

Welfare reform impact assessment: Final report - January 2015



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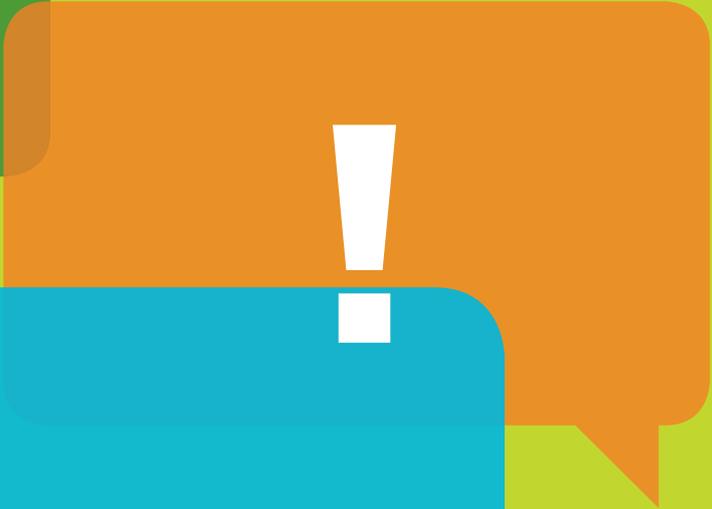
Introduction

In August 2012, the National Housing Federation commissioned Ipsos MORI and the Cambridge Centre for Housing and Planning Research to undertake a programme of research to understand the impact of welfare reform on housing associations and their tenants. The research project has predominately focused on the impacts of two reforms – the bedroom tax and the introduction of Universal Credit.

This final report, produced by the Federation, provides an overview of the findings from qualitative interviews and surveys of housing associations and tenants.



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The bedroom tax



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Overall impacts

Half of all housing associations report being significantly affected by the bedroom tax. The impact has been greater in some areas of the country with a large majority of associations mainly operating in Yorkshire and Humberside (93%) and the North West (73%) reporting that they have been significantly affected. Associations that have a significant number of tenants affected by the bedroom tax (more than 10% of all their general needs tenants) are most likely to report increased difficulty in rent collection, a rise in the level of arrears and a fall in total rental income.

It is evident that housing associations have invested significant time and resources to help deal with the impacts of the policy. However, the bedroom tax is having significant impacts on the wellbeing and household finances of tenants. Affected tenants are more likely than those who are not affected to find it difficult to pay their rent, they are more likely to report running out of money before the end of the week or month and they are more likely to have borrowed money in order to make sure that their rent is paid. Nine in ten (89%) affected tenants are concerned about having enough income to cover all living costs and bills.

Impacts on tenants

Tenants who took part in the in-depth interviews mentioned the emotional impact of being affected by the bedroom tax. Participants reported feeling stressed about how they were going to be able to manage financially. Generally, most reported that they have little room for manoeuvre in their budgets and that finding the extra money is very difficult. Most tenants said that paying their rent was a priority for them. In order to make ends meet, tenants reported cutting back on food shopping expenditure, by buying lower quality food, as well as reducing the use of central heating and electricity.

These are not isolated experiences. The survey of tenants found that a third of affected tenants (32%) report spending less money on food in response to the bedroom tax and a quarter (26%) report cutting back on heating and energy costs.

More than half (55%) of affected tenants say that, in the last 12 months, they had very often run out of money by the end of the week or month, compared to two in five (41%) non-affected tenants who say this.

Among those affected tenants who report regularly running out of money, the most common actions undertaken to cover the shortfall were; borrowing money from family or friends (57%), going without meals (25%) and reducing heating/ energy costs (19%).

Case Study: Freda

Freda says that her priorities, in terms of what needs to be paid each week, are the rent, food and heating, but that it is difficult to manage when there is a need to pay for something else immediately, like the urgent repair of her washing machine.

She says that since the introduction of the reforms, food has become less important. In order to try to cover all her outgoings, Freda has reduced her spending on food by buying fewer fresh items and more frozen products instead. She has reduced her expenditure further still since early 2014 and now spends about £26 a week on food, compared to around £40 per week before the introduction of the welfare reforms in early 2013.

