

RENT ARREARS AND WELFARE REFORM UPDATE

Report of the Acting Chief Executive

1. SUMMARY

1.1 This report gives details on:

- Year-end position on rent arrears
- Current performance
- Current impact the under occupation charge
- Introduction of the Benefit Cap.

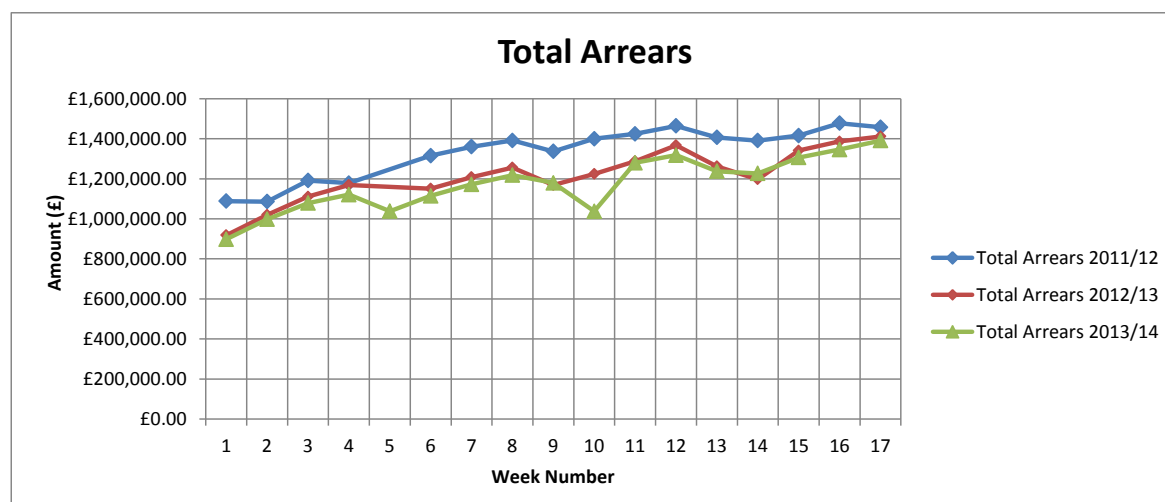
2. RECOMMENDATION

That the City Board notes the report and agrees to continue receiving further update reports.

3. MATTER FOR CONSIDERATION

3.1 Current tenant rent arrears at year end were £1,047,432. The arrears at year end for 2011/12 were £1,000,443. This means that there was an increase in arrears of £46,989. The total debit or amount to be collected from tenants was £51,997,716. This means that Derby Homes collected 99.91% of rent charged. This is excellent performance given the overall economic climate.

3.2 Current performance is closely matching that of last year. Arrears as at week 17 are £1,390,901. At the same point last year they were £1,411,683 so the current position is £20,782 less than the same point last year. This is an excellent position to be in, given the fact that there has been a 5% increase in rents and the added under occupation charge to collect.



- 3.3 Derby Homes Board has received a number of reports on the preparations made for the implementation of the under occupation charge. We had estimated that this would potentially inflate arrears by around £350,000 by year end. It is an ever changing picture but currently we believe this figure could be nearer £300,000 and is clear justification for the preparation made and ongoing work for welfare reform.
- 3.4 Currently collection rates for the under occupation charge appear to be better than we anticipated. By Week 17 we will have had approximately an additional £328,000 of under occupation charge to collect. However this has been contained for now as explained in 3.2 above. It is expected that the impact of welfare reforms will eventually begin to impact on the arrears figures as some tenants may begin to find it difficult to keep up payments.
- 3.5 The housing management system does not have the capacity to accurately record arrears which have accrued entirely due to the under-occupancy charge. What we can do is measure the percentage of people who have paid all of the charge, some of it or none of it. Of the tenancies affected by the under occupation charge 37% are paying in full as at mid-July, 52% are making part payment and 11% of tenants have yet to acknowledge a liability – many of which may still be waiting for Discretionary Housing Payment (DHP) assessment.
- 3.6 DHP's are being assessed on a priority basis. Derby Benefits has started to process these claims and decisions have been made in some cases, some successful, some unsuccessful. As the decisions come through, the team is contacting tenants and advising of the options. Cases where an appeal is appropriate are being referred to the Welfare Rights Team and affordable payments agreements are being made where tenants need to pay.
- 3.7 The Benefit Cap came in to effect from 15 July and people affected will have their benefit capped by the end of September. Benefits for families are to be restricted to a maximum of £500.00 a week and £350.00 for single people. The number of Derby Homes' tenants likely to be affected are around 50. These tenants were contacted and invited to attend an advice event run by Derby Advice, around 10% of these tenants attended. We continue to try and contact these tenants to raise awareness but it is really likely to hit home when the benefit is actually capped.

4. FINANCIAL AND BUSINESS PLAN IMPLICATIONS

Welfare Reform has a critical impact on Derby Homes business if rent is not collected. Forecasts for arrears and write offs have been written into the HRA Business Plan and Risk Register

5. RISK IMPLICATIONS

As above.

The areas listed below have no implications directly arising from this report:

Consultation
Legal and Confidentiality
Equalities Impact Assessment
Health & Safety
Policy Review

If Board Members or others would like to discuss this report ahead of the meeting please contact:

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Background Information: None

Supporting Information: None