



Welfare Reform Survey – 2013/14 end of year update

Summary of responses

Introduction

It has now been over a year since the introduction of many of the coalition government's welfare reforms, including the under-occupation penalty. This report is the third in a series produced by ARCH, CWAG and the NFA examining the impact of the changes on both councils' and ALMOs' businesses and on the communities they serve.

It follows an initial survey of ARCH, CWAG and NFA members undertaken in August 2013 - 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 - and a follow up survey conducted in March 2014. Summaries of both previous surveys can be found on the [NFA's website](#).

This further survey, sent to ARCH, CWAG and NFA members in July/August 2014, repeated many of the questions asked previously, to enable tracking of those issues over time, and also some additional questions.

Responses

In total 31 organisations, collectively responsible for a total of 44,800 homes, took part. Of these, the majority (25) are ALMOs. Of the remaining six local authorities, one is from an ALMO area and five are stock retaining councils. When broken down geographically, there is a relatively even split between respondents from different parts of the country.

Geographical split of survey responses

| Region | Respondents |
|---|-------------|
| London | 8 |
| Midlands | 9 |
| North (comprised of North East, North West and Yorkshire) | 8 |
| South (comprised of Southern and South West) | 6 |

Of the 31 organisations to take part in the survey, 19 had also completed both of the previous ARCH/CWAG/NFA surveys on this topic, providing us with data for each quarter of 2013/14 and a set of baseline data from the end of 2012/13.

Unless indicated otherwise, analysis of trends over this time are therefore based on this group of 19 organisations. As such there are variations between the 'headline' figures reported for the end of 2013/14 and the figures used for the same period when compared to previous quarters, as these are drawn from different samples (i.e. headline figures are based on all 31 respondents from this survey and trends over time are based on only the 19 organisations who had also completed both previous surveys).

Summary of key findings

- **Overall at the end of 2013/14, 28% of households were in arrears. Both this number and the value of those arrears peaked in quarter two of 2013/14 and have fallen since then to roughly the same level.**
- **Overall at the end of 2013/14, 10% of households remained affected by the under-occupation penalty and 5% remained both affected and in rent arrears. The proportion of households affected has been falling slowly but steadily over the course of the year. However arrears among this group more closely mirror the trend for arrears as a whole, peaking in the first half of the year and falling towards the end.**
- **There are, however, regional variations in levels of arrears. The highest proportion of households in arrears is in the North of the country and the lowest in the South. With regards to those affected by the under-occupation penalty, the highest proportion of households in arrears is again in the North but the lowest proportion is in London.**
- **Over the course of the year the proportion of households affected by the under-occupation penalty who are receiving discretionary housing payments has increased. At the end of 2013/14, 30% of those still affected were receiving DHPs. This may, in part, help to explain the drop in rent arrears.**
- **At the end of 2013/14 landlords had issued a NOSP to 21% of all households still affected by the under-occupation penalty.**
- **Just 6% of households who were affected by the under-occupation penalty when it was first introduced have subsequently been rehoused in alternative social housing. A further 11% have requested a transfer but have not yet been rehoused.**
- **Void times do not appear to have been significantly affected by the introduction of the under-occupation penalty. However there is evidence that in some areas larger properties, particularly flats, are now more likely to be let to those with low or no housing need.**
- **Most organisations have increased staff and resources to collect rent and support tenants, including a strong focus on financial and digital inclusion work in preparation for Universal Credit.**

Detailed findings

Overall rent arrears

Overall, respondents indicated that 28% of all households were in arrears at the end of the year 2013/14. However, there is some variation between different parts of the country, with the highest percentage of households in arrears being found in the North of the country and the lowest in the South.

| Region | Percentage of households in arrears |
|---------------|--|
| London | 29% |
| Midlands | 25% |
| North | 32% |
| South | 24% |

When compared to previous quarters, the data shows that the percentage of households in arrears is now falling, having peaked at the end of quarter two. It is still slightly higher than the baseline position, observed in March 2013 but is very nearly back to where it started.

