Ipsos MORI
Social Research Institute

UNIVERSITY OF CAMBRIDGE

Impact of welfare reform on housing associations – 2012 Baseline report

For the National Housing Federation

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Introduction

Introduction

With the Welfare Reform Act 2012 heralding the introduction of some of the most significant changes to the administration and distribution of benefits in recent times, the National Housing Federation has commissioned Ipsos MORI and Cambridge Centre for Housing and Planning Research to assess how these changes impact across the housing association sector in England.

The Welfare Reform Act of 2012 introduces a range of changes that will have an impact on both housing associations and their tenants. The primary component of the Welfare Reform Act is the introduction of Universal Credit from April 2013 in certain areas which will result in a single benefit payment being made directly to social housing tenants. It will also introduce size criteria (also known as the bedroom tax) for the calculation of housing benefit in the social rented sector as well as caps on total benefits to be introduced during 2013. These reforms are likely to have financial impacts on housing associations and tenants and, in turn, will lead to the adoption of coping strategies with important consequences, some of which will be unforeseen and unintended.

The first component of the research programme is to establish baseline data and understand pre-emptive behaviour change before the reforms come into force. This will be a precursor to monitoring impact after April 2013, up to March 2014.

This baseline report focuses on the initial perceptions of the impacts on landlords prior to the introduction of welfare reform changes. A further report concentrating on the perception of impacts on housing association tenants and featuring the results of in-depth interviews with landlords and tenants, will be published in the Spring.

This report includes a profile of the housing association sector in England, covering information which will help to clarify which associations might be disproportionately affected by changes, and a summary of the potential impacts on housing association landlords from the available literature. The report then presents key findings of an online survey conducted by Ipsos MORI among Federation member housing associations to establish baseline data against which impacts can be monitored in the future.

Acknowledgements

Ipsos MORI and CCHPR would like to thank all the organisations who responded to the online survey, without whose valuable input the research would not have been possible. We would also like to thank Andy Tate, George Marshall, Kevin Williamson and Sue Ramsden at the Federation for their assistance and input at this stage of the project.

Publication of data

As the National Housing Federation has engaged Ipsos MORI and CCHPR to undertake an objective programme of research, it is important to protect the interests of all organisations by ensuring that it is accurately reflected in any press release or publication of findings. As part of our standard Terms and Conditions of Contract, the publication of the findings of this research is, therefore, subject to advance approval of Ipsos MORI. Such approval will only be refused on the grounds of inaccuracy or misrepresentation.

Executive Summary

Purpose of this research

The Government is implementing a raft of changes to the benefit system. The Federation's programme of research will show how these reforms impact on housing associations and their tenants. A series of publications, setting out the evidence, are planned for the next 15 months – this is the baseline report.

The housing association sector

Housing associations vary significantly, by number of properties owned and managed, services delivered, size and age profile of stock, geographical coverage, prevailing local economic and housing market conditions in which they operate, and, of course, the tenants served and their circumstances (chapter 1). These variations will affect the nature and extent of the impact of welfare reform on different associations.

The welfare reforms

The changes being made to the benefit system (chapter 2) are probably the most significant and wide-ranging in more than a generation. The main changes that affect the social rented sector, including the size criteria for social housing and the household benefit cap, will be introduced from April 2013, while the new Universal Credit is due to be phased in between April 2013 and 2017.

The impact of the welfare reforms on housing associations

Housing associations will face different levels of exposure to different elements of welfare reform (chapter 3). However, because the changes are so wide-ranging, the results from the online survey of housing associations indicate that **a substantial impact is anticipated across the sector**. The survey was conducted before the Autumn Statement of December 2012 when a further round of real terms cuts to benefits was announced.

The **key findings for this baseline report** are:

- Of all the reforms, the introduction of **direct payments to tenants** is expected to have the biggest impact – more than **80% of housing associations say it will affect their organisations a great deal or a fair amount**.
- The **size criteria** are anticipated to have a significant impact for **more than 60% of associations.** This rises to 80% or more for associations operating in Yorkshire and Humberside, East Midlands and the East of England.
- The **household benefit cap** is expected to have less impact on housing associations across the country, which is consistent with Government estimates that fewer residents will be affected by the measure than by other changes.
- More than **half of associations (57%) believe that their tenants know hardly anything or nothing at all about the benefit changes.**

- **84% of associations believe that rent arrears will increase** as a direct result of welfare changes. The average increase expected is 51%, which, if replicated across the sector, would mean an additional £245m of arrears.
- Some **64% of associations are confident that increased arrears arising from welfare reform will not affect their ability to meet loan covenants**, but one in five (22%) say the changes will make it harder.
- **10% of associations involved in the Affordable Homes Programme believe that in particular the introduction of direct payments to tenants will make it a great deal harder to meet their delivery commitments.**

Information about these findings and further insights, into, for example, whether associations plan to change allocations policies and their views about which groups should be exempted from the Universal Credit direct payment arrangements, can be found in chapters 5-8.

Preparations by housing associations

It is clear from the survey that **housing associations are facing the challenges of welfare reform head on**. **More than nine in ten (95%) have begun to look at the risks and opportunities**. Of these, the vast majority say they are taking action with many embedding welfare reform into their business planning and strategy development.

Associations are planning to spend an average of around £50,000 each in 2013 to prepare for the impact of welfare reform, ranging from less than £10,000 on average for the smallest associations (less than 500 stock) and rising to nearly £200,000 on average for the largest (more than 10,000 stock). It is anticipated that **this spending will nearly double in 2014**.

Associations are increasing support for tenants as well as increasing resources to manage the anticipated increase in arrears. For example, over three quarters (76%) are providing extra **money advice**, two thirds (66%) are undertaking **customer analysis** to identify and target under-occupiers with help, and 61% are providing **extra assistance to housing applicants.**

Further information about what housing associations are doing to prepare for welfare reform is set out in chapter 9.

Conclusions

It is clear from the baseline survey that housing associations expect welfare reform to have a significant impact on their tenants as well as on their social businesses.

Whilst only anticipated at this stage, the perceived extent of the impacts have been sufficient to prompt many associations to develop strategies and allocate additional resources to manage change.

There is no doubt about the scale and significance of the Government’s changes to the benefit system. Although some of the effects are already being felt, it is likely that a number of consequences may not be known for some time.

The next report, featuring qualitative data based on in-depth interviews with tenants and housing association staff, and focusing on the impact on tenants, is due to be published in the Spring.

