

## **Report for DACHS Scrutiny Committee, 11<sup>th</sup> November 2013**

### **Report from the Director of Adult, Community & Housing Services**

### **Impact of the Benefit Cap and the Removal of the Spare Room Subsidy on income collection within Dudley**

#### **Purpose of Report**

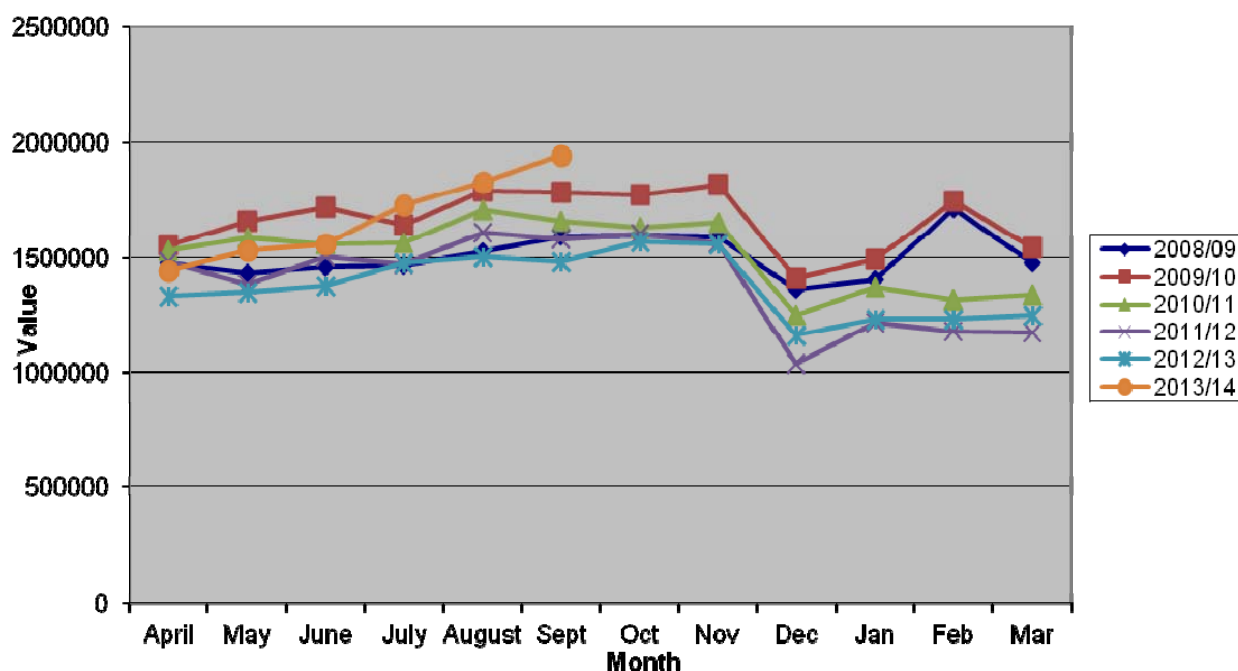
1. To provide an update to Scrutiny Committee on the impact of the Benefit Cap and the removal of the spare room subsidy on income collection within Dudley.

#### **Background**

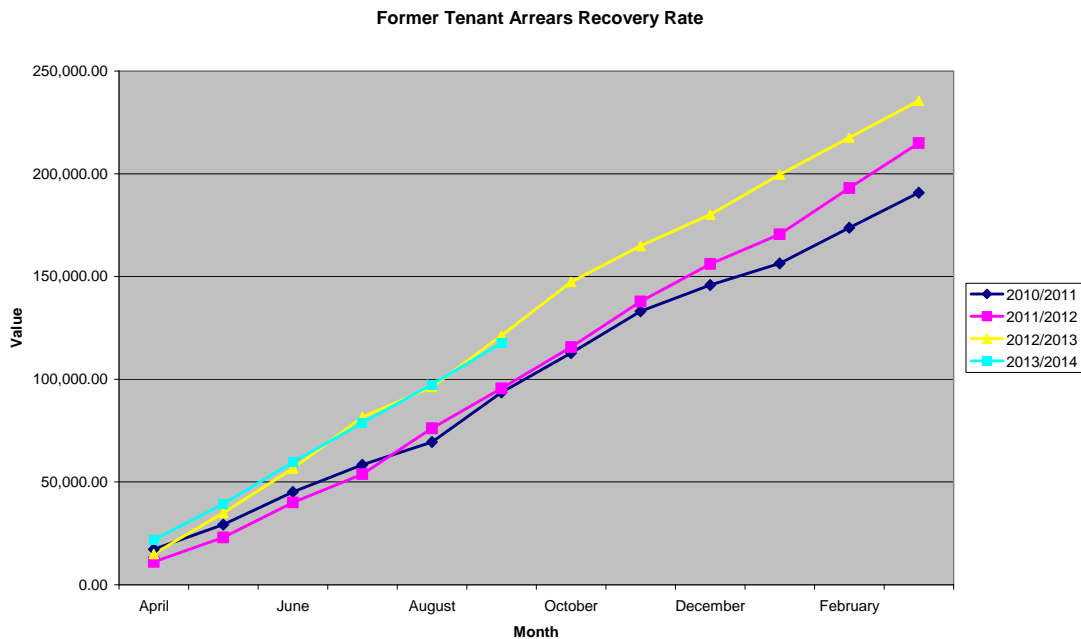
2. Following a presentation to Scrutiny Committee on the 12<sup>th</sup> August 2013, Members requested a further update on the impact on Dudley regarding the removal of the spare room subsidy. To place this update into context I need to set the scene by presenting information on the overall arrears position for the borough. Reason being that welfare reform in general and the economic position of the country has impacted on people's ability to pay rent amongst competing priorities. This has impacted on the workload of the team in addition to the benefit cap and the removal of the spare room subsidy.