Percentage of households in arrears (based on organisations to have provided data for every quarter)

| Baseline | Q1 | Q2 | Q3 | Q4 |
|-----------------|-----------|-----------|-----------|-----------|
| 26% | 34% | 35% | 33% | 27% |

The total value of these arrears follows the same pattern, peaking at 26% above the baseline at the end of quarter two before falling to 3% above the baseline at the end of the year.

Rent arrears and the under-occupation penalty

Overall at the end of 2013/14, 10% of households were affected by the under-occupation penalty and 5% were both affected by the penalty and in arrears. Again, there are significant regional variations with the under-occupancy penalty having the greatest impact in the North of the country and the smallest in London.

| Region | Percentage affected by the penalty | Percentage affected and in arrears |
|---------------|---|---|
| London | 5% | 2% |
| Midlands | 11% | 5% |
| North | 13% | 7% |
| South | 7% | 3% |

When compared to previous quarters, the number of households affected by the penalty appears to be falling slowly but consistently. However the number affected and in arrears mirrors the pattern for rent arrears in general, rising to a peak in quarter two and then declining again.

Percentages of households affected by the under occupation penalty (based on organisations to have provided data for every quarter)

| | Baseline | Q1 | Q2 | Q3 | Q4 |
|--------------------------------|-----------------|-----------|-----------|-----------|-----------|
| Affected by the penalty | 10.5% | 9.7% | 9.6% | 9.2% | 9.0% |
| Affected and in arrears | 3.4% | 6.3% | 6.5% | 6.0% | 3.8% |

The value of these arrears peaked in quarter one at 36% above the baseline and has declined since. By the end of quarter four they had returned to roughly the baseline level, with arrears among this group of tenants 1% lower than they had been in March 2012/13.

Arrears action and the under-occupation penalty

At the end of the 2013/14, the organisations that were able to provide data had issued NOSP's to a total of 5,013 households affected by the under-occupancy penalty. This equates to 21% of all of those they house who are still affected by it. However, only 947 (4% of all households affected) of these cases had progressed to court action and only 52 had already resulted in an eviction.

Tenant mobility and the under-occupation penalty

All 31 respondents said that they had had some success in supporting tenants who wanted to move to escape the under-occupancy penalty to do so. However, despite this, those organisations able to provide figures reported that just 6% of their tenants who were affected by the under-occupation penalty when it was first introduced have subsequently been rehoused in alternative social housing. A further 11% have registered for a transfer but have not yet moved.

Asked what was working well in this area, the most common answers were:

- providing face-to-face advice and support, including assisted bidding, help identifying potential exchanges etc. (10 respondents)
- practical/financial assistance with removals (10 respondents)
- offering financial incentives to downsize (mentioned by nine respondents).

In addition to the above, respondents also gave the following answers:

- holding events to promote mutual exchanges (four respondents)
- offering additional priority to households affected by the under-occupation penalty under the terms of their allocation scheme (three respondents)
- allowing households affected by the penalty to downsize even when in arrears (three respondents)
- introducing some direct lets (three respondents)
- 'ring fencing' some properties specifically for downsizers affected by the under-occupation penalty (two respondents)
- using discretionary housing payments (DHPs) to enable tenants to sustain their existing tenancy while seeking a move
- linking payments of DHPs to engagement with the mutual exchange process
- direct contact with all tenants affected by the penalty, to discuss their options.

Discretionary Housing Payments and the under-occupation penalty

DHPs appear to have become an increasingly important part of many organisations' response to the under-occupation penalty, with the number of awards increasing even as the number of households affected falls. This may, in part, help to account for the lower levels of arrears which many organisations are now reporting.

In total respondents who were able to provide figures said that 10,402 households affected by the under-occupation penalty were still receiving DHPs at the end of 2013/14, 30% of all of their tenants who are still affected – although this figure varies substantially from one organisation to another.

Those who completed all three surveys accounted for 4,809 of these awards. However, they reported a significant increase in awards from 1,566 at the end of quarter one and 2,915 at the end of quarter three. The number of households still affected by the penalty but now receiving DHPs has therefore more than tripled between June 2013 and March 2014, among this group of organisations.

Opinions on whether the amount of funding made available for DHPs was sufficient are divided. This is consistent with the results from previous surveys with, in this case, 43% saying they felt they were sufficient compared to 33% who felt they were not.