Profile of the housing association sector

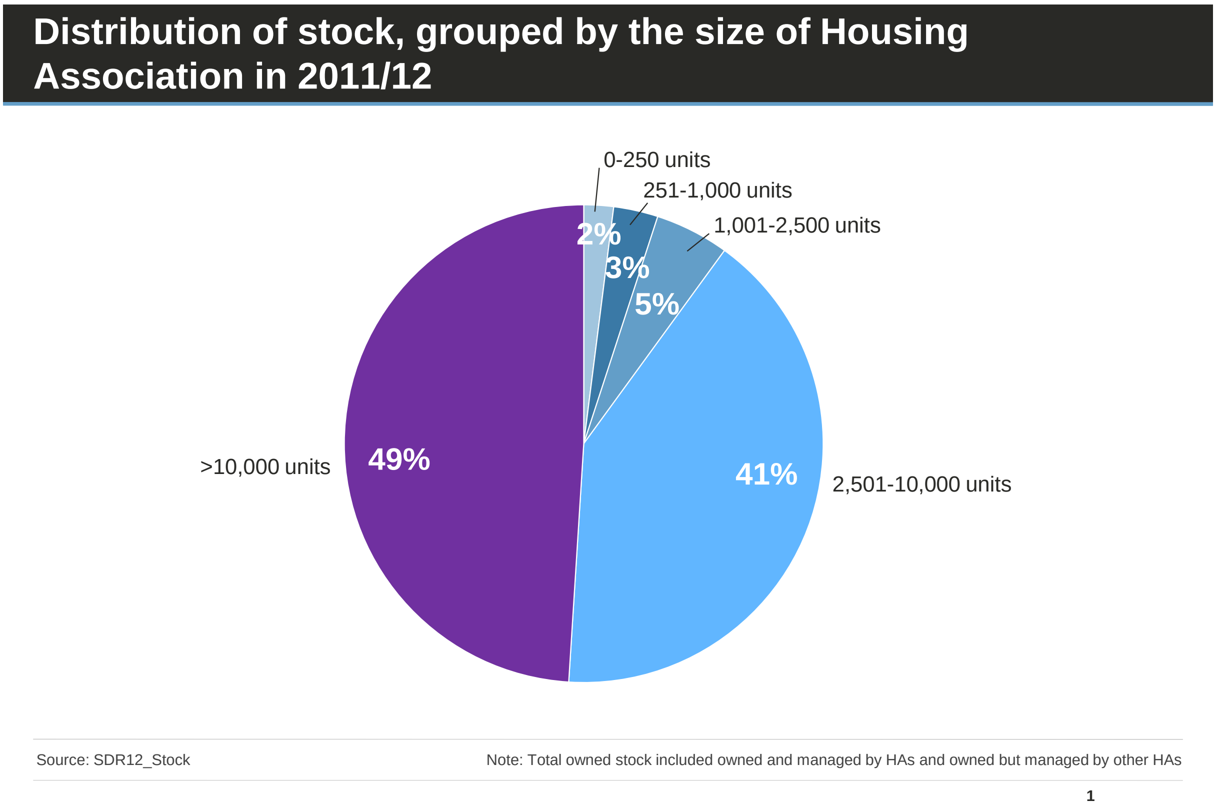
1. Profile of the housing association sector

-This chapter presents major trends and specific attributes of the housing association sector and summarises a more detailed scoping paper prepared by Cambridge Centre for Housing and Planning Research. The analysis draws on data from the Tenant Services Authority's Regulatory and Statistical Return (RSR) and 2011 Global Accounts of housing providers, the Home and Community Agency's Statistical Data Return (SDR) and the Department for Communities and Local Government's CORE (COntinuous REcording) to describe some of the key changes which happened in the housing association sector in England from 2007/08 to 2011/12.

Size of housing associations

Over the last few years the sector has continued to become more concentrated with some 60 housing associations owning more than 10,000 units each. Those owning fewer than 1,000 units now account for around 5% of the stock. Whilst size may bring with it advantages and disadvantages in dealing with welfare reforms, other factors such as stock and tenant profile, as well as the specific business strategies put in place may be at least as significant.

Chart 1.1: ***Distribution of stock, grouped by size of housing association in 2011/12***



Type of stock owned by housing associations

General needs properties, as distinct from supported housing, account for some 80% of all dwellings owned, but this ranges from 82% among the largest housing associations to only just over 50% for the smallest housing associations. The type of stock is important in the welfare reform debate in that 'exempt' supported housing, at least, is generally protected and sheltered housing is largely unaffected given the typical occupant.

Table 1.1: Type of rental stock, grouped by the size of the housing association in 2011/12

Size of housing association	General needs stock	
	Number	GN as % of total stock
< 250 units	18,924	*50.9%*
251 - 1,000 units	39,662	*61.8%*
1,001 - 2,500 units	88,336	*73.5%*
2,501 - 10,000 units	806,113	*82.0%*
> 10,000 units	958,892	*81.8%*
TOTAL	**1,911,927**	***80.4%***

Note: Total owned stock included owned and managed by housing associations and owned but managed by other housing associations.
Source: SDR12_Stock.

The top 20 housing associations by size own 27% of the general needs stock, as indicated in the table below.

Table 1.2: General needs housing stock owned by top 20 largest housing associations as a proportion of the total general needs housing stock owned by all housing associations, 2007/08–2011/12

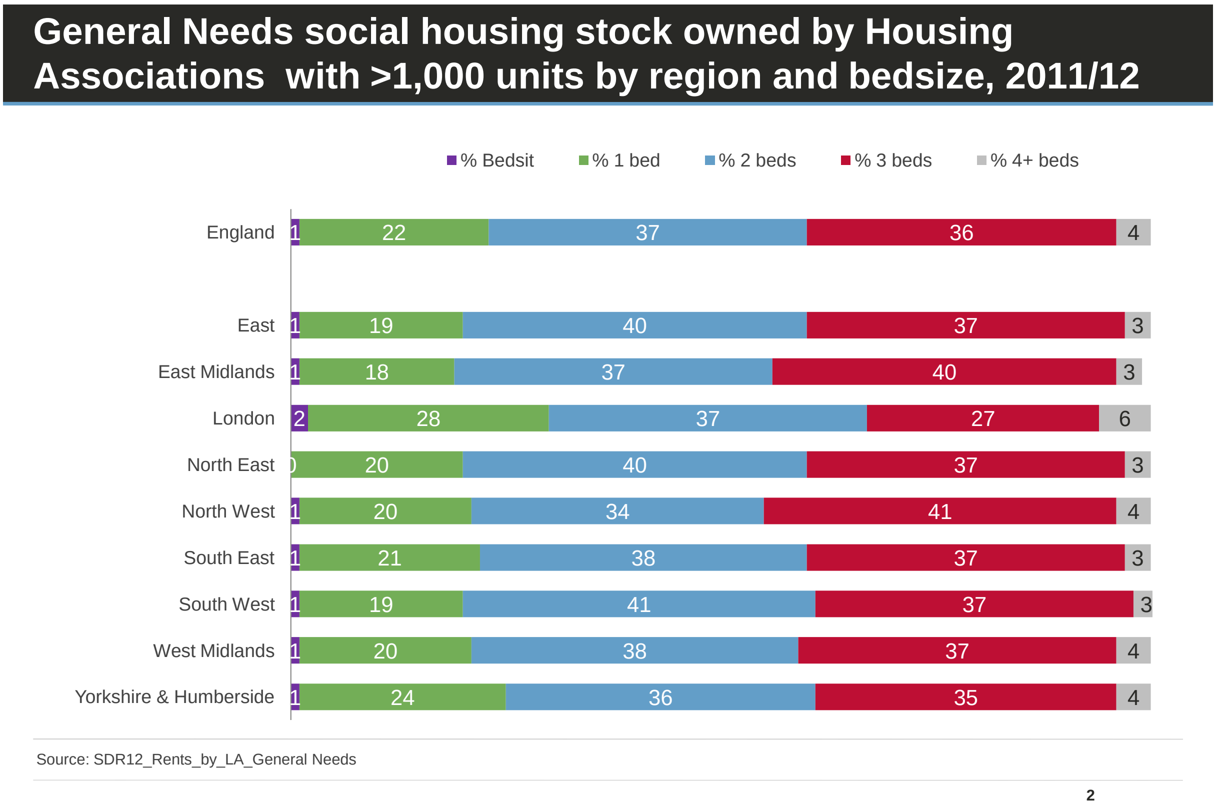
Largest Housing Associations	2007/08	2008/09	2009/10	2010/11	2011/12
Top 3 largest Housing Associations	6%	6%	6%	6%	7%
Top 5 largest Housing Associations	9%	9%	9%	10%	10%
Top 10 largest Housing Associations	15%	15%	16%	16%	17%
Top 20 largest Housing Associations	23%	23%	25%	25%	27%

