

The impact of welfare reforms on council rent arrears in Scotland



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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Introduction

1. The UK Government has introduced a number of welfare reforms since 2010. Many of these reforms impact upon household income and housing benefit (HB). The most significant reform introduced to date with a potential direct impact on social housing rents is the removal of the spare room subsidy (RSRS), also known as the 'bedroom tax', which was introduced in April 2013.
2. From April 2013 all working age tenants renting from a local authority, housing association or other registered social landlord receive HB based on the number of people in their household and the size of their accommodation. This means those tenants whose accommodation is larger than they need might lose part of their HB. Those with one spare bedroom could lose 14% of their eligible rent and those with two or more spare bedrooms could lose 25%.
3. For the purpose of this study, Audit Scotland looked at local authority rent arrears to determine the extent to which the RSRS and other welfare reforms have impacted on rent arrears in Scotland. We reviewed the published housing statutory performance indicators (SPIs) for all Scottish councils with housing stock for the period 2011/12 to 2012/13. In order to compare these SPIs before and after the introduction of the RSRS, a questionnaire was devised and issued to each council in March 2014 requesting the same information for 2013/14.
4. This report details the findings of our analysis of this data and includes a review of the underlying factors impacting on rent arrears, highlights council initiatives to help mitigate the effect of welfare reforms on rent arrears, and details revisions that councils have made to their housing policies in response to welfare reforms. Finally, the report highlights where current welfare reforms as well as those still to be introduced, may impact on rent arrears in the future.

Key messages

5. In 2012/13 the value of rent arrears for all Scottish councils was £28.2 million which was an increase of approximately 16% on 2011/12 levels. Following the introduction of the RSRS in April 2013, rent arrears increased further to £35.1 million by 31 March 2014, which represents an increase of approximately 24% on 2012/13 levels. A number of reasons for the increase in 2013/14 have been suggested by councils. These include:
 - the combination of welfare reforms such as the reduction in HB due to the RSRS, a restriction on the amount of benefit that can be received (the benefit cap), the increase in non-dependent deduction charges, benefit sanctions, changes to Employment Support Allowance (ESA) and tax credits
 - councils announcing 'no eviction' policies appearing to have removed the ultimate sanction for non-payment of rent
 - additional pre-action requirements introduced in August 2012 that landlords must satisfy before serving a legal notice on a tenant
 - the downturn in the economy and a high unemployment rate in some areas
 - tenants not engaging with councils or prioritising their rent payments.
6. Discretionary housing payments (DHPs) provide financial assistance towards housing costs and are available to benefit claimants of both council and other landlords. DHP funding has risen significantly from £4.2 million in 2012/13 to £38.2 million in 2013/14. Despite a significant amount of effort and resources employed by councils, only £29.4 million of this funding was spent. Without the additional DHP funding, rent arrears for council tenants could have potentially been up to £49 million at the end of 2013/14.
7. Councils have revised internal policies and introduced a wide range of initiatives to help support tenants to pay rent and with welfare reform in general. Initiatives have been introduced around money advice, digital inclusion and helping people gain skills to increase job opportunities.
8. Looking forward, future reforms such as Universal Credit (UC), direct payments to claimants, and the fact that many households are, or might be affected by more than one welfare reform change, are likely to make rent collection even more challenging.

Background

9. The UK Government's Emergency Budget in June 2010 and the October 2010 Comprehensive Spending Review introduced a number of reforms with the aim to fight poverty, support the most vulnerable in society, and help people break the cycle of benefit dependency.
10. This is the biggest reform of the UK welfare system for 60 years and has resulted in a number of significant changes to how councils deliver services. Part of this agenda included reductions in welfare spending spread across different areas of benefits with only pensioners being exempt from the changes. The Scottish Government estimates that the impact of the changes over the six year period 2010/11 to 2015/16 could reduce the Scottish welfare bill by around £6 billion. The Scottish Parliament's Welfare Reform Committee's statistical update in respect of the RSRS showed that, at the end of November 2013, there were 71,694 households in Scotland with more bedrooms than deemed necessary (under-occupation). This equates to one in eight of all households in the social rented sector.
11. The various welfare reforms can lead to tenants experiencing severe financial difficulties and in respect of council tenants, this can lead to increased rent arrears and additional costs to councils seeking to recover these arrears.
12. Of the thirty two Scottish councils, twenty six have housing stock and the income derived from these properties is used to maintain and improve current properties, build new properties, and service debt. Councils prepare long term housing strategies and these plans, and the decisions emerging from them, are based on financial assumptions such as inflation, borrowing costs and significantly, rental income. Any reduction in rental income could seriously impact housing strategies to improve and maintain housing stock.
13. In order to help mitigate the impact of the RSRS in 2013/14, £18.2 million was provided by the UK Government in the form of additional DHP funding for Scotland. The Scottish Government also provided £20 million to help mitigate the impact of the RSRS.

