

Welfare Reform Survey – 2013/14 Quarter 2 and Quarter 3 Update

Summary of responses June 2014

Introduction

ALMOs and councils across the country continue to be concerned about the impact of the changes to the welfare system on both their housing businesses and the communities they serve.

The NFA, ARCH and CWAG agreed it would be useful to collect data from their respective members on the emerging impacts of welfare reform on the HRA business plan and the tenants they house. An initial survey was undertaken in August 2013 focusing on the impact of the under-occupancy penalty and providing a baseline of performance on issues relating to welfare reform such as income collection rates, arrears management and the numbers of tenants affected. A summary briefing (http://www.almos.org.uk/news_docs.php?subtypeid=24) was published in October 2013. This paper builds on that work and updates the results at the two further points in time; the end of September 2013 (Quarter 2) and the end of December 2013 (Quarter 3).

In order to be able to compare data from the first survey to this, we have restated the baseline position (where appropriate) so that only those Councils and ALMOs that completed both surveys are included. In addition, we continue to report on all respondents where no trend information is available. The aim of this work is to build up a picture of the impacts across the country in the ALMO and local authority sectors to help inform discussions with government and to identify emerging issues and any unintended consequences. We will also be able to inform members on trends in rent arrears, void rates and other issues.

The survey

The survey was sent to all NFA, CWAG and ARCH members in March 2014. The survey repeated many of the questions from the previous work such as:

- How many tenants are affected by the under-occupancy penalty?
- How many tenants are affected by the under-occupancy penalty and in arrears?
- How many arrears cases are being taken due to non-payment of the under-occupancy penalty?
- How many tenants affected by the under-occupancy charge have moved, are waiting to move or are trying to pay the extra
- How many council tenants affected by the bedroom tax are receiving DHP?
- Are any properties becoming hard to let because of the introduction of the under-occupancy charge?

Key Findings

- For organisations who completed both surveys, 12.6% of households were affected by the under-occupancy penalty when it was first introduced in April 2013. This had reduced to 10.5% by the end of December 2013. There is a marked regional variation with 6.4% affected in the Southern region compared to 13.7% in the North.
- Overall, the number of households in arrears has risen by 5.4 percentage points between the baseline date and the end of December 2013. During that time, households in arrears increased markedly at the end of September (36% of tenants in arrears) before declining slightly in December. Arrears remain above the baseline.
- The amount of rent arrears increased by just over 16% on average between March 2013 and the end of December 2013. Arrears peaked at the end of September (22% higher than base) before a slight decline mirroring the total number in arrears.
- Rent arrears in the group affected by the under-occupancy penalty increased by a greater amount. By the end of December, arrears for those under-occupying were 27% higher than the baseline compared to a 16% increase for all arrears.
- Arrears peaked at the end of June for those under-occupying, 38% higher than base compared to 18% for overall arrears at the same point in time.
- On average only 4.6% of tenants affected by the bedroom tax have moved to alternative social housing.
- On average 13% of those affected by the penalty have registered on the transfer list but not moved as yet.
- The majority (60% on average) have chosen to try to pay and stay but many ALMOs and councils report that these households are already getting into arrears.
- Overall 10.7% of households affected by the penalty are in receipt of Discretionary Housing Payments as at the end of December 2013. This is higher than the June 2013 figure of 8%

The responses

52 responses to the survey were received - 36 ALMOs and 16 local authorities. In addition, two of the local authorities also cover ALMO areas. Therefore, response covered 38 ALMOs (81% of NFA members). There was a good geographical spread of respondents as shown in the table below.

Geographical split of survey responses

| Region¹ | Respondents | Percentage of total |
|---------------------------|--------------------|----------------------------|
| Southern | 8 | 15% |
| London | 10 | 19% |
| South West | 5 | 10% |
| Midlands | 14 | 27% |
| Northern | 15 | 29% |
| Total | 52 | 100% |

There was also some continuity in responses with 32 of those who responded also responding to the initial survey. This allows a longitudinal element to be reported along with the full outputs from this work.