* Prior to 2011/12, Intermediate Rent was classified as non-social housing stock and excluded from general needs housing stock. In 2011/2012, this changed to general needs housing.
Sources: 2007/08–2010/11 from RSR Profile Tables, Table 10; and 2010/11 from SDR12_Stock.

General needs stock and bedroom size

Among housing associations with more than 1,000 units, 37% of the general needs stock is in the form of two bedroom dwellings and a further 36% has three bedrooms. One bedroom units are concentrated in London as are the homes with the largest number of bedrooms. Since large numbers of housing associations hold stock which is concentrated in particular regions, housing associations are likely to be affected differently by the introduction of welfare reform. Clearly the distribution of stock by size and area become important issues with respect to the capacity to allow downsizing in response to welfare reform changes.

Chart 1.2: ***General Needs social housing stock owned by housing associations with more than 1000 units by region and bedsize, 2011/12***



Property sizes and turnover rates within housing associations

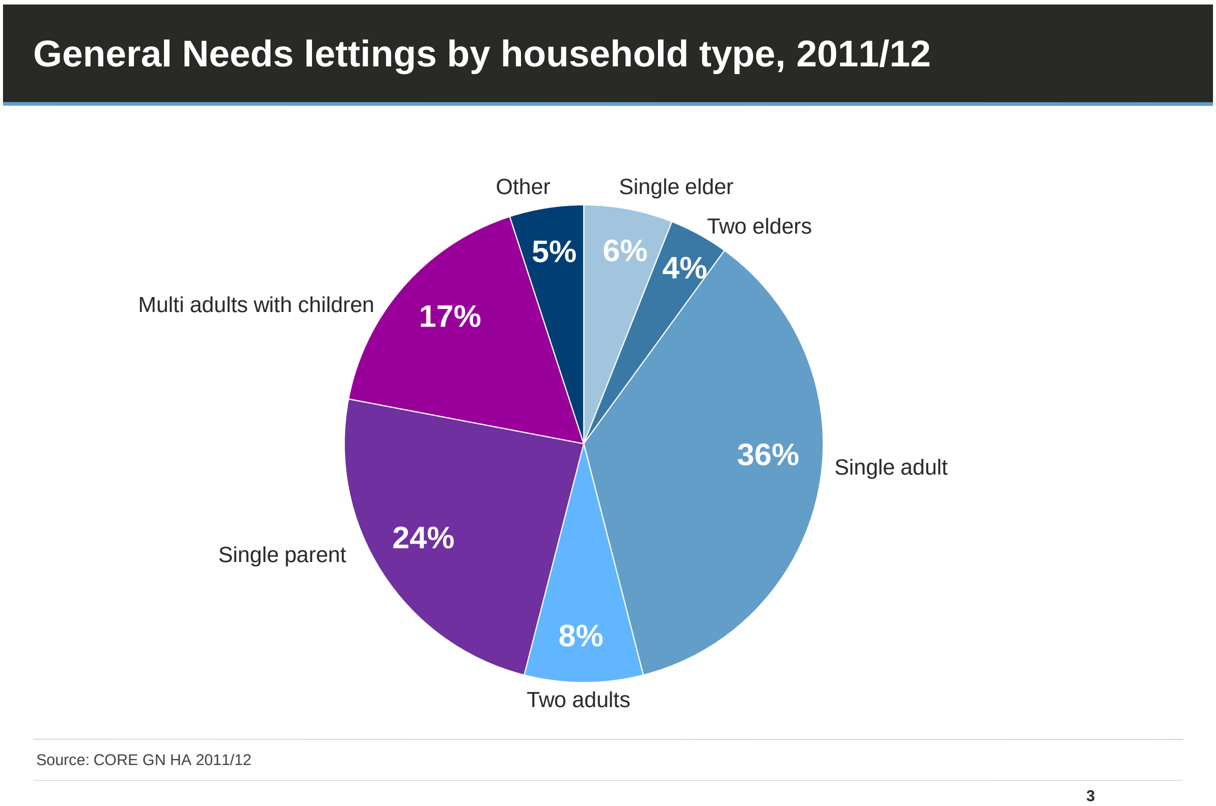
Housing associations have very different profiles with respect to the numbers of bedrooms and, therefore, very different capacities to transfer under-occupying households within the organisation. A few that have concentrated on accommodating the largest households appear particularly vulnerable to the household benefit cap but those with relatively few one bedroom units may be even more constrained because of the size criteria. The large majority of lets of new housing, and a proportion of housing association relets are allocated by local authorities through their nomination arrangements.

Average turnover rate – a proportion of new lets and relets in the total housing association stock each year – was 8% in 2011/12. It varied considerably between regions from 13% in the East Midlands to 6% in London.

Composition of lettings

Over a third of lettings in 2011/12 were made to single people and a further 24% to single parents. Relatively few lettings are to older households as indicated in the chart below. Housing a high proportion of single people could mean that, depending upon the size distribution of its stock, an association is more exposed to under-occupation. It should be noted that these figures relate only to lettings made in the last year and therefore the tenant population across the sector as a whole may differ.

