

## **Report to Housing Scrutiny Panel**

**Date of meeting: 24 July 2012**

**Portfolio: Housing – Councillor D Stallan**

**Subject: Council response to CLG Consultation Paper – “High Income Social Tenants Pay to Stay”**

**Officer contact for further information:  
Roger Wilson ext 4419**

**Committee Secretary:  
Mark Jenkins ext 4607**



---

### **Recommendations/Decisions Required:**

- (1) That the DCLG Consultation Paper “High Income Social Tenants Pay to Stay”, which is attached at Appendix 1 to the report be noted;**
- (2) That consideration be given to the proposed Council response to the Consultation Paper attached at Appendix 2; and**
- (3) That the Scrutiny Panel considers whether any different or additional comments should be included within the Council’s response.**

### **Report:**

1. In June of this year, the Department for Communities and Local Government (DCLG) issued a consultation paper entitled “High Income Social Tenants Pay to Stay”. The Consultation Paper is attached at Appendix 1 to the report. The closing date for responses is 12 September 2012.
2. A proposed response by the Council to each of the questions asked within the Consultation Paper is set out at Appendix 2 to the report, apart from Question 14 which will require some discussion at the meeting.
3. The Scrutiny Panel is invited to consider the proposed Council response and whether any different or additional comments should be included.

### **Reason for decision:**

4. Responding to the Government’s Consultation Paper is an opportunity for the Council to influence and comment on the future guidance and any new arrangements for charging higher rents to tenants on high incomes who want to stay in their social homes.

### **Options considered and rejected:**

5. Not to respond to the Government’s Consultation Paper, or to provide different comments.

### **Consultation undertaken:**

6. The Tenants and Leaseholders Federation will be consulted on the Council’s agreed response at their meeting on 22 August 2012 and will be invited to submit its own views to

the CLG directly.

## APPENDIX TWO

Consultation Questions	Proposed Response
<p>1. Do you agree with the principle that very high earners living in social housing should pay higher (rents) than social housing tenants?</p>	<p>Yes, provided that income thresholds are set to ensure that residents have a reasonable expendable income and bureaucracy is kept to a minimum. However, we have concerns that in order to make it fair and reasonable it would have to be bureaucratic. Furthermore, the costs of administering the scheme could be higher than the additional income received.</p>
<p>2. Do you agree that this approach would be the best way of delivering additional flexibility for local authorities and private registered providers?</p>	<p>No. However, this could be a driver to bring Local Authority and Housing Association rent setting under one regime.</p>
<p>3. What are your views on the guidance at Annex A?</p>	<p>(a) There should be a mechanism to take account of other earners living in larger households.</p> <p>(b) Income thresholds should be based upon property size. For example, the impact on those in 3 bedroom properties with children will be far different to those in 1 bedroom properties without children.</p> <p>(c) Income thresholds should be increased annually as rents increase, otherwise this could affect the expendable income of residents</p>
<p>4. Do you think that landlords should be required to charge high income households a higher rent?</p>	<p>Yes. This is in order to ensure consistency but provided it is fair, workable and as already stated, bureaucracy is kept to a minimum. There should be different thresholds for different areas of the country. We have concerns about having absolute income thresholds, which could mean that residents would have reduced incentive or ambition to increase their earnings by either accepting workplace promotions or seeking higher paid jobs. With absolute thresholds, a person's expendable income could reduce dramatically following a small increase in earnings. Importantly, should the proposals be introduced, then income disclosure arrangements, referred to later, must be put in place in advance.</p>

Consultation Questions	Proposed Response
5. Do you consider that £60,000 £80,000 or £100,000 would be an appropriate threshold, avoiding the impacts referred to above?	Income thresholds should be different depending upon area in the country. It is the Council's view that it is difficult to set any income threshold as this would be dependent upon circumstances, including family size and location. If these amounts were the only option put forward, then it is suggested that the income threshold should be no less than £60,000.
6. Could levels below £60,000 be considered without disadvantaging other households on low incomes or the vulnerable? Where should the line be drawn?	An income threshold under £60,000 could be set in some cases but dependent upon the circumstances. For example, it could be argued that two persons on a joint income of £55,000 living in a one bedroom property could afford to pay a higher rent.
7. At what level do you think the income threshold could start impacting on welfare or affecting work incentives?	Too early to comment on the implications of Welfare Reforms on any income threshold. As referred to above, any absolute income threshold will affect work incentives, due to the financial impact of just tipping over the threshold.
8. Should the policy apply only to those whose names are on the tenancy agreement?	No. This could make the scheme open to abuse as higher earners could avoid being included on the tenancy, with the lowest earners being the sole tenants. This would be a bad way to determine the true income of the highest earners in any household.
9. Should income other than pay be included in the threshold amount, such as Lottery windfalls or inheritance?	Yes. All income, assets and savings should be taken into account.
10. Should certain groups be exempted from higher rents, such as disabled people, or pensioners? If so, please set out your reasoning.	No. Like Housing Benefit, the proposal is based upon the ability to pay regardless of their circumstances. Such groups are not exempt from Housing Benefit rules.
11. Do you agree that landlords should be able to charge 80% of market rates to high income households which meet the proposed criteria, that is an individual or two individuals with a high joint income?	Addressed earlier.

