David Taylor, david.taylor@midlandheart.org.uk

South Cambridgeshire District Council is using 10 year fixed term tenancies, following a starter period. The council decided to support its tenants throughout the tenancy and specifically during the review process, through the development of a personal future housing plan, which sets out the future aspirations of the tenant and the housing solutions that will be required to achieve them. This will be reviewed towards the end of the tenancy to ensure it remains relevant and continues to support the tenant.

Contact: Julie Fletcher, julie.fletcher@scambs.gov.uk

Dartford Borough Council will carry out a financial assessment as part of their approach to deciding whether to renew a tenancy at the end of the fixed term. This assessment includes consideration of both the household's income and their savings and is based on average income levels over the last three years of the tenancy.

The council will not usually renew a fixed term tenancy if a tenant has accrued savings in excess of £40,000, as they consider that this would be sufficient to enable them to access home ownership or private rented accommodation.

When considering tenants' income, rather than set a single limit which applies to all households, they have calculated how much a tenant would need to earn to be able to afford to rent privately in the area. This takes into account the size of their household and is based on the assumption that no more than 30 per cent of their net income should be spent on housing costs.

For example, they currently estimate that a tenant who requires a studio flat would be able to afford to rent privately if their gross household income exceeded £24,000 and so would not renew a tenancy in those circumstances. However for a household in a four bedroom house, the limit is £62,649. These figures will be updated regularly to take account of changes in average rent levels in the area.

Contact: Jackie Pye, jacqueline.pye@dartford.gov.uk



Objective three: Support tenants to achieve wider objectives related to training and employment

Another way in which some providers are using fixed term tenancies is to support their wider objectives, for example, around helping tenants into training and employment or in relation to education.

If you decide to pursue this objective, you will need to have mechanisms in place to assist tenants to improve their personal and economic circumstances during the tenancy period. This will typically involve developing a 'support plan' with tenants, reviewing it at regular intervals, and aligning it to the tenancy review cycle.

You should consider which of your tenants would be likely to benefit from this kind of support. Some organisations that have adopted this approach are using fixed terms across the board and developing personalised support plans for individual tenants,

while others are using them more selectively by targeting particular groups of tenants. This includes, for example, those who are looking to move into employment.

The length of tenancy offered will also need to reflect the duration of the support plan. Those used by other organisations vary, with some landlords combining shorter, sometimes two year, tenancies with an intensive package of support, while others are using terms of up to seven or 10 years.

When deciding whether to renew a tenancy you may want to take account of the tenant's participation in training or other programmes (as set out in the support plan) and of how the plan has progressed in general. If at the end of the fixed term the tenant is in a better position, for example, if they have successfully moved into employment or have increased their income, you may choose to offer them another tenancy or to signpost them to other housing options that may be more suitable.

Learning from others

Family Mosaic set a target in 2012 to help 1,000 tenants into work over three years. This is part of Family Mosaic's broader objective to help tenants become more engaged and gain the skills needed to succeed in the labour market.

Family Mosaic use fixed term tenancies for all new lets for working age adults (older people and vulnerable/disabled continue to receive assured tenancies) to complement their objective to help tenants find employment or educational opportunities as well as achieve other objectives such as make best use of stock (and tackle under-occupation) and encourage tenants to take up shared ownership options when they can afford to do so.

Fixed term tenancies will be issued for a standard period of five years (including a one year probationary period) and subsequent tenancies will be for five years.

As part of the tenancy offer, tenants must make reasonable efforts to seek employment and engage in training and employment opportunities throughout their fixed term tenancy. An 'employment and engagement action plan' is put in place after the probationary period (of the starter tenancy) which is reviewed periodically. A year before the tenancy end date, a final review will take place to decide whether or not to grant a further five year fixed term tenancy. For tenants who have gained employment but not at an income level that would allow them to move into some form of home ownership, their tenancy will be renewed. Similarly, those who have demonstrated a commitment to securing employment would also be renewed.

Contact: Yvonne Arrowsmith, yvonne.arrowsmith@familymosaic.co.uk



Yarlington Housing Group considers the use of fixed term tenancies as an opportunity to improve their engagement with tenants and to support them across a range of areas, which might include employment readiness; money management; accessing credit unions and better utility tariffs; and enjoying healthy lifestyles.

