

## **Welfare Reform Survey**

### **Summary of responses October 2013**

#### **Introduction**

ALMOs and councils across the country are very concerned about the impact of the recent changes to the welfare system on both their housing businesses and the communities they serve. There are a number of research projects following the impact of the various reforms on individual households including the Northern Housing Consortium's Real Life Reform project and the LGA recently published some research in the cumulative impact of all of the welfare reforms so far on communities as a whole.

The NFA, ARCH and CWAG therefore agreed it would be useful to collect some data from our respective members on the emerging impacts of welfare reform on the HRA business plan and the tenants they house.

We agreed that we would focus initially on the impact of the under-occupancy penalty and collect a baseline of performance on issues relating to welfare reform such as income collection rates, arrears management and the numbers of tenants affected in order to track impacts after April 2013.

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**

We sent the survey to all NFA, CWAG and ARCH members in August 2013 asking questions such as:

- The number of tenants affected by the under-occupancy penalty
- The numbers of tenants 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
- If anyone is considering reclassifying stock
- If any of properties are becoming hard to let because of the introduction of the under-occupancy charge
- How many tenants have bank accounts or access to online services

## Key Findings

- Overall the number of households in arrears rose by 21% on average across the country between March 2013 and the end of June 2013.
- The amount of rent arrears increased 16% on average between March 2013 and the end of June 2013.
- An average of 10% of households across the country were affected by the under-occupancy penalty when it was first introduced in April 2013, this varies regionally with only 6% affected in London and 16% of households affected in the North.
- The number of households affected by the under-occupancy charge and in arrears rose on average by 59%.
- Rent arrears in the group affected by the under-occupancy penalty increased by an average of 28% between March and June 2013.
- On average only 2% 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 8% of households affected by the penalty are in receipt of Discretionary Housing Payments as at the end of June 2013 but these have been awarded for set time periods of between 3 and 6 months.

## The responses

We received responses from 28 ALMOs and 2 councils covering 4 ALMOs meaning that 32 of our members are reflected in this survey, 64% of all ALMOs. We also received responses from 15 councils without ALMOs who are members of ARCH giving a total of 45 respondents from across the country.

There was a good geographical spread of respondents with 29% of respondents coming from the Northern region, 18% from London, 27% from the Southern region, 16% of responses were from the Midlands and 11% of response were from the South West<sup>1</sup>.

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<sup>1</sup> In our analysis the Midlands region is the sum of the Government East and West Midlands regions, the Northern region is the North West, North East and Yorks and Humber, the Southern region is the East of England and South-East regions and London and the South-West are as normal.

### **Under-Occupation penalty**

An average of 10% of households were affected by the under-occupancy charges at the end of March 2013 and this proportion dropped slightly to 9% of households by the end of June. The proportion varies regionally from 6% London, 7% in the Southern region, 9% in the South-West, 12% in the Midlands and 16% in the Northern region.

### **Rent Arrears**

The overall trend in rent arrears is again illustrated by the rise in the total number of households in arrears. Given the general economic climate in which tenants find themselves in, with the rise in the cost of living and cuts and changes to the wider welfare benefits system it isn't very surprising that councils and ALMOs are finding it more difficult to collect the rent from some tenants. At March 2013 an average of 26% of households in the respondents areas were in arrears and by the end of June 2013 that had risen to an average of 34% of households being in arrears. The increases vary quite substantially among landlords and the rate of increase has been much slower in London and the South compared to other regions with the South West region experiencing the biggest increases, from 21% to 37% of households in arrears.

Overall there was an average of a 21% increase in the numbers of households in arrears across the country.

The total amount of rent arrears in monetary terms also increased 16% on average between March 2013 and the end of June 2013.

### **Under-occupiers in arrears**

However, as the sector expected, for those affected by the under-occupancy penalty the outcomes appear to be much worse. Our survey shows that on average 35% of households affected by the under-occupancy penalty were in rent arrears before the changes took place and this increased to an average of 62% by the end of June. However this average masks some significant regional variation with households in 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 45% to 54% from March to June but numbers in the Northern region increased from 30% to 72% in the same period.

