

Report for DACHS Scrutiny Members

Report from the Assistant Director - Housing Services

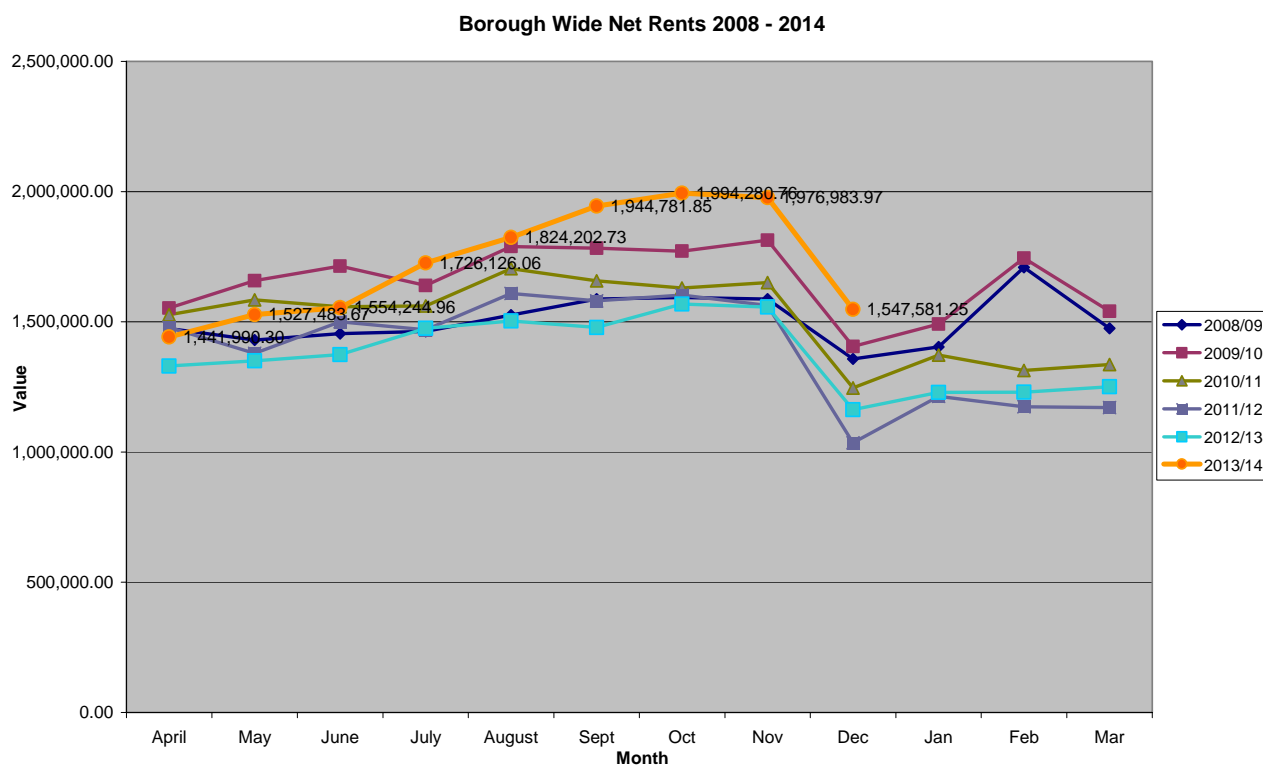
Impact of Welfare Reforms on Income Collection within Dudley

Purpose of Report

1. To provide a further update to Scrutiny Committee on the impact of welfare reforms on income collection within Dudley. This is an information only report.