Impact of welfare reforms

Rent Arrears

14. Rent arrears are the amount of rent due but not paid to the landlord on time. It includes current tenants arrears which is money owed by existing tenants, and former tenant arrears which is money owed by people who are no longer tenants, for example where the tenant has been evicted, has abandoned the property, or had their tenancy terminated.
15. The introduction of the RSRS in April 2013 means that where a tenant has more bedrooms than is deemed necessary they are considered to be under-occupying the property. Tenants in receipt of HB would therefore receive a reduction in the amount of rent eligible for HB of 14% for one extra bedroom, and 25% for two or more extra bedrooms.
16. Although there are some exceptions, the UK Government estimated that the average council tenant would need to find an extra £14 per week to meet their rent commitment. As there is a national shortage of one-bedroom council properties to allow tenants to downsize, it was anticipated that the implementation of this welfare reform would result in an increase in the value of rent arrears as tenants found it difficult to meet the additional rental charge.
17. In order to determine to what extent welfare reforms have impacted on rent arrears, Audit Scotland analysed current and former rent arrears data for the period 2011/12 to 2013/14, in respect of the 26 councils that have council housing stock.

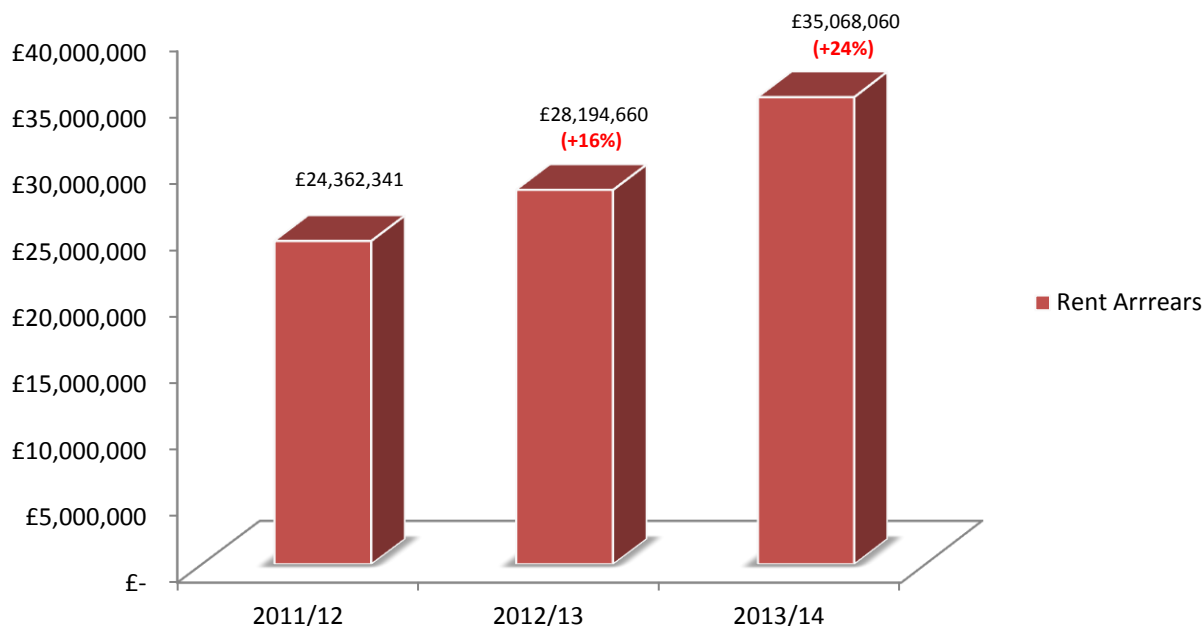
Former Tenant Arrears

18. Our review identified that the value of former tenant arrears remained relatively static between 31 March 2013 and 31 March 2014 at between £22.1 million and £22.2 million. £6.5 million of former tenant arrears were written off in 2013/14, which was largely in line with the £6.6 million of former tenant arrears written off in 2012/13. In view of this, we have excluded former tenant arrears from our analysis as there does not appear to have been any significant impact in this area as a result of welfare reforms.

Current Tenant Arrears

19. Exhibit 1 below shows the change in the value of current tenant rent arrears in Scotland during the period 2011/12 to 2013/14.

Exhibit 1: Change in the value of rent arrears in Scotland after RSRS introduced in April 2013



Source: Audit Scotland & Scottish Councils

20. This exhibit shows an increase in current tenant rent arrears of approximately £3.8 million from 2011/12 to 2012/13 and, following the RSRS in April 2013, a further increase of approximately £7 million, which represents a 24% increase on 2012/13.
21. In order to establish the possible reasons for the change in the value of current rent arrears and to determine the impact of the government's welfare reforms we looked at the gross annual rent charge in the housing revenue account for all Scottish councils. This is the value of the total rental income available to councils as revenue from its housing stock.
22. The gross annual rent charge may change due to factors such as rent charges being increased in council budgets, or an increase or decrease in the number of council houses. It could be expected that if rent arrears remained at a constant percentage of the gross rent charged then actual arrears could rise as the gross rent charged rises.
23. However, when we compared the increase in the gross annual rent charge for 2013/14 of 4.4%, to the increase in rent arrears of 24%, we concluded that the increase in rent arrears is not solely due to an increase in rental charges. The 4.4% increase in the gross annual rent charge was broadly similar to the 3.8% increase in 2012/13.
24. Exhibit 2 below shows the increase in the value of current tenant rent arrears as a percentage of the gross rent charge.