--	--

Consultation Questions	Proposed Response
12. Would allowing landlords to charge full market rents be appropriate in your area in your view?	Only if income thresholds are raised to an appropriate level.
13. Are there any particular barriers to charging full market rents?	No, provided the income thresholds are reasonable, and income data is available.
14. If the power to charge a higher rent was optional for landlords would you be likely to make use of it?	[Member discussion]
15. Your views are invited on how we could best enable landlords to set higher rents to high income households in advance of any legislation.	It is crucial that landlords have access to income data prior to any scheme being introduced. This could be achieved through landlords being given authority to access basic HMRC records on income.
16. We would also welcome your views on the practicalities of requiring income disclosure; and specifically what kind of mechanism would be needed and how this would best work?	As above
17. Do you already hold or have access to information about tenants' income levels that could be used to support a "pay to stay" approach?	No. The only income data available is that submitted in support of Housing Benefit claims. However, this information is not currently made readily available to housing staff even within local authorities due to data protection issues.
18. Would you be likely to make use of any new statutory powers to require tenants to disclose their income?	Yes, this would be essential.
19. Should the income year be the tax year, the calendar year or a rolling year? Do you see difficulties with adjusting a tenant's rent based on a previous year?	The income year should be a rolling year as this will assist with spreading the workload. Rent should be adjusted when a tenant's income changes to above or below the income threshold (on the application of the

	tenant).
--	----------

<b>Consultation Questions</b>	<b>Proposed Response</b>
20. What practical issues do you see in charging existing high income tenants a higher rent?	Responses to other questions covers this point.
21. How quickly could local authority and housing association rent processes respond to changed tenant circumstances? What issues might arise? For instance would there be a need to seek regular updates from tenants on their circumstances? Would this just be in relation to known high income social tenants, or all tenants?	Annual reviews of all tenants would be needed on a rolling basis. Tenants should be required to request a review during the year their income changes, when they either go above or below the income threshold. They may be unlikely to seek a review if it goes above which would, if discovered by the landlord, constitute a social housing fraud offence with the rent increase being back-dated.
22. Is an internal appeal or complaint process the best way of allowing tenants to appeal against decisions to put them onto a higher rent? Are there existing appeal or complaint mechanisms within your structures that could be adapted for this purpose?	For the scheme to work the rules must be absolutely clear, which would remove the need and basis for any appeals. Should tenants be allowed to appeal, providers could be inundated.
23. Should there be a uniform set of rules across the social housing sector on how any appeals should be handled? If so, who should make these rules?	Yes, this is considered essential, with the rules being made by the DCLG.
24. What is your view on the administrative costs that might be incurred in implementing these proposals? What opportunities do you see for minimising additional costs?	The costs could be significant and should not be underestimated. Costs could be minimised by allowing access to basic HMRC income data.
25. Do you have any comments about the regulatory implications of giving private registered providers these additional flexibilities?	No
26. How should additional income generated from this policy be used?	The first call on the additional income should be to fund the cost of additional staff that will be required to administer the scheme. Any

	surplus should be used for other housing services or to improve the stock.
--	--

<b>Consultation Questions</b>	<b>Proposed Response</b>
27. What are the practical implications of requiring grant reinvestment/recovery when a property moves to a higher rent (or reverts back to a social rent)?	Repayment of grant would be appropriate, but it should be noted that any tenant could sink below the income threshold thereafter, and pay a lower rent. This would cause financial problems for providers. Perhaps a national fund should be set aside to fund such circumstances
28. Are there any other issues you wish to raise?	No. All of our comments/issues are raised above.