The income teams up to the end of quarter 2 have seen a steady increase in the level of rent arrears outstanding. Their current level is the highest it has been since 2008/09. This is due to the impact of welfare reforms but also due to the increasing number of accounts falling into arrears. The number of accounts in arrears has increased from 8153 (sep 12) to 9601 (sep 13) which equates to a 17.76% increase. With the increase in the number of accounts falling into arrears, the teams are less able to tackle these quickly. In relation to the welfare reform accounts, these are very often more complex and require more time to deal with effectively.

**Borough Wide Net Rents 2008 - 2014**



3. In relation to former tenant arrears, the income teams are also responsible for the recovery of any outstanding debt once a tenancy ends. This area of work has also been impacted due to the increase in current accounts.
4. The monetary value of former tenant accounts recovered has not reduced, this is largely due to established repayment plans being in place and a revised former tenant arrears policy/debt recovery process being in place. To explain this further, the rate of former tenant arrears that are being added outweighs the rate at which we are recovering the debt. See graph below:



5. However, the total debt outstanding to the authority has significantly changed, see table below:

Year	April	September	% increase
2012/13	5,069,926.94	5,358,999.23	5.7
2013/14	4,513,482.58	5,175,441.37	14.67

6. Since the last meeting of the Scrutiny Committee another welfare reform measure has been introduced. On 15<sup>th</sup> July 2013 the Benefit Cap came into force, which capped a household's income at the following levels:
  - £500 a week for couples (with or without children living with them)
  - £500 a week for single parents whose children live with them.
  - £350 a week for single adults who don't have children, or whose children don't live with them.
7. For example, if a families income was £600 per week, their income would be capped via their housing benefit to £500 per week. Tenants rent is £100 per week,

the tenant would be capped and would only receive £0.50 per week housing benefit. (see data below regarding impact).

### **Impact of changes**

8. The most significant impact of Welfare Reform has been on the level of rent arrears outstanding to us.
9. At the 30<sup>th</sup> September 2013 (end of quarter 2) there were 2704 (12%) of Council households whom were subject to the removal of the spare room subsidy. As explained previously the numbers are constantly changing for a variety of reasons, e.g. someone reaching pension age and therefore no longer subject to the removal of the spare room subsidy. On the 1<sup>st</sup> April when this change was implemented, 14% (3330) of Council households were affected. This shows that the numbers fluctuate as personal circumstances change.
10. Additionally, from the 15<sup>th</sup> July 2013 over a period of five weeks 52 tenants within Dudley had their benefit capped.
11. The total arrears figure at 30<sup>th</sup> September 2013 for accounts subject to the benefit cap and the removal of the spare room subsidy was £371,884. This amount includes accounts where there were arrears present before the welfare reform changes were implemented.

### **Removal of the spare room subsidy rent arrears**

12. As stated above there are 2704 tenants as at 30<sup>th</sup> September that are subject to the removal of the spare room subsidy. 1869 tenants are in arrears and 835 have clear rent accounts. Of the 1869 tenants that are in arrears, 1124 are making payments towards their arrears. Not all of the arrears on these accounts are solely attributable to the removal of the spare room subsidy. It is worth noting that of the 1869 tenants that are in arrears, 666 were in rent arrears before the changes took place.

