

# Taunton Deane Borough Council

## Tenant Services Management Board – 14 December 2016

### **BRIEFING: High Income Social Tenants: Pay to Stay**

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(This matter is the responsibility of Executive Councillor Terry Beale)

#### **1. Summary**

The purpose of this briefing is to provide an update on the government's proposals for social landlords to require their tenants on high incomes to pay higher rents known as 'Pay to Stay'. We have been waiting for detailed regulations and guidance due out since July 2016. The introduction of the scheme is no longer compulsory and the Council will not be pursuing the discretionary scheme.

#### **2. About 'Pay to Stay'**

2.1 In May 2016, powers were provided for in the Housing and Planning Act 2016 to introduce an income based rents policy, requiring local authorities to set higher rents for higher income council tenants with household incomes of over £31k outside of London. Tenants would pay an extra 15p rent for every £1 over the threshold up to the equivalent market rent. Councils would need to set out a valid method for determining local market rent for their properties.

2.2 Initially this scheme was to be compulsory for councils.

On 21 November 2016 Minister of State for Housing and Planning, Gavin Barwell made a written statement which confirmed that the government has decided not to pursue this policy in its compulsory form. Local Authorities and housing associations will continue to have discretion to implement the policy for those tenants with household incomes of £60k and over. The change in policy follows consultation with tenants, local authorities and other organisations.

The government intends to continue with the introduction of fixed term tenancies for Local Authorities. Fixed term tenancy reviews may take into account household incomes and thereby act as a gateway to continued social housing ensuring that tenancies are targeted towards those with lower incomes. We are anticipating further guidance on this in due course.

The statement indicates a continued commitment to social housing for those in need, but with the recognition that 'we need to do so in a way that supports those ordinary working class families who can struggle to get by, and in a way which delivers real savings to the taxpayer. The policy as previously envisaged did not meet those aims'. The written ministerial statement is attached at appendix A for reference.

- 2.3 In the compulsory scheme councils would have only been able to keep additional income received to cover 'reasonable' administrative costs, with the bulk going to the Treasury. Although unconfirmed as yet, the implication is that this could be the case with the discretionary scheme.
- 2.4 A considerable amount of back office administration resource would be needed to administer a 'Pay to Stay' scheme:
- Establishing household incomes, initially writing to half of our tenants who do not receive Housing Benefit of Universal Credit.
  - Validate income with HMRC and confirm rent charge in writing to tenants
  - Setting an income based rents policy including an appeals process
  - Establishing a market rent calculation method and calculating it for each property
  - Purchasing and introducing an additional module for our IT housing management system, Academy, to enable the calculation and collection of income based rents
  - Tapering rents according to income and adjusting in line with changes in income (reviewed at intervals to be defined)
  - Dealing with appeals
  - Collecting the additional rent and chasing any arrears
  - Calculate and pay additional income less reasonable administrative costs to central government

### **3. The Council's Position on the Government Discretionary Proposals for Higher Rents for Higher Income Tenants**

- 3.1 Overall the scheme would be costly and time consuming to administer for limited financial benefit. In addition it could be provide a disincentive to work. Therefore TDBC does not need intend to adopt the discretionary Pay to Stay scheme.

## **Appendices**

Appendix A - Ministerial Written Statement

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**Social Housing: Written Statement – HCWS274**

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**WS Department for Communities and Local Government**

Made on: 21 November 2016

Made by: **Gavin Barwell** (Minister of State for Housing and Planning & Minister for London)Commons: **HCWS274****Social Housing**

Social housing has a crucial role to play in supporting those in most housing need. To that end, powers were provided for in the Housing and Planning Act 2016 to introduce an income based rents policy, requiring local authorities to set higher rents for higher income council tenants.

Since the summer, the Government has been reviewing this policy. We have listened carefully to the views of tenants, local authorities and others and as a result, we have decided not to proceed with a compulsory approach. Local authorities and housing associations will continue to have local discretion.

The Government remains committed to delivering its objective of ensuring social housing is occupied by those who need it most. But we need to do so in a way that supports those ordinary working class families who can struggle to get by, and in a way which delivers real savings to the taxpayer. The policy as previously envisaged did not meet those aims.

This is why we are introducing the mandatory use of fixed term tenancies for new tenants in local authority housing. This will better enable councils to give priority to people with the greatest housing need. Councils will review tenancies at the end of each fixed term to ensure that tenants still need a socially rented home. The Government's guidance to councils will make clear that they should take into account a household's financial circumstances when looking at this, and that, except in exceptional circumstances, tenancies should be targeted on those on lower incomes.

We will also consider whether other options exist to ensure that high income tenants in social housing make a greater contribution to costs.

We are keen to work with local authorities to tackle housing tenancy fraud. In 2013, the National Fraud Authority estimated the cost of such fraud – largely illegal sub-letting and lying about circumstances to obtain tenancies – to be in the region of £850 million a year.

For most existing tenants, social housing represents a home for life at a rent well below market levels. The Government remains committed to ensuring it goes to those who need it most.

We have already announced for this spending period we are putting £8 billion into affordable housing delivery. Building more homes is central to this Government's vision of a country that works for everyone. We will publish a Housing White Paper shortly, setting out measures to help us deliver this ambition.

This statement has also been made in the House of Lords: **HLWS274**