Chart 1.3: *General Needs lettings by household type, 2011/12*



Some 22% of household heads were unemployed (as compared to 15% in 2007/08) and may thus face the constraints imposed by the benefit cap. The next chart shows general needs lettings by employment status:

Table 1.3: General Needs lettings by employment status, 2011/12

Employment status	2007/08	2008/09	2009/10	2010/11	2011/12
Employed full or part time	35%	35%	33%	33%	33%
Unemployed	15%	16%	20%	21%	22%
Home/not seeking work	24%	25%	23%	22%	21%
Sick/disabled	13%	13%	13%	12%	13%
Retired	10%	9%	8%	8%	7%
Other	3%	3%	3%	4%	4%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**

Source: CORE general needs housing association 2007/08–2011/12.

Evictions and homelessness

There has been a considerable decline in court orders taken out against social tenants in the last few years from 70,156 county court claims leading to an order in 2008 to 63,101in 2011 (Ministry of Justice, 2012). Evictions by private landlords, in contrast, rose during this same period (ibid). The numbers actually evicted, however, seem broadly steady. Data on evictions from local authority owned stock indicate that there were 5,145 evictions for rent arrears in 2011-12 (3.1 per 1000 Local Authority dwellings)[1], out of a total of 6,163 evictions. This is a very similar level to 2010-11 when there were 5,100 for rent arrears (3.0 per 1000 Local Authority dwellings).

Data on housing association evictions is missing from the latest HCA statistical release[2] but will be included in a later stage of this research should it become available. Data on evictions within housing association stock is however available from CORE[3]. This also suggests that the level of evictions has remained constant over the last few years at around 8,000 – 8,500 per year. In 2011-12, the figure was 8,142, representing 8 per 1000 dwellings, a somewhat higher rate than local authority stock, possibly reflecting a different tenant profile. Evictions will be one of the important indicators of the stresses in the system that flow out of welfare reform.

Under-occupation

Over a quarter of tenancies are under-occupied at the time of letting and this is particularly the case among two adult households. The figure falls to 22% for working aged tenants. There is no evidence to suggest there are differences in under-occupation based on whether a household is on benefit or not, so we can estimate that around a fifth of working age housing benefit recipients have been under-occupying since the point of allocation. The DWP impact assessment indicates that 29% under-occupy overall; this increase from the proportion at the point of allocation is likely to be the result of children leaving home causing a household's size to reduce.

[1] Source: DCLG Local Authority Housing Statistics.
[2] see http://www.homesandcommunities.co.uk/news/statistical-data-return
[3] This actually records the number of new lettings made where the reason for vacancy was eviction of the previous tenant.

Rent levels

Rents in the social rented sector are on average around 50% of market rents. This might suggest if a household is forced to move from the social to the private rented sector, for example as a consequence of the new under-occupation proposals, there will be additional housing benefit costs. This ratio between social and market rents varies from 36% of market rent in London to 66% in the East Midlands. There is little difference in this ratio between different property sizes. The table below shows the average weekly rent for general needs housing owned by large housing associations for London and the East Midlands:

Table 1.4: Average weekly rent for general needs housing owned by large housing associations (more than 1,000 units) by region, 2011/12

Region	General Needs			Market rent	% of market rent
	Net rent	Service charge	Gross rent		
London	£103.62	£9.38	£110.07	£302.77	*36%*
East Midlands	£76.24	£4.54	£78.86	£120.23	*66%*

Notes: The average service charge (eligible for Housing Benefit only) relates only to the stock which has a service charge (i.e., zero service charges are not included). However, gross rent does include stock with no service charge and thus the sum of the net rent and service charge presented in this table does not equal the gross rent.
Sources: General needs rent from HCA (2012) *Statistical Data Return 2011-12*, Table 11, and market rent from Private Rent Market Statistics, Table 1.7: Summary of monthly rents recorded in the 12 months to Q1 2012 (01 Apr 2011 to 31 Mar 2012) by Region for England
http://www.voa.gov.uk/corporate/statisticalReleases/120531_PrivateResidentialRentalMarketStatistics.html

Overview

Overall, the housing association sector has continued to grow, but at a slower rate than in the 1990s. There has been a continuous trend across the sector in the concentration of homes within the super-large housing associations (owning in excess of 10,000 units).

The financial situation of the sector has remained healthy, regardless of the economic recession. The growth of long-term loans has been slowed down and large housing associations have increasingly used bond finance as an alternative funding source. The welfare reforms (including Housing Benefit caps and cuts on under-occupiers) are likely to have significant effects on the sector, since around 65% of housing associations' core rental income stream is funded through Housing Benefit.[4] This and the trends noted above highlight the need for associations to manage through this process in relation to both their tenants and the organisations themselves.

[4] TSA (2010) *The Impact of the Credit Crunch on Housing Associations*. TSA. (http://www.tenantservicesauthority.org/upload/pdf/Impact_of_credit_crunch_20100226140226.pdf)

Welfare reform: an overview

2. Welfare reform: an overview

Introduction

This review summarises the changes that are taking place, and examines what is known about their likely impact on the social rented sector generally and on housing associations in particular. The Welfare Reform Act introduces the following reforms that will affect social housing tenants:

1. **Size criteria** for the social rented sector – limiting housing benefit payments (and later the housing costs element of Universal Credit) for working age households who under-occupy their home.

2. The **household benefit cap** – imposing a limit to benefit claims for out of work, working age households.

3. **Universal Credit** – introducing a single monthly integrated benefit for working age households, both in and out of work, paid direct to claimants.

4. Changes and cuts to support for **Council Tax**, devolving power to local authorities to design and administer this benefit.

In addition, there are two other reforms to welfare, recently implemented, which are likely to have a continuing impact on social housing tenants:

5. The **deductions in housing benefit** made for tenants whose household includes adult members other than their partner (**non-dependants**) have been increased.

6. **Benefits for sick and disabled people** have been reformed with the introduction of Employment Support Allowance to replace Incapacity Benefit.

These reforms will have financial impacts on tenants and housing associations, some of which may be unforeseen and unintended.

The Chartered Institute of Housing (CIH) has already produced a helpful briefing for social landlords that sets out the main welfare reform changes affecting the housing sector (CIH, 2012a), and the Federation has also produced a range of briefings covering the main areas[5]. A review carried out by a group of nine major housing associations also highlights the key findings for the Housing Association sector (CASE, 2012).

In addition to the reforms affecting social housing tenants, there are also other reforms that only directly affect tenants in the private rented sector (PRS) (see box, below). These are not discussed in detail here, however they are likely to increase pressure on social housing from claimants no longer able to afford accommodation in the PRS. This has been highlighted as a particular issue in London where most of the reforms are being felt most acutely (Navigant, 2011). Overall, it is estimated that 20% of the 133,000 workless households in London will be unable to afford their current rent as a result of either reductions to the Local Housing Allowance or the household benefit cap. Most of those affected will be larger families in the PRS.

