

Committee	Dated:
Housing Management and Almshouses Sub Committee	16/01/2017
Subject: Voluntary Pay to Stay and Government Policy Update	Public
Report of: Director of Community and Children's Services	For Decision
Report author: Adam Johnstone, Strategy Officer	

Summary

The Autumn Statement 2016 contained several announcements on housing policy. Most significant is the decision not to proceed with compulsory Pay to Stay, which would have required councils to increase rents for households with a combined income of over £40k.

Ministers have subsequently reminded local authorities that, should they wish to, they retain the power to implement an earlier, voluntary, version of Pay to Stay. The City Corporation therefore faces a choice between reaffirming a commitment to social rent or investigating the business case for a local version of Pay to Stay.

The Autumn Statement also contained an announcement on Housing Association Right to Buy. A second, expanded, pilot of the scheme will take place over the next five years. As the pilot discounts will be fully funded by the Government this means there is no requirement on housing authorities to sell their higher value vacant stock in 2017/18.

Recommendation

Members are asked to:

- note the report;
- consider the two options set out at paragraphs 13-17;
- reaffirm the City Corporation's commitment to social rents (as per Option One)

Main Report

Background

1. The Housing and Planning Act 2016 included provisions for higher income social tenants to pay up to market rents. This was intended to work on a taper basis, with rents increasing by 15 pence for every pound of household income over a £40k threshold.
2. Local authorities would have been allowed to retain a reasonable amount to cover administration costs, but any additional revenue raised through the policy would have gone to the Treasury.

Autumn Statement

3. In the Autumn Statement, the Government announced that they would not be proceeding with Pay to Stay, citing representations made by tenants, local authorities and others. They accepted that the policy as envisaged in the Housing and Planning Act did not meet the aims of supporting ordinary working families or delivering savings for the taxpayer.
4. The Housing Minister, Gavin Barwell, has reiterated the Government's aim to ensure that social housing goes to those who need it most. The Minister stated that fixed term tenancies, another product of the Housing and Planning Act, will instead to be used to achieve this aim.
5. The Minister also reminded local authorities that they retained a voluntary power to implement an earlier version of Pay to Stay.

Fixed Term Tenancies

6. The City Corporation currently offers new tenants secure (also known as lifetime) tenancies as standard. The Housing and Planning Act 2016 will require fixed term tenancies to be used by default. A fixed term tenancy will be granted for a fixed period of between two and 19 years and will only be renewed if the tenant meets set criteria.
7. Regulations setting out suitable fixed term lengths, renewal criteria and when local authorities can exercise their discretion to offer lifetime tenancies are expected in early 2017. Based on the Minister's statement, it is likely that tenants' incomes will be a key factor the City Corporation will have to consider during the renewal process.
8. The City Corporation will need to review its Tenancy Strategy, Tenancy Policy and standard tenancy agreement when the regulations are set out.

Voluntary Pay to Stay

9. Social landlords have had a discretionary power to charge higher rents to higher earners since 2012. This version of Pay to Stay remains in place and allows landlords to charge higher rents to households with incomes of at least £60k.
10. Any additional income raised from implementing this policy is retained by the landlord. Despite the potential to raise additional revenue from the policy, few social landlords have adopted voluntary Pay to Stay.
11. Landlords not adopting the voluntary policy have cited many reasons, including the high administrative cost of assessing all tenants' incomes and frequent changes of circumstance, relatively few households earning above the threshold (in 2013 the Centre for London estimated only 1.9% of London households in social rented housing earned above £60k) and unintended consequences; creating disincentives to work and impacting on mixed communities.

12. The City Corporation's Tenancy Strategy currently states that tenancies will be offered at social housing target rents. The Strategy encourages other social landlords operating in the Square Mile to do likewise. Given the changes in national policy, however, Members may wish to consider re-examining this policy or reaffirming their commitment to maintaining rents at social levels.

Options

Option One – Reaffirm a commitment to social rents

13. Reaffirming the preference for social rent defined in the City Corporation's Tenancy Strategy would reassure working tenants and enable them to better plan for the future, maintain work incentives and avoid taking on a large and unnecessary administrative burden.

Option Two – Investigate voluntary Pay to Stay

14. Implementing a voluntary version of Pay to Stay has the potential to raise additional revenue that could be retained in the Housing Revenue Account.

15. The policy would require officers to establish the income of every tenant household, which would be a logistical and administrative challenge. There is a risk that the policy may cost more than it would raise, especially if the threshold for the scheme was set higher than the £60k minimum.

16. If Members wish to investigate voluntary Pay to Stay, it is proposed that a business case identifying the expected costs, revenues and other effects is developed and brought back to this Committee for consideration.

17. Given the likely administrative burden of implementing voluntary Pay to Stay, and the negative impact on some tenants, officers would recommend that Members choose Option One and reaffirm the City's commitment to social rents..

Other Elements of the Housing and Planning Act

18. The Government also used the Autumn Statement to announce an expanded pilot of the scheme offering Housing Association tenants the Right to Buy. This second pilot will test elements not covered in the first pilot such as the portable discount and the replacement of homes sold on a one-for-one basis.

19. The expanded pilot is due to run for five years and will report its findings in 2021. The Government will provide £250m to fund the 3,000 discounts expected to be offered during the pilot period.

20. As a result, the Government have confirmed they will not require Higher Value Asset payments from local authorities in 2017/18 and there is not yet a requirement on the City Corporation to sell Higher Value housing stock.

Conclusion

21. The decision not to proceed with Pay to Stay removes a significant future administrative burden from the City Corporation and will better enable working tenants to plan for the future. The City Corporation retains the power to implement a voluntary version of Pay to Stay.
22. The juxtaposition of this decision with a reiteration of the Government's commitment to fixed term tenancies makes it likely that the renewal process for these tenancies will focus on household incomes. A review of the City Corporation's Tenancy Strategy, Policy and standard tenancy agreement will be required once further guidance is available.
23. A second pilot of Housing Association Right to Buy means that no High Value Asset Sales will be required in 2017/18. The National Housing Federation is seeking clarity on the position for the remaining four years of the pilot.

Appendices

- None

Background Papers

- 04/07/2016 - Housing and Planning Act

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