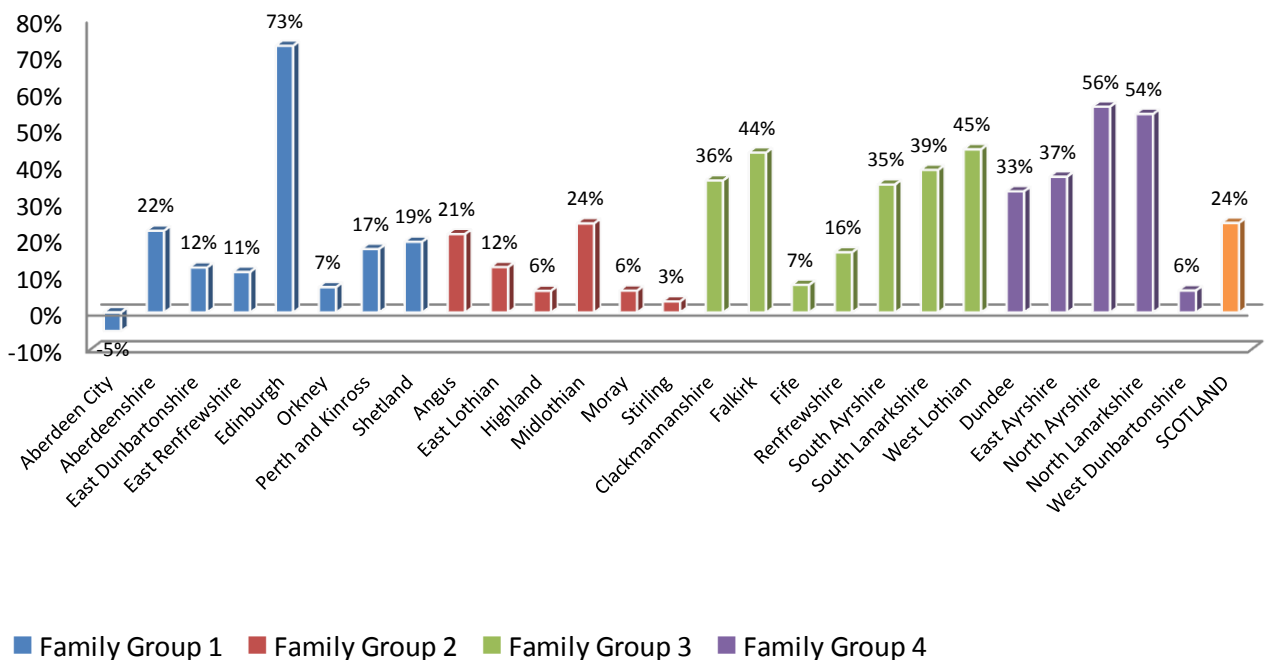
Exhibit 2: Rent arrears as a percentage of gross rent charged

	Gross rent charged	Rent arrears	%
2011/12	£952,637,415	£24,362,341	2.6%
2012/13	£988,667,716	£28,194,660	2.9%
2013/14	£1,032,336,268	£35,068,060	3.4%

Source: Audit Scotland & Scottish Councils

25. The table above illustrates an increasing trend in the percentage of rent charged that has not been paid.
26. Exhibit 3 below shows the increase in current tenant rent arrears for each council in Scotland in 2013/14. Councils have been grouped in accordance with the family groups established by the local government benchmarking framework for housing services.

Exhibit 3: Increase in rent arrears in 2013/14 following the RSRS in April 2013



Source: Audit Scotland & Scottish Councils

27. The exhibit above shows a wide variance in the percentage change of rent arrears across Scotland ranging from Aberdeen City Council, where rent arrears dropped by 5%, to the City of Edinburgh Council where rent arrears increased by 73%, which equates to approximately £1.5 million. This variance may be explained in part by local economic factors and various different initiatives introduced by councils to ensure rent arrears levels remained as low as possible. The distribution methodology used to allocate the increased DHP funding and the additional Scottish Government funding to each council appears to also have had a varying impact across councils as some councils appear to have had more funding than was required.

The increased DHP funding provided during 2013/14 is discussed later in this report under *Discretionary Housing Payments*.

28. There were a number of factors that councils stated contributed to the increase in rent arrears. These included:
- the combination of welfare reforms such as the reduction in HB due to the RSRS, the benefit cap, the increase in non-dependent deduction charges, benefit sanctions, changes to Employment Support Allowance and tax credits
 - additional pre-action requirements introduced in August 2012 that landlords must satisfy before serving a legal notice on a tenant
 - where it was known that a council had announced a 'no eviction' policy the ultimate sanction of evicting the tenant for non-payment of rent appeared to have been removed
 - the downturn in the economy and a high unemployment rate in some areas
 - tenants that were not engaging with the council or prioritising their rent payments
 - resource pressures due to the additional amounts to be collected as a result of the impact of the RSRS, as well as reallocation of resources to engage with tenants affected by the RSRS
 - a DHP budget that did not allow full mitigation of the RSRS in some areas. The percentage of tenants qualifying for HB and DHP varies across councils.

