



EXECUTIVE

24 November 2016

SECOND DESPATCH

Please find enclosed the following items:

Item 10 Tenant Tax (Pay to Stay)

1 - 4

REASON FOR URGENCY: On Tuesday 21 November, the Government announced the abandonment of mandatory Tenant Tax for council tenants and the Executive wishes to make an immediate decision about whether or not to implement the discretionary Tenant Tax, to clarify the position for residents as quickly as possible.

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Report of: **Executive Member for Housing and Development**

Executive	Date: 24 November 2016	Ward(s): All
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REASON FOR URGENCY: On Tuesday 21 November, the Government announced the abandonment of mandatory Tenant Tax for council tenants and the Executive wishes to make an immediate decision about whether or not to implement the discretionary Tenant Tax, to clarify the position for residents as quickly as possible.

SUBJECT: Tenant Tax (Pay to Stay)

1. Synopsis

- 1.1 The Government has announced that the Tenant Tax will no longer be mandatory for councils. This follows considerable lobbying from councils and tenants. The Housing and Planning Act 2016 had required councils to charge higher rents to any tenants in London whose household income exceeded £40,000. The Tenant Tax, as Pay to Stay became known, was due to be brought in in April 2017.
- 1.2 This report notes this welcome change to the proposals and commits the council to not implementing the discretionary provisions for Tenant Tax (Pay to Stay).

2. Recommendations

- 2.1 To welcome the Government announcement that the provisions within the Housing and Planning Act 2016 known as 'Tenant Tax' or 'Pay to Stay' will no longer be mandatory.
- 2.2 To thank all the residents who shared their powerful stories with the council. This highlighted to Government the impact the policy would have on working tenants in the borough.
- 2.3 To commit to not introducing discretionary Pay to Stay provisions.
- 2.4 To write to housing associations with properties in Islington to ask them to commit to not introducing discretionary Pay to Stay provisions for their tenants.

3. Background

- 3.1 Under the Housing and Planning Act 2016 the Government set out a requirement for local authorities to charge a higher rent to council tenants with a household income in excess of £40,000 in London, and £31,000 outside London. This provision was to be mandatory for local authorities, with any income from rents being paid back to Government. For Housing associations, these provisions were discretionary.
- 3.2 Local authorities and groups of council tenants carried out considerable lobbying. Lobbying was focussed on the unfairness of the tax, the negative impacts on the residents who would have to pay the additional rent, and highlighted the considerable administrative burden of implementing this policy, which could have outweighed any gain in income to the Treasury.
- 3.3 Many residents shared their stories about the effect the Tenant Tax would have on them, which strengthened these lobbying arguments. When the Housing and Planning Bill was first published, Islington Council set out its opposition to the 'Tenant Tax' because of the anticipated impact on residents, who would find it difficult to afford additional rent payments. The council also estimated that it would need to collect income details for about 10,000 of its council tenants, who would not have been exempt, to assess them for the tax. This represented a considerable administrative burden on the council.
- 3.4 In order to help demonstrate the anticipated damage of the Tenant Tax the council gave evidence to the Bill Committee in November/December 2015, in March 2016 a public meeting was held at the Town Hall for tenants about the potential impacts of the Bill and in June a motion was passed at full council to offer advice and information to tenants about the Tenant Tax and to continue to make representations to government on the damage it would cause.
- 3.5 On Monday 21st November 2016 the Housing Minister, Gavin Barwell MP, released a statement confirming that the Government had 'decided not to proceed with the compulsory approach' to the implementation of 'Pay to Stay'. Confirming that 'Local authorities and housing associations will continue to have local discretion' to implement the increased charge.
- 3.6 The council welcomes the Government's abandonment of the mandatory requirement on local authorities to implement 'Tenant Tax' and it is recommended that the Executive make a commitment not to implement discretionary Pay to Stay proposals under. It is also proposed that the Executive Member for Housing and Planning write to all Housing Associations with properties in Islington to ask them not to implement discretionary Pay to Stay.

4. Implications

Financial implications:

- 4.1 Under the original policy any additional rental income raised was due to be passed on, in its entirety, to central government, hence there is no adverse financial impact to the HRA as a result of this policy being withdrawn.

Furthermore, although the government indicated that they would meet any "reasonable" administration costs it was by no means certain that we would have been reimbursed in full for the costs associated with the implementation/administration of this policy so to this extent the HRA will not face the risk of this financial burden.

Legal Implications:

- 4.2 The mandatory Tenant Tax provisions are set out in Chapter 3 of the Housing and Planning Act 2016. The provisions were brought into force by the Housing and Planning Act 2016 (Commencement No 3) Regulations 2016.

However, the Government has not introduced any further regulations regarding the implementation of the Tenant Tax and it has now indicated that it will not be implementing the mandatory provisions.

Environmental Implications

4.3 There are no direct environmental implications from this report.

Resident Impact Assessment:

4.4 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

5. Reasons for the recommendations / decision:

5.1 The Council has opposed the introduction of the mandatory 'Tenant Tax' and welcomes the Government's announcement that this will no longer be mandatory. The council considers that the introduction of discretionary Pay to Stay would have a detrimental impact on many of tenants in Islington. It is therefore recommended that a commitment is made to not exercise the Council's discretion to implement it.

Signed by:



24 November 2016

Executive Member for Housing and Development Date

Appendices: None

Background papers: None

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