Responses to the question 'Does the Council or ALMO think the DHP pot for your area is sufficient to help those tenants experiencing genuine difficulties (sufficient to meet demand in your area?)'

| | August 2013 | March 2014 | August 2014 |
|-------------------|--------------------|-------------------|--------------------|
| Yes | 24% | 45% | 43% |
| No | 40% | 24% | 33% |
| Don't know | 36% | 31% | 23% |

Just under half of all respondents (45%) said that DHPs were being supplemented by some form of hardship fund in their area. In most cases this was being funded from the council's Housing Revenue Account, although in a small number of instances money was being provided by the ALMO or from the council's General Fund. One respondent said that they had secured funding through the Welfare Reform Fund and the Social Fund.

The additional comments provided by respondents also suggest that:

- some councils are applying stricter criteria/introducing a greater element of conditionality into the application process for DHPs
- some tenants who might have benefited from a DHP never submitted a claim
- some tenants who are experiencing financial hardship are still being refused DHPs. One respondent made specific reference to disabled tenants being refused awards because their disability benefits were being treated as 'excess income'.

Lettings and void times

Void turnaround times have remained fairly constant over the course of the year and do not appear to have been affected significantly by the introduction of the under-occupation penalty.

Average void turnaround time (based all respondents)

| Baseline | Q1 | Q2 | Q3 | Q4 |
|-----------|-----------|-----------|-----------|-----------|
| 26.1 days | 25.9 days | 26.9 days | 25.7 days | 25.8 days |

There has however been a change with regard to lettings. 69% of the organisations who took part in the survey reported an increase in lettings to those in lower bands of housing need and 63% reported that some lettings are now going to those without any defined housing need. Respondents' comments suggest that these are principally two and three bedroom properties, particularly flats in less desirable areas.

Current rent collection activities

80% of respondents said that they had increased either the staff or financial resources that they devote to income collection over the past year.

Preparation for Universal Credit (UC)

Organisations were at various stages of preparedness for UC with, for example, 45% of respondents saying that they have been able to identify which tenants will switch over in the future and 55% saying that they have not. Of those that have not, five organisations specified that they have not yet started this piece of analysis and two others identified lack of access to DWP's systems/lack of data sharing with DWP as a barrier. By contrast, four organisations said that they had not experienced any problems identifying these tenants, two of whom specifically mentioned good data sharing arrangements with their local authority.

However work to support tenants appears to be more advanced with 94% of respondents carrying out financial inclusion work, 87% carrying out digital inclusion work and 65% working with their local authority on the Local Support Services Framework. 72% of respondents also said they were able to identify vulnerable tenants who may need additional support – although some of these specified that some further work was still necessary to complete this exercise. All of these organisations also intended to offer some form of targeted support to vulnerable tenants. Most commonly this included providing support with personal budgeting/money advice (which was mentioned by 15 respondents) and/or referrals to external organisations, such as CAB (11 respondents).

In addition to the above, some respondents also mentioned:

- welfare and benefit advice/support with applications (eight respondents)
- tenancy sustainment work (seven respondents)
- ICT training/digital inclusion work (seven respondents)
- support to access bank accounts (five respondents)
- help to access employment (four respondents)
- help to access hardship funds (two respondents)
- advice on reducing living costs, e.g. help to get the best possible deal from utility providers etc. (two respondents)
- family support services
- translation and interpreting services.

In terms of processes for rent collection, most organisations intend to make use of a range of different payment options. The most common of which are direct debit (97% of respondents) and payment cards (87%)

Payment methods which respondents plan to use to collect rent under UC

| Payment method | Percentage of respondents expecting to make use of this method |
|-----------------------|---|
| Direct debit | 97% |
| Cash collection | 63% |
| Payment cards | 87% |
| Credit union accounts | 67% |
| Jam jar accounts | 53% |

In addition to the above, individual respondents also cited the following methods:

- internet payments (mentioned by five respondents)
- telephone payments (five respondents)
- standing orders (two respondents)
- debit card payments in person at the landlord's office
- payment kiosks
- text payments
- mobile phone app
- barcodes on letters
- request direct payment.