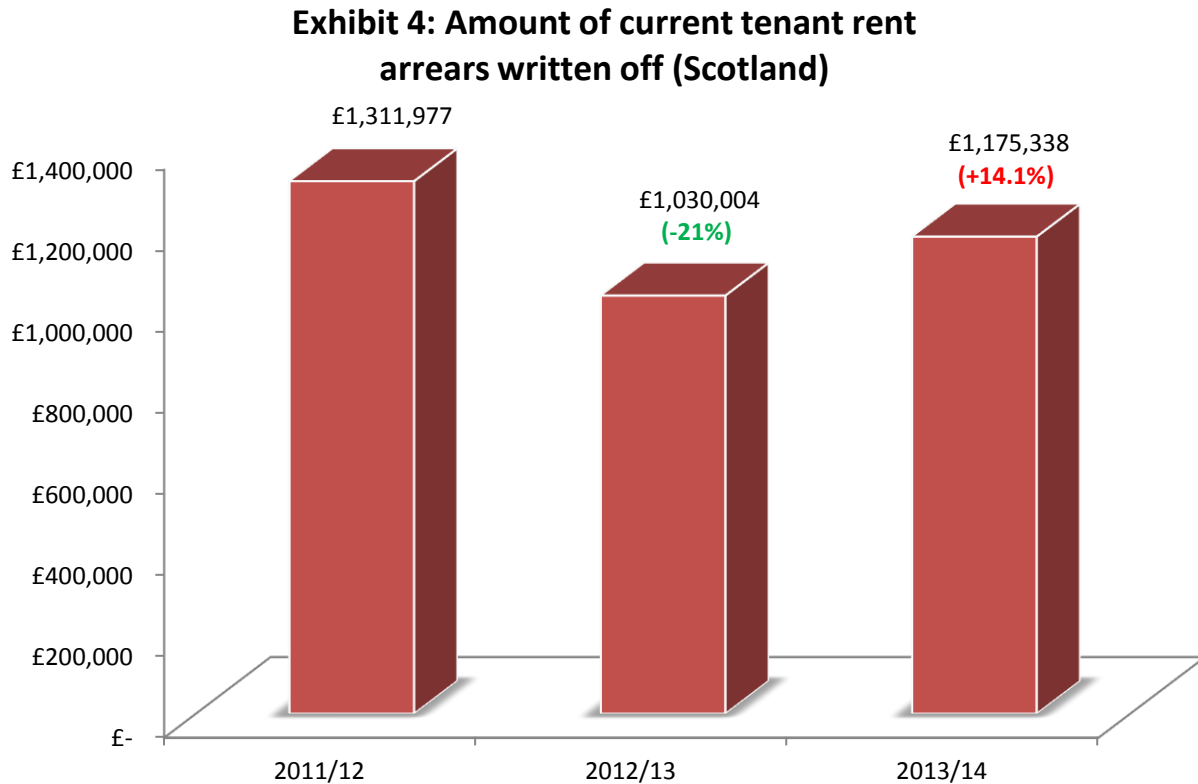
Write-Offs

29. A write-off of council house rent would normally be considered when a tenant has failed to pay their rent, accrued a debt and, despite the council's best efforts, the full amount due has not been paid.
30. All councils endeavour to recover all debts however councils have different, locally agreed, write-off policies. There are a number of valid reasons why rental debt could be deemed irrecoverable and subsequently written off. These include:
- the tenant has died and there is no next of kin
 - the council's external debt recovery agents deem the debt irrecoverable
 - the tenant has been declared bankrupt.
31. Writing off debt reduces the amount of rent arrears outstanding. Therefore not writing off irrecoverable debt on a regular basis can cause rent arrears to rise. We reviewed the level of debt written off to try to establish if welfare reforms have had an impact on write-offs or, if the level of write-offs have had any impact on the increased rent arrears levels.

Current tenants

32. Current tenant rent arrears are normally pursued by councils and only written off in exceptional circumstances, for example, where the tenant has been sequestered. Of the 26 Scottish councils with housing stock, seven had not written off any current tenant rent arrears in 2011/12, 2012/13 or 2013/14. Of the remaining 19 councils, only one (Renfrewshire) stated that the increase in the amount of current tenant arrears written off was a result of the RSRS.

33. Exhibit 4 below shows the change in the value of current tenant rent arrears written off in Scotland from 2011/12 to 2013/14. As this exhibit shows, following a reduction in the value of rent arrears written off in 2012/13, there has not been a significant increase in write offs in 2013/14 and we conclude therefore that welfare reforms have had no discernible impact in this area, and that the increase in rent arrears in 2013/14 is not directly linked to a reduction in the write-off level of current tenant arrears during the year.



Source: Audit Scotland & Scottish Councils

Bad Debt Impairment

34. The amount of housing rent debt on council balance sheets is the total amount expected to be collected from tenants. In order to recognise that some of this debt will not be recovered and will have to be written off during the course of the year, councils estimate the debt that is unlikely to be recovered as 'bad debt'. In order to be prudent, councils need to show a realistic figure for the value of debts that are unlikely to be recovered during the year and recognise a bad debt impairment for those debts.
35. In order to establish what action councils were taking to mitigate the impact of the welfare reforms, we asked if any changes had been made to the bad debt impairment calculation for 2013/14 on the basis that councils had concerns that the RSRs would affect rental income. However, of the 26 councils with council properties, only five (19%) stated that they had increased their bad debt impairment in mitigation of an expected increase in rent arrears arising from the welfare reforms.

36. Therefore, based on the remaining 21 councils (81%) that told us that they had not increased their bad debt impairment, or changed their methodology, we conclude that the RSRS has not adversely affected councils bad debt impairment planning or estimation decisions so far.
37. However, we consider that, going forward, this is an area that councils should be proactively looking at in more detail as additional welfare reforms are implemented, and councils become more aware of the impact of these changes.

