

**Report for Information**

**Adult, Community & Housing Services Scrutiny Committee, Wednesday 18<sup>th</sup>  
February 2015**

**Report from the Interim Chief Officer - Housing**

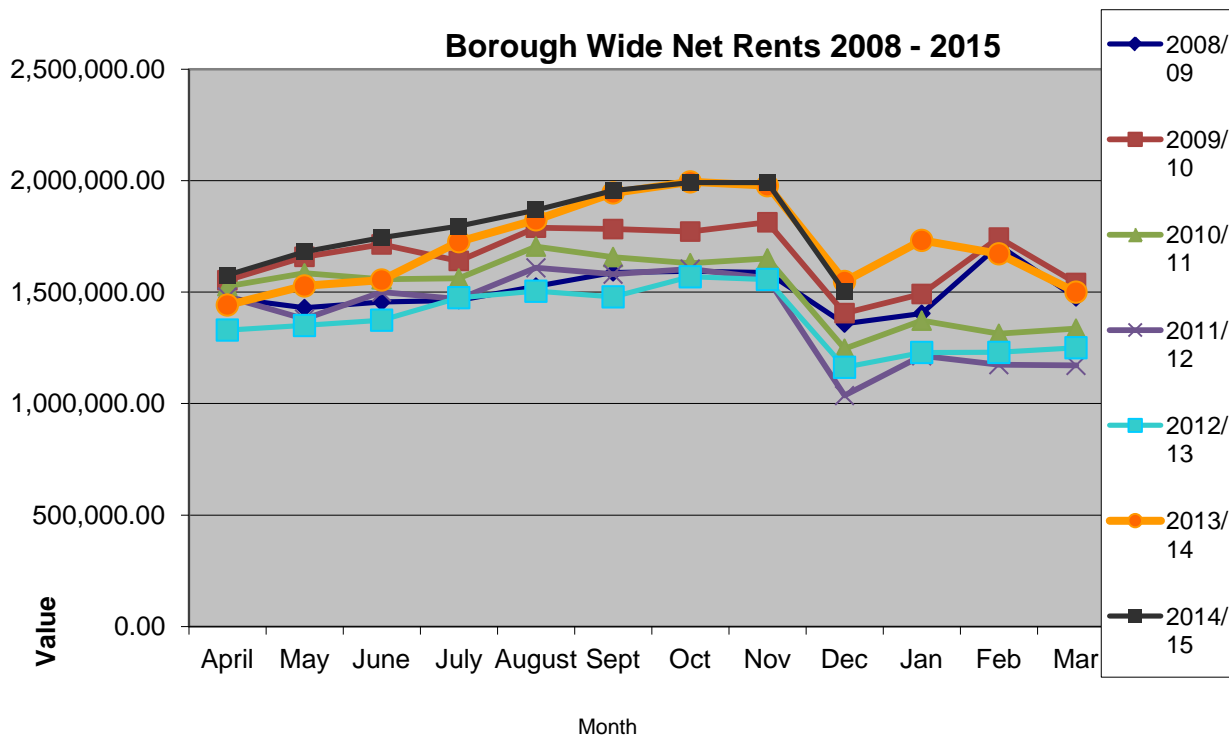
**Impact of Welfare Reforms on Income Collection within Dudley**

**Purpose of report**

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

**Background**

2. This report provides information for Q3 – 31<sup>st</sup> December 2014 on the impact of Benefit cap and the “removal of the spare room subsidy” on income collection within Dudley. This report also provides the current position on the recovery of former tenant arrears.
3. The rent arrears position at the end of Q3 must include and be explained against the inclusion of two rent free weeks during this period. The graph below shows the arrears trends over the last seven years. Members will note that each year there is a downward trend between the months of November and December when the rent free weeks are activated.



4. To enable a more detailed evaluation of the arrears figures the table below shows a comparison of rent arrears month by month for 2012/13, 2013/14 and 2014/15.