Under-Occupation penalty

If we look at the responses from those who completed both surveys, i.e. the 32 organisations, the number of affected households moves as per the table below. Note the baseline figure is different to the original report as we have only used data from organisations that completed both surveys

Percentage of households affected by under-occupation penalty (longitudinal group)

| Region | Baseline | Q1 | Q2 | Q3 |
|---------------|-----------------|---------------|---------------|---------------|
| Southern | 7.88% | 7.39% | 6.94% | 6.73% |
| London | 8.17% | 7.71% | 7.62% | 6.72% |
| South West | 11.45% | 10.35% | 9.76% | 9.22% |
| Midlands | 11.92% | 10.51% | 9.55% | 9.91% |
| Northern | 16.02% | 15.02% | 14.14% | 13.47% |
| Total | 12.63% | 11.69% | 11.01% | 10.53% |

All regions are showing a decrease in those affected by the under-occupation charge. This is to be expected as people take action to address the issue. The overall reduction from the sample is modest at 16% of those originally affected. At this rate, it would take round four years to tackle the issue but when you also factor in that this has included an initial spike of activity, the reality is that it is more likely to take much longer.

Looking at all respondents, the survey shows an average of 11.5% of households are affected by the under-occupation penalty at the end September and 11.1% at the end of December. This has a clear regional difference as per the following table.

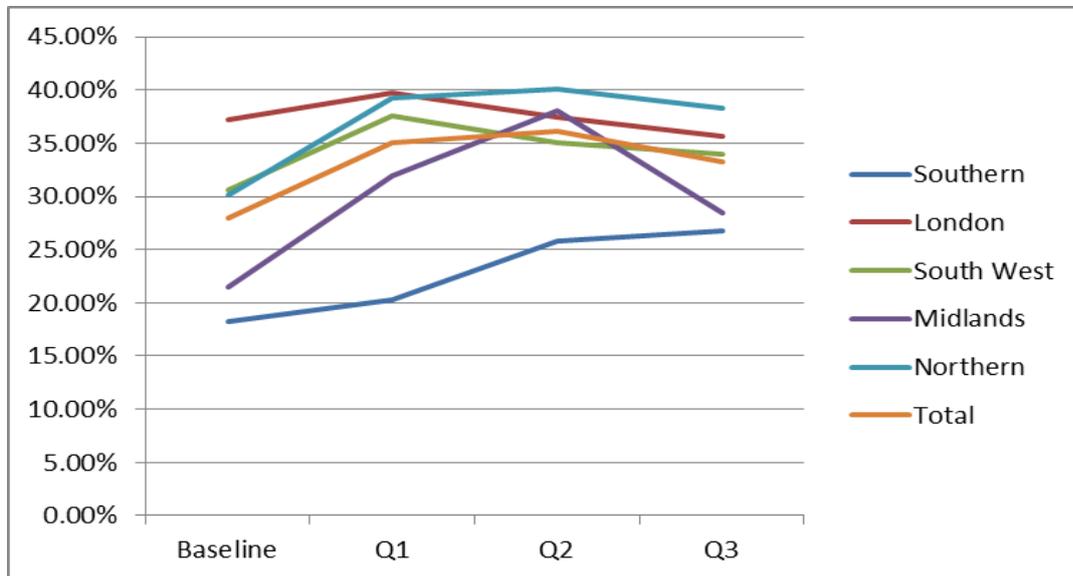
Percentage of households affected by under-occupation penalty (all respondents)

¹ As for the previous report, our analysis consider the following regions: Midlands region is the sum of the Government East and West Midlands regions; Northern region is the North West, North East and Yorks and Humber; Southern region is the East of England and South-East regions; London and the South-West are as per the Government Office.

| Region | % of households Q2 | % of households Q3 |
|--------------|--------------------|--------------------|
| Southern | 6.6% | 6.4% |
| London | 8.5% | 7.8% |
| South West | 9.8% | 9.2% |
| Midlands | 11.7% | 11.6% |
| Northern | 14.3% | 13.7% |
| Total | 11.5% | 11.1% |

Rent Arrears

Overall, there has been an increase in both the proportion of households in arrears and the value of those arrears. When looking at the consistent sample of landlords, there has been an overall increase from the baseline but this appears to have peaked in Q2 with overall arrears in four of the five regions showing a decrease in arrears in Q3.



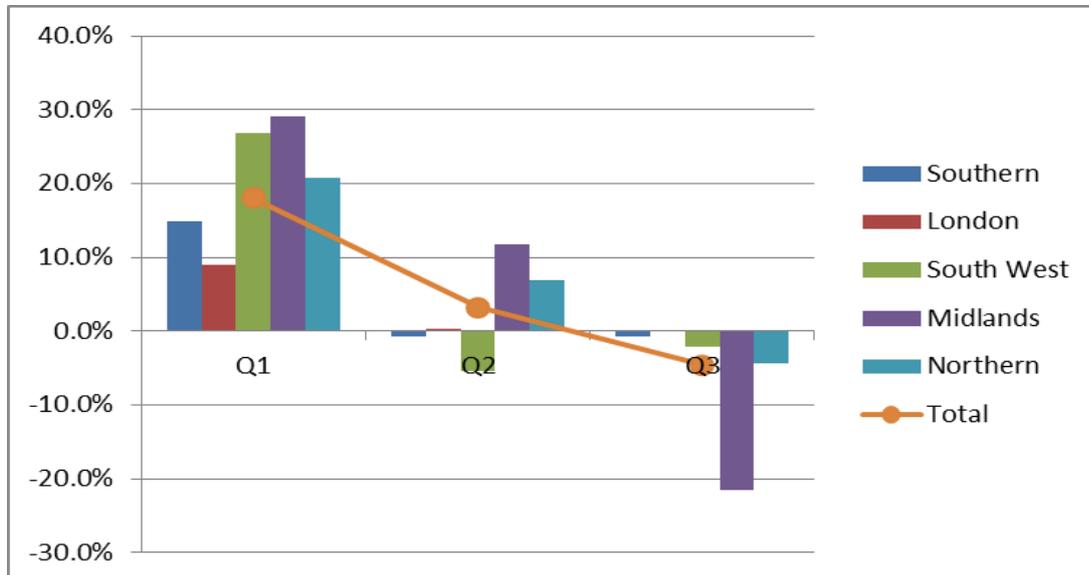
Percentage of households in arrears (longitudinal group)

| Region | Baseline | Q1 | Q2 | Q3 |
|--------------|---------------|---------------|---------------|---------------|
| Southern | 18.24% | 20.28% | 25.83% | 26.71% |
| London | 37.15% | 39.78% | 37.50% | 35.66% |
| South West | 30.56% | 37.62% | 35.09% | 33.97% |
| Midlands | 21.44% | 31.97% | 38.05% | 28.40% |
| Northern | 30.14% | 39.21% | 40.11% | 38.33% |
| Total | 27.90% | 35.07% | 36.09% | 33.30% |

The initial survey analysis showed the predicted increase in the number of tenants in arrears as the changes were introduced. It now appears that the position has stabilised, albeit at a higher level, as the reforms bed down. It will be interesting to observe whether this trend continues into the final quarter. It should be noted that the position varies considerably across landlords and regions. Hence there are already a range of factors that influence arrears performance.

In monetary terms, there has also been an overall increase of 16.3% compared to the baseline position. Again, the rate of increase has slowed and even reversed in Q3 mirroring the number of households in arrears.

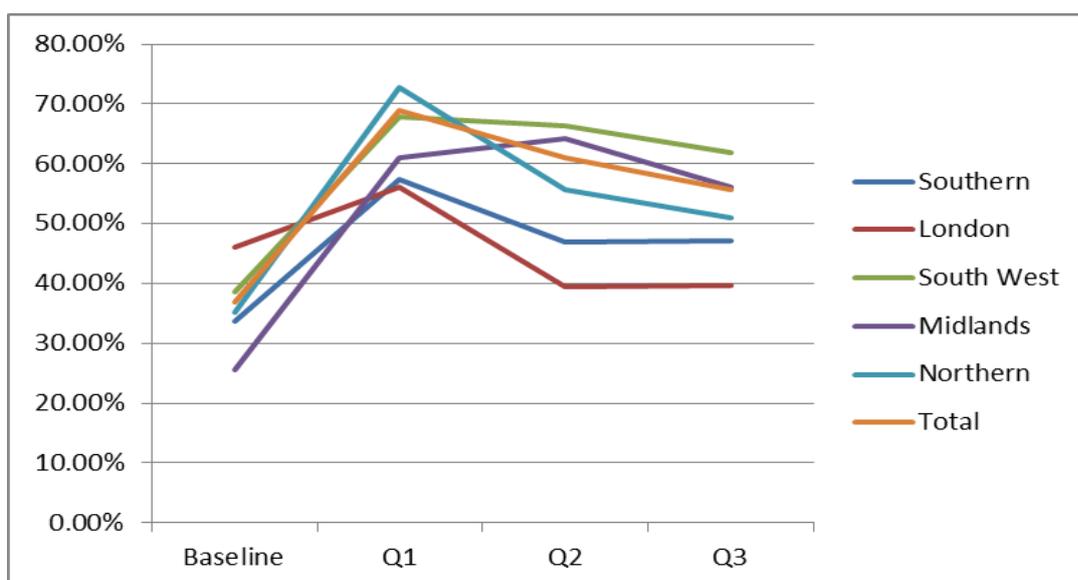
Percentage increase in arrears per quarter by region (longitudinal group)



