

Local Government Association briefing, Housing and Planning Bill, House of Lords Committee Stage Week commencing 14 March, 2016



KEY MESSAGES

- **High income social tenants:** Proposals to increase rents for high income tenants should be voluntary for councils as it will be for housing associations. Councils should also retain any additional income to reinvest in new and existing housing.
- Local flexibilities will enable councils to implement the policy in a way that does not disincentivise tenants to increase their earnings, retains key workers and balances policy implementation with administrative complexities and costs.
- **Lifetime tenancies:** Councils should be free to manage their tenancies in a way that drives best value from stock while supporting strong local communities. We are concerned the Government's proposals would remove flexibilities for councils to offer different kinds of tenancies in response to local need, and the impact this will have on vulnerable tenants and communities.

AMENDMENTS TO SUPPORT

Chapter 3 – Rents for High Income Social Tenants

- **The LGA supports amendments 69C** (Lord Best, Lord Kennedy of Southwark, Lord Kerslake and Lord Stoneham of Droxford); **70D** (Lord Best, Lord Beecham, Lord Kerslake, Lord Stoneham of Droxford); **75C** (Lord Best, Lord Kennedy of Southwark, Lord Kerslake and Lord Stoneham of Droxford); **79B** (Lord Beecham, Lord Kerslake, Lord Low of Dalston and Lord Stoneham of Droxford); **79D** (Lord Kennedy of Southwark, Lord Kerslake, Lord Low of Dalston and Lord Stoneham of Droxford); **81B** (Lord Kennedy of Southwark and Lord Kerslake).

These amendments would, if passed, make it voluntary for councils (as it will be for housing associations) to introduce market or close to market rents for high income social tenants.

- **The LGA supports amendment 81A** (Baroness Bakewell of Hardington Mandeville, Lord Beecham and Lord Kerslake).

The amendment would, if passed, ensure councils retain sufficient funding to cover the costs associated with administering the 'pay to stay' policy.

Chapter 6 – Secure tenancies etc.

- The LGA supports the notice of intention to **oppose the Question that Clause 113** stand part of the Bill (Baroness Bakewell of Hardington Mandeville, Lord Beecham, Lord Kennedy of Southwark and Lord Shipley).
- The LGA supports the notice of intention to **oppose the Question that Schedule 7** stand part of the Bill (Baroness Bakewell of Hardington Mandeville, Lord Beecham, Lord Kennedy of Southwark and Lord Shipley).
- The LGA supports the notice of intention to **oppose the Question that Clause 114** stand part of the Bill (Baroness Bakewell of Hardington Mandeville, Lord Beecham,

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Lord Kennedy of Southwark and Lord Shipley).

- The LGA supports the notice of intention to **oppose the Question that Schedule 8** stand part of the Bill (Baroness Bakewell of Hardington Mandeville, Lord Beecham, Lord Kennedy of Southwark and Lord Shipley).

These amendments would, if passed, allow local housing authorities to continue to offer tenancies as most appropriate for each tenant, for local communities and for the wider housing stock.

BACKGROUND INFORMATION AND EVIDENCE

High income social tenants mandatory rents

We do not support the proposal to require councils to charge mandatory rents for high income tenants and to take a sum of money from councils based on a national estimate of the additional income from higher rents. The Secretary of State has allowed housing associations the flexibility to determine whether or not they increase rents for high income tenants, and that receipts are retained locally. The same flexibilities should be applied to councils and their tenants.

Local flexibility

Councils have already developed tenancy strategies that balance meeting the needs of tenants and communities while delivering best value from their housing stock. Councils would be able to use local flexibilities to ensure that rental changes do not discourage tenants from increasing their earnings, housing remains affordable for key groups such as those working in education, healthcare and other public services, and the reforms are not implemented where the administrative costs associated with delivery outstrip the financial returns from increased rental income.

The proposed national high income household thresholds are £40,000 for London and £30,000 outside London. Local flexibility would also enable councils to remove any unintended consequences emerging from implementation, such as penalising hard working families. For instance, it is not fair for a couple with three children earning £15,000 each to be classified as high income. Research commissioned by the LGA, undertaken by Savills, suggests:

- Should the policy be mandatory for all social tenants, 12 per cent of all social tenants in the East of England would be affected and five per cent would not be able to afford market rent or to pursue Right to Buy. This would mean they would have to leave the area to find a similar property.
- Similarly, seven per cent of social tenants in the South East would be affected, and four per cent would have to leave the area for a similar property. In London, four per cent of social tenants would be affected, and just over two per cent would have to leave to find a similar property.

Payments

We do not support measures that would enable the Government to require a payment based on an estimate of increased rental income from implementing the policy. This estimate is unlikely to reflect the reality of fluctuating household incomes, and is unlikely to take into account behavioural consequences as tenants move into home ownership or the private rented sector. Further, local government has a range of concerns around the practicable implementation of requirements to increase rents for high income tenants. All administrative costs should be deducted from payments returned to government. Although it is not clear whether the increased returns from rental income will be sufficient to cover the costs of implementation in many areas.

The Bill should be amended to introduce a taper on household thresholds, that exempt a range of tenants from the requirements, and that defines high income relative to the tenancy holder income rather than total household income.

Lifetime tenancies

Councils should be free to manage tenancies flexibly to support strong local communities while driving the best value from stock. We are concerned proposals in the Bill would remove flexibilities on councils to offer different kinds of tenancies in response to local need. Mandatory restrictions on tenancy length would only apply to council tenants, not to those living in housing association homes. This sets up an artificial difference between social tenants based on their landlord and the start date of their tenancy.

The Localism Act 2011 introduced flexible tenancies in acknowledgement that ‘a one size fits all model on rents and tenancies is not the best answer to the wide range of needs and circumstances of those accessing the social rented sector’.¹ Councils should retain the freedom to manage locally their Tenancy Policy and decisions over tenancies. Housing markets vary from place to place and blanket national enforcements may risk impacting on coordinated local efforts to balance efficient use of stock while building stable neighbourhoods and communities.

Further, the requirement to review each tenancy every five years would be a significant administrative burden on councils. We would like to support the Government to work with councils in order for it to understand the impact of fixed-term tenancies, and to then be able to use the information to inform future tenancy strategy.

¹ For further information please visit: <http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted>