



Department for  
Communities and  
Local Government

# Pay to Stay: Fairer Rents in Social Housing

Consultation



© Crown copyright, 2015

*Copyright in the typographical arrangement rests with the Crown.*

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, <http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

This document/publication is also available on our website at [www.gov.uk/dclg](http://www.gov.uk/dclg)

If you have any enquiries regarding this document/publication, complete the form at <http://forms.communities.gov.uk/> or write to us at:

Department for Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF  
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: <https://twitter.com/CommunitiesUK>

August 2015

ISBN: 978-1-4098-4677-2

# Contents

The consultation process and how to respond	4
Overview	5
Introduction	6
The operation of income thresholds	7
Evidence of administrative costs	8

# The Consultation Process and How to Respond

## Basic Information

<b>To:</b>	This is a public consultation and it is open to anyone with an interest in these proposals to respond.
<b>Body responsible for the consultation:</b>	The Department for Communities and Local Government is responsible for the policy and the consultation exercise.
<b>Duration:</b>	This consultation will run for 6 weeks. It will begin on 9 <sup>th</sup> October and end on 20 <sup>th</sup> November.
<b>Enquiries:</b>	Email: <a href="mailto:paytostay@communities.gsi.gov.uk">paytostay@communities.gsi.gov.uk</a>
<b>How to respond:</b>	Please respond to this consultation via email to <a href="mailto:paytostay@communities.gsi.gov.uk">paytostay@communities.gsi.gov.uk</a>  Postal responses can be sent to:  William Richardson Department of Communities & Local Government 3 G/10, Eland House, Bressenden Place, London, SW1E 5DU
<b>After the consultation:</b>	A summary of responses to the consultation will be published and the views expressed will be considered by the Government.

# Overview

<b>Topic of this Consultation:</b>	Pay to Stay: Fairer Rents in Social Housing
<b>Scope of this Consultation:</b>	<p>This consultation is designed to help inform the detailed design of the policy in certain areas. The Government will take views on board as it moves to implement the policy from April 2017 onwards.</p> <p>However, Government will also need to be guided by the overall level of savings that have been set out at Budget and will need to ensure that the design of the policy is able to deliver those savings. In responding to the consultation it will outline how views have been considered and why decisions have been made.</p>
<b>Geographical Scope:</b>	England only
<b>Impact Assessment:</b>	A full impact assessment will be published at a later date. It will be important for that work to be informed by the questions in this consultation on the administrative costs of the policy.

# Introduction

1. The Government's view is that tenants in social housing should not always benefit automatically from subsidised rents. There needs to be a better deal in the social housing sector, with housing at subsidised rents going to those people who genuinely need it.
2. On that basis, the Government has decided that social housing tenants with household incomes of £40,000 and above in London, and £30,000 and above in the rest of England, will be required to pay an increased level of rent for their accommodation if their rent is currently being subsidised below market rent levels.
3. This will build on the current 'pay to stay' policy which is available to local authority and housing associations to operate voluntarily.
4. Money raised by local authorities through increased rents will need to be returned to the exchequer to contribute to deficit reduction. Housing Associations will be able to use the additional income to reinvest in new housing.
5. Our starting assumption is that the policy will operate in broadly the same way as the current Pay to Stay policy, i.e:
  - household means the tenant or joint tenants named on the tenancy agreement, and any tenant's spouse, civil partner or partner where they reside in the rental accommodation. Where several people live in the property the highest two incomes should be taken into account for household income.
  - income means taxable income in the tax year ending in the financial year prior to the financial (i.e. rent) year in question.
  - where a HIST tenancy comes to an end, and the property is vacated, we would expect properties to typically be re-let in line with their previous lower rent – be it at social rent or Affordable Rent – to a household in housing need.
6. Government will also consider what additional powers could be useful, for example, to require the provision of information by tenants
7. The Government will use primary legislation to bring forward powers to implement the policy and ensure it is in place from April 2017 onwards. We expect that the detail of the policy will be set out in regulations.

## Scope of the consultation

8. This consultation is designed to help inform the detailed design of the policy in relation to work incentives and administration. The Government will take views on board as it moves to implement the policy from April 2017 onwards. However, it will also need to be guided by the overall level of savings that have been set out at Budget and will need to ensure that the design of the policy is able to deliver those savings.
9. The areas where views are sought are:
  - how the scheme can support incentives to work
  - evidence of administrative costs

## Supporting work incentives

10. The Government wants to ensure that the policy supports work incentives, and is seeking views on how the policy can be designed to achieve this whilst ensuring that tenants pay a fair rent.
11. A gradual increase in rent for social tenants as their incomes rise may be a fairer system. One way this could be achieved is through a system that would ensure that households earning in excess of minimum income thresholds would pay increasing amounts of rent as income increases, for example in the form of a simple taper.
12. There will be different options for how this could be implemented, and there will be trade-offs between ensuring rent closely reflects income and simplicity and certainty for both the tenants and the landlord. We do not expect, for example, that rents will be adjusted frequently. However there will be choices over how social landlords respond to changed tenant circumstances, for example, where a household is subject to a sudden and ongoing loss of income.

**Q1:** Views are invited on:

- how income thresholds should operate beyond the minimum threshold set at Budget, for example through the use of a simple taper / multiple thresholds that increase the amount of rent as income increases.
- whether the starting threshold should be set in relation to eligibility for Housing Benefit.

# Evidence of administrative costs

13. Social landlords will be required to administer the policy.
  14. The proposal is that local authorities will be allowed to recover any reasonable administrative costs before they are required to return additional income from increased rents to the exchequer. We expect that the types and level of costs that can be retained will be prescribed. As housing associations will be retaining the income they receive from higher rent payments to invest in new housing, they will be expected to absorb the administrative costs.
  15. We expect that local authorities already have systems and processes in place that could be modified to operate the pay to stay policy. The additional administrative resource that is likely to be required is staff time in operating the scheme.
  16. Housing associations may incur additional costs in setting up systems. However, as the policy is going to allow those associations to keep the additional rent money to reinvest in social housing, they should be able to cover those costs.
  17. The Government will be publishing an impact assessment in due course that will outline the scale of the administrative costs for housing associations and is using this consultation to ask for evidence and views on the operation of the policy.
- Q2:** Based on the current systems and powers that Local Authorities have, what is your estimate of the administrative costs and what are the factors that drive these costs?