Under-occupiers in arrears

For those affected by the under-occupancy penalty the outcomes appear to be much worse initially. Based on those organisations who completed both returns, our surveys show that on average 37.0% of households affected by the under-occupancy penalty were in rent arrears before the changes took place and this increased to an average of 69.0% by the end of June. As for overall arrears, the proportion of tenants who are under-occupying and in arrears then began to decline.

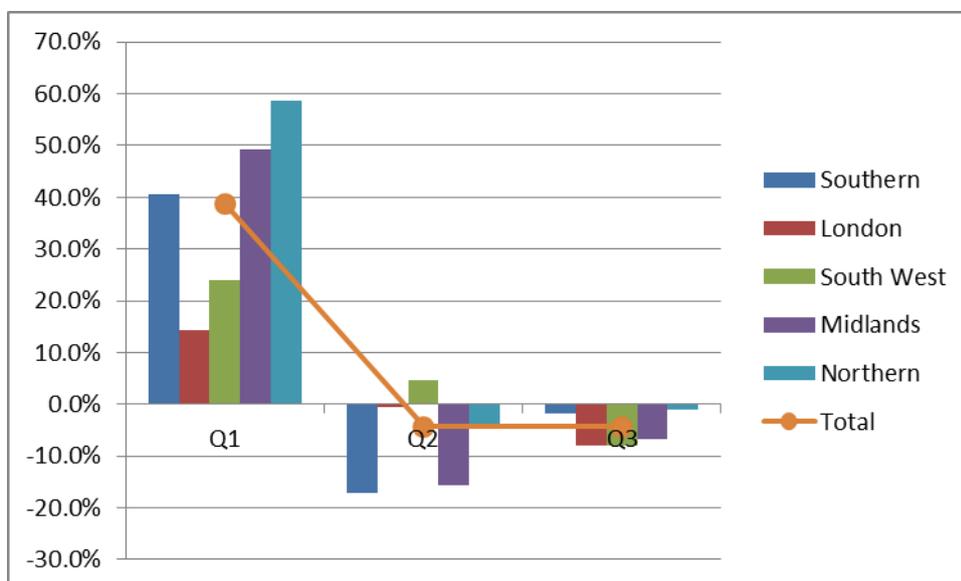
Percentage affected by under-occupancy and in arrears per quarter by region (longitudinal group)



Again, there is regional variation with the Northern region being worst affected and London the least affected. The number of households affected by the under-occupation penalty and in arrears in London changed from 46% to 56% from March to June but is now below its starting point. In contrast the numbers in the Northern region increased from 35.1% to 72.8% in the same period and remain at 51.0%.

Rent arrears in the group affected by the under-occupancy penalty increased by more than overall rent arrears at an average of 38.7% between March and June 2013 compared with 18.1% overall. This initial spike has now begun to decline with arrears for those who are under-occupying reducing 4.4% by September and a further 4.3% by December. However, they still remain 26.9% above the base line position.

The data shows a spike in arrears when the changes were introduced followed by a reduction as the new arrangements become the 'norm' and arrears recovery procedures begin.



Arrears action

NOSPs

At the end of December 2013, 66% of respondents who provided an answer to this question had served a Notice of Seeking Possession for arrears built up due to the non-payment of the under-occupancy penalty.