Voids

38. A 'void' is a property that does not have a current tenancy. As no rental income is received for void properties, it is in the best interests of councils to minimise the number of void properties in order to maximise rental income.
39. Before the RSRS was introduced, councils were concerned that there was a lack of suitable and available one bedroom housing stock to enable customers to downsize. Concerns were raised that this would result in difficulties in letting properties with more than one bedroom, and that this would result in lost rental income from these 'voids'.
40. In order to determine what impact the RSRS has had on the value of rent lost to 'voids' in 2013/14 we analysed data for the periods 2011/12, 2012/13 and 2013/14 provided to Audit Scotland by the 26 councils that had council housing stock. We also asked these councils to provide an explanation, where appropriate, if the increase in rent lost to voids was a direct result of the RSRS introduced in April 2013.
41. Exhibit 5 below details the total value of rent lost to voids for the 26 councils.

Exhibit 5: Value of rent lost to voids 2011/12 - 2013/14

Year	Value of rent lost to voids (£)	% of gross annual rent charged	Change over previous year (£)
2011/12	£12,368,686	1.3%	N/A
2012/13	£12,309,222	1.2%	-£59,464
2013/14	£13,097,700	1.3%	£788,478

Source: Audit Scotland & Scottish Councils

42. Of the 26 councils, 17 (65%) reported an increase in the value of rent lost to voids between 2012/13 and 2013/14 in the range of 1.6% to 70.7%. However, only three of the 17 councils (18%) reported that this increase was directly related to the RSRS with increased rent lost to voids of 1.6% in Renfrewshire (£21,200), 11.8% in North Ayrshire (£16,608), and 34.9%, in Falkirk (£165,094). All of these councils stated that the letting of larger properties, particularly three bedroom properties, was becoming harder.

43. One council (North Ayrshire) stated that there had been a 75% increase in the turnover of three bedroomed properties in 2013/14, and that there was low demand from applicants on the housing register for some of these houses. The council also stated that it would have concerns should this trend continue. Renfrewshire Council stated that there had been no significant impact in respect of voids, but that some larger properties were becoming less popular and requiring more offers before being let, while Falkirk Council advised that there had been a movement in demand which had resulted in a number of three bedroom properties becoming harder to let and that this had been reinforced by the growth in the value of rent lost to voids in 2013/14.
44. In conclusion, based on the 23 (88%) councils that reported no significant impact on rental income as a result of the RSRS we consider that this aspect of the government's welfare reforms has had no discernible effect on the loss of rental income so far. However, we consider that this is an area that councils will need to continue to monitor going forward.

Discretionary Housing Payments

45. DHPs are governed by The Discretionary Housing Payment (Grants) Order 2001 and may be awarded when a council considers that a HB claimant requires further financial assistance towards their housing costs. DHP is available to council tenants and non-council tenants and can therefore help prevent rent arrears from rising. Traditionally, DHP has been considered to be a temporary solution to a difficulty in meeting housing costs and not a means of partially funding rent on an on-going basis.
46. Councils receive UK Government funding for DHP each year from the DWP. This funding may be topped up from council resources to an overall DHP cash limit. The Discretionary Housing Payment (Grants) Order 2001 stated that the overall cash limit for DHP was two and a half times the UK Government contribution at the beginning of the financial year.
47. In March 2014, the DWP amended the Grants Order to increase the cash limits for Scottish councils by just over £7 million to £40.7 million.
48. As a result of welfare reforms, the UK Government significantly increased funding for DHP for Scottish councils from £4.2 million in 2012/13 to £18.2 million in 2013/14, an increase of 333%. This includes £1.1 million of transitional funding which councils could decide to use to pay additional DHPs or for other initiatives, for example preventing homelessness. During 2013/14 the Scottish Government also provided Scottish councils with an additional £20 million of funding to help mitigate the impact of welfare reforms.

49. Total funding for DHP in 2013/14 was £38.2 million as shown in exhibit 6 below.

Exhibit 6: DHP Funding for 2013/14

UK Government funding (A)	Rural Funding (B)	Reserve Fund Award (C)	Honouring Official Error	Transitional Funding	Scottish Government funding	Total	Overall cash limit (2.5xA+B+C)
£10.1m	£3.4m	£2.8m	£0.8m	£1.1m	£20m	£38.2m	£40.7m