It is granting fixed term tenancies of seven years, after a probationary period, on both its social and affordable rent properties. The fixed term of seven years was decided in consultation with existing residents who considered that five years may not be long enough to create sustainable communities. The intention is that all new tenants, with the exception of those moving into sheltered, supported and extra care accommodation, will eventually receive a fixed term tenancy. As part of their new tenancy agreement, they will agree to a 'household ambition plan' (HAP) which may commit them and members of their household to, for example, participate in training programmes and pursue employment and educational opportunities.

The HAP is agreed with the tenant at the point that they make a successful bid for a property, followed by a verification process and a visit and is kept under constant monitoring by a community coordinator.

It is currently piloting HAPs in two areas and will carry out an evaluation programme to assess their performance. Lessons from these pilots will inform the final roll-out to all new tenancies.

Contact: Nick Fry, nick.fry@yhg.co.uk

Objective 4: Support tenancy sustainment

Several organisations have made a decision to use fixed term tenancies to target particular groups who they consider may need more intensive support to manage a tenancy. In this respect, more intensive support can be provided to identify and deliver the appropriate skills during the period of the fixed term. If the tenant feels confident that they are able to manage a tenancy successfully, they can be supported to move on to a lifetime home.

You may choose to do this on a case by case basis where you identify a specific vulnerability, or against a specific demographic,

for example those aged between 18 and 25 years old. In these circumstances, it is important to be able to demonstrate that you are trying to support a positive outcome rather than taking a punitive approach against a specific target group.

To deliver against this outcome, it is likely that you would choose to use a shorter length of tenancy, for example two years. However, the regulatory framework states that if you intend to use a period of less than five years, you need to set out in your tenancy policy the 'exceptional circumstances' in which you feel a shorter tenancy would be appropriate.

Learning from others

Barnsley Council offers the vast majority of new tenants an introductory period of 12 months followed by a secure tenancy. In a small number of cases they will be offering flexible tenancies which will be initially for two or five years.

They will offer a two year flexible tenancy where the applicant has had previous difficulties maintaining a tenancy, for example due to extensive rent arrears or ASB. In the past, they may have excluded anyone in these circumstances from their housing register so flexible tenancies are seen as a positive option. In addition, they will offer a two year flexible tenancy to those in need of support. In these circumstances, they would be looking for that person to engage with that support to give the tenancy the best opportunity to be sustainable.

They will offer a five year flexible tenancy for homes that are four bedroom or larger or significantly adapted for people with disabilities. There is a shortage of this type of accommodation in Barnsley and they want to ensure best use is made of that stock.

At the end of the flexible tenancy period they might transfer the tenancy to secure, offer a further flexible tenancy or seek possession of the tenancy depending on individual family circumstances.

Contact: Bob Cartwright, bobcartwright@berneslaihomes.co.uk

Barnet Council (via the ALMO Barnet Homes) will grant introductory tenancies followed by two year flexible tenancies to single people under the age of 25 (excluding care leavers), provided they meet the qualifying criteria laid out in their allocations scheme, as part of their objective of encouraging young people to 'take responsibility for their lives and achieve independence'. In return for providing a home, Barnet Council expects young people to take full advantage of the opportunity that this provides and actively seek to become more independent through employment, education or training, and to engage with Barnet Homes and other agencies to achieve this.

Age isn't the single determining factor – other people over 25 may also be offered two year tenancies (rather than five) depending on their vulnerability, and provided they meet the criteria for rehousing.

Contact: Derek Rust, Derek.Rust@thebarnetgroup.org

Objective 5: Tackle specific housing management issues

Some organisations also see fixed term tenancies as an additional tool to help them improve their approach to housing management and to deal with specific issues such as anti-social behaviour (ASB), rent arrears and other breaches of tenancy. For example Wandsworth Council is offering two year fixed term tenancies to households that have not managed a previous tenancy well or who have a history of anti-social behaviour or non-payment of rent. In these cases a tenancy may have previously been refused.

Of the organisations that we spoke to, the majority stated that they will consider instances of ASB, rent arrears and breaches of tenancy when deciding whether or not to renew a tenancy.

Using fixed term tenancies in this way was not among the original aims set out by government when they were introduced and, on its own, it is unlikely to be a justification for adopting them. The majority of organisations we spoke to felt that they already had adequate systems in place to deal with breaches of tenancy as they happen, and prior to the end of the tenancy term. It is also important to note that whatever approach you decide to take, breaches of tenancy should still be addressed during the tenancy wherever possible.

Fixed term tenancies are not therefore a substitute for effective housing management. However, some organisations have seen them as a useful tool which will help them in their approach.

