

**HIGH PEAK BOROUGH COUNCIL**

**Report to Housing Select**

**14 January 2016**

<b>TITLE:</b>	<b>Pay-to-stay: fairer rents in social housing</b>
<b>PORTFOLIO HOLDER:</b>	<b>Cllr Julie McCabe – Housing</b>
<b>OFFICER:</b>	<b>Roger Burnett – Head of Customer Services</b>
<b>WARDS:</b>	<b>All</b>

**Appendices:**

- Appendix A – Government consultation document – Pay to Stay: Fairer Rents in Social Housing**
- Appendix B – HPBC response to consultation**

1. **Reason for the Report:** To update Housing Select on the council's response to this government consultation paper.
2. **Recommendation**
  - 2.1 That the committee notes the content of the report and makes any comments on the response provided to government by the Council.
3. **Executive Summary**
  - 3.1 On 9 October the government issued the Pay to Stay consultation paper, having signalled their intention make proposals for high income tenants in social rented properties to pay up to a market rent in the Summer Budget on 8 July 2015.
  - 3.2 Consultation closed on 20 November with the council submitting the comments detailed in Appendix 2 together with an offer to work with DCLG on the effective implementation of the proposal.
  - 3.3 As yet, the DCLG have not responded to the council and are in the process of analysing the feedback received.
  - 3.4 The government have said they will take views on board as they move to implement the policy from April 2017 onwards.

**4. How this report links to Corporate Priorities**

4.1 This report gives Housing Select details of the council response to the government consultation, which is aimed at achieving a more effective use of council assets.

**5. Options and Analysis**

5.1 None – report contains response to consultation.

**6. Implications**

6.1 Workforce

None.

6.2 Equality and Diversity/Equality Impact Assessment

None at this stage.

6.3 Financial Considerations

None – the consultation document states that administrative costs can be recovered from additional rental income.

6.4 Legal

None.

6.5 Sustainability

None.

6.6 Internal and External Consultation

None.

6.7 Risk Assessment

Not applicable.

**7. Detailed considerations**

7.1 The consultation in full is attached as Appendix A. Key elements are:-

- High income households are defined as households with a total taxable income of £30,000 a year outside London and £40,000 in London.
- High income households should pay more rent, up to a market rent level.
- The additional rent, in the case of councils, should be returned to central government to contribute to deficit reduction. Housing associations will be able to keep the additional rent to invest in new housing.
- The government estimate the proposals will affect 350,000 social renters out of 4.1m in England & Wales. There are no figures available for the number likely to be affected in High Peak.

7.2 The council's response is provided as Appendix 2. Issues identified include:-

- The additional rent payments should be synchronised with other benefits and tax credits so that incentives to work are maintained.
- The level of income treated as "high" should be such that people charged additional rent aren't eligible for help paying the new rent through housing benefit, universal credit or tax credits.
- How we know the market rent for a council property
- How we collect the income data, given that people may have little incentive to provide it.
- How we handle people's changing circumstances – the consultation suggests using the previous year's taxable income but this could cause difficulties if income significantly reduces.

**Roger Burnett**  
**Head of Customer Services**



Department for  
Communities and  
Local Government

# Pay to Stay: Fairer Rents in Social Housing

Consultation



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# The Consultation Process and How to Respond

## Basic Information

<b>To:</b>	This is a public consultation and it is open to anyone with an interest in these proposals to respond.
<b>Body responsible for the consultation:</b>	The Department for Communities and Local Government is responsible for the policy and the consultation exercise.
<b>Duration:</b>	This consultation will run for 6 weeks. It will begin on 9 <sup>th</sup> October and end on 20 <sup>th</sup> November.
<b>Enquiries:</b>	Email: <a href="mailto:paytostay@communities.gsi.gov.uk">paytostay@communities.gsi.gov.uk</a>
<b>How to respond:</b>	Please respond to this consultation via email to <a href="mailto:paytostay@communities.gsi.gov.uk">paytostay@communities.gsi.gov.uk</a>  Postal responses can be sent to:  William Richardson Department for Communities and Local Government Fry Building 2 Marsham Street London SW1P 4DF
<b>After the consultation:</b>	A summary of responses to the consultation will be published and the views expressed will be considered by the Government.