Source: Audit Scotland, Scottish Government, DWP & Scottish Councils

50. The total value of DHP awards made to claimants was £29.4 million in 2013/14. Therefore, despite a significant amount of effort and resources employed by councils, £8.8 million (23%) of DHP funding was not spent. If the assumption is made that all transitional funding was used for purposes other than DHP payments, the underspend would be £7.7 million. Appendix A shows the percentage of underspent funding across all councils. The percentage of funding not spent varies across councils with some councils spending all funding received with others spending less than 30%.
51. Similarly when comparing DHP spend against cash limits, £29.4 million was awarded in DHP payments against an overall revised cash limit of £40.7 million.
52. It may appear surprising that DHP funding has not been fully used to support tenants requiring financial assistance to make rent payments and keep rent arrears to a minimum. However, reasons provided by councils for the underspend included:
- difficulty in planning and devising DHP policies and guidance as a result of the sporadic nature of the additional funding provided at various points during the year
 - the DWP increasing the cash limit one week before the end of the financial year
 - some of the funding, for example the bid funding, was announced late in the financial year
 - not all tenants in arrears qualify for DHP, and some were unwilling or unable to engage
 - funding that was more than required in some areas.
53. It is interesting to note that all of the twelve councils that received additional funding due to being the least densely populated areas in Scotland had underspends ranging from £91,000 in Shetland to £1.03 million in Aberdeenshire. The total DHP underspend compared to total funding was £6.4 million (51%) in respect of these twelve councils.
54. This would indicate that the amount of funding provided to these rural councils was significantly more than required and compared to other councils, where DHP spend has met or exceeded 100% of the funding, it would suggest a review of the funding distribution methodology is required.

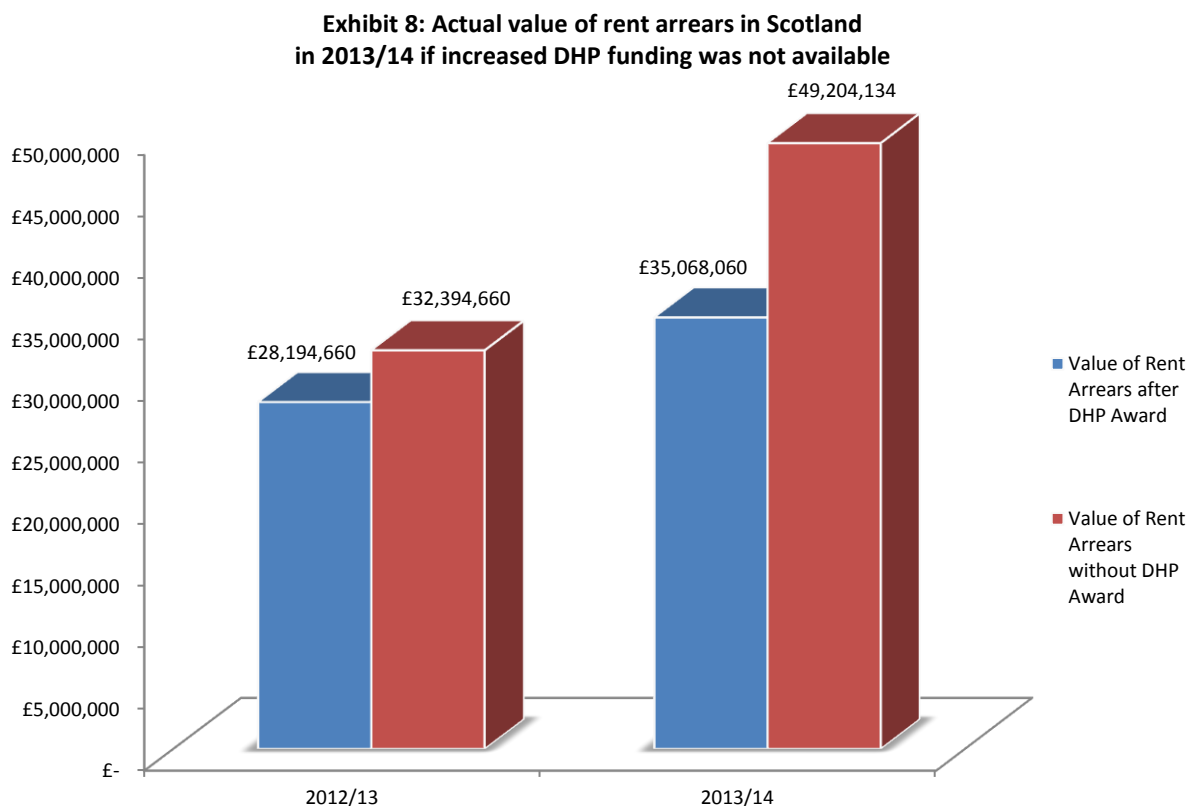
55. Exhibit 7 below shows the amount of DHP underspend for the twelve councils in receipt of rural funding along with the percentage change in rent arrears, where applicable, for these councils.

Exhibit 7: DHP Funding for 2013/14				
Council	Total DWP & Scottish Government funding	DHP underspend	% of funding not spent	% increase in current tenant arrears
Aberdeenshire	£1.50 m	£1.03m	69%	22%
Angus	£1.04m	£0.59m	57%	21%
Argyll & Bute	£0.97m	£0.57m	59%	N/A - no housing stock
Comhairle nan Eilean Siar	£0.28m	£0.19m	40%	N/A - no housing stock
Dumfries & Galloway	£1.72m	£0.71m	41%	N/A - no housing stock
Highland	£2.58m	£0.49m	19%	6%
Moray	£0.63m	£0.45m	71%	6%
Orkney	£0.17m	£0.09m	53%	7%
Perth & Kinross	£1.32m	£0.91m	69%	17%
Scottish Borders	£1.18m	£0.69m	58%	N/A - no housing stock
Shetland Islands	£0.18m	£0.09m	50%	19%
Stirling	£1.11m	£0.63m	57%	3%
	£12.5m	£6.4m	51%	

Source: Audit Scotland, Scottish Government, DWP & Scottish Councils

56. As previously mentioned, the total value of DHP awards made to claimants was £29.4 million in 2013/14. Looking specifically at the DHP awarded to council tenants, of the 26 councils with council housing stock, 24 were able to split their DHP awards between council tenants and other tenants. The total DHP awarded to council tenants for the councils able to provide a split was £12 million.
57. Although the increase in rent arrears shown in exhibit 2 is significant, the true arrears figures if DHP payments had not been made to council tenants during the year is much higher. Exhibit

8 below shows the potential impact on rent arrears had the DWP and Scottish Government not provided additional funding. We have assumed that for the two councils unable to split their DHP payments, half of the payments were paid to council tenants.