Objective 6: Maximise income for development **The relationship between fixed term tenancies and affordable rent**

The Affordable Homes Programme was first introduced in April 2011, allowing organisations to charge 'affordable rent' of up to 80 per cent of full market rent on some properties in order to generate funds for the development of new homes. Initially, there was some confusion around the relationship between affordable rent and fixed term tenancies.

For some organisations the opportunity to rebase their affordable rents against the market more frequently is a strong argument in favour of using fixed term tenancies, and it is noticeable that they are being used more frequently in conjunction with affordable rent. Although overall only nine per cent of housing association lettings during 2012/13 were let using fixed term tenancies, this figure rises to 28 per cent when looking at properties that are being offered at affordable rent.

If you choose to pursue this objective, you will need to decide whether to use fixed term tenancies only in conjunction with affordable rent (and continue to let your social rent properties on traditional secure or assured tenancies) or whether to use them more widely. In practice, this is likely to depend on whether you are also pursuing any other objectives, for example those identified earlier in this briefing.

Affordable rent and fixed term tenancies are two separate policies and can be used independently of each other, based on their own merits. However, there is a financial incentive to let affordable rent properties on fixed terms because there is then the opportunity to rebase the rent against the market more frequently, at the end of each fixed term.

For more information about this see CIH briefing [the practical implications of tenure reform](#).

If maximising income is the only or primary reason for adopting fixed term tenancies, it is likely that you will want to use terms of five years or less, so that you can rebase the rent as frequently as possible, and you may also want to include a strong presumption in favour of renewal at the end of the fixed term.

However, if this is more of a secondary objective, the length of the tenancy and the criteria used to consider renewals might be determined by what else you are trying to achieve. For example objectives like supporting tenants into work or making the best use of stock will have their own influence on the length of tenancy.

Learning from others

Vale of Aylesbury Housing is initially converting all new build properties and some specific re-let properties to affordable rent, and letting only these properties on fixed term tenancies. However, they are planning to review their approach in the future.

Contact: Jo Frost jo.frost@vaht.co.uk

Radian offer all their new builds at an affordable rent on seven year fixed term tenancies. As part of their agreement with the HCA for 2012-15 they are converting 50 per cent of relets to affordable rent on seven year fixed term tenancies (at 80 per cent of market rent). All new social lets are on seven year fixed term tenancy. All fixed term tenancies are for general needs housing only.

Contact: Diana Maclean, diana.maclean@radian.co.uk

Orwell Housing was one of the first in the country to start using affordable rent (fixed term) tenancies in October 2011 at 80 per cent of market rent.

Initially, all its one, two or three bedroom houses and flats were re-let on fixed terms and at affordable rent. Everything else was re-let on a social rent.

However, the organisation has now reached its target number of conversions to affordable rent and has had to make a decision on whether or not to continue using fixed term tenancies at a social rent.

On balance, having considered both the costs and benefits of fixed terms, it has now decided to continue using them as they help to make better use of its stock, to adapt to tenants' changing circumstances, and to manage tenancies more easily.

The organisation is also getting to grips with what happens at the end of the fixed term tenancies. It has found that many organisations haven't got round to considering what to do if a tenant's circumstances have changed and they are no longer fully occupying the property or are in a position to be able to afford owner-occupation or private renting. At the time of writing the organisation is considering allowing an excess of one bedroom per household and implementing a £60,000 household income threshold when making assessments of whether the tenant should be required to move on or not. This has not been an easy matter for the organisation, as there is a balance to be struck between those that support life long tenancies versus all the benefits of managing and making best use of the housing stock.

Contact: Paul Kingston, paulk@orwell-housing.co.uk



How do you make sure you get it right?

Although there may be potential benefits from the use of fixed term tenancies, how you make the decision to use them and how you implement them in practice is important. To help you get this right, this section sets out some of the key things that you need to think about.

It's based on five key questions, which you need to consider:

- do you clearly understand the likely impact of introducing fixed terms?
- is your policy part of a wider strategy?
- have you considered and mitigated any concerns about the use of fixed term tenancies?
- have you thought about options for tenants to move on at the end of their fixed term?
- do you have the necessary resources, processes and systems in place?

Do you clearly understand the likely impact of introducing fixed terms?

While exploring how fixed term tenancies might help you to achieve your strategic objectives, an important strand of that work will be to look at the evidence and consider their likely benefits. Making your decisions on the basis of the evidence will give your position more strength and make it more likely to last, following future reviews or changes in management and/or administration (for local authorities).