[5] http://www.housing.org.uk/publications/find_a_publication/legislation/welfare_reform_act_2012.aspx

Welfare reform that will not affect social tenants directly
There are several reforms to Local Housing Allowance that affect only tenants in the private rented sector (PRS). These include:

- Raising the age limit for the single room rate from 25 to 35, meaning that single people aged under 35 renting in the PRS are now limited to the cost of a room in a shared house only
- Changes in the way that Local Housing Allowance is calculated, restricting it to the bottom 30% of the market, and uprating it by no more than the CPI in April 2013 and by 1% in the two subsequent years
- Caps on the total Local Housing Allowance that can be claimed – limiting it to between £250 for one bedroom homes, £290 for two bed, £340 for three and £400 for four or more bedrooms.

Size criteria in the social rented sector

The Government plans, for the first time, to restrict Housing Benefit to working age tenants in the social rented sector to the amount for the size of property a household is deemed to need. The number of bedrooms required is calculated so that bedrooms are only shared by:

- A couple *or*
- Two children under 16 and of the same sex
- Two children under 10 and of either sex

Non-dependents (eg grown up children) living as part of the household are included in calculating how many bedrooms are required (even though they are not part of the same benefit claim).

The rules around lodgers are complex – initially (from April 2013 when the size criteria are introduced), lodgers will be included when establishing the size of property required and the first £20 of income received from the lodger will be ignored in determining the level of the main tenant's benefits. The DWP has produced a factsheet for tenants explaining the rules around lodgers[6]. The proposed rules for Universal Credit, however, are different. The lodger will no longer count in determining the size of property required by the tenant's household, but any income received will not affect the Universal Credit award. This allowance could mean that some tenants are able to benefit substantially as the market rent for a single room is considerably higher than the loss of housing benefit for under-occupation.

From April 2013 social housing tenants of working age[7] with one or more spare bedrooms will have their housing benefit reduced by a fixed percentage of 14% if they have one spare room and 25% if they have two or more. The government's impact assessment calculates that the average reduction for tenants with one room over the bedroom standard will be £12 and for those with two or more, £22. The actual reductions in rent will therefore vary between areas with tenants in higher-priced areas suffering greater reductions. A few tenants (2% of those affected) will lose less than £5 a week, whilst 7% (50,000 households) will lose over £25. Average reductions will be £21 in London and £12-£14 in the north and midlands (DWP, 2012d). Analysis has shown that the areas with high unemployment and low pressure

[6] See www.dwp.gov.uk/local-authority-staff/housing-benefit/user-communications/publicity-materials/rent-shortfall/
[7] Working age is defined in line with women's pension age. In April 2013, this will be around 61.5 years, rising to 66 by 2020

on housing stock have the highest rates of tenants who will be affected by the measure. London has the lowest proportion of tenants affected, but those who are will lose larger amounts of their income, due to higher rent levels (Pawson, 2011).

Implications for social landlords

The DWP's impact statement calculates that 540,000 households in England will be affected initially (around a third of all working age Housing Benefit claimants in the sector) rising over subsequent years to 2020 as the age threshold rises in line with women's pension age. The biggest group hit are middle aged tenants whose children have left home; however the DWP analysis showed that a third of those affected are households with children and 45% are aged under 45 (DWP 2012d).

The household group most likely to be affected are couples without children; 62% of Housing Benefit claimants in this group are under-occupying (DWP, 2012d). The government estimates that, excluding couples, around two thirds of those affected will be women, though this reflects the overall proportion of housing benefit claimants who are women. It estimates that 63% of those affected are disabled, a higher proportion than for working age tenants on Housing Benefit, possibly due to the older age profile of under-occupiers (ibid). An allowance of an extra bedroom is made only for those who require a regular non-resident overnight carer. Discretionary housing payments may be made available to support those living in significantly adapted properties (see below).

Previous work by CCHPR, drawing on data from the English Housing Survey, showed that around half of those who will be affected by the measure are single person households (Clarke and Williams, 2011). The data suggested that around two thirds of affected households report that they include someone with an illness or disability, more than twice the rate than for social housing tenants overall.

Most affected tenants are out of work, but 17% have at least one adult in employment. Some of these households are likely to lose all their Housing Benefit and 'float' off benefits altogether, as the percentage reduction is applied to the total rent eligible, not the actual benefit paid.

Work commissioned by the Housing Futures Network attempted to look at how tenants might respond to the cuts (Clarke and Williams, 2011) and a second report looked at the impact in different areas. This suggested that outside of London, there is unlikely to be a sufficient supply of one bedroom homes to allow all those who seek to downsize to do so. This highlighted the extent of the mis-match between the supply of different sized homes, and the requirements of those moving into social housing, if all were to be allocated according to the DWP's size criteria. In short, there are not enough one-bedroom houses to accommodate all the single people (and smaller number of couples) who currently move into social housing, and possibly a surplus of larger properties (Clarke, 2012). Analysis carried out by CASE (undated) found a similar mismatch and calculated that in order to house all the under-occupiers affected by the cuts correctly, they would need to rebuild 7.5% of their stock as one-bedroom flats.

Household Benefit cap

The total amount that an out of work, working age household can receive in benefits is to be capped from April 2013 in four local authority areas in London, and nationally from the summer. The cap is to be set at the median net earnings for a working family and is initially to be set at £500 for families and couples and £350 for single people per week. Most out of work benefits are to be included in the cap, though households including someone who is in receipt of Disability Living Allowance, carers allowance and war widows and widowers are exempt. The DWP has recently announced that housing costs for supported 'exempt accommodation' will be disregarded for the purpose of calculating the household benefit cap when it is introduced in April 2013, as well as under Universal Credit.

Implications for social landlords

If a household's benefit income exceeds the cap, the housing element will be reduced first. This means, prior to the introduction of Universal Credit, that affected households will see their Housing Benefit reduced. The cap is likely to lead to greater reductions in benefit for tenants in the private rented sector, who are paying higher rents. However, it will affect larger families, even in social housing.

The DWP analysis shows that overall 56,000 households will be affected, 46% of which are social housing tenants (**25,760 households**) (DWP, 2012a). Previous analysis by CCHPR showed the ways in which different households would be affected by first identifying average benefit entitlement for different household sizes before rent is taken into account:

Table 2.1: ***Weekly non-housing benefit entitlement by property size***[8]

Size of property	Composition of household that would normally occupy		Benefits claimed	Benefit Cap	Amount left for rent
Bedsit	Largest	Single person over 25	£71.00	£350	£279.00
	Smallest	Single person under 25	£56.25	£350	£293.75
1 bed	Largest	Couple with no children	£111.45	£500	£388.55
	Smallest	Single with no children	£71.00	£350	£279.00
2 bed	Largest	Couple with two children	£276.49	£500	£223.51
	Smallest	Single parent with one child	£122.10	£500	£377.90
3 bed	Largest	Couple with four children	£406.75	£500	£93.25
	Smallest	Single parent with two children	£170.91	£500	£329.09
4 bed	Largest	Couple with six children	£537.02	£500	-£37.02
	Smallest	Single parent with four children	£366.30	£500	£133.70

Source: Adapted from Clarke and Monk, 2012

As can be seen, social tenants with up to two bedrooms are unlikely to be affected by the cap, as there is sufficient room between their benefit levels and the cap to afford social rents. It is households with four or more children who are likely to find that their housing benefit is cut.

