

**QUESTION TO BE ASKED OF THE PRESIDENT OF THE HOUSING COMMITTEE ON TUESDAY
13th MAY 2003, BY DEPUTY G.P. SOUTHERN**

Question

In answer to my question on rent abatement on 21st January 2003, the President stated –

“I can confirm that those benefits, namely Family Allowance, Invalidity Benefit and Disability Benefit, which were disregarded as income for rent abatement in 2002 will continue to be disregarded in 2003.”

- (a) Can the President give the same assurance for 2004?
- (b) If the answer is in the negative, will the President inform members –
 - (i) the reasons why?
 - (ii) the date when the matter was first considered by the Committee?
 - (iii) how many tenants will be affected, the extent of the increase in their rents, and what the additional rental income will be? and,
 - (iv) what steps will be taken to avoid further hardship to tenants?

Answer

- (a) I can give that assurance for Family Allowance but not for Invalidity and Disability Benefit.
- (b) (i) In 2002, as part of the Fundamental Spending Review process, the Committee, in common with all Committees except Health and Social Services, was required by the Finance and Economics Committee to submit a package of savings proposals of 10% of its revenue expenditure for 2004. As rent subsidies comprise 66.5% of the Committee’s expenditure in 2003 it is inevitable that savings proposals of the magnitude required for 2004 will impact upon this area of expenditure.

The treatment of Invalidity and Disability Benefits for rental assessment is currently out of line with the treatment of the two other similar benefits, namely pensions and sickness benefit, in that Invalidity and Disability benefits are disregarded while the others are regarded as income. Furthermore, this causes quite serious inequities in the treatment of income when the Benefit is not the only income in the family.

Appendix A compares the rents payable in 2003 by tenants who have similar incomes made up in different ways. The minimum rent payable is £20.83 for a single person and £34.56 for a couple. It can be seen that the first three single tenants all have the same income, £134.56 per week, but Mrs. B pays £1.64 less rent than the other two, because her income is all Invalidity/Disability benefit and is disregarded. As income rises so the inequities become more pronounced. For families D and E, who both have incomes of £223.37, namely the level of a pension or benefit for a couple, the difference is £7. The last two couples have a gross income of £400 per week and the difference has risen to £43.29 because Mr. and Mrs. G earn all of their £400, but Mr. and Mrs. H have part of it as benefit. Mr. and Mrs. G will, furthermore, have to pay their social security contribution on £400, while Mr. and Mrs. H will only pay it on £265.44.

The regard of Invalidity and Disability Benefit will provide the Committee with some of the savings which are required for 2004 while also bringing the treatment of these benefits more into line with the treatment of other similar benefits.

- (b) (ii) This matter was first formally considered when the Fundamental Spending Review submission was

approved by the Committee at its meeting of 8th November 2002.

- (b) (iii) If the Benefit changes were to be introduced in phases over three years the number of tenants affected would be as set out below :-

Current Number of Tenants in Receipt of Invalidity / Disability Benefit	Abatement	Rebate
	680	158
Number of Tenants Affected in Each Year		
Abatement	Rebate	
2004	200	52
2005 (Cumulative Total)	245	71
2006 (Cumulative Total)	575	121

It is worth noting that not all tenants in receipt of benefits will be affected.

Examples of the extent of the increase in the rents if the regard of Invalidity and Disability benefits as income is eased in over three years, along with the year in which it will impact, are shown in Appendix B. These figures have been prepared at current rental and income rates.

If the Invalidity and Disability Benefits are regarded as income for tenants the forecast of additional income and reduced expenditure for the Committee, at current rates for both rebate and abatement, is a net gain of about £152,000 in 2004, rising to a total of £597,000 per year by 2006.

- (b) (iv) As explained above, regarding Invalidity and Disability Benefits for assessment will merely serve to put the tenants in receipt of these benefits on exactly the same footing as those whose incomes are earned or made up of pensions or sickness benefit. The Committee considers its rental subsidies to be generous and, while some tenants will, if these changes are implemented, have less disposable income, there should not be any cases of hardship.

EXAMPLES OF HOW RENT PAYABLE VARIES DEPENDING ON THE TYPE INCOME

	Invalidity / Disability Benefit	Pension	Sickness Benefit	Assessed Earnings	Total Weekly Income	Total Regarded Income for Assessment	Tenants Contribution to Rent
	£	£	£	£	£	£	£
Mrs A		134.56			134.56	134.56	22.47
Mrs B	134.56				134.56	NIL	20.83
Mrs C			134.56		134.56	134.56	22.47
Mr & Mrs D	223.37				223.37	Nil	34.56
Mrs & Mrs E		223.37			223.37	223.37	41.46
Mr & Mrs G				400.00	400.00	400.00	94.90
Mr & Mrs H	134.56			265.44	400.00	265.44	51.61

Appendix B

EXAMPLES OF RENT INCREASES IF INVALIDITY & DISABILITY BENEFIT ARE EASED IN OVER A THREE YEAR PERIOD

Household Income				Year 1- 2004		Year 2		Year 3	
Invalidity/Disability Received	Other Regarded Income	Current Assessed Income	Current Rent	Assessed Income	Rent	Assessed Income	Rent	Assessed Income	Rent
£	£	£	£	£	£	£	£	£	£
134.56	-	-	20.83	44.85	20.83	89.70	20.83	134.56	22.47
134.56	200.00	200.00	36.14	244.85	46.55	289.70	57.80	334.56	71.82
223.37	-	-	34.56	74.45	34.56	148.90	34.56	223.37	41.46
269.12	-	-	34.56	89.70	34.56	179.40	34.56	269.12	52.53
223.37	150.00	150.00	34.56	224.45	41.71	298.90	60.49	373.37	85.15