



Briefing 12/41 August 2012

Consultation: Pay to stay in council housing

To: All contacts in England,
For information: Contacts in Scotland, Wales and Northern Ireland

Key issues

Principle and fairness raised as reasons to tackle issue of high earning tenants
Discussion over identifying what constitutes a 'high earner'
Range of practical difficulties to be addressed if this approach is taken forward

1. Introduction

DCLG have issued a consultation paper titled 'High Income Social Tenants – Pay to Stay'. It follows the issue being raised in 'Laying the Foundations: A Housing Strategy for England' published in November 2011. The strategy said *"We are committed to protecting the rights of existing social housing tenants. However, this should not prevent councils, housing associations and the Government from tackling the small minority of tenants who abuse their social housing. This includes households earning high incomes who continue to occupy subsidised housing and households committing tenancy fraud. Both groups are enjoying a resource that is intended to benefit others who genuinely need it. As part of our reforms, we now plan to bring in new measures to end these abuses of social housing. We plan to consult on proposals to charge high earners an increased rent to 'pay to stay'".*

The strategy noted that the Government intended to take action to tackle the small number of cases in which households with high salaries continue to benefit from a social rent including considering raising rents for households with income in excess of £100,000 (evidence suggests there may be as many as 6,000 such households). It states that it is fair to ask the highest-earning social housing tenants to pay a higher rent when their peers in private housing pay market rents. The strategy notes that the consultation document will highlight provisions that will allow landlords to increase rental income from households with genuine high earners, in order to help fund new affordable homes. The consultation document takes the debate about the income level a step further and refers to either £60,000, £80,000 or £100,000.

The "Pay to Stay" consultation can be found at
<http://www.communities.gov.uk/publications/housing/paytostayconsultation>

2. Context

'Laying the Foundations: A Housing Strategy for England' includes reference to major reforms, in particular, reforms allowing social landlords to offer lifetime security where it is needed but also to set shorter terms for new tenants where that makes more sense; reforms to allocations will give councils the freedom to manage their own waiting list and allow them to give more priority to long-standing local residents; new statutory guidance on social housing allocations will make clear that councils are expected to avoid providing social housing to people who already own a property; and reforms to ensure that former service personnel with urgent housing needs receive high priority on waiting lists, whilst ensuring that those who move from base to base do not lose their qualification rights.

3. The case for reform

The consultation document estimates that in social rented housing in England there are between 1,000 and 6,000 households where the Household Reference Person and partner have a combined income over £100,000 per annum; and 12,000 to 34,000 earning £60,000 or more.

Figures suggest that on average across England the economic subsidy provided by sub-market rents on social housing is worth an estimated £3,600 per annum. These subsidies are significant and the Government is concerned that they are unfair when provided to those on high incomes, both to taxpayers and to those in housing need on waiting lists. The consultation document states that social housing should go to those who genuinely need and deserve it the most. The government expects the 'pay to stay' proposals to bring in over £21m per year.

As such the Government wishes to focus on options that enable landlords to charge a higher rent to high-income households, by which they mean a single tenant earning at or above the agreed threshold or the two highest earning individuals whose joint income is at or above that threshold.

While we wish to formulate a common policy for all social housing, the differing nature of the local authority and housing association sectors will necessitate some differences in approach between them.

4. Comments

APSE policy towards social housing is that it should be a quality affordable option for all rather than a safety net for some.

However a number of significant issues arise from this debate. Setting a level at which to define a 'high income' household is a subjective decision and one which will differ across the country. Gaining access to income levels is also a substantial change to existing approaches, as well as an administrative job which will be onerous. Changes in income level would have to be tracked and decisions made about the period used judging the level of income. Historic grants would have to be paid back adding a further complication. There are also contractual issues relating to changes to existing tenancy agreements to be addressed. Without doubt there are a number of technical issues to be decided upon, all with major implications and some requiring legislation.

There is a potential negative impact on the concept of mixed communities if those who are forced to pay higher rents decide to move out of the property with the loss of affluent people from the local housing mix. The problems of having social housing occupied by the poorest in society are well known and in APSE's view is an approach which should be avoided.