The results of our survey indicate that in just three months of the under-occupancy penalty applying there was an average increase of 59% in the number of households going into arrears.

As a result of more households getting into arrears within this group, rent arrears in the group affected by the under-occupancy penalty increased by more than overall rent arrears at an average of 28% between March and June 2013.

### **Arrears action**

51% of ALMOs and Councils have either made changes to their arrears policies or plan to, following the introduction of the under-occupation penalty. Most have added more intervention stages for arrears prevention and income maximisation with more contact points and extra visits built into the process. Some have also included rent affordability assessments at the tenancy sign up stage and get Financial Inclusion officers to offer advice/assistance during the NOSP period.

Many have decided to allow transfers where rent arrears exist if they are due to the inability to pay the under-occupancy penalty only.

Many ALMOs and Councils are promoting more payment options such as Direct Debit and promoting the use of Credit Union budgeting accounts. Most are checking if the tenants are waiting for DHP and if they are on waiting list for rehousing and are actively bidding. One ALMO listed the support (which appears to be typical of the sector) put in place for affected tenants before arrears proceedings will take place as:

- Ensuring all eligible benefits are being claimed
- Ascertaining income details and prioritising expenditure
- Identifying eligibility for DHP and supporting referral
- Supporting tenants to register a housing application
- Promoting mutual exchange
- Supporting tenants to set up a bank account or direct debit
- Budgeting and debt advice
- Referring vulnerable tenants for specialist support through the Independent Living Teams, Adult Social Care or Children's Services

One ALMO and Council are considering other forms of enforcement other than Possession for under-occupancy cases such as small claims court proceedings, distraint or attachment of earnings as being more appropriate than possession and another Council and ALMO will be introducing a "non-eviction policy" with specific criteria.

#### *NOSPs*

Just under half of the respondents (49%) have already served a Notice of Seeking Possession for arrears built up due to the non-payment of the under-occupancy penalty. Many of the other respondents have also served notices on cases affected by the under-occupancy penalty but they were households who were already in arrears and so were not solely due to the non-payment of the under-occupancy penalty.

#### *Court action*

Only 2% of the respondents have applied for court proceedings and from that just two organisations have been granted an eviction warrant for a total of 6 cases.

#### **Tenant mobility**

Only about 13% of tenants affected by the under-occupancy penalty have actually registered to move on average across the country.

So far, on average only 2% of tenants affected by the bedroom tax have moved to alternative social housing. 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.

Of those who were able to calculate the length of time it would take to move all tenants who may need to, the time periods ranged from 5 months to 14 years. This is illustrative of the fact that the opportunities to move locally vary considerably from area to area depending on the historic make-up of the stock in terms of sizes and location. Some councils also reported that as overcrowding was still there main problem and so there was no problem in moving households affected by the under-occupation penalty.

However, it is very clear from our survey that the majority of tenants (60%) affected by the under-occupancy penalty want to stay in their homes and are trying to pay if they can.

### **Discretionary Housing Payments**

Overall 8% of households affected by the under-occupation penalty are in receipt of Discretionary Housing Payments but these have been awarded for set time periods of between 3 and 6 months.

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.

24% of respondents thought the DHP fund was sufficient for their tenants, 40% said it wasn't and 36% were unsure.

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."

Some ALMOs and councils were already able to predict a shortfall because demand was so high in their areas and they had already allocated most of the available funds. One ALMO estimated the "likely shortfall against potential demand would be £8m"

There was concern that there are more cases coming through on a daily and that although in some areas the funding was sufficient in the short term there would be future problems once the DHP awards run out as many people will have not changed their circumstances in the time available.

There also seemed to be a mismatch in the criteria for DHP in some local areas with the assessment for Housing Benefit. In one area income streams disregarded for Housing Benefit are not disregarded for DHP which means in the main disabled applicants are not receiving DHP due to income levels. This was a choice the

council made in order to meet other demand in the area as the total DHP budget would have been insufficient to cover these cases alone.