Tenants who are affected by the bedroom tax are also considerably more likely than non-affected tenants to say that they are concerned (either very or fairly) with, falling behind with the rent (76% vs 46%), having enough income to cover all living costs and bills (89% vs 74%) and having to move away from family and friends (73% vs 54%).

“Almost two-thirds (64%) of affected tenants in arrears are in arrears due to a failure to pay the bedroom tax.”

Rent arrears

A key concern for housing associations prior to implementation of the bedroom tax was a rise in the level of rent arrears. The extent to which this has happened appears to be less than first feared. However, it is evident that the effects are unequally impacting on certain parts of the country with associations mainly operating in the north of England more likely to report significant impacts.

The final survey of housing associations found that almost half (47%) of associations reported an increased difficulty in rent collection and three in ten (29%) associations said that arrears had increased as a result of the bedroom tax. However, almost half (47%) of those associations with more than 10% of tenants affected reported that arrears had increased as a result of the policy.

Housing associations estimate that the level of overall outstanding arrears is lower than the levels identified immediately prior to implementation of the bedroom tax. However, it should be remembered that many factors can impact on the overall arrears level of an organisation, of which the bedroom tax is a relatively small one (as it is estimated to affect an average of 9.1% of general needs tenants). A majority of associations spoken to for the case study interviews reported that their overall arrears were either stable or declining. This was generally attributed to the introduction of more effective rent collection practices.

The number of tenants affected by the bedroom tax who are in arrears has fallen since autumn 2013. However, for those who are in arrears, their situation has worsened. It is estimated by associations that almost two-thirds (64%) of currently affected tenants in arrears are in arrears due to a failure to pay the bedroom tax, compared to an estimated 52% in autumn 2013. Two thirds of affected tenants (67%) reported they were finding it difficult to afford to pay their rent, compared to less than a third of non-affected tenants (31%). Affected tenants are also nearly four times as likely to say that they have needed to borrow money to help pay the rent since 1st April 2013 (46%) as before 1st April 2013 (12%).

It is not clear at this stage the extent to which impacts on arrears levels have been mitigated by Discretionary Housing Payments (DHP). However, associations are reporting a slowdown in the number of successful DHP awards since the start of the 2014/15 financial year, which may have subsequent impacts on arrears levels in the future. Case study associations also reported that they expected arrears to increase as the financial resilience of tenants is further eroded.

Moving home

One of the stated aims of the bedroom tax is to make better use of social housing stock by reducing under-occupation. Survey evidence suggests that while a significant minority of those tenants who have ceased to be affected (42%) have downsized within the social rented sector, most are no longer affected for other reasons, such as no longer claiming housing benefit, moves to the private rented sector or a change in family circumstances.

Housing associations estimate that three in ten (30%) tenants who are currently affected by the bedroom tax are registered to downsize. Among those affected tenants that say they are not currently looking to move accommodation, the main reasons for not wanting to move include being settled (46%) and being happy (43%) where they live.

There are many factors for tenants to consider when deciding whether to try to move to alternative accommodation or to 'stay and pay'. A range of barriers to downsizing were reported by tenants spoken to for the in-depth interviews, including the lack of available property in their local area and concerns about the impact downsizing would have on children, with parents expressing their worries about siblings being made to share a room.

Those who had considered downsizing or who had actually moved, talked about the anxiety associated with this, including trying to find a property, leaving behind their former home and trying to organise and pay for the move itself. One tenant reported his fears about damaging his relationship with his son if he moves to a smaller property where there will not be a spare room for him to stay. Another explained that he and his wife felt depressed when they had to move from the home they had lived in for the past twenty years.

Case Study: Bob

Bob has been looking to move within five miles of where he currently lives and points out that he does not want to move too far away from his wife's family connections, and also from his doctor, who he needs to visit at least once a month. Furthermore, even if Bob found somewhere to move to, he says they would not have enough money to cover the removal costs. Ideally, Bob and his wife would much prefer to stay where they are than to move.

"It's like feeling secure in the community you know and living close to members of my wife's family. That plays a big part in everyone's life. It's not just somewhere to sleep or to actually survive."

Nearly one in five (18%) associations reported that there was an increase in the number of tenants moving to the private rented sector because of the introduction of the bedroom tax, an increase on the 13% who reported this in autumn 2013. Almost two-fifths (39%) of affected tenants who were looking to move said that they would consider renting from a private landlord.