Before you start, ideally you will want to:

- map whether using fixed term tenancies will be likely to achieve your intended outcome(s), taking into account the profile of your tenants, the profile of your stock and the nature of demand in your area. In doing this, you should also think about any factors that might be likely to change the nature of demand in the future, for example, some elements of welfare reform

- consult with residents and key stakeholders
- weigh the potential benefits that fixed term tenancies may bring you with the costs that you are likely to incur in preparing to implement them and in managing them on an on going basis

Some organisations we spoke to had done this and had made their decisions on the basis of this analysis. In some cases the results of their analysis suggested that the benefits of fixed terms would be likely to outweigh the costs. In others, the costs of implementing and managing fixed terms would outweigh the benefits, and those organisations have therefore decided not to use them.

Learning from others

Following the announced introduction of fixed term tenancies in 2011, **Family Mosaic** undertook some research, among other things to understand how many of their current tenants (who had been with them for five years) might be able to move into some form of home ownership five years after the start of their tenancy. They found that 10 per cent of the total respondents would be able to move into some form of home ownership/equity scheme. They spoke to tenants in employment, who might have been expected to have the means and aspirations, to own their own homes and found that those who could move on had chosen not to because the options that were available were often not attractive. They are now working on developing the right products for those who might be able to access a different type of accommodation in the future.

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Is your policy part of a wider strategy?

The decisions you make around the use of fixed term tenancies will not take effect in isolation. They should be part of a joined-up approach that considers both your overall organisational objectives and what others are doing in your area.

Firstly, it is important to make sure you have integrated your approach to fixed term tenancies with your other internal strategies, policies and procedures. For example, you would need to ensure that the objectives in your allocation scheme are compatible with what you are trying to achieve through the use of fixed term tenancies. An allocation policy that prioritises people in work would conflict with a tenancy policy that moves people on to other tenures as soon as they start earning more than the average wage.

Secondly, it is important to link the objectives you are trying to achieve with wider local objectives, including those set out in the local authority's tenancy strategy. You only have to 'have regard' for

local authority tenancy strategies, but it is important that there is some level of consistency and agreement. This helps to ensure that different organisations operating in the same area are not pulling in different directions and that your ability to let your properties is not compromised if your offer is not as attractive as that of other landlords.

Many organisations who wanted to adopt fixed term tenancies but who were concerned that this may go against the wider tenancy strategy have worked closely with their local authority to dispel any initial concerns. To help you do this, you should be clear about how your use of fixed term tenancies would contribute towards shared strategic objectives for the area.

However, ultimately, if there are conflicting views in your area, you will need to take a pragmatic approach that balances the local authority's, and other landlords' views with the potential benefits that you have identified of using fixed term tenancies.

Learning from others

Coventry City Council is a non-stock holding local authority. Although it is in favour of lifetime tenancies, in its tenancy strategy it has recognised that some housing associations in Coventry wish to make use of fixed terms. As such, it has developed a tenancy strategy which seeks to influence the way in which fixed terms are used. It aims to 'ensure that fixed term tenancies are applied in a manner that does not undermine social investment in communities and to ensure that the most vulnerable tenants are provided with the level of stability they require.'

Contact: Ayaz Maqsood, ayaz.maqsood@coventry.gov.uk

Lambeth Council took the decision not to use fixed term tenancies for its own housing stock following consultation with its tenants, who favoured a more secure form of tenancy to encourage sustainable communities.

Its tenancy strategy reflects this approach, while also recognising that providers in the area may want to use fixed term tenancies in specific circumstances. These include larger family homes and specially adapted properties, which are in very short supply in the borough, and a proportion of bed-sit and one bed properties. The council also recommends that tenancies should be renewed at the end of a fixed term unless the tenant's circumstances have changed significantly.

It will be monitoring providers' policies to ensure that they are working within these guidelines and will also review its tenancy strategy after 12 months, to take account of any initial learning and experiences from other boroughs in similar circumstances.

Contact: Charlie Conyers, conyers@lambeth.gov.uk

Have you properly considered and mitigated any concerns about the use of fixed term tenancies?

As part of your evidence gathering, you should consult with your residents, tenants and key stakeholders and take account of their views.

Since fixed term tenancies apply only to new tenants, you may find that existing tenants are not concerned by their introduction. However, some organisations have reported that their existing tenants felt that fixed terms would go against the principle of stable communities and that they were concerned about their own and their children's security of tenure.

