

# **Report to Housing Select Committee**

**Date of meeting: 10 November 2015**

**Portfolio: Housing – Councillor D Stallan**

**Subject: Council Response to DCLG Consultation on Pay to Stay: Fairer Rents in Social Housing**



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## **Recommendations/Decisions Required:**

**That the Housing Select Committee give consideration to the Council's response to the DCLG Consultation Paper "Pay to Stay: Fairer Rents in Social Housing" attached as an Appendix to the report.**

## **Report:**

### **The Panel's response to the Government's Original Consultation Paper "Pay to Stay"**

1. In June 2013, the Department for Communities and Local Government (DCLG) issued a Consultation Paper entitled "High Income Social Tenants Pay to Stay".

2. At that time, the Government set out their intention that local authorities should be given the flexibility to charge those with high incomes (£60,000 per year) a higher level of rent to stay in their own homes. The DCLG's proposal at that time was based on higher rents being set at 80% of market rents (similar to the affordable rent levels). The Council's response to each of the questions asked within the previous Consultation Paper was agreed by the Panel and was, in summary, as follows:

- The principle that very high earners living in social housing should pay higher rents was agreed but providing that income thresholds are set to ensure residents have a reasonable expendable income and bureaucracy is kept to a minimum;
- The Panel's initial view was that the Council would be likely to make use of it provided the income received was more than the cost of the scheme;
- It is considered that the scheme could promote low income "ghettos" and the effect on mixed communities in social housing should be taken into account;
- Income thresholds should be based upon property size and should be increased annually as rents increase;
- There should be different thresholds for different areas of the country;
- Having an absolute threshold would give tenants a reduced incentive to increase earnings and a person's expendable income could reduce dramatically following a small increase in earnings;
- There should be provision to take into account other high earners within the household;
- Income disclosure arrangements must be put in place in advance; and
- The income threshold should be no less than £60,000.

### **Government Guidance "Rents for Social Housing"**

3. At its meeting on 22 July 2014, the Housing Scrutiny Panel considered the matter again.

The DCLG issued its Guidance on Rents for Social Housing, which came into effect from April 2015. Contained within the Guidance at Chapter 4 is the current Guidance on Rents for Social Tenants with High Incomes. For social tenants with high incomes, the Government does not expect local authorities to adhere to its Social Rent Policy for properties let to households with an income of £60,000 per year; authorities will be able instead to choose to charge them up to full market rent. The DCLG's policy is based on tenants being charged full market rents, and not 80% of market rents proposed at the consultation stage.

4. As there are currently no powers to compel tenants to tell their landlords how much they earn, the Panel agreed that a further report will be submitted when such powers are in place.

### **DCLG Consultation Paper - Pay to Stay: Fairer Rents in Social Housing**

5. In October 2015, the Government issued a further Consultation Paper Pay to Stay: Fairer Rents in Social Housing. The closing date for responses is 20 November 2015. A copy is attached as an Appendix to the report. Although Members are able to comment on any aspect of the Paper, attention is particularly drawn to the two questions on which views are invited. The questions are set out below along with comments from officers:

6. Question 1 (Page 7) "how income thresholds should operate beyond the minimum threshold set at Budget, for example through the use of a simple taper/multiple thresholds that increase the amount of rent as income increases and whether the starting threshold should be set in relation to eligibility for Housing Benefit?"

#### ***Officer comments on Question 1***

7. It is considered that the introduction of a simple taper would be a sensible approach on the basis that as a tenant's taxable income increases the level of rent increases. However, this would make the administrative arrangements even more difficult.

In terms of the starting threshold being set in relation to eligibility for Housing Benefit, the Assistant Director (Benefits) has made the following comments:

- It would be difficult to set a general threshold due to many variables bearing in mind that each housing benefit claim is decided upon based on individual circumstances including rent, household composition and income
- Varying rent levels throughout the year generally will cause increased administrative difficulties with the calculation of benefits

8. Question 2 (Page 8) Based on the current system and powers that Local Authorities have, what is your estimate of the administrative costs and what are the factors that drive these costs?

#### ***Officer comments on Question 2***

9. It is considered that, in order to administer the Scheme (and particularly if there are to be a simple taper), an additional 2 (FTE) members of staff would be required. This resource would be needed to deal with matters such as; tenants changing incomes and rent levels, backdating increased payments and refunds, altering a tenant's rent in accordance with their Tenancy Conditions and undertaking regular reviews.

10. It would also be necessary to undertake data matching exercises with the Department of Work and Pensions (DWP) who themselves data match with HMRC. As such a Scheme is open to fraud, it is considered that an additional 1 (FTE) Fraud Officer would be needed.

11. When taking into account the additional IT requirements etc. the overall administrative costs could be around £75,000 per annum.

### **General comments of officers**

12. Officers would make the following additional comments on the Consultation Paper:

- It should be noted that the Paper refers to “taxable income” which is not only income gained from employment
- When a tenant’s taxable income changes, under Tenancy Law and the Council’s Standard Tenancy Agreement the rent may only be altered on written Notice of no less than 4 weeks’ Notice being given to the Tenant by the Council specifying the rent proposed
- As money raised by Local Authorities will need to be returned to the Exchequer (less any reasonable administrative costs) there is no incentive to Local Authorities to administer the Scheme
- There is no mention of any fraud sanction and whether it would be a criminal offence, or if possession action should be taken
- The current discretionary Scheme only applies to those of working age the Consultation Paper is silent on this point

13. The Housing Select Committee is asked to consider the Council’s response. The deadline for responses is 20 November 2015.

#### **Consultation undertaken:**

The Tenants and Leaseholders Federation will be updated at their meeting on 2 December 2015.