**Comparison of Arrears balances at end of month for 2012/13, 2013/14 and 2014/15**

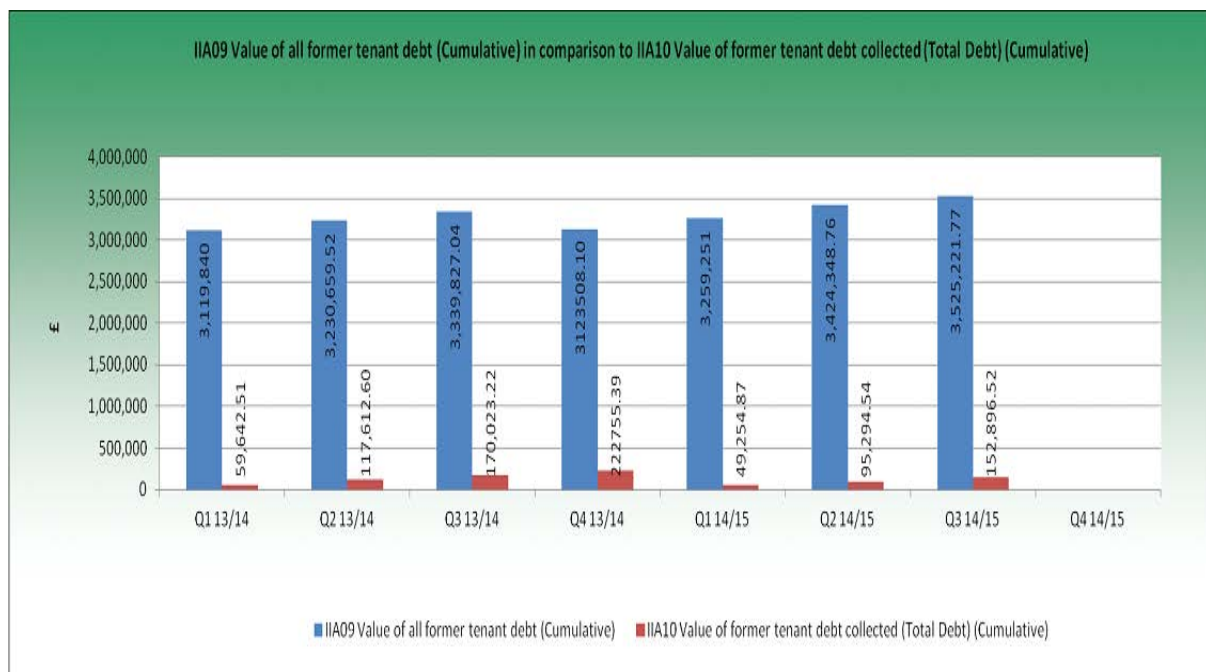
Month	2012/13	2013/14	2014/15	% increase since 2012/13
April	£1,329,818.94	£1,441,990.30	£1,575,810.27	18.4%
May	£1,350,129.94	£1,527,483.67	£1,681,377.21	24.53%
June	£1,374,031.68	£1,554,244.96	£1,744,432.38	26.95%
July	£1,474,898.43	£1,726,126.06	£1,795,238.29	21.71%
August	£1,503,779.00	£1,824,202.73	£1,868,137.60	24.22%
September	£1,478,583.23	£1,944,781.85	£1,955,651.05	32.26%
October	£1,568,570.49	£1,994,280.76	£1,991,213.13	26.94%
November	£1,556,632.48	£1,976,983.97	£1,991,139.37	27.91%
December	£1,163,173.24	£1,547,581.25	£1,501,209.23	29.06%
January	£1,229,720.26	£1,731,879.48		
February	£1,229,496.46	£1,671,668.17		
March	£1,250,474.75	£1,499,790.21		

5. The figures show that the current arrears levels for the borough has increased since the implementation of the “removal of the spare room subsidy” and the benefit cap in 2013. The table also shows since August 2014 we have contained the arrears to similar levels for the same period of the previous year. The direction of resources and assistance to tenants who are subject to the reforms is reflected in the effective recovery of rent arrears.

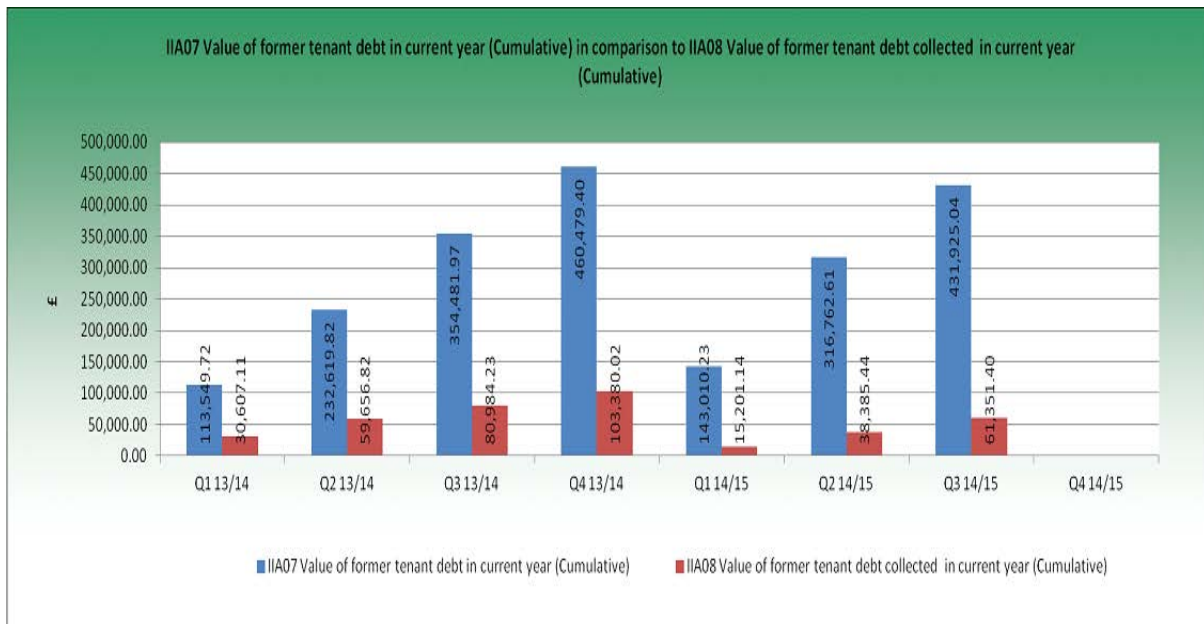
6. It is worth noting that there has not been a significant increase in evictions for rent arrears. During Q1 – Q3, (April 2014 – December 2014) there were 60 evictions. For the corresponding period of the previous year April 2013 – December 2013, 56 evictions were carried out.

