

London Councils

The voice of London local government

Housing & Planning Bill

Committee stage, Thursday 3 December

Clauses 74-83, 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. See below for an overview, followed by our opinions of specific amendments and finally, our policy position on these provisions.

Overview

The 'Pay to Stay' proposals will for the first time link social rents with household income. The government estimates the additional rental income after administration costs will deliver over £1 billion to the Treasury. There are approximately 790,000 households living in social housing properties in London, who benefit by paying rent at subsidised rent levels. 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 effectively.

Opinion on Amendments

Clause 74.

Second grouping for debate

London Councils is broadly supportive of the principles of the following amendments.

Amendment 203 which would allow for the introduction of a taper scheme into the application of high income rents to prevent large jumps in the rent level being charged with only modest increases in income.

Amendment 205 which would allow for the need to promote and encourage a mixture of people with different income levels in their housing stock when setting rent levels.

Amendment 206 which would go some way to establish that rent levels should reflect local affordability.

Fifth grouping for debate

Amendment 209 London Councils is also broadly supportive of this amendment, which would allow tenants deemed to have a high income to be given transitional protection, although we would hope to play a role in influencing the detail of what this protection will mean.

However across all these issues it will be critical that councils can work with the Government to ensure that the details allow for the simplest possible system to administer rather than introducing additional complexities to the system.

Our concerns

London Councils supports the following points.

- The additional rental uplift from this policy should be retained with London boroughs rather than paid to the Treasury as currently required under clause 79. This will see London boroughs treated in the same way as housing associations.
- The use of a taper or stepped thresholds should be explored and London boroughs should be given the flexibility to ensure that rent increases are proportionate.
- The additional administrative burden arising from Pay to Stay should be fully funded by government.

London Councils believes London boroughs should be allowed to keep the funding generated under this provision. Boroughs should be treated the same way as housing associations, and should keep the rental uplift from this measure which could help to counter the impact of the 1% rents reduction, which we estimate will cost boroughs around £800 million over four years.

Many of London's social housing tenants live in thriving economic communities undertaking a range of different jobs at different income points. This is what makes London's economy function effectively. It is estimated there are potentially 28,000 households in council homes in London affected by the Pay to Stay proposals. There are concerns that without some level of flexibility the policy will affect boroughs' ability to maintain mixed communities if people are forced to move as a result of the increase in their rent.

Affordability

We believe that the income threshold of £40,000 is low in London and boroughs should be able to set higher thresholds if they wish to. It is important to understand the interaction between Pay to Stay and the housing benefit system and how individual circumstances and behavioural change will impact on tenants who may need to rely on housing benefit support to pay their rent. More flexibility on the rents and salary thresholds at a local level would help mitigate any adverse impacts on work incentives and benefit entitlement.

London Councils believes that a mandatory scheme should ensure that councils are able to achieve the right balance of affordability, taking into account local rental markets. The gap between market rent and social rent is likely to have a substantial impact, particularly for tenants living in high rental areas. In some cases rent increases will be unaffordable. According to Government data an average council weekly rent in 2013/14 is £101.45 per week, compared to an average monthly market rent over three times that in London. We believe that it is essential that boroughs should have more flexibility over the rent levels to be charged in order to ensure that affected tenants can afford to pay and prevent tenants falling in rent arrears.

We would support the consideration of a 'buffer' period giving tenants who are newly over the minimum income level of £40,000 time to increase their income. This would be helpful in cases where people are employed on temporary work, contracting and agency work which may be subject to rent increases but this may not be on a permanent basis.

London Councils believes that a taper could also potentially be effectively applied gradually linking incomes to rent increases if it was a suitably simple system for local authorities to administer. This would provide a clear relationship between income and market rents thus reducing the likelihood of a cliff edge occurring and reducing the impact on residents who under the current system could see a sudden jump in rent. For example, a single mother living in north London earns over £50,000 and lives with her two adult children, one studying at university and the other in low paid part-time work. Under this scheme she could potentially see her rent increase by more than 350% from £140 to £500 per week at market rents.

Administrative burden

If councils are unable to keep the rental uplift, London Councils would like to see the additional administrative burden placed on boroughs arising from Pay to Stay fully funded by government. A new burdens assessment is needed to ascertain the likely impact on boroughs and to accurately assess all the cost drivers affecting delivery to ensure that the administrative tasks are taken into account.

It is anticipated that because of the disparity between social and market rents, there could be a higher number of appeals and legal actions arising from the non-payment of rents. Currently, boroughs do not routinely collect information about their tenants' incomes, so this will require a new systems to manage the process.

The relationship between the HMRC and boroughs will be critical if Pay to Stay is to be carried out effectively.. Whilst it is uncertain at this stage how this will be carried out, it will be essential that tenants' details should be accurate and exchanged in a timely fashion if boroughs are to provide a responsive service.

Pay to Stay is due to be implemented from April 2017. This is an ambitious timeframe, given that boroughs are awaiting more details to be issued from Government around the practicalities around administration. We believe adequate time should be given to implement new systems and to give boroughs adequate time to work with tenants who be affected.

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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