Source: Audit Scotland & Scottish Councils

58. Notwithstanding this, assuming the same increase in rent arrears of 16% that was reported in 2012/13, and taking account of the DHP payments made, Scottish councils rent arrears were still approximately £2.4 million higher in 2013/14 after the introduction of the RSRS.
59. Appendix B looks specifically at the arrears in the 24 councils able to split their DHP awards between council tenants and other tenants. The appendix shows the amount of rent paid by DHP and the current tenant arrears after DHP has been awarded.
60. In May 2014, the UK government offered to transfer the power to set the DHP cash limit to the Scottish Government. The legal and parliamentary process to transfer this power is likely to take until autumn 2014 to be complete.
61. By devolving the setting of the cash limit to the Scottish Government, this will allow the Scottish Government to increase their funding for DHP. For 2014/15, the UK government has announced DHP funding of £15.2 million for Scottish councils. In addition, the Scottish Government has agreed £35 million of DHP funding and has indicated that this additional funding should mitigate the impact of the RSRS for all affected tenants.
62. It should be remembered that DHP funding is of a temporary nature and DHP funding could revert back to levels similar to those in 2012/13. Therefore uncertainty remains for those tenants and councils currently relying on DHP assistance to help meet rent charges.

Reductions in DHP funding could have a significant impact on rental income, rent arrears and strategic housing plans for both council and other landlords.

Policies

63. Councils have kept elected members up to date with the welfare reform agenda as well as the impact in their local areas and the actions taken to mitigate any adverse impact on local residents. As a result, changes have been made to council policies that cover the award of DHP, collecting rent arrears, and the allocation of social housing. Policy revision proposals have been developed by officers and presented to elected members through relevant committees for approval.
64. A number of councils have reviewed their rent arrears policies and made announcements to clearly articulate that there will be no evictions where rent arrears have accrued as a result of under occupancy or the benefit cap, and the tenant is engaging with the council and taking reasonable steps to meet their rent commitment. However, it is extremely difficult for councils to identify the cause of rent arrears in many cases as the RSRS might only be one of a range of financial challenges being faced by a tenant. In setting such policies, councillors and officials need to be mindful of their responsibilities to safeguard council finances.
65. Although this has been reported by the media as a significant policy change by councils, and may appear in some cases to have removed the ultimate sanction for non-payment, it is not a fundamental change from previous debt management activity. Councils have always tried to engage with tenants who are in arrears and will avoid taking eviction proceedings wherever possible. In most cases, eviction proceedings are the last resort and only taken after all reasonable efforts to help the tenant have failed.
66. Although councils retain the right to evict tenants in arrears who do not engage with them, they are very aware of their legal duty to provide, often costly, housing support to those residents assessed as unintentionally homeless.
67. DHP policies now include more generous and extended awards following the receipt of additional funding with priority for those affected by under occupancy or the benefit cap. Some councils rolled 2013/14 awards over to June 2014 until 2014/15 funding was clarified.
68. Some councils have also included the requirement to provide welfare reform information to all new tenants.
69. In addition, some housing allocation policies now include incentives to encourage downsizing, additional points being awarded to those on the housing waiting list that are under-occupying, and amended size criteria to mirror that of DWP.

Initiatives

70. To help mitigate the impact of the welfare reforms, councils and other stakeholder organisations have implemented a number of initiatives. The more widespread ones are:
 - offering money advice and maximising household income

- working with credit unions - as an example North Ayrshire Council and five other Ayrshire landlords have created a partnership with a credit union to help tenants set up bank accounts and manage household budgets. Angus and Clackmannanshire councils have undertaken similar work
- employment initiatives and helping to build skills - such as:
 - The Highland Council supporting its residents to gain digital skills
 - West Dunbarton Council's Working4U services which helps people to gain skills and education to increase job opportunities
 - Angus Council reviewing arrangements at its libraries to promote digital inclusion
 - South Lanarkshire Council referring its Tenant Liaison Team's customers to specialist training and employability services
- facilitating mutual exchanges via a national direct home swap service for social housing tenants who want to swap or exchange their property.

Long term plans

71. At this point in time welfare reform changes have had no significant impact on council's long term housing plans and strategies. Consideration is been given as to how the shortage of one bedroom properties will be addressed and similarly how stocks of family sized houses where currently demand is generally low will be managed.
72. A key concern for most councils is the combined impact of the introduction of UC and restrictions on rent levels, and how they will deliver their statutory duty to homeless households. North Ayrshire Council has undertaken an options appraisal to determine how services could continue to be delivered beyond 2015/16 while others prefer to wait for clear guidance from DWP as to how temporary accommodation will be treated under UC arrangements.

