

## **DACHS Scrutiny Committee - 15<sup>TH</sup> September 2014**

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

### **Welfare Reforms Communication plan for members and the continued impact of welfare reforms**

#### **INFORMATION ONLY**

#### **Purpose of Report**

1. To outline proposals for ensuring that members are regularly kept informed/ updated on issues relating to welfare reforms; this will cover issues such as;
  - Council Tax reduction
  - Personal Independence Payments
  - Universal Credit
  - The removal of the spare room subsidy
  - The benefit cap

The second purpose of the report is to update the Scrutiny Committee on the continued impact of welfare reforms on DMBC rent income collection.

#### **Background**

##### **Communication on Welfare Reforms**

2. Following a request made at this committee it is clear that members require regular information provided to them on welfare reforms to remain updated on policy developments as they arise.
3. A Welfare reform bulletin is currently produced and circulated by email to relevant Council Officers and posted on the intranet in order to reach a wide audience, (copy attached).
4. In order to sign post the key points the headlines from the bulletin have been attached as a front sheet.
5. Our research shows that other authorities are using the intranet as a means of communication with members and other stakeholders.
6. Our commitment will be to ensure that the bulletin is produced and published on a monthly cycle.

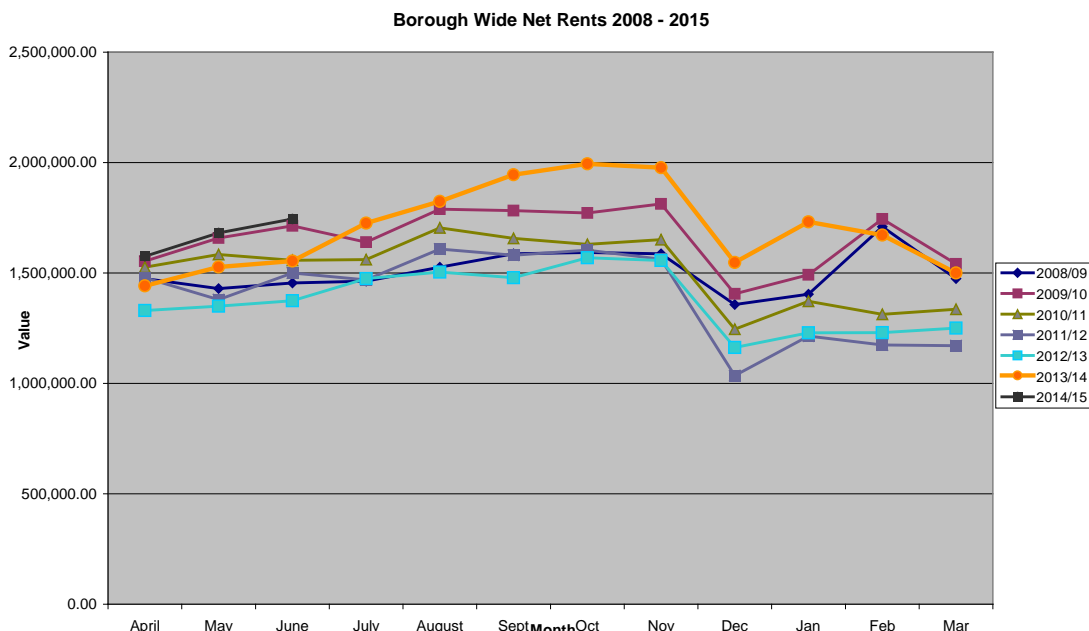
- In order to reach as many elected members as possible it will be distributed by email, posted into individual pigeon holes and placed on the intranet. As the briefing develops we will explore the use of social media including Linked in.

### Update on impact of welfare reforms on income collection

- Following previous reports to DACHS Scrutiny Committee on the impact of welfare reforms on income collection within Dudley, members have requested that the committee be kept regularly updated. This report provides information on the arrears situation in Dudley for quarter 4 (1<sup>st</sup> October – 31<sup>st</sup> December 2013) and quarter 1 (1<sup>st</sup> April – 30<sup>th</sup> June 2014).

### Overall arrears statistics

- The arrears position at the end of quarter 4 are shown in the graph below. At the end of this period the total current rent arrears for dwellings stood at £1,499,790.21. When compared with the same period the previous year the arrears stood at £1,250,474.25. This showed an increase in arrears of £250,000 which is equivalent to a 20% increase.



- The trend is similar when the figures for quarter 1 are analysed. The arrears at the end of quarter 1 stand at £1,744,432.38. This is a 12.2% increase on the same period of the previous year when the arrears stood at £1,554,244.96.
- The rent collection rate has dropped very slightly from 97.80% in 2012/13 to 97.67% in 2013/14. The table below shows our collection rate over the last seven years.

Year	Collection rate %
2013/14	97.67%
2012/13	97.80%
2011/12	97.98%
2010/11	97.56%
2009/10	97.45%
2008/09	97.88%
2007/08	97.61%

12. The table below shows the pattern of arrears for dwellings rent during 2013/14 compared to the previous year.

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	£1,556,623.48	£1,976,983.97	27.00%
December	£1,163,173.24	£1,547,581.25	33.00%
January	£1,229,720.26	£1,731,879.48	40.86%
February	£1,229,496.46	£1,671,668.17	35.96%
March	£1,250,474.75	£1,499,790.21	19.94%

13. We charge rents over 50 weeks with normally two “rent free weeks” around Christmas. The table above shows that there is usually a reduction in arrears in December compared to previous months as tenants use the “rent free weeks” to catch up. 2013/14 was a 53 week year so there was an additional third “rent free week” in March. This had an impact on March arrears as again tenants catch up on rent arrears.

