

London Councils

The voice of London local government

Housing & Planning Bill

Committee stage, Thursday 10 March

Clauses 78 - 89. High income: mandatory rents

London Councils

London Councils represents London's 32 boroughs and the City of London. We make the case to government, the Mayor and others to get the best deal for Londoners and to ensure that our member authorities have the resources, freedoms and powers to do the best possible job for their residents and local businesses.

Overview

The 'Pay to Stay' proposals will for the first time statutorily link social rents with household income and under current proposals will impact on local authority social tenants who are earning a household income of £40,000 or above in London. Housing association tenants may be subject to a voluntary scheme run by housing associations. There are approximately 786,000 tenants living in social housing properties, who benefit by paying rent at subsidised rent levels, contributing to London's vibrant mixed community.

London Councils supports the principle of allowing boroughs more flexibility in rent setting, however imposing a mandatory scheme carries a number of risks which need to be addressed if the policy is to be applied fairly and raises the additional rent the government is expecting. There are also concerns about how these proposals can avoid creating work disincentives or negatively affecting the social mix of London. The key areas of concern relate to the following areas;

- Flexibility in rent setting
- Affordability,
- Full cost recovery of administrative costs.

Amendments to Clauses 78, 79 & 84

We agree with the **Amendment 73** that the rent is to be increased based on a tapered system relating to the income and level of rent charged, so long as there is flexibility to ensure that local authorities can create a manageable system. This is in keeping with the commitment already made by government

to introduce a taper system.

We also support **Amendment 75** requiring that regulations made by the Secretary of State should include transitional protection and arrangements as the tenant moves to the higher rent. This proposal will provide tenants with adequate time to adjust to the new rent levels.

We support **Amendment 79**, which proposes that the meaning of 'high income' to be determined under this policy cannot be set at a level lower than median incomes. This is reasonable and will help to address issues around appropriate salary levels and the link to affordability into the future.

We believe that boroughs should be able to retain the rental income generated from this policy and be able to use this extra funding to build more homes. If this cannot be secured, we support **Amendment 81** that states that the income to be paid to the Secretary of State by councils should be based on the actual increase rather than an estimate.

We also agree with **Amendment 81A** with the insertion that payments made to the Secretary of State from councils should be paid minus the full administrative costs for the local housing authority. This proposition would ensure that local authorities aren't financially burdened from this policy and takes a practical approach to payment arrangements.

High Income: mandatory rents

Flexibility in rent setting

The government should allow sufficient flexibility for boroughs to set rent levels that are locally determined and which reflect local market conditions. Without this discretion many high value areas of London will become unaffordable for social tenants. This is likely to destabilise London's mixed communities, where residents earning a range of incomes live side by side.

We believe that boroughs should be treated in the same way as housing associations, and be allowed to keep the rental uplift from this policy. These receipts can be used to deliver much needed new affordable housing locally. The additional income gained by boroughs could also help to counter the impacts of the 1% rents reduction proposed in the Welfare Reform and Work bill, which we estimate will cost boroughs £800 million over four years.

Affordability

It is estimated that approximately 28,000 households who live in council housing in London will be affected by this policy. It is essential that boroughs have local discretion with regard to the income levels to be applied to this policy to ensure that the rent increases are affordable and will reduce possible work disincentives. As the policy currently stands there is no recognition of household composition or differential circumstances, such as a single earner versus two earner households in different tax and benefit positions. Nor is there any significance placed on households with children who are subject to paying London's extremely expensive childcare costs. We are concerned that the gap between market rent and social rent is likely to result in substantial increases in rent, especially for tenants living in high rental areas.

We welcome a commitment by government to introduce a taper or stepped threshold to allow for flexibility to ensure that rent increases are proportionate. This will enable the affected tenants to make a decision about whether to relocate or adjust their income level, if possible, so as to manage the impacts. This would provide a clearer relationship between income and market rents thus reducing the likelihood of a cliff edge occurring. It is key that there is sufficient local discretion to ensure a taper can be managed under local rent systems.

Research carried out by Savills indicates that 60% of households to be affected by Pay to Stay will neither be able to pay market rent or take advantage of right to buy. Higher rents would further compound the capability of these households to get on to the housing ladder by reducing their capacity to save for a deposit. This policy could therefore negatively impact on the aspiring buyers the government wishes to help on to the housing ladder.

Full cost recovery of administrative costs

The administrative burden being placed on boroughs will be significant. Collecting information about tenants' incomes and managing rent collection at differential levels will require boroughs to introduce new systems which will in turn place an administrative burden on boroughs. New relationships will need to be developed between councils and HMRC. If councils are unable to keep the rental uplift, London Councils would like to see the additional administrative burden arising from this policy to be fully funded.

We believe that a full burdens assessment should be undertaken in order to ensure full cost recovery for boroughs. This would ascertain the likely impact on boroughs and provide the evidence base needed to accurately assess all the costs affecting delivery of the policy.

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London Councils represents all 32 London boroughs and the City of London. The Mayor's Office for Policing and Crime and the London Fire and Emergency Planning Authority are also in membership