Smaller households living in Affordable Rented housing may be affected, especially in London (Pawson, 2011), because of the higher rents. This has given rise to concern that social landlords may therefore be reluctant to continue building larger homes (CASE, 2012).

[8]Calculated as consisting of Jobseeker's Allowance, tax credits and child benefits as appropriate. Includes no disability-related benefits. No allowance has been made for differential living costs between different types of area.

People over pension age and tenants working more than 16 hours are not affected by the cap, even if they claim more than the limits in benefits. This will leave some households in the perverse situation where if they lose an income, they may see their benefit income also fall. A grace period will however offer some protection for those in work for at least a year prior to losing a job. They will not be affected by the cap for the first 39 weeks that they are out of work.

A post-implementation review is planned for three to five years after implementation (DWP, 2012a).

Universal Credit

Universal Credit is a new benefit coming in from April 2013 that will replace existing out of work and in-work benefits for working age tenants. It will initially be rolled out in the Greater Manchester and Cheshire region as a pilot exercise. Migration of people already on benefits whose circumstances do not change will start from April 2014 and is planned to be complete by 2017 when 12 to 13 million tax credit and benefit claims will have been transformed into 8 million households receiving Universal Credit.

Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit will all be rolled into one simplified benefit with a single taper of around 65p in the pound as claimants' incomes increase. It will consist of a basic personal amount with additional amounts for disability, caring responsibilities, housing costs and children.

The Government's intention with Universal Credit is to improve work incentives and simplify the benefit system. Any claimant who would get less Universal Credit will be entitled to transitional protection that will ensure they receive no less than they do immediately prior to transfer while their circumstances remain unchanged. Some will receive more[9].

People over pension age will receive a housing credit, as part of pension credit, rather than housing benefit that they currently receive.

A key feature of Universal Credit is that it uses 'real time' information on earnings run through the HM Revenue and Customs using PAYE information. It is to be administered centrally, not via local authorities, and 80% of claims are expected to be made online and most paid monthly, in order to ease the transition for those moving into work. Concern has been expressed that such an enormous change in the way benefits are administered could cause difficulties and present a logistical challenge in linking the IT systems of HM Revenue and Customs with those of the Universal Credits office (Pawson, 2011). This is one of the reasons why Universal Credit is being phased in over a four year period, though this in itself may present additional challenges for social landlords who are likely to have a mixture of tenants who are on the new system and those who are not for most of the four year period.

Direct payments

One important change planned is for most claimants the payment to cover housing costs will be made to them, rather than to their landlord. Payments are also planned to be made monthly, rather than fortnightly as at present. The government is currently undertaking demonstration projects in six local authorities to establish how best to achieve this[10]. It has already indicated that it will be possible to maintain payments direct to landlords for claimants

[9] See www.dwp.gov.uk/docs/ucpbn-transitional-protection.pdf
[10] www.dwp.gov.uk/newsroom/press-releases/2012/jan-2012/dwp004-12.shtml

who are vulnerable, though the ways in which this will be defined have not yet been made clear.

Initial findings from this study suggest that payment collection rates are averaging at 92%, though varying from 88-97% in the different pilots (DWP, 2012g). It is still too early to tell to what extent these arrears would persist in the longer term, or to what extent they result from tenants taking time to get used to the new system, and landlords learning where to target support. There is evidence that some tenants who initially fall into arrears subsequently clear them.

Not all tenants in the project areas have been switched to the new system. The schemes set their own criteria for inclusion and may have excluded those who were vulnerable, did not have bank accounts, were already in financial difficulty or who declined to participate. This suggests that there may be additional difficulties for some of these groups, once the payment system is compulsory (unless they are classed as vulnerable and therefore exempt). Of those who did join the pilot schemes, around five percent have been switched back to direct payments to their landlords, generally as a result of rising arrears.

Early feedback from the projects indicated that supporting the tenants to pay their rent was resource-intensive for many landlords, though working closely with tenants did reduce the levels of arrears.

Implications for social landlords

The DWP has not calculated the total number of households who will move onto Universal Credit by housing tenure. However, the latest data from the English Housing Survey shows that of a total of 3,826,000 social renting households in England, 71% were of working age (2.73 million households), and 71% had incomes of under £20,000, and therefore likely to be eligible for Universal Credit. A further 20% had incomes of between £20,000 and £30,000 and may also be eligible for Universal Credit if they have children. Assuming the higher earners are unlikely to be pensioners, this would suggest that around two million social renting households in England - 70% of working age tenants - would be eligible for Universal Credit, although not all of these would be eligible to receive a housing element.

The move to paying Housing Benefit direct to tenants has caused concern amongst social landlords who fear it will increase rent arrears if tenants fail to pay the rent (CASE, 2012). The full extent of the possible impact is unknown and hard to measure as it depends on the behaviour of tenants receiving the benefits, as well as efforts made by landlords to support tenants to pay. However, recent analysis by Policis highlights the difficulties that a significant sub-group of tenants are likely to experience if moved onto monthly payments, alongside handling the money for their rent themselves (Policis, 2012). Their research suggested that around two thirds of tenants in receipt of housing benefit looked likely to manage under the proposed new system but around one third were likely to get into difficulties. 94% of this group feared they would be unable to prioritise their rent within their budget, and around half were already struggling to afford food, shoes and clothing.

The Policis report also explores in depth the ways in which households on very low incomes do manage money, and in particular the value of short-term budgeting to those with very constrained budgets: “Doing without essentials may be a viable strategy for a day or so per week but is much more challenging when the timescale becomes four days at the end of a monthly budgeting period, particularly for those with families” (ibid:2). It describes how weekly cash-based budgeting can be a sensible approach for tenants with very low incomes and cautions that tenants struggling to budget are more likely to run up debts, further worsening their poverty.

The extent of this impact hinges in part upon the way in which the definition of "vulnerability" is drawn up for the purposes of making payment exceptions under Universal Credit. The broader and more flexible the definition, the lower the impact of direct payments will be.

Other issues that have given some cause for concern to social landlords are the abolition of the system of four week extended payments of housing benefit for the long-term unemployed who move into work, and tighter definitions of eligible service charges, which could mean that some people face higher bills not covered by the housing component of Universal Credit[11].

Other reforms

The measures outlined above are the main elements of welfare reform that have a direct impact on social landlords. However, there are other reforms that will affect their tenants' incomes and ability to pay their rent and meet other living costs.