Some of the other respondents commented that they have also served notices on cases affected by the under-occupancy penalty but these were households who were already in arrears and so were not solely due to the non-payment of the under-occupancy penalty.

Court action

For the previous survey, just 2% of respondents had applied for court proceedings. At the end of December 2013, 55% of respondents had instigated court action. 16% of organisations had been granted an eviction warrant for a total of 59 cases.

We believe it is this action by landlords that is starting to impact on the arrears figures and to begin to bring arrears down again following the initial spike.

Tenant mobility

At the end of December 2013, 4.6% of the respondents tenants originally affected had moved to alternative social housing – up from 2% at the end of June 2013.

As per the previous survey, very few tenants (0.4% on average) have been reported as moving to the private sector or back with family due to the under-occupation penalty but it is happening on a small scale in Northern and Midland regions. However, only a small number of respondents held data around this.

The majority (60.2%) have chosen to pay and stay with a further 10.3% registered on the transfer list. Small numbers (3.3%) have taken up employment with no information available regarding the remainder.

The overwhelming majority (97%) of landlords had been successful in helping some people to move. The survey asked what had been working well and the following actions were given as illustrations:

- Two new priority categories were introduced to the lettings policy to give additional priority for transfer to tenants downsizing by 1, 2 or more bedrooms.
- Money Advisor/Income management advisors trained to help support tenants with moves (e.g. bid for properties) in addition to demonstrating the financial benefits
- Help to move schemes including incentives and support – cash (depending on the size of the property), removals, disconnection & reconnections, redirection of post.
- Proactively encouraged mutual exchanges; open days aimed at households affected by the under occupation charge aiming to promote mutual exchanges and other housing options and advice.
- Developed a mutual exchange brokerage for under occupiers and over-crowded tenants to match tenants to consideration of exchange
- Combining arrears recovery works with advice and assistance on moving home.
- Dedicated support team. Intensive support throughout registration to move including help actually moving e.g. dealing with utilities, organising removals
- Support to new tenants moving into our properties through New Tenancy Advisers who support tenants when they move in with fuel, food, budgeting advice.
- Supporting people with DHP to allow moves, policy around moves with arrears, carefully managed.
- A percentage of voids identified for downsizers

- Arrears or property condition which previously would have made tenants ineligible for a move has been reviewed. Proactive DHP applications to give people time to move
- Working with Citizens Advice Bureau, local Employability Service and Energy Advisors.

Discretionary Housing Payments

Overall 10.7% of households affected by the under-occupation penalty are still in receipt of Discretionary Housing Payments at the end of December 2013 (8% at the end of June 2013). DHPs are generally awarded for set time periods of between 3 and 6 months meaning DHPs have been renewed in the majority of cases as solutions are sought.

We asked people if they thought that the Discretionary Housing Payment (DHP) pot was sufficient to help those tenants experiencing genuine difficulties in their area.

| Do you think DHP funding is sufficient? | Initial Survey (August 2013) | Current survey (March 2014) |
|---|------------------------------|-----------------------------|
| Yes | 24% | 45% |
| No | 40% | 24% |
| Don't know | 36% | 31% |

In the first survey, many who were unsure told us it was too early to tell at the moment as demand was difficult to predict and in some cases “the Council has taken the approach of applying strict criteria initially then reviewing the caseload and criteria based on the demand.” Others also felt that “the full effects of the changes has not yet been felt and we expect that there will be tenants who are currently managing to make payments but who will fall into difficulties in the future.”

The figures still paint a mixed picture with around a third still not sure. However, nearly half of landlords are now saying the DHP is sufficient in their area. The fact that the numbers receiving DHP have increased and the caseload decreased shows that DHP will be required in future for many cases which are not easily resolved.

Specific comments were received around the DHP funding and included:

- Additional funding was bid for and received in a number of cases. However, this is ‘one off’ reserve money which has bought time but not solutions.
- Money had been fully allocated before year-end in a number of places whereas others had funds remaining
- Some of those who had not fully spent their allocation commented that they felt it was due to some tenants who would be eligible not engaging. This will cause issues further down the line as the DHP money will have been spent or removed.