Looking forward

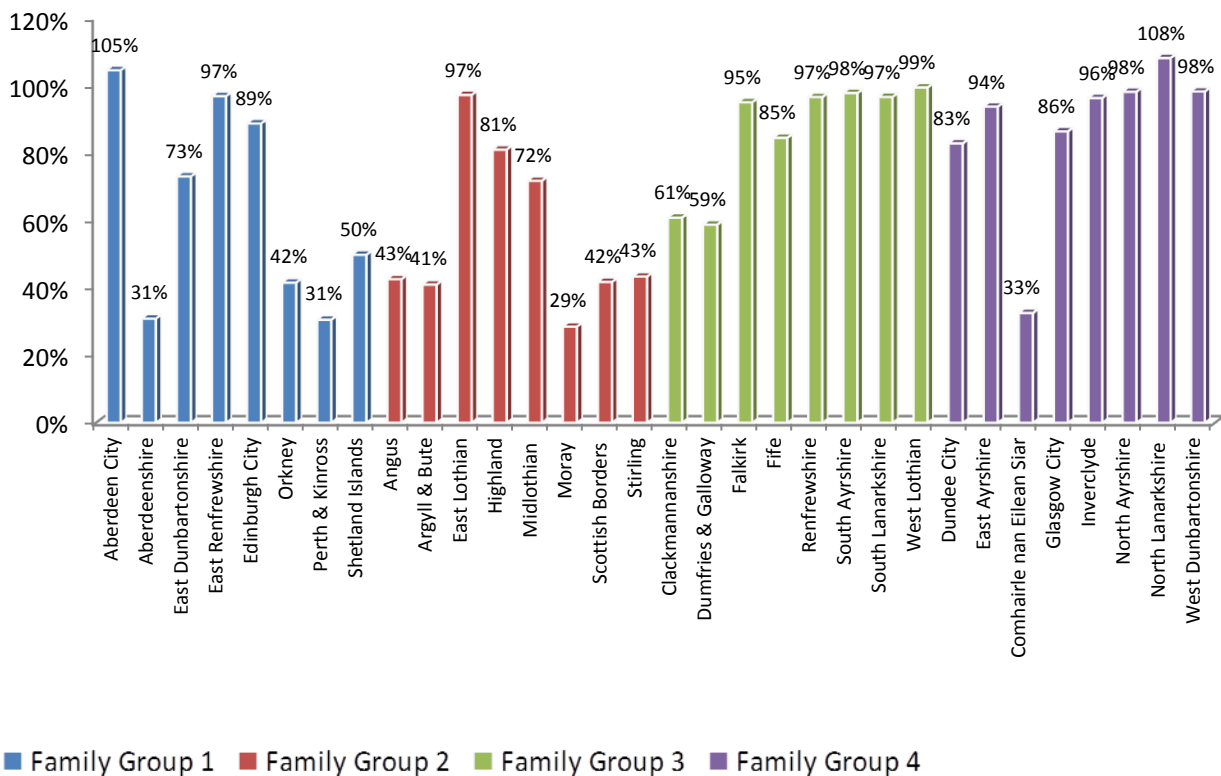
73. Looking forward there are other areas of welfare reform that cause concern. Not least the fact that many households are or, are likely to be, affected by more than one change which will make rent collection more difficult as these changes are implemented.
74. The movement of customers from Disabled Living Allowance to Personal Independent Payments and Incapacity Benefit to ESA, benefit sanctions, and importantly the introduction of UC and direct payments to claimants are likely to make rent collection more challenging.
75. Acknowledging the huge and adverse impact welfare reform will have on communities, action to mitigate this has been coordinated at Community Planning level in Scottish Borders and Orkney Islands councils while Fife Council is developing arrangements to integrate Welfare Reform within local Community Planning.

76. The uncertainty around UC migration makes workforce and resource planning extremely difficult for all councils and their services.
77. In East Ayrshire Council elected members have requested a targeted study on Jobseeker's Allowance and ESA sanctions, to understand the impact of this locally.
78. Scottish Borders Council raised several concerns around the continued reliance on DHP in terms of:
 - uncertain future funding
 - added administration burden
 - tenant expectation.
79. South Ayrshire Council is engaged in ongoing dialogue with colleagues from DWP regarding the proposed Local Support Services Framework and work is underway to map the current provision of advice and information services, the role of partners and the capacity across the council area to support digital inclusion in the future.

Appendix A

- 80. Exhibit 9 below details individual Scottish councils DHP spend as a percentage of the total funding available and illustrates the significant variance across Scotland. DHP spend ranging from 29% to 108% might be considered indicative of local economic circumstances and in the distribution formula with some councils apparently receiving significantly more funding than was required. Councils in receipt of rural funding are shown in blue.
- 81. Only 13 of the 32 councils spent in excess of 90% of their DHP budget with ten councils unable to spend more than 50% of their allocation.
- 82. Councils have been grouped in accordance with the family groups established by the local government benchmarking framework for housing services.

Exhibit 9: Percentage of council DHP spend to total funding



Appendix B

83. Exhibit 10 below shows rent arrears and DHP awarded to council tenants in 2013/14 for the 24 councils able to split DHP awards between council tenants and other tenants. Again, councils have been grouped in accordance with the family groups established by the local government benchmarking framework for housing services where appropriate.