Housing associations have adapted their policies to make it easier for those tenants who wish to move to do so. More than half (57%) of associations say they have changed their allocations policy to give greater priority to those wishing to downsize (a further 13% already gave additional priority to downsizers). Traditionally housing associations have not allowed tenants to transfer to a new property if they are in rent arrears, however almost eight in ten (78%) associations now allow this in either some or most circumstances for tenants affected by the bedroom tax.

Of those associations with a planned development programme, a fifth (21%) report that they are intending to increase the proportion of smaller, one and two bedroom, properties they develop as a result of the introduction of the bedroom tax. A similar proportion (18%) say they are planning to increase the proportion of smaller properties for other reasons.

Evictions

Given the complexity of eviction proceedings and the timescales involved, the research was unlikely to pick up any rise in evictions happening as a direct result of the bedroom tax. Associations report that very few affected tenants (an average of 1% of those affected and in arrears) have been evicted.

However, of those tenants currently affected by the bedroom tax and in arrears, almost three in ten (29%) have been issued with a notice of seeking possession (NOSP), the first stage of the eviction process.

Tenants who are affected by the bedroom tax are also considerably more likely than non-affected tenants to say that they are concerned (either very or fairly) about being evicted from their home (70% vs 53%).

Case Study: Gareth

Gareth says that there are days when he and his wife feel down about their situation and living in the new house, however, they are trying to make the best of it and are getting to know their neighbours and planting vegetables and flowers to make the house more homely. Gareth sums up his feelings about downsizing in the following way:

“Moving normally is stressful...but... because we felt we were forced into it, it made it really worse...with us all worried and stressed...about it, but thankfully now we’re sort of settled in, trying to make this...our home as much as possible...”

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Universal Credit

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Prior to the introduction of welfare reforms, the baseline survey identified the introduction of Universal Credit as the element of the welfare reform programme that was expected to affect associations the most. Four in five associations believed they would be affected either a great deal or fair amount by the introduction of direct payments to tenants.

Housing associations remain concerned about many aspects of Universal Credit. A large majority report being very or fairly concerned about:

- The capability of their tenants to cope with monthly budgeting (98%)
- The IT infrastructure for Universal Credit (96%)
- The capability of tenants to access online systems (94%)
- Increased difficulty in rent collection (91%)
- The additional resources needed to support tenants with the transition to UC (90%).

Tenants also report concerns about monthly budgeting, accessing online systems and having the housing element paid to them direct.

The overwhelming majority of tenants (92%) say they would prefer their Housing Benefit to be paid directly to their landlord, with only four percent saying that they would prefer to receive it directly.

Case Study: Charlie

Charlie feels there are no advantages to asking tenants to handle their Housing Benefit money, as people who require this benefit are already struggling and so may prioritise spending the money on heating or other things. Regarding the direct payment of Housing Benefit to tenants, Charlie says:

“That’s just a ridiculous idea. It’s not about managing money, it’s about managing people...I don’t think the temptation should be put there for people...I don’t see the point...send it to the landlord...”



More than two-thirds (70%) of affected tenants usually plan their budget over a very short time period (fortnightly, weekly or more frequently). Only one in seven (14%) currently plan their budget monthly. Of the affected tenants who budget fortnightly, or more frequently, two in three (68%) say they would not be confident of planning their budget on a monthly basis.

Among those currently affected by the bedroom tax, two in five (40%) say they do not have access to the internet either at home, at work or on a mobile device, 31% of non-affected tenants say the same. Tenants with access to the internet were also asked to indicate their confidence with being able to make a benefit application online. Of those currently affected by the bedroom tax, around half (51%) say they would not be confident completing an application online, compared with 44% of tenants not currently affected.

Risks

Given these challenges, it is unsurprising that associations are expecting to have to spend more to collect less rent.

More than four in five (84%) associations have assumed that some of the income they currently receive through direct payment of housing benefit will be at risk. On average, associations anticipate 35% of the income currently received through direct payments to be at risk of non-collection.

Associations are also anticipating spending more from April 2015 as a direct result of Universal Credit. Almost two-thirds (63%) are anticipating legal costs to increase, and more than a half are anticipating rent collection costs (56%) and spend on financial inclusion (54%) to increase.