	1 <sup>st</sup> April 2013	June 2013	September 2013
<b>Number of tenants in arrears &amp; subject to the "removal of spare room subsidy"</b>	1345	1898	1869
<b>Value of arrears on above accounts – "removal of spare room subsidy" arrears</b>	£198,125	£302,936	£361,051

## **Benefit Cap**

13. As at the 30<sup>th</sup> September 2013 the total balances for the 52 accounts subject to the benefit cap stood at £10,833.28. All 52 accounts at the 31<sup>st</sup> March 2013 before the implementation of the benefit cap had a total arrears balance of £1,269.46. This shows an increase of 753.37%. Therefore there is a significantly greater impact on benefit cap tenants, many of whom are experiencing a considerable loss in income as their housing benefit has been substantially reduced. Prior to the benefit cap coming into force these accounts received full housing benefit.
14. How the benefit cap affects the claimant is dependent upon whether the amount of income they have over the cap is higher or lower than the amount of housing benefit they receive. The position is that any benefit income over the cap is deducted in total from their housing benefit entitlement. The following examples are taken from two households that are affected in Dudley.

Example 1, a family receives a total of £924.13 a week in benefits, of which £94.96 is housing benefits. The cap is £500 so the household is £424.13 over which should be deducted from their housing benefit. As they receive £94.96 housing benefit, their housing benefit has now been reduced by £94.46 to the set nominal amount of 50p.

Example 2, a family receives a total of £583.10 a week in benefits, of which £122.85 is housing benefit. The cap is £500 so the household is £83.10 over, which will be deducted from their housing benefit. They now receive housing benefit of £39.75 as part of their overall income.

<b>Number</b> of tenants in arrears & subject to the <b>benefit cap</b>	41
<b>Value</b> of arrears on above accounts – <b>benefit cap arrears</b>	£10,833

## **Arrears Action**

15. For tenants in arrears that have been impacted by welfare reforms (specifically the benefit cap and the removal of the spare room subsidy) and are experiencing financial difficulties additional support has been provided. More intervention stages have been added for arrears prevention and income maximisation. This involves extra home visits being built into the process to ensure all eligible benefits are being claimed, to ascertain income and expenditure details, assist with applying for discretionary housing payments, providing budgeting and debt advice, to advise on the housing options that are available and to secure a payment method.
16. Of those in rent arrears which are solely attributable to the removal of the spare room subsidy there are 35 cases that have been closely monitored as they have reached the final stages of our arrears recovery procedure. Home visits have been carried out to all 35 households unfortunately some have not engaged with the visiting officers. Of the 35, 10 have started making payments and starting to reduce the amount they owe. Additionally, the visits found that there are a number of issues affecting a household's ability to pay their rent. For example, due to a falling out within the family, the daughter of the tenant cancelled their bank card and put a

stop on their bank account. This left the tenant without any money and the tenant does not want to move. The tenant is in the process of setting up a new bank account and will be applying for Discretionary Housing Payments. Assistance was offered with budgeting and it was identified that she may be eligible for Personal Independence Payments. Another visit will be conducted to assist the tenant in completing the PIP form once it is received.

17. Another example is of a tenant that has been badly affected by a stroke. He now has difficulties with his memory and comprehension and relies on a family member for support. An appointment was made for the visiting officer, the family member that provides support and the tenant to meet at their home. A Discretionary housing payment application was completed and it was established that the tenant has an overnight carer. This updated information was provided to Housing Benefits so that his claim could be amended.
18. In addition to these 35 households, visits have also been carried out to all 52 homes that are subject to the benefit cap and attempts to contact and engage with 58 tenants who initially expressed that they can't or won't pay the removal of the spare room subsidy charge.
19. This has placed a greater demand for the service of the income team which has increased significantly since the start of this financial year. Prior to these changes each Income Management Officer managed approximately 600 rent accounts that were in arrears. This has risen sharply to approximately 800 accounts each. The table below shows a significant increase in the number of service requests to the income teams where customers have contacted Dudley Council Plus this year about their rent account. These enquiries necessitate a response and add to the workload already associated with managing an increased number of accounts.

Yr / Month	April	May	June	July	Total
2012	692	684	661	687	2724
2013	916	876	784	865	3441

19. There is also an increased demand for support services. Currently the Income Team work with Housing Support (previously referred to as Tenancy Sustainment) and external partners such as the Citizens Advice Bureau to provide this additional service. This has been facilitated by redirecting resources away from the day to day service and those that are not subject to the welfare reforms have had to be signposted to other agencies such as the CAB. This has led in some cases to a delay in the customer receiving the assistance they need.
20. However, this will be difficult to sustain and the need for additional resources have been identified and a decision sheet to this effect has been signed and is currently going through the scrutiny period on the decision sheet database.

## **Finance**

21. 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**

22. 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**

23. 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**

24. It is recommended that Members note the contents of this report.



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**Andrea Pope-Smith**  
**Director of Adult, Community & Housing Services**

Contact Officer: Robert Murray, Head of Service Housing Management South  
Telephone: 01384 812101  
Email: [robert.murray@dudley.gov.uk](mailto:robert.murray@dudley.gov.uk)

## **List of Background Papers**

None.