Council Tax Benefit

From April 2013, Council Tax Benefit will be scrapped. Instead, local authorities will be expected to design their own system for locally administered support. National Government has however ruled that older people must be protected. Local authorities are being allocated 90% of the funds they currently receive for the benefit, so are likely to look to make cuts to support for households of working age. They could choose to cut other budgets and avoid cutting this benefit, or make severe cuts to support for Council Tax to avoid cuts elsewhere in their budgets.

Implications for social landlords

It is unclear at present who will be affected by the reforms (other than pensioners being unaffected). Some councils are expected to preserve existing entitlements in the short term at least. Different systems will be in operation in different areas.

In total, 51% of social tenant households receive Council Tax Benefit (DWP, 2012b). Published data do not specify how many of these are pensioners, though do indicate that 14% of social tenant households claim pension credit, and 37% means tested benefits available to working age tenants, which suggests that around 2.8 million social renting households could be affected. If local authorities decide to spend only the 90% of previous funding levels they have been given for taking on responsibility for Council Tax Benefit, they will need to reduce the benefits of working age households by substantially more than 10%. To reduce administration costs, it is likely that some local authorities may seek instead to continue to offer 100% of support for Council Tax to some households, but to recoup the losses by charging others more.

Non-dependent deductions

Tenants who claim housing benefit have the amount they can claim reduced if there are any other adults (over 18) in their household, not dependent on them financially. These would usually be adult children, parents or other relatives.

Joint tenants, lodgers and paid carers are not considered as non-dependants as they are treated as separate households entirely.

[11] www.cih.org/news-article/display/vpathDCR/templatedata/cih/news-article/data/CIH_calls_for_changes_to_Universal_Credit_plans

Deductions are currently set at six different levels, depending on the earnings of the non-dependent. No reduction is made for non-dependents who are aged under 25 and in receipt of benefits, or for certain other groups of non-dependents including full time students.

In 2001 non-dependent deductions were frozen at amounts ranging from £7.40 to £43.50. Between 2011 and 2014 they are being raised so that by 2014 they will reach the levels they would have been at (relative to rents) if they hadn't been frozen, meaning an increase of 27% each year for three years (increases of £2 and £13 a week each year). The reductions are made because it is assumed that the non-dependent is able to contribute toward the rent, whether or not they actually do. Further changes under Universal Credit will see non-dependent deductions replaced with a flat-rate Housing Cost Contribution equivalent to £68 per month for people aged 21 and over – this is likely to benefit tenants with higher-earning non-dependents.

Implications for social landlords

The DWP's impact assessment estimates that 300,000 households in Great Britain currently have their housing benefit reduced because of non-dependants, of whom half are social housing tenants (DWP, 2011a). Figures for England are not given, but overall we can estimate that 85% of affected households are likely to be in England, in line with the overall proportion of Housing Benefit claimants[12]. This would give an estimate of 127,500 social housing tenants in England seeing reductions to their housing benefit because of the measure.

Benefits for sick and disabled people

There are two key changes currently being implemented affecting people who are sick or disabled.

a) Employment and Support Allowance replacing Incapacity Benefit

Employment and Support Allowance was introduced for new claimants in October 2008 to replace Incapacity Benefit for claimants who are unable to work because of a health condition or disability. Between October 2010 and Spring 2014, existing claimants are being reassessed for Employment and Support Allowance. The criteria for receiving it are stricter, and those who don't meet them may be eligible for Jobseeker's Allowance instead. This means they must meet the criteria of being available for and actively seeking work.

A single person aged over 25 receives £71 a week on Jobseeker's Allowance, whereas on Incapacity Benefit they would have received between £74.88 and £99.15, depending on the length of their claim. This means that tenants who are moved from Incapacity Benefit to Jobseeker's Allowance are likely to see a reduction in their income.

Implications for social landlords

Data from the Family Resources Survey show that in 2010/11, ten percent of social tenant households received Incapacity Benefit in the UK (DWP, 2012b). Assuming that rates in England are similar to the UK overall, this would be around 382,600 households – some of whom may have received it for more than one member. These households will be reassessed by 2014.

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[12] see http://statistics.dwp.gov.uk/asd/index.php?page=hbctb

The DWP has also carried out analysis of the early stages of reassessing existing claimants (DWP, 2012c). The latest data shows that, after allowing for the results of the appeals process, 47% of Incapacity Benefit claimants were considered eligible for Employment and Support Allowance, and 53% were not. These 53% were considered fit for work, but whether they actually went on to claim Jobseeker's Allowance is not known. Nevertheless these data would suggest that around 200,000 social housing tenants are likely to lose Incapacity Benefit and lose between £3.88 and £28.15 per week, assuming that they are eligible for, and claim, Jobseeker's Allowance. The amounts lost per household are somewhat more varied, but of the same order of magnitude.

b) Changes to Disability Living Allowance

Disability Living Allowance is a benefit paid to disabled people, whether in work or not, in recognition of the higher costs that their disability entails.

Personal Independence Payments are to replace Disability Living Allowance for working age claimants and are being rolled out from April 2013. The new payments are targeted more strictly at the most disabled, and the government calculates that 500,000 people who would otherwise have been receiving Disability Living Allowance by 2015 will no longer qualify.

In addition, changes have been made to the rates of payments to families with disabled children, resulting in significant cuts for many families.

Concern has been expressed that some groups stand to lose from these reforms, comprising:

- 100,000 families with disabled children who stand to lose up to £28 a week
- 230,000 severely disabled people who do not have another adult to assist them who may receive between £28 and £58 a week less than currently
- Up to 116,000 disabled working people who risk losing around £40 per week (The Children's Society, 2012)

Implications for social landlords

The impact assessment does not break the numbers affected down by tenure, but the Family Resources Survey (DWP, 2012b) shows that 16% of social housing tenants receive Disability Living Allowance, as opposed to 5% of both owners and private renters. This would suggest that 40% of Disability Living Allowance claimants are in the social rented sector and it can therefore be estimated that 200,000 will lose their Disability Living Allowance and be ineligible for Personal Independence Payments. Of these, it can be estimated that around 130,000 are in England.

Disability Living Allowance payments vary depending on the level of mobility difficulties and the level of care required and are currently between £20.55 and £131.50 per week. Those currently receiving the lower rates of care or mobility components (so between £20.55 and £41.10) are the most likely to lose payments altogether, though others may see their payments reduced.

The Social Fund

The Welfare Reform Act abolishes the discretionary Social Fund in its current form which provides community care grants and crisis loans. The Government intends to localise the support available and local authorities are drawing up implementation plans now, ahead of the switch to local support from April 2013. The funds being devolved are not ring-fenced and no new duties or obligations are being placed on local authorities to provide a particular type of support.

Implications for landlords

The main implication for social landlords is that, depending on the local scheme drawn up by a particular local authority, or whether in fact there is a replacement scheme, new tenants setting up home for the first time having moved on from a hostel, hospital or out of prison, may struggle to furnish their home and suffer hardship or fail to sustain their tenancy.