Background

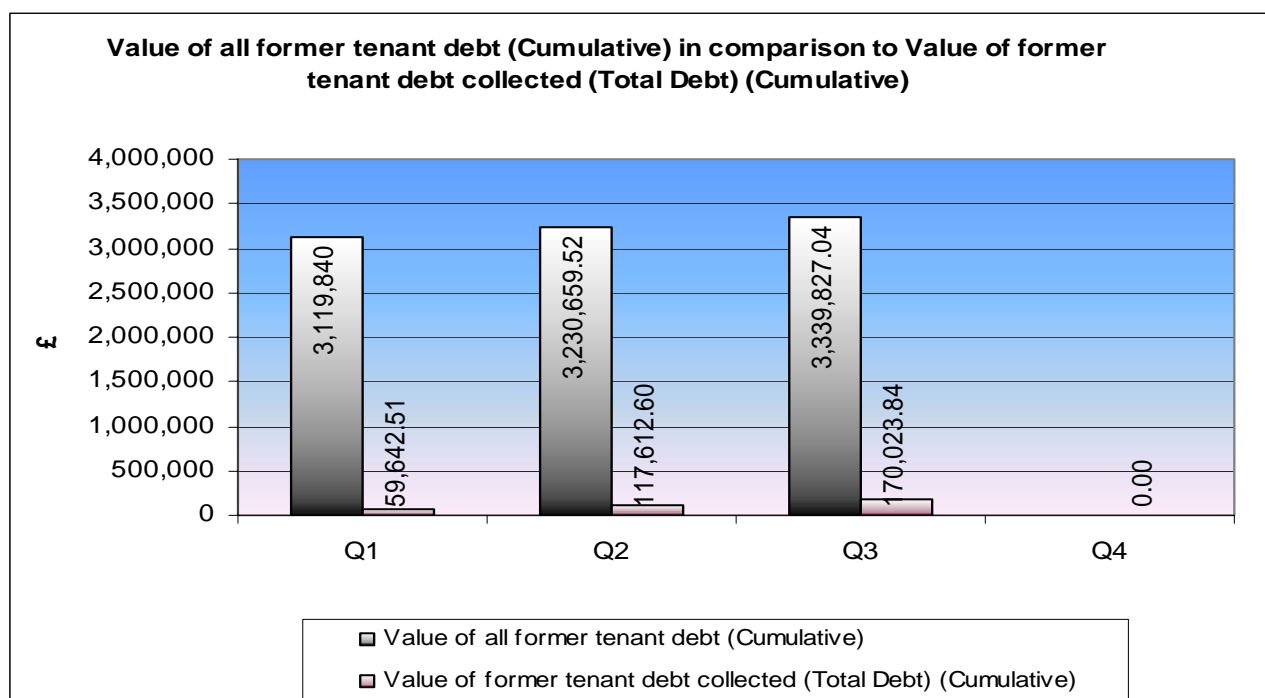
2. Members received a report at its November 2013 meeting entitled 'Impact of the Benefit Cap and the removal of the spare room subsidy on the income collection within Dudley. The information contained in that report related to Quarter 2. This report provides information for Q3 – 31st December 2013.
3. The arrears position becomes more complex in Quarter 3 as it is distorted by the inclusion of two rent free weeks. Members will note on the graph below a downward trend for all years shown for this period. To more accurately evaluate the arrears, the table below shows a comparison of rent arrears month by month for 2012/13 and 2013/14. Since the benefit changes were introduced in April 2013 there has been a growing and significant increase in rent arrears. Based on the percentage increase of 33% in December it is projected that the arrears at the end of the year will be £1.7 million. This would indicate an annual increase of 15.3% compared with a decrease of 5.96% in 2012/13.



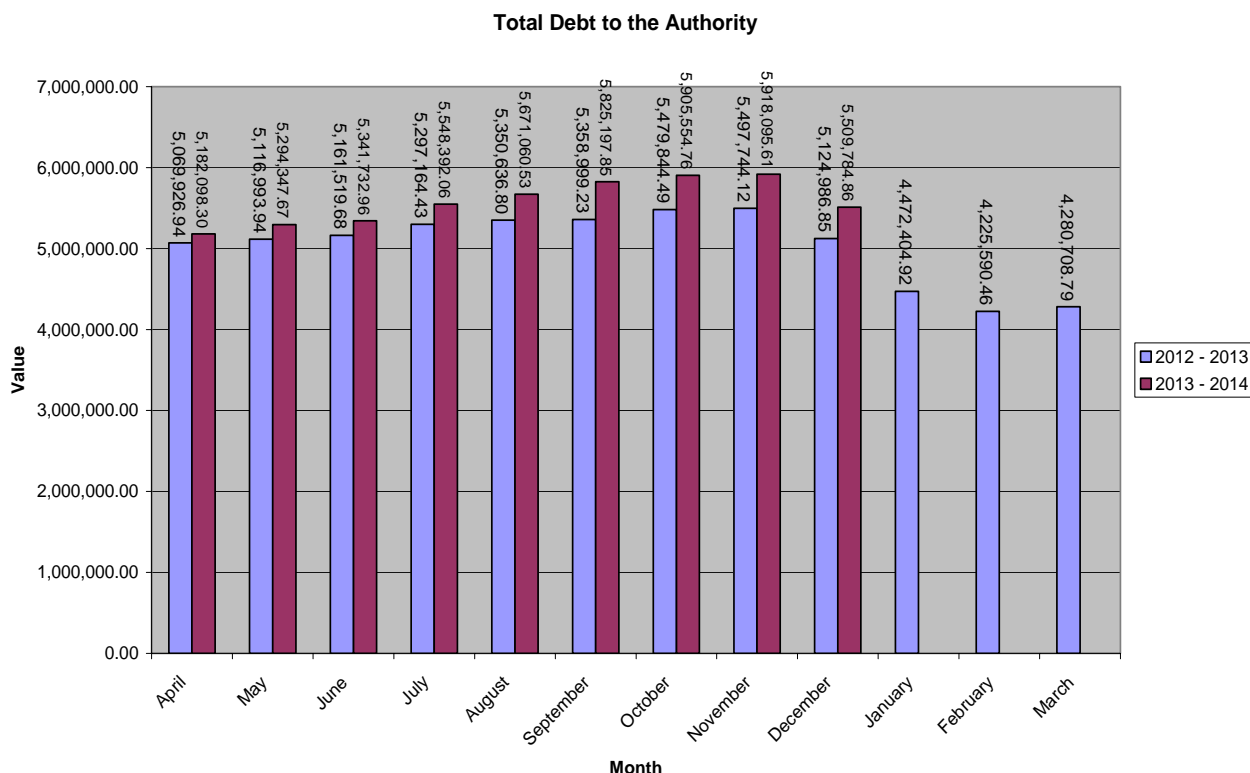
Arrears balances at the end of month 2012/13 compared with 2013/14