# Overview

<b>Topic of this Consultation:</b>	Pay to Stay: Fairer Rents in Social Housing
<b>Scope of this Consultation:</b>	<p>This consultation is designed to help inform the detailed design of the policy in certain areas. The Government will take views on board as it moves to implement the policy from April 2017 onwards.</p> <p>However, Government will also need to be guided by the overall level of savings that have been set out at Budget and will need to ensure that the design of the policy is able to deliver those savings. In responding to the consultation it will outline how views have been considered and why decisions have been made.</p>
<b>Geographical Scope:</b>	England only
<b>Impact Assessment:</b>	A full impact assessment will be published at a later date. It will be important for that work to be informed by the questions in this consultation on the administrative costs of the policy.



# Introduction

1. The Government's view is that tenants in social housing should not always benefit automatically from subsidised rents. There needs to be a better deal in the social housing sector, with housing at subsidised rents going to those people who genuinely need it.
2. On that basis, the Government has decided that social housing tenants with household incomes of £40,000 and above in London, and £30,000 and above in the rest of England, will be required to pay an increased level of rent for their accommodation if their rent is currently being subsidised below market rent levels.
3. This will build on the current 'pay to stay' policy which is available to local authority and housing associations to operate voluntarily.
4. Money raised by local authorities through increased rents will need to be returned to the exchequer to contribute to deficit reduction. Housing Associations will be able to use the additional income to reinvest in new housing.
5. Our starting assumption is that the policy will operate in broadly the same way as the current Pay to Stay policy, i.e:
  - household means the tenant or joint tenants named on the tenancy agreement, and any tenant's spouse, civil partner or partner where they reside in the rental accommodation. Where several people live in the property the highest two incomes should be taken into account for household income.
  - income means taxable income in the tax year ending in the financial year prior to the financial (i.e. rent) year in question.
  - where a HIST tenancy comes to an end, and the property is vacated, we would expect properties to typically be re-let in line with their previous lower rent – be it at social rent or Affordable Rent – to a household in housing need.
6. Government will also consider what additional powers could be useful, for example, to require the provision of information by tenants
7. The Government will use primary legislation to bring forward powers to implement the policy and ensure it is in place from April 2017 onwards. We expect that the detail of the policy will be set out in regulations.

## Scope of the consultation

8. This consultation is designed to help inform the detailed design of the policy in relation to work incentives and administration. The Government will take views on board as it moves to implement the policy from April 2017 onwards. However, it will also need to be guided by the overall level of savings that have been set out at Budget and will need to ensure that the design of the policy is able to deliver those savings.
9. The areas where views are sought are:
  - how the scheme can support incentives to work
  - evidence of administrative costs

## Supporting work incentives

10. The Government wants to ensure that the policy supports work incentives, and is seeking views on how the policy can be designed to achieve this whilst ensuring that tenants pay a fair rent.
11. A gradual increase in rent for social tenants as their incomes rise may be a fairer system. One way this could be achieved is through a system that would ensure that households earning in excess of minimum income thresholds would pay increasing amounts of rent as income increases, for example in the form of a simple taper.
12. There will be different options for how this could be implemented, and there will be trade-offs between ensuring rent closely reflects income and simplicity and certainty for both the tenants and the landlord. We do not expect, for example, that rents will be adjusted frequently. However there will be choices over how social landlords respond to changed tenant circumstances, for example, where a household is subject to a sudden and ongoing loss of income.

**Q1:** Views are invited on:

- 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.
- whether the starting threshold should be set in relation to eligibility for Housing Benefit.

# Evidence of administrative costs

13. Social landlords will be required to administer the policy.
  14. The proposal is that local authorities will be allowed to recover any reasonable administrative costs before they are required to return additional income from increased rents to the exchequer. We expect that the types and level of costs that can be retained will be prescribed. As housing associations will be retaining the income they receive from higher rent payments to invest in new housing, they will be expected to absorb the administrative costs.
  15. We expect that local authorities already have systems and processes in place that could be modified to operate the pay to stay policy. The additional administrative resource that is likely to be required is staff time in operating the scheme.
  16. Housing associations may incur additional costs in setting up systems. However, as the policy is going to allow those associations to keep the additional rent money to reinvest in social housing, they should be able to cover those costs.
  17. The Government will be publishing an impact assessment in due course that will outline the scale of the administrative costs for housing associations and is using this consultation to ask for evidence and views on the operation of the policy.
- Q2:** Based on the current systems and powers that Local Authorities have, what is your estimate of the administrative costs and what are the factors that drive these costs?