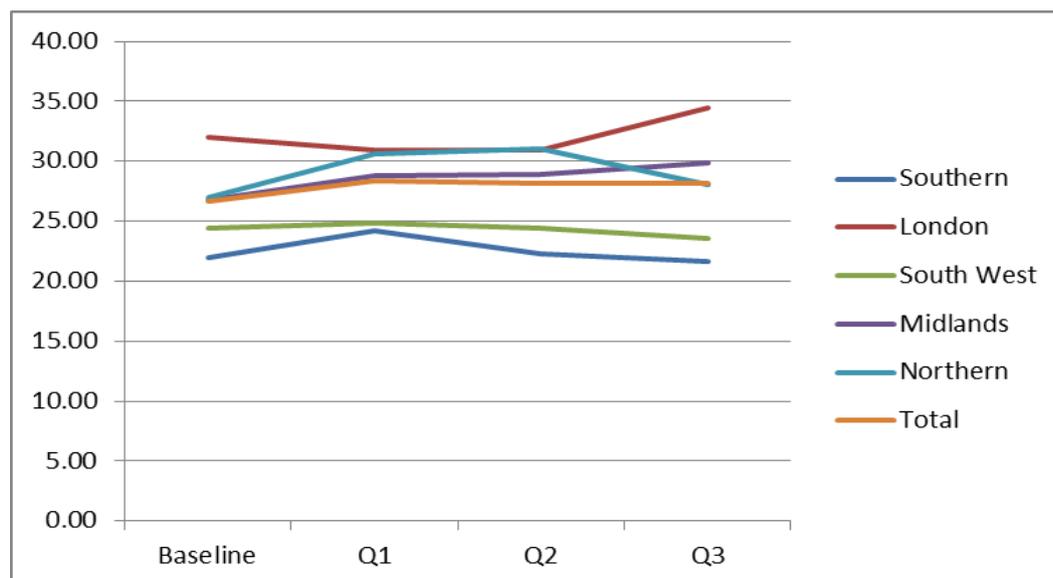
Hardship funds

39% of ALMOs and Councils are providing a separate, additional hardship fund with half of them providing it through the HRA and the other half providing them directly from the ALMOs own funds, the General Fund or charitable partners.

Void times

We asked respondents to give us details of their void performance in terms of days taken.

Void times (calendar days) for all respondents



There is a view that void times have increased on the back of more churn in the stock. A number of landlords included comments around large increase in termination of tenancies. For example, one landlord gave an example that in 12/13: 30 new voids per week; in 13/14: 40 new voids per week. Some tenants did not get into arrears, but simply gave up their tenancy because they thought they would not be able to afford the additional payments.

The data does illustrate a slight increase from 26.7 days to 28.1 days but generally landlords appear to be coping with any additional demand. This varies across the regions with some experiencing a spike at Q1 before settling back (Southern; Northern) while London now appears to seeing a spike whereas the Midlands have seen a steady increase and the South West a steady decrease.

Lettings and demand

The survey asked for information relating to lettings and demand. 49% of landlords responded that they were now letting some properties to families further down the priority list than previously. London bucked the trend regarding this with only 13% of London landlords reporting that this was the case. Further comments included:

- We have seen a reduction in demand for some property types in some areas, for example 3 bed maisonettes, and 2 and 3 bedroomed flats. We have also seen a corresponding increase in demand for 1 bedroom properties.
- Houses that were previously under occupied at allocation are even more unpopular and require even more resources to allocate this includes good quality three and four bedroom houses in certain areas and two bedroom multi storey properties. Increased resources and costs relating to more tenants needing support to sustain their tenancies

Other impacts

We asked about other impacts of the introduction of the under-occupation penalty. Other issues raised are shown below

- Families with young children having to take smaller accommodation may have to move again later as the children get older rather than take a larger property and be able to bring their families without having to move again. This will incur an increased cost, and possible social impacts
- Many applicants who previously would have moved into 3 bed houses can no longer afford the rent as their children are assumed to share a bedroom, making the third bedroom 'spare' and subject to the spare room subsidy.
- The number of referrals to the Money Advice Team has increased significantly. Demand for Money Advice Services treble in the third quarter presenting as compared to quarters one and two.
- Increased use of food banks has been reported and providers suggest that the increase has been down to changes to benefits like the under-occupation charge.
- Staff referring to food charities; Increase in referrals to food banks