

## **INITIAL REPORT ON IMPACT OF BENEFIT REFORMS**

Report of the Director of Housing and Customer Service

### **1. SUMMARY**

This report has been prepared to give City Board Members information on the impact of proposed benefit reforms as announced by the Government.

The focus of this report is on Housing Benefit though there are changes to other welfare benefits which may have an indirect impact as household incomes could be affected.

### **2. RECOMMENDATION**

The City Board is requested to note the content of this report.

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

#### **Introduction**

- 3.1 The changes proposed in the Government's Comprehensive Spending Review will be introduced over a period of time and limited information has been provided so far.
- 3.2 A number of organisations such as Housing Quality Network, Shelter and the Chartered Institute of Housing have analysed what is known so far and produced some guidance on what is likely to happen, and the impact for social landlords. This report uses that guidance and our experience to assess the possible impact for tenants and Derby Homes.
- 3.3 The focus of this report is on Housing Benefit though there are changes to other welfare benefits which will have an indirect impact as household incomes could be affected.
- 3.4 For Derby Homes the main changes will be around Housing Benefit and the introduction of the new Universal Credit. Much of the information around Universal Credit is still to be announced.
- 3.5 The Chartered Institute of Housing is advising the social housing sector the three main areas of changes which could impact on revenue streams (income):

### 3.5.1 Non dependant deductions

Non dependant deductions have been frozen for around the last 10 years. There are going to be staged increases over the next 3 years to make up for the last 10 years. The first stage increases due to come in April 2011 have yet to be announced but indications suggest they are going to be steep. Derby Homes, Derby Advice and Derby Benefits are working to target existing tenants being charged for non dependants.

Possible impact for Derby Homes:

- Increased demand for independent housing from people who previously shared
- Higher incidence of adult children falling out with their parents and being asked to leave the family home
- Tenants being less willing to care for their elderly parents in their own home
- Increased risk and incidence of slowly increasing arrears
- Need for additional staff and communication resources to collect shortfall from tenants

### 3.5.2 Restriction for those occupying larger homes than their household structure would warrant

This change will restrict Housing Benefit for working age tenants who are occupying a larger social rented property than required for their household size (size restrictions already apply to private sector tenants claiming housing benefit).

Possible impact for Derby Homes:

- Higher demand from existing tenants for smaller properties - increased transfer applications and bidding via choice based lettings
- Increased risk and incidence of slowly increasing arrears
- Need for additional staff and communication resources to collect shortfall from tenants

### 3.5.3 Reducing long-term JSA claimants' benefits to 90%

This change means that tenants who have claimed Job Seekers' Allowance (JSA) for 12 months or more will see their Housing Benefit or Local Housing (LHA) Allowance reduced by 10 per cent. Tenants who are unable to find work will have to make up the difference from their JSA.

At current average awards this would amount to around £6.70 per week for local authority tenants, £7.70 for housing association tenants and £11.20 for private tenants on the LHA. The amount would vary and be greater the higher the rent and so would be bigger for large families or those living in the more expensive areas.

Based on current levels of JSA claims, CIH estimates that this could affect as many as 100,000 claims per year and this is likely to rise because the number of long-term JSA claimants is not expected peak until around 2012 and will remain a significant proportion of the caseload for a further three to four years after.

#### Possible impact for Derby Homes

- Increasing financial pressure on tenants, especially in areas where long-term unemployment is higher
  - Increased risk and incidence of slowly increasing arrears
  - Need for additional staff and communication resources to collect shortfall from tenants
  - Higher levels of vacancies due to planned moves and abandonment
  - Increased incidences of non-dependent deductions and overcrowding as households give up their own tenancy and move in with friends and family
  - Increased requests for transfer as households seek cheaper properties
- 3.6 There are also proposals to cap the maximum LHA payable for each property size. Derby Homes only has a small number of properties where this allowance is applicable. There may be some of these tenants who are affected, but exactly who and how is not known yet. Further information is being sought on this but this is likely to have a small impact on the overall income stream.
- 3.7 Derby Homes will need to communicate these changes to tenants. This will be done by targeting those immediately affected by the changes and those likely to be affected in the future.
- 3.8 Derby Homes is planning to get this information across through a variety of means. This will include targeted writing, phoning, surgeries plus Derby Homes News, the website and texting once the facility is available.
- 3.9 The Income Management and Derby Advice teams are meeting to put together an action plan to target tenants affected by the changes. Dialog is also taking place with Derby Benefits who are positioned to provide details and figures on tenants affected by the changes. Tenants will be given the opportunity for having their income maximised and their expenditure budgeted for.
- 3.10 Changes to other Benefits which could affect our tenants include:
- Tax credits and most other benefits linked to Consumer Price Index from April 2011
  - Child Benefit frozen for 3 years
  - Employment and Support Allowance limited to one year then will be based on income, partners income and savings from April 2011
  - Cap on total benefit payments possibly £350.00 for single and £500.00 weekly for families

#### 4. FINANCIAL AND BUSINESS PLAN IMPLICATIONS

It is essential that Derby Homes plans and prepares for the proposed benefit reforms to continue to maximise rental income and ensure that our tenants receive money advice and financial planning opportunities.

#### 5. RISK

The impact of comprehensive spending review and associated changes is still to be felt and may have a major influence on arrears levels and Derby Homes income stream.

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

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

**If Board members or others would like to discuss this report ahead of the meeting please contact the author, or the Chief Executive, [phil.davies@derbyhomes.org](mailto:phil.davies@derbyhomes.org) - Tel 01332 888520**

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**Background Information:** None

**Supporting Information:** None