## Appendix B – HPBC response to consultation



**High Peak Borough Council**

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### Views are invited on:

• **Q1 - 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.**

- We agree the fairest method would be to use a taper so rent increases towards the market level at a steady rate as income rises over the threshold limit. Households should feel the financial benefit of increased earnings.
- It is important to note that a household with an income of £30k or more containing children would qualify for tax credits and other means tested benefits. How we increase rent needs to be synchronised so households are not worse off.
- We should avoid charging extra rent and then paying benefit on the increase – the tax/benefits recycling the government is trying to design out of the system.

• **whether the starting threshold should be set in relation to eligibility for Housing Benefit.**

- It would increase workload unnecessarily to means-test an addition to rent and then to means-test a benefit payment towards the extra rent. So we think the income threshold should be synchronised with housing benefit. No-one who's entitled to housing benefit should be charged a high income rent charge.
- However, there is no set rent level for HB eligibility. It depends on a household size and composition and the level and type of income. So this would necessarily involve a move away from a simple income threshold of £30,000/£40,000.

**Q2: Based on the current systems and powers that Local Authorities have, what is your estimate of the administrative costs and what are the factors that drive these costs?**

- **System costs:** We don't have a software system we could adapt to carry out this new means testing. Until we know the final detail of the plans and the method by which we gather the income data from tenants we cannot estimate ICT or administrative costs. The requirements of a system are to collate and retain the income and household details, to hold a market rent for all our properties and for our rents system to charge an adjustable pay-to-stay supplement.
- **Number of tenants affected:** in the 9 October press release the government estimated some 350,000 social renters have household incomes of £30,000 or over. Based on our housing stock this would mean a maximum of around 350 High Peak

Borough Council tenancies would be affected. This will be a factor but until we see further detail it's not possible to suggest a likely cost.

- **Setting market rents:** there will be costs involved in setting a market rent for every property in our stock. It won't be adequate to adopt the local private sector rents as they may not reflect the property type and location of our housing stock.
- **Collecting income data:** we know from assessing housing benefits this is a major overhead in circumstances where it's in people's interests to share the information. It will be harder where the tenant loses out when they supply the information. We'll need effective information flows from HMRC advising us of taxable income for the previous year – if this is to be the income we use. Given that some 8.5% (or so) of social renters are in the £30,000-plus bracket it won't be effective to means-test all tenants and then charge those with the higher incomes. There has to be an information flow from HMRC to trigger the process.

## Other comments

**New powers to collect data:** we'll need to know the incomes of all earners in a household to know which are the highest two to use. We'll need new powers to collect income and household details from people who aren't claiming a benefit.

**Timing:** if we use the previous year's taxable income there is an issue of when that information is known.

- For employed earners this is straightforward – P60s are issued by 31 May – but others have until 31 October to submit a tax return.
- Assuming some time lag for validation it could be December or January before HMRC could confirm for us the income of a self-employed person for year ending on 31 March.
- But we'd want a common implementation date for everyone.
- In addition to the time lag confirming the previous tax year's income landlords need to give 28 days of any rent change. So we'll have an annual rent change in April and then a pay-to-stay charging period beginning later in the year.

**How we handle changing circumstances:** we'll need to see proposals for how we handle tenant's changing circumstances, for instance pay can go down, people can lose their jobs, get ill and retire, partners can leave and so on.. We welcome simplicity and certainty but it would be difficult to collect the extra rent where income has dropped significantly.

**High income level:** as a non-London council our high income level is £30,000 per household. However two people over 24 working 40 hours a week earning the minimum wage payable in 2017/18 would exceed £30,000 in 2017/18.

**Capital:** wealth is held as savings and investments and this is reflected in the benefits system generally. We should consider including this in pay-to-stay to ensure consistency.

**Pensioners:** the proposal appears to apply to all tenants. In the case of pensioners we should take into account the special difficulties they may have in increasing their income to pay extra rent or moving to alternative accommodation with lower costs.