### **Hardship funds**

Only 32% of ALMOs and Councils are providing a separate, additional hardship fund with just under 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 but the numbers of tenants receiving funding at the moment are very low indeed.

### **Reclassifying stock**

We asked people to let us know if they were considering reclassifying and only 17% of respondents said they were. The types of properties being considered for re-classification vary quite a lot and reflect local housing stock issues.

A couple of ALMOs and councils are working with their councils to look at some 4 and 5 bed houses where the fourth or fifth bedroom is downstairs and is more suited to a dining room, but in areas where demand for these properties is high other councils have decided not to re-classify. Others are reviewing the minimum size of bedrooms meaning that some may now be considered box rooms instead of a bedroom and some ALMOs are looking with their councils to change some three-bedroom low rise flats to two bedroom flats which due to design and layout are unsuitable for large families.

Even though only 17% of respondents were looking to re-classify their stock, 71% of respondents have received challenges from tenants on the size of their property. Many of these challenges were made regarding the size of a bedroom under the Housing Act 1985. Some of these challenges also seem to have been in response to “Facebook hype in relation to bedroom sizes regarding overcrowding rules.”

Most ALMOs and councils which have received challenges reported that they have done inspections and looked into these cases but very few have made any changes to the property size. Some of the cases where re-classification has taken place after a challenge have been where a tenant has had adaptations for a disability which have reduced the number of useable bedrooms.

Where changes have been made in response to tenant enquiries or challenges it has been found in some instances that the properties were incorrectly recorded on the database and mistakes have then been rectified.

### **Other outcomes**

Although many in the sector were concerned about direct tenant action against the under-occupation penalty, only 7% of respondents have experienced any direct tenant action against the policy in their area and this has generally been small, focused local campaigns consisting of petitions to the Council and ALMO Board. Some Councils and ALMOs have experienced demonstrations at full Council meetings and expect demonstrations at any court hearings and press coverage.

24% of respondents reported an increase in voids as people start to move around or terminate their tenancies, this is linked in some areas to the 27% who also reported an increase in tenancy terminations by those affected by the under-occupation penalty. 42% of respondents also reported a reduction in demand for some types of properties leading to longer void times and people further down the banding system being able to bid for and successfully get those properties.

Other consequences that ALMOs and Councils have reported are an increase in the number of mutual exchanges, an increase in transfer applications and lets to transfer cases and in some areas of the country 3 and 4 bedroom properties are taking longer to let. All of this mobility within the sector is increasing costs to landlords around managing the transfers, the loss of rent during void times and the cost of repairs to void properties. There has also been an increase in arrears on termination if the tenancy fails because on the non-payment of the under-occupation penalty therefore impacting on the level of former tenants arrears.

One Council reported that “there has been a notable change in demand for council housing in 2013 in part caused by the welfare changes. Demand has increased for 1 bedroom properties by 7%. Whilst demand for 3 bed and 5 bed homes has decreased by 28% and 69% respectively and demand for 2 bed multi storey flats has fallen by 45%.”

### **Financial and digital inclusion**

In order to get an idea of how well prepared the sector is for the introduction of Universal Credit we asked if councils or ALMOs knew how many of their tenants have a bank account or access to online services.

Worryingly, 69% of our respondents said they do not know if their tenants have a bank account or not although a few are in the process of collecting that information.

Of those who do know, the proportion of tenants that do have a bank account range from 48% – 93% with an average of 84%.

More ALMOs and Councils have better information on their tenant’s access to digital services with 40% of respondents knowing if their tenants have access to on-line and digital services.

Of those that know, the proportion of tenants with access to online services range from 31% to 90% with an average of 45% across the sector.

### **Council Tax**

In just over half (51%) of all respondents’ areas tenants of working ages all have to contribute now to the council tax charge putting added financial pressure onto those households affected by other welfare reforms such as the under-occupancy penalty or the benefit cap. In some of those areas there are exceptions for those with children under 5 or for households with disabilities, however for those not in those categories in those areas they now have to pay on average at least 19% of their council tax charges.