Where there is in principle opposition to using fixed term tenancies, it is important not to dismiss their use without giving proper consideration to their potential benefits. Working with tenants, councillors and/or board members on the practical implications of your policy, to explain how it could actually operate

in practice and what it could help you to achieve, is often an effective way of overcoming initial resistance.

It may also be possible to take on board specific concerns and to draft your policy in a way which will mitigate them, while still allowing you to achieve the potential benefits that you have identified. For example, if tenants, councillors or board members are concerned about the impact of fixed term tenancies on vulnerable or older people, could you continue offering lifetime tenancies specifically to these groups? Or if they are concerned that the 'turnover' of tenants might be too high and undermine their communities, you could offer longer, for example 10 year, fixed terms.

Another approach which might help you address concerns is to introduce fixed term tenancies for a pilot period, or in limited circumstances, initially so that you can properly measure their impact and review the lessons learned before you decide whether to roll them out more widely.

Learning from others

St Albans District Council found that half of their local councillors were in favour of introducing fixed term tenancies, and half were against. They ultimately decided to offer fixed term tenancies on every new let for one year. After the first year has elapsed they will comprehensively review their approach and take a decision on their further use.

Contact: Joanne Turner, joanne.turner@stalbans.gov.uk



Have you thought about options for tenants to move on at the end of their fixed term?

Another element of making informed decisions on the use of fixed term tenancies is giving consideration to what will happen at the end of the fixed term and how many tenants are likely to move on to other accommodation. To consider this properly, you will need to have a good knowledge of your tenants' circumstances and their future plans and aspirations.

You will need to gather, and keep up-to-date, information about your tenants and their households which will influence any decision to offer a further tenancy at the end of the initial fixed term. The exact nature of the information required will depend on your aims in offering fixed term tenancies. It could include, for example, household size and composition and employment and financial status. Aim to check this as part of your annual tenancy visits and at any point that tenants make contact to access services, for example, to report a repair.

You will also need to 'build in' contact with tenants well before the end of the fixed term, say six months on a two year tenancy and 12 months on a five year tenancy, to discuss their needs and options.

It is also important to ensure that you will have the right properties and products for those that might need to move on once they reach the end of their fixed term, and that these are likely to be affordable and attractive housing options. So, for example, the information you gather on tenants' likely needs and aspirations will need to inform development plans for new homes including low cost home ownership products.

You will need to devote considerable resources to introducing and managing fixed term tenancies (see page 18), so it's essential that you are able to realise the benefits of them. If you are not able to provide suitable housing options for tenants at the end of their fixed term, there is a danger that you might not be able to deliver the results that you are hoping to achieve.

It follows then, that introducing fixed term tenancies will impact on demand for quality housing options advice. Tenants approaching the end of their tenancy period should be supported to explore options such as low-cost home ownership, shared ownership schemes or exercising their right to buy. Alternatively, supporting tenants to move into the private rented sector may form part of the 'moving on' process and may link into other strategic objectives for your organisation around fostering stronger links to the private rented sector.

Learning from others

Family Mosaic are developing products that address customers' concerns around the ability to 'staircase down' to renting as well as 'staircase up' to buying more equity in a property, for tenants wishing to purchase on a shared equity basis. In addition tenants would like to be considered joint investors with the landlord over the remaining equity in the property, for those who might be able to access a different type of accommodation in the future.

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Do you have the necessary resources, processes and systems in place?

Implementing fixed term tenancies can be resource intensive, especially in the early stages, and many organisations that have decided not to introduce them cited this as a concern.

However, most organisations that have already introduced fixed terms have been able to do so using their existing resources and without recruiting additional members of staff. There is, however, likely to be some cost attached to this, for example the London Borough of Wandsworth has estimated this at about £10,000, while North Lincolnshire Homes suggested the cost was around £2,000.