Month	2012/13	2013/14	% increase
April	£1,329,818.94	£1,441,990.30	8.44%
May	£1,350,129.94	£1,527,483.67	13.14%
June	£1,374,031.68	£1,554,244.96	13.12%
July	£1,474,898.43	£1,726,126.06	17.03%
August	£1,503,779.00	£1,824,202.73	21.31%
September	£1,478,583.23	£1,944,781.85	31.53%
October	£1,568,570.49	£1,994,280.76	27.14%
November	£1,556,632.48	£1,976,983.97	27.00%
December	£1,163,173.24	£1,547,581.25	33.00%
January	£1,229,720.26	Forecast (£1,635,527.94)	33% forecast
February	£1,229,496.46	Forecast (£1,635,230.29)	33% forecast
March	£1,250,474.75	Forecast (£1,663,131.42)	33% forecast
% Decrease/ increase	-5.96%	Forecast 15.3%	

4. Former tenant arrears continue to increase. It should be noted that former tenant arrears are managed either through an established repayment plan, through a debt collection agency or via civil action. Dudley does not currently use civil action through the courts but this is to be evaluated to determine its potential. See graph below which provides detail on the total value of debt and the former tenant arrears recovered in the same year. There will also be changes to the level of former tenant debt outstanding due to write offs during the year (annual occurrence).



Total debt to the authority (current and former tenant arrears) are shown below, this will include all accounts where there is either a payment plan in place, money recovered via debt collection agency and any debt written off in the year.



Removal of the spare room subsidy rent arrears

- There are 2673 tenants as at 6th January 2014 that are subject to the removal of the spare room subsidy. 1666 tenants are in arrears and 1007 have clear rent accounts. Members will have heard that a legal expert found a loophole in the benefit legislation and the implication is that a number of tenants, subject to specified criteria, should not have been subject to the removal of the spare room subsidy. In Dudley there are 71 cases where the housing benefit service is currently considering exemption and backdating to the rent account. It should be noted that it is the Government's intention to close this loophole.

As at 1st April, 3330 Council households were affected by the removal of the spare room subsidy (14%) as compared with the figure at 6th January 2014 of 2673 (11.6%). The numbers are constantly changing for a variety of reasons, households will fall in and out of the spare room charge if, for example, a new baby in household, tenant takes in a lodger or tenancy ended and therefore no longer subject to the removal of the spare room subsidy.

There are currently 16 cases which are being listed for court action in March 2014. This is significantly less than the original 35 cases due to the hard work of income recovery and housing support staff providing advice and guidance to tenants in terms of payment plans, DHP applications and income maximisation. We are confident that with the 16 cases we have exhausted every avenue to engage with and help the customer.

Benefit Cap

6. The latest information on the benefit cap is as at 27th January 2014 there were 68 accounts subject to the benefit cap. The total arrears balances for these accounts stood at £15,758.28, (50 accounts in arrears, 3 with a nil balance and 15 in credit). This shows an increase from 30th September 2013 when there were 52 accounts subject to the benefit cap and the total balance across all accounts stood at £10,833.28. This shows an increase from 30th September 2013 to 27th January 2014 of 45.5%.

Month	Number of tenants in arrears & subject to the benefit cap	Value of arrears on above accounts – benefit cap arrears
September 13	41	£10,833
January 13	50	£15,758
% Increase	21.9	45.5

Finance

7. Expenditure on managing, improving and maintaining Council dwellings is funded within the Housing Revenue Account (rental income from tenants) which is ring-fenced for income and expenditure on Council landlord services. Any additional resources will be funded from reserves within the HRA, which have been set aside to mitigate the risks of Welfare Reform.

Law

8. The powers and duties of Housing Authorities in relation to the allocation and management of Council housing are set out in the Housing Acts 1985 and 1996.

Equality Impact

9. The HRA operates in line with the Council's Equality Policies and the impact of these changes is subject to an equality impact assessment.

Recommendation

10. Members are asked to note the contents of this report and if they have questions or need clarification on any issues to email Diane Channings on diane.channings@dudley.gov.uk.



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List of Background Papers

None.