### Former Tenant Arrears

7. The attached graph shows that former tenant arrears within Dudley have increased. Unfortunately, some tenants leave their properties with rent arrears and these former tenant arrears can prove difficult to recover. Welfare reforms have also contributed to the escalation of these arrears.
8. At the end of Q3 the total former tenant debt to the Council was £3.525m. This is an increase on the position at the start of the year (£3.259m). The graph provides the detail on the total value of historical former tenant debt and the sums recovered in the same year.



9. It was recognised that one of the challenges brought about by welfare reforms was the potential increase in former tenant arrears. To mitigate this risk additional resource was secured for the Income Recovery Team and an officer is now dedicated to tackling former tenant arrears. The attached graph shows this has resulted in 14% recovery of former tenant arrears accrued within the last financial year.



### Removal of the spare room subsidy rent arrears

10. There are 2536 council tenants as at 19<sup>th</sup> January 2015 that are subject to the removal of the spare room subsidy. Of this number there are 1347 tenants that are in arrears and 1189 have clear accounts or in credit with their rent.
11. When compared with the same period last year there were at 6<sup>th</sup> January 2014, 2673 council households affected by the removal of the spare room subsidy. There were 1666 tenants in arrears and 1007 with a clear rent account or in credit with their rent. Although the numbers affected are constantly changing they haven't increased/decreased substantially but tend to remain around 2500.
12. This can be attributed to a number of factors. For example, changes within the household that affect whether the charge applies. This can range from the tenant reaching pension age to a child being of an age where the bedroom standard no longer applies and they are not required to share a bedroom.
13. Considerable work is carried out to try and avoid the need for action to recover the possession of a home. Evictions are only pursued as a last resort when all other action to secure payment of rent has been exhausted. The Income Recovery team and Housing Support staff assist tenants in making payment plans, income maximisation, budgeting and completing Discretionary Housing Payment applications. During Q3 five court orders were obtained and one eviction carried out in respect of tenants subject to the removal of the spare room subsidy.

## **Benefit Cap**

14. As at the 9<sup>th</sup> February 2015 there were 78 Council households within Dudley subject to the overall benefit cap. Of this number 56 (71%) are in arrears and the total arrears balance across these accounts is £21,681. The arrears have increased since the implementation of the Benefit cap in July – August 2013. The table below shows the trend of arrears on these accounts and that they have increased in the last year by 37.5%.
15. In terms of the rent recovery process there are 7 court orders in place and one case pending court action. The Income Team and Housing Support work to engage those subject to the cap to provide assistance/advice in an effort to sustain the tenancy of the household. However, as a last resort there is no option but to initiate legal proceedings to recover possession of the home to safeguard the interests of the Council.

<b>Month</b>	<b>Number of tenants in arrears &amp; subject to the benefit cap</b>	<b>Value of arrears on above accounts – benefit cap arrears</b>
September 2013	41	£10,833
January 2014	50	£15,758 (45.5% increase since September 13)
February 2015	56	£21,681 (37.5% increase since January 14)

## **Finance**

16. 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.

## **Law**

17. 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**

18. 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**

19. Members are asked to note the contents of this report and if they have questions or need clarification on any issues to email Ron Sims on [ron.sims@dudley.gov.uk](mailto:ron.sims@dudley.gov.uk)



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**Ron Sims**  
**Interim Chief Officer (Housing)**