Capping increases to working age benefits

In his 2012 Autumn Statement, the Chancellor recently announced that the Government is to embark on a fresh round of real-terms cuts to working-age welfare payments, saving £3.7bn by 2015-16, rising to £4.5bn in 2017-18.

The additional savings will be achieved by limiting annual increases to most working-age benefits and tax credits to 1% for three years from 2013-14. Previously all these benefits have been uprated by the Consumer Price Index (CPI) measure of inflation. This would have seen them increase by 2.2% in April 2013 instead.

Implications for social landlords

Housing benefit for the majority of tenants in the social rented sector will not be directly affected by the changes announced in the Autumn Statement. However, most other benefits that they claim (such as Jobseeker's Allowance, tax credits, or from next October, Universal Credit) will be, leaving them with less money to meet the rising costs of living, which may make it harder for them to pay their rent.

Discretionary Housing Payments

Local Authorities have for many years been allocated a fund, supplied in part by the DWP, that they can use to make discretionary housing payments towards housing costs for households in receipt of housing benefit or Council Tax Benefit. DWP guidance, issued in 2011, sets out the circumstances in which these payments may be made (DWP, 2011b). A consultation exercise was undertaken on revised guidance (DWP 2012e; DWP 2012f).

The payments can be used to cover rent in advance, or one-off costs such as removals. They can also be used to make up a shortfall between the assessed level of housing benefit and the rent level. The Government has increased the amounts allocated to local authorities as part of the welfare reform measures, in order that they can assist some households affected.

Following the cuts and caps to Local Housing Allowance for private rented sector tenants, the Government announced increases to baseline Discretionary Housing Payment funding from £20m in 2010-11, to £30m in 2011-12 and £60m from 2012-13 onwards. Further increases to Discretionary Housing Payments were announced during the passage of the Welfare Reform Act. In response to concerns over the impact of the social sector size criteria an additional £30m per year in Discretionary Housing Payment was committed from 2013-14 to help tenants hit by benefit cuts for under-occupation. This cash is aimed at – but not ring-fenced for – foster carers and disabled people living in properties that have been significantly adapted for their needs. Up to £75m in 2013-14 and up to £45m in 2014-15 was promised to help tenants hit by the household benefit cap, who are not able to move immediately. However, in the Autumn Statement the Government announced that new protections from the household benefit cap for households in supported exempt accommodation would be funded by reducing Discretionary Housing Payments by £10m in 2013-14 and 2014-15 and by £5m in 2015-16 and 2016-17[13]*.*

There remains a significant mismatch between Discretionary Housing Payment and Housing Benefit cuts.

Implications for social landlords

The increased discretionary housing payments should help to alleviate some of the effects of the other elements of welfare reform. Local authorities may top up the funds allocated to them by the DWP but there are limits imposed which they are not permitted to exceed, even if they have the resources to do so. Discretionary housing payments are generally paid to cover transitory shortfalls between housing benefit and rent and are not often paid in perpetuity (Jarrett et al, 2011). The fund represents only a small proportion of the overall losses faced by households affected by the welfare reforms, and is not intended to represent a long-term solution for large numbers of households (DWP, 2012e).

[13] see http://cdn.hm-treasury.gov.uk/autumn_statement_2012_complete.pdf

Impact on housing associations

3. Impact on housing associations

The preceding chapter has indicated how welfare reforms are likely to affect different types of households and specifically the numbers of social housing tenants in England likely to be affected. In this chapter we consider the implications this may have for associations themselves, identifying the types of housing associations that are potentially most at risk.

Types of housing association most at risk

Overall, housing associations with a large proportion of benefit-claiming households are likely to experience a greater proportion of their tenants being affected by the reforms.

The size criteria, meanwhile is likely to have the most severe impact on housing associations with few one bedroom properties who are likely to see a shortfall between what they can supply and the need of their tenants, ie, they are unable to accommodate all their tenants in a size of property for which they can claim full Housing Benefit. It will also affect those with a higher proportion of larger properties where children have grown up and left the family home.

A further type of housing association that is likely to be affected by the welfare reforms is that which has a large proportion of households including non-dependents. For example, if its housing stock is occupied by older tenants with grown-up children or multi-generational households, it will be more affected by increases in non-dependent deductions. Furthermore, housing associations with a large proportion of stock adapted or suitable for disabled tenants may be more affected by cuts to Disability Living Allowance and Incapacity Benefit.

It is important to remember that risk factors interact with one another and with other policy changes – notably, the Affordable Rent regime. Therefore, individual housing associations will face distinct risks, based on their specific attributes and financial position.

Table 3.1: Risk factors presented by different welfare reforms and the impact these may have on different housing associations

Risk factor for Housing associations	Welfare reform measure creating risk	Impact
Large proportion of working age tenants on Housing Benefit	All measures	Housing Associations vary in their proportion of benefit-claiming households. Those with a greater proportion will clearly be most affected by the reforms to welfare.
Large proportion of tenants have rent paid in full by Housing Benefit	Universal Credit plans for payments direct to tenants	Tenants unused to paying rent themselves may find this difficult.
Large proportion of workless households with 4 or more children	Household Benefit Cap	Most of these households will see their housing benefit cut to keep their income within the household benefit cap. Some of these cuts are substantial.

Table 3.1 cont.: Risk factors presented by different welfare reforms and the impact these may have on different housing associations

Risk factor for Housing associations	Welfare reform measure creating risk	Impact
Developing Housing Associations in London and other high priced areas	Household Benefit Cap	Affordable Rent levels in the more expensive parts of the country may see tenants' housing benefit cut to keep their income within the household benefit cap.
Small proportion of 1 bedroom stock	Social sector size criteria	Housing associations with few one bedroom properties are likely to see a mismatch between supply and need and be unable to accommodate all their tenants in a size of property for which they can claim full Housing Benefit. This may be more likely in rural areas.
High proportion of larger properties	Social sector size criteria	Housing associations with a higher proportion of larger properties where children have grown up and left the family home will be more exposed to benefit cuts for under-occupation.
Large proportion of pensioners in Local Authority	Council tax reform	Local Authorities are seeing a 10% cut to the money they are given to fund council tax rebate, but are required not to cut benefits to pensioners. Where pensioners form a large proportion of Council Tax Benefit recipients, the cuts must fall on the smaller numbers of working age claimants. Efforts will need to be made to ensure tenants are informed about their entitlement, particularly given variation of support across areas.
Large proportion of households including non-dependants	Increases in non-dependent deductions	Housing associations whose housing stock is occupied by older tenants with grown up children, or multi-generational households (possibly Black and Minority Ethnic) are most likely to be affected.
Large proportion of disabled tenants	Reforms to Disability Living Allowance and Incapacity Benefit	Housing associations with a large proportion of stock adapted or suitable for disabled tenants may be more affected.

Ipsos MORI survey of housing associations

4. Introduction and methodology

A key component of the impact assessment prior to the introduction of welfare reforms