Universal Credit is also likely to have some impact on future development. A quarter (26%) of associations report that the introduction of Universal Credit is impacting, a great deal or fair amount, on their capacity to deliver homes after 2015 and around one in ten (11%) associations say they are planning to develop fewer homes than they otherwise would have done as a result of Universal Credit. However, a small majority (53%) report it is having little or no impact on their capacity to deliver. Overall, associations don't view Universal Credit as the main challenge to future development. More associations say that availability of grant (48%) and access to land (40%) is impacting, a great deal or fair amount, on their capacity to deliver homes after 2015.

Case Study: Iris

Iris has access to the internet at home, although she does not have a laptop or PC. Iris uses the internet on her mobile phone and carries out online banking, online grocery shopping and social networking. She feels that she would be more comfortable completing forms on paper rather than online because if she did not understand something, she could hand it to somebody else to help her.



Preparing for Universal Credit

Housing associations are actively preparing for the introduction of Universal Credit. Case study associations reported that they were reviewing policies and practices, reviewing IT systems, collecting new information about their tenants, looking at whether staff teams need to be restructured and keeping up to date with new Universal Credit policy announcements.

The majority of associations (78%) report being fairly prepared for Universal Credit. The most important issue identified by associations which would help them to be better prepared was greater clarity on the roll out timetable. More than eight in ten (82%) identified this as an important issue. This would allow associations to better understand when and where resources need to be deployed.

Housing associations offer a wide range of services to support their tenants. A majority are either already offering or planning to offer welfare benefits advice (90%), money management advice (88%), digital inclusion support (81%), debt advice (76%) and employment and skills support (67%). The majority of associations expect the level of their service provision in all of these areas to increase as a direct result of Universal Credit.

Three-quarters (76%) of associations are interested in delivering support to Universal Credit claimants through the Local Support Services Framework, now known as Universal Support delivered locally.

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Conclusion

It is clear that the greatest impacts have so far been felt by the tenants who are directly affected by the bedroom tax. There is strong evidence of the negative effects the policy has had on tenants' household finances and overall wellbeing. To date, the impact on housing associations has been less severe. Associations have coped well with the challenges; it would seem that the significant investment made in supporting tenants and preparing their businesses has helped to mitigate the worst of the impacts.

However, associations have always believed that Universal Credit and the introduction of direct payments to tenants would prove to be the biggest challenge. In the baseline survey 81% of housing associations thought that direct payments would significantly impact their business, compared to 61% who thought the same of the bedroom tax.

Housing associations are actively preparing for the introduction of Universal Credit however significant concerns still remain. The vast majority are expecting increased difficulty in rent collection, with more than four in five associations assuming that some of the income they currently receive through direct payment of housing benefit will be at risk. Associations are also expecting to have to spend more as a result of the change.

The majority of housing associations plan to increase resources to help support their tenants with Universal Credit and three-quarters of associations want to work with DWP and local authorities to help deliver support to Universal Credit claimants. Housing associations have long invested and continue to invest in the communities in which they work. However, it is not yet clear whether additional financial pressures brought by Universal Credit will impact on their ability to do so in the future.

“The majority of housing associations plan to increase resources to help support their tenants with Universal Credit.”

Appendix

Quantitative and qualitative research was conducted between September 2012 and October 2014. The research outputs were:

- Three online surveys of housing associations (Fieldwork: Sept-Nov 2012, Sept-Nov 2013, Jul-Sept 2014)
- Three waves of case study interviews with housing associations (Fieldwork: Dec 2012- Jan 2013, Jan-Feb 2014, Sept-Oct 2014)
- Three waves of in-depth interviews with housing association tenants (Fieldwork: Feb-April 2013, Jan-Mar 2014, Aug-Oct 2014)
- Telephone survey of 1000 housing association tenants (Fieldwork: Feb-Mar 2014)

All research reports are available at www.housing.org.uk/policy/welfare-reform/monitoring-the-impact-of-welfare-reform/



The National Housing Federation is the voice of affordable housing in England. We believe that everyone should have the home they need at a price they can afford. That's why we represent the work of housing associations and campaign for better housing.

Our members provide two and a half million homes for more than five million people. And each year they invest in a diverse range of neighbourhood projects that help create strong, vibrant communities.

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