Appendix B

Directorate of Transformation

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Mr W. Richardson
DCLG
3 G/10 Eland House
Bressenden Place
London
SW1E 5DU

Dear Sir,

RE: Pay to Stay: Fairer Rents in Social Housing

West Lancashire Borough Council's Cabinet considered the above consultation paper on 10th November 2015. The unnecessarily short 6 week consultation period denied the opportunity for this to be considered formally by the Council's scrutiny arrangements which is extremely unfortunate. . In future the Council would request the full 12 week period or an explanation on why the consultation period was 'fast tracked'. There seems to be no valid reason for this in the current circumstances.

In paragraph two of the consultation paper it refers to households being required to pay an increased level of rent for their accommodation <u>if</u> their rent is currently being subsidised below market rent levels. The Council would like to question how social housing in the Local Authority Sector is subsidised. The historic debt and management costs have been 'purchased' by Councils from the Government and therefore there is no direct form of subsidy given to tenants who pay rent.

The Housing Bill seeks to raise finance through the sale of 'High Value' properties to subsidise the purchase of homes from the RSL Sector which is a real subsidy at the expense of Local Authorities.

The Council believes the Government is fundamentally wrong in bringing in the 'Pay to Stay' policy and would ask them not to target those on a relatively low income who chose not to purchase a home to be forced to pay higher rents unnecessarily.

If the Government do decide to introduce this policy, it will become a disincentive to work if applied simply based on those earnings more than £30K (£40K in London) paying market rent. The Council believe that a simple tapering arrangement be introduced that charges 5p in the £1 over £30K (£40K in London) until market rents are achieved. This would provide an incentive to earn more and not penalise those affected adversely. If there is a change in circumstances, we would suggest that the rent be revised using this formula which would mean that if income reduced below £30K (£40K in London) social rent would again be charged.

The Council has no evidence of administrative costs but estimate that there would be a one off cost of £25K in valuation fees to initially assess market rents for properties affected by this policy. Additionally, there would be costs to enhance existing computer systems to be able to cope with assessing rents, data cleansing, collection activity and other administrative processes which would be £10Kper annum.

Dependent on how the tenants to be targeted would be selected, there would be additional costs of staff time. It is not possible to estimate this without understanding the operational processes involved. This Council has no current systems in place which would identify tenant's income which is £30K or over. The simplest form of administration is for HMRC to provide this to the Council, although it might be better for them to collect this "Tax" on higher income tenants. If the Council has to set up a system, I estimate there would be a one off cost of circa £50K, as well as annual costs of circa £5K for licencing and upgrades of any system.

It is likely that an appeals mechanism would be required as tenants may question whether the market rent for the property is appropriate. This would delay the intended collection of the higher rent and create a further administrative burden and cost whilst appeals were being considered. Estimated cost £5K per annum.

There is also the practical issue of addressing affected households changing financial circumstances. This would require undertaking checks and amendments to determine whether a higher rent should continue to be charged. Estimated cost £5K per annum.

Finally, if Pay to Stay is introduced then it should be based upon current earnings as opposed to historic earnings from a previous period / financial year. This will minimise the impact of rent arrears accruing or any other financial hardship as a result of the system catching up with the historic earning profile of the household.

Yours sincerely

R. V. LIVERMORE
ASSISTANT DIRECTOR
HOUSING AND REGENERATION