### Former tenant arrears

14. Former tenant arrears at the end of quarter 1 stood at £3,259,520.88. This is an increase on the previous year of 4.47%. To ensure that these accounts are more intensively managed the Income team has been restructured to dedicate one Income Management Officer to focus on former tenant arrears. This commenced in June 2014 so it is too early to assess the impact this has had on reducing the arrears.

### The benefit cap

15. The benefit cap limits the maximum amount households can receive in benefits to £500 per week where there is no one in work and no one entitled to disability living allowance. A lower cap of £350 per week for single households also applies.
16. Family size is a key determinant of whether a family is impacted by the benefit cap. Nationally, those that stand to lose are couples with five or more children and single parent families with six or more children. The impact is likely to be greater in areas with the highest rents.

17. Although the impacts of the benefit cap are very large in comparison to other measures they affect only a small proportion of households.
18. This is true of Dudley where the benefit cap was introduced in July 2013 and applied to claimants during the following August/September. At that stage 52 households in Dudley were subject to the cap and 41 of these immediately fell into arrears.
19. The current position is that the numbers affected (72) remain relatively small. At the end of quarter 1, 52 of these households were in arrears, 15 were in credit and 5 had clear balances. The total arrears across these accounts stood at £21,882.59 (1.45% of the total borough arrears).

### **Under Occupancy**

20. At the end of 13/14 quarter 4 there were 2600 households in Dudley subject to the removal of the spare room subsidy. Of this number there were 1335 were in arrears which amounted to £319,326.14.
21. At the end of quarter 1 there were 2592 households subject to the charge of which 1594 were in arrears. The arrears stood at £340,143.45. This shows a very small reduction in accounts subject to the charge (i.e. 2600 – 2592) but the number of accounts in arrears has risen by 19.4% and the level of arrears on these accounts has also increased.
22. It seems likely that many people have had to either cut back on household expenditure to meet the responsibilities of paying the charge or have had to borrow money from a range of sources including payday sources and family contributors.
23. Some of this shortfall has been met by discretionary housing payments. Government increased allocations of discretionary housing payments funding to local authorities in order to mitigate the impact of welfare reforms on tenants of all sectors. Dudley's allocation was £494k in 2013/14. This amount also received a top-up allocation of £20k later on in the year. The full funding allocation for 2013/14 was spent.
24. The view of Central Government<sup>1</sup> is that there are two ways that a household can reduce or avoid their losses from the reduction in housing benefit:
  - a) by reducing expenditure in particular on rent by moving home to a lower rent or more suitably sized property or generally on non essential items and/or
  - b) by increasing income either through employment (by entering or increasing work) or through benefits.
25. In practice the scope to mitigate in these ways is quite limited. Research nationally has shown that although large proportions of those impacted have said that they would move home there is far less evidence that this is happening in practice.

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<sup>1</sup> Wilson, T., Morgan, G., Rahman, A. and Vaid, L. (2013) The Local impacts of Welfare Reform, Centre for Economic and Social Inclusion by the Local Government Association

26. The first difficulty that exists is that many are unable to downsize as there is a shortage of smaller homes that are available. Also this reflects in part on an unwillingness to move away from family and social networks some of which have been established by more than one generation with moving home seen as a last resort.
27. The local impact on Dudley is that since the implementation of the charge in April 2013 the number of those affected have remained relatively constant. Also more detailed analysis will need to be carried out to identify how many have entered work although it is believed that the numbers will be limited.
28. Also national research<sup>2</sup> has shown that for those affected by the charge that have entered employment the returns from work are generally weak. This has not proven to be a great incentive for those who are subject to the charge.
29. Additionally, the Independent newspaper recently reported nationally that, “An analysis of welfare changes announced in the current Parliament has found that working families are facing almost three times as many social security cuts as the unemployed. Overall, working households will suffer benefit cuts worth £17.9bn a year by the financial year to 2017, almost triple the level (£6.2bn a year) experienced by those out of work.
30. As a last resort and after exhausting all efforts to recover the debt, cases in arrears, in Dudley, are listed for court. The Courts have treated these cases in the same manner as standard rent arrears cases and since the beginning of April 2014 to the end of June 2014 (beginning of quarter 1 to the end of quarter 4), ten cases have been submitted for a possession hearing. Of this number three were adjourned and 7 possession orders were granted. During the first quarter two evictions were carried out.
31. One of the consequences impacting on the number of empty properties but not considerably on the level of current arrears is the number of tenants, particularly single people in high rise blocks that have chosen to terminate their tenancy rather than remain in a property that they cannot afford. This means that we currently have around 200 “hard to let” properties where there is very little demand from applicants on our waiting list. This number cannot all be directly attributed to the removal of the spare room subsidy but it is potentially a contributory factor.

### **Finance**

32. 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.

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<sup>2</sup> Wilson, T., Morgan, G., Rahman, A. and Vaid, L. (2013) The Local impacts of Welfare Reform, Centre for Economic and Social Inclusion by the Local Government Association

### **Law**

33. 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**

34. 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**

35. Members are asked to note the contents of this report.



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