The key activities that you need to think about are:

- **reviewing your tenancy agreements** - drafting new tenancy agreements can be a long process and you may need to seek external legal advice to do this. However, it is important that it is done thoroughly as incorrectly worded tenancy agreements can create potential legal problems further down the line
 - **whether to use a separate starter tenancy prior to the fixed term** - or to use a single tenancy with a 'break clause' during the first 12 months. The latter is less resource intensive as a new tenancy does not need to be issued after the initial 12 months have elapsed
 - **developing clear customer information** - so that tenants understand the type of tenancy that is being offered to them and what this means in terms of their rights and responsibilities, for example, in areas such as the right to buy or acquire, succession, taking in lodgers and mutual exchanges
 - **putting the necessary processes in place** - introducing fixed term tenancies will require you to make some changes to the way you manage your homes and to create some new processes, including:
 - carrying out reviews of tenancies - how many visits or reviews will you carry out during the lifetime of the tenancy? At which stage(s) will you do them and who will carry them out? Who will ultimately take the decision on whether or not to offer another tenancy at the end of a fixed term?
 - providing advice about different housing options, particularly where the decision is taken not to renew a tenancy. Who will provide this? Can you offer this yourself or are there partner organisations you can work with?
 - handling appeals and complaints – for local authority landlords in particular, there are clearly defined requirements for your appeals process. These are set out in more detail in the practical implications of tenancy reform.
 - **updating your housing management systems** - it is likely that you will need to upgrade or develop your housing management system to allow you to keep track of fixed term tenancies and to programme in reminders for action at key points during the lifetime of each tenancy, for example, when reviews are due. If you are using fixed term tenancies in conjunction with a support plan, you may also need to add further features that allow you to record and track progress against these on your system
- In practice, the urgency with which you need to improve your systems may depend on how widely you are using fixed term tenancies. Most of the organisations that are already using fixed terms have carried out a thorough review of their systems and made adjustments but some are taking a gradual approach to this as the numbers of fixed term tenancies in use grows. For example, Riverside is currently only letting a small number of properties on fixed term tenancies, so it hasn't yet needed to make significant changes to its IT systems. However, it may need to in the future if it begins using them more widely
- **training staff** - as with any significant change in operations, staff need to be kept informed of the new approach and to understand the new way of working. Comprehensive training will be necessary to ensure that they feel confident working with a new form of tenancy and understand the impact that it has on their work
 - **monitoring and reviewing the policy** - it is a good idea to keep your policy under review. Good monitoring systems will help you to understand how your approach is bedding in, how tenants feel about it and to pick up on any emerging issues. Once the first wave of fixed term tenancies come up for renewal, it will also be possible to carry out a more thorough review of your approach and whether it is delivering the benefits that you had envisaged. It is a good idea to establish well defined performance indicators and assessment mechanisms that are robust and objective for this purpose

Furthermore, introducing a new type of tenancy will also have an impact on many of your existing policies and procedures, which may also need amending to reflect the different types of tenancy in operation. This includes, for example, your policies and procedures on allocations, succession and mutual exchanges



Final thoughts

From our research we have identified five key conclusions to help you consider and shape your approach to fixed term tenancies:

- **there are positive outcomes to be achieved by the use of fixed term tenancies but you must be clear about what objectives you are trying to achieve at the outset.** In the first section of this briefing we identified a range of positive outcomes that can be achieved by using fixed term tenancies. These are not entirely mutually exclusive and can be used together or to complement each other. Importantly, the decision to implement fixed term tenancies should be a clear reflection of your wider strategic objectives
- **a robust intelligence on your stock and good understanding of your customers should inform any decision on using fixed term tenancies.** Using customer insight into household conditions, how they may be affected by the general conditions of the economy, the labour market particularly but also welfare reform and knowledge of the housing market you operate in will assist in planning the implementation of this new type of tenure
- **balance the opportunities presented by using fixed term tenancies with the concerns of tenants and stakeholders.** You will need to balance concerns around fixed term tenancies allowing you to respond effectively to changes in household composition over time against the perceived lack of security of tenure. The potential for concerns around vulnerable tenants being adversely affected can be mitigated by targeting the use of fixed terms at specific groups. Alternatively you may decide to pilot the use of fixed term tenancies and review their impact in the future
- **offering fixed term tenancies will require new ways of working.** Managing these tenancies may pose different challenges to lifetime tenancies, as more visits and reviews are involved and often there are different expectations from the landlord about tenancies. You should think about the provision of services that you will have included as part of your new tenancies, and at the very least the housing options advice provided at the end of the tenancy. Additionally you should think about the adjustments or changes in operations, processes and systems in your organisation, to make sure that you are well equipped to let out properties on fixed terms, and manage tenancies and your stock accordingly
- **you need to have a clear understanding of risks and how to manage them.** If you do decide to use fixed term tenancies you will have to communicate clearly with all partners involved and have a clear understanding of potential costs and likely benefits. You need to monitor and evaluate how the use of fixed term tenancies is affecting your lettings, demand for your properties and your customers' prospects. Regular reviews of the policy will ensure you pick up on early issues and concerns