

**CITY BOARD  
13 DECEMBER 2012**

# **ITEM B5**

## **WELFARE REFORM PROPOSALS – UPDATE REPORT**

Report of the Director of Housing and Customer Service

### **1. SUMMARY**

- 1.1 This report updates the City Board on progress being made to prepare for the provisions contained within the Welfare Reform Act 2012.

### **2. RECOMMENDATION**

- 2.1 That the City Board notes the updated position in terms of progress being made.

### **3. MATTER FOR CONSIDERATION**

- 3.1 The Welfare Reform Act became law on 8 March 2012. Its aim is to make the benefits and tax credits system fairer and simpler by:
- creating the right incentives to get more people into work by ensuring work always pays
  - protecting the most vulnerable in our society
  - delivering fairness to those claiming benefit and to the tax payer.
- 3.2 This report details the major changes and impact as known at the present time.

#### **Under-occupation**

- 3.3 From April 2013 the Government is introducing an Under Occupancy Charge. This charge will reduce the amount of Housing Benefit that tenants receive. Tenants will be responsible for paying the shortfall in their rent if their Housing Benefit is reduced.
- 3.4 The Under Occupancy Charge will apply to tenants who are in receipt of Housing Benefit, are of working age and who have one or more spare bedrooms.
- 3.5 People are classed as 'working age' if:
- they are single and under pension credit qualifying age.
  - they are a couple and are both under pension credit qualifying age.
- 3.6 In April 2013 the pension credit qualifying age will be around 61 years and 6 months.
- 3.7 After April 2013 the pension credit qualifying age will increase.

- 3.8 Spare bedrooms are determined by the number of people living in a property together with their age and gender. Children under 16 years of age and who are of the same gender will be expected to share a bedroom and children under 10 years of age will be expected to share a bedroom regardless of their gender.
- 3.9 Foster carers **are not** exempt from the Under Occupancy Charge because foster children do not count as part of the household for benefit purposes.
- 3.10 The Under Occupancy Charge is calculated by taking a fixed percentage (14% for 1 spare bedroom or 25% for 2 or more spare bedrooms) off the Housing Benefit eligible rent.
- 3.11 If the Under Occupancy Charge is more than the amount of Housing Benefit you receive you will no longer receive any Housing Benefit.
- 3.12 Our original estimate, based on Derby Homes and Derby Benefits records, was that we had around 2500 tenants under occupying. We are writing to all of these households at a rate of 50 each week, so far we have contacted 1166 tenants.
- 3.13 Additional resources have been put into the project team and this will increase the rate at which we are able to contact people.
- 3.14 So far, 877 households have responded to our communication and of these it is coming out that around 72% are in fact going to be affected by the under occupancy charges.
- 3.15 Based on this we believe that the original estimate may be too high and the real number of people affected, after records have been updated is nearer to be 1800, with around 1520 under occupying by 1 bedroom and 275 by two bedrooms.
- 3.16 Tenants are receiving advice on housing options for moving to smaller sized accommodation, options such as taking in lodgers, financial/income management and where appropriate sign posting to Welfare Rights for specialist assistance on entitlement to other benefits.
- 3.17 The Allocations Team have received details of tenants that have opted to move to smaller sized accommodation and will proactively case manage the moves. The case manager will make sure they are registered on the waiting list, match their needs to vacant properties in line with the Allocations policy and give advice and assistance to make the process as smooth as possible.
- 3.18 The Income Management Team are contacting tenants in arrears, who want to stay in their properties and will be subject to the under occupation charge. They are asking the tenant to increase the amount that they are paying off the arrears now, to ensure they can afford the under occupation charge when it comes into effect in April 2012.

#### **4. FINANCIAL & BUSINESS PLAN IMPLICATIONS**

- 4.1 The future funding of the Housing Revenue Account (HRA) is dependent on maintaining high levels of income from rent. An increase in arrears will have a significant effect on the future viability of the HRA and our ability to maintain future services and the scope for future redevelopment/new build.

- 4.2 As further analysis is undertaken and more guidance is received from the DWP in relation to the implementation of the welfare reforms, detailed financial forecasting will be compiled and presented within financial planning reports.
- 4.3 On 29 November 2012 Derby Homes Board received an estimate within the Rent Arrears Update that arrears may rise by £300 - £350K in 2012/13 as a result of the Under Occupation Charge.

## **5 PERSONNEL IMPLICATIONS**

Two additional posts have been recruited to the Project Team to manage the workload of contacting and advising tenants affected by the welfare reforms.

## **6 EQUALITIES IMPACT ASSESSMENT**

Equalities Impact Assessments were completed for all areas of the Welfare Reform Act during its passage. These assessments will be referred to, appropriate measures implemented, and advice and assistance given to tenants affected.

## **7 RISK**

Failure to manage the impact of the Welfare Benefit Reforms has been identified as a strategic risk. Our effectiveness to successfully manage the changes and mitigate the risks associated will be managed through this process.

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

Legal and Confidentiality  
Consultation  
Council  
Environmental  
Health & Safety  
Policy Review

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

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Background Information: None

Supporting Information: None