Furthermore an obvious contradiction exists in the form of Right to Buy discounts. Those annoyed by having to pay higher rent levels can simply choose to take advantage of large discounts to buy their home resulting in the triple whammy of reduced rental income, the cost of the discount and one less property available to the landlord to allocate.

The sum expected to be saved by the approach outlined in the consultation is over £21m. Although this remains a significant amount of money whilst housing providers need to look at all areas to make savings and efficiencies, this figure is a drop in the ocean when the scale of housing budgets is considered. As a result it is difficult to see how this issue has risen so far up the housing agenda when there are other far more significant issues to address.

Without doubt the most significant message to emerge from this consultation paper is that the Government is avoiding tackling the circumstances which mean high earning tenants are a problem in terms of the supply of properties, rather than on the issue of fairness. The consultation document notes that "This is an issue of

principle and fairness". But the real argument is about housing supply and that is where attention should be directed. The number of houses built in the first quarter of 2012 is 11% lower than the same time last year – at a time when figures are dangerously low already. Substantial investment in house building is desperately needed and is called for by many involved in the sector including APSE, as well as wider commentators all of whom are looking at the potential benefits to the economy. This includes both construction related employment and jobs in those sectors supplying the sector. There remain over 5 million people on housing waiting lists – a figure which has been growing for a number of years. The combination of huge demand for social housing, a construction sector which is not building the required number of properties to meet that demand and a stagnant private sector housing market is one which requires action and investment.

5. APSE Response

APSE will make a detailed response to the consultation. If you wish to send in your views they will be incorporated into the response process and I encourage all to respond to this briefing.

APSE will be compiling its response in early September 2012 and is requesting replies to this consultation document by Friday 31st August 2012. Responses should be sent to pbrennan@apse.org.uk

The closing date for the consultation is 12th September and comments may be sent to paytostay@communities.gsi.gov.uk

6. Consultation Questions

The paper includes 28 questions to prompt responses as well as the opportunity to comment generically.

Question 1: *Do you agree with the principle that very high earners living in social housing should pay higher than social rents?*

Question 2: *Do you agree that this approach would be the best way of delivering additional flexibility for local authorities and private registered providers?*

Question 3: *What are your views on the guidance at Annex A?*

Question 4: *Do you think that landlords should be required to charge high income households a higher rent?*

Question 5: *Do you consider that £60,000, £80,000 or £100,000 would be an appropriate threshold, avoiding the impacts referred to above?*

Question 6: *Could levels below £60,000 be considered without disadvantaging other households on low incomes or the vulnerable? Where should the line be drawn?*

Question 7: *At what level do you think the income threshold could start impacting on welfare or affecting work incentives?*

Question 8: *Should the policy apply only to those whose names are on the tenancy agreement?*

Question 9: *Should income other than pay be included in the threshold amount, such as Lottery windfalls or inheritances?*

Question 10: *Should certain groups be exempted from higher rents, such as disabled people, or pensioners? If so, please set out your reasoning.*

Question 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?*

Question 12: *Would allowing landlords to charge full market rents be appropriate in your area in your view?*

Question 13: *Are there any practical barriers to charging full market rents?*

Question 14: *If the power to charge a higher rent was optional for landlords, would you be likely to make use of it?*

Question 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.*

Question 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.*

Question 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?*

Question 18: *Would you be likely to make use of any new statutory powers to require tenants to disclose their income?*

Question 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?*

Question 20: *What practical issues do you see in charging existing high income tenants a higher rent?*

Question 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?*

Question 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?*

Question 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?*

Question 24: *What is your view of the administrative costs that might be incurred in implementing these proposals? What opportunities do you see for minimising additional costs?*

Question 25: *Do you have any comments about the regulatory implications of giving private registered providers these additional flexibilities?*

Question 26: *How should additional income generated by this policy be used?*

Question 27: *What are the practical implications of requiring grant reinvestment / recovery when a property moves to a higher rent (or reverts back to social rent)?*

Question 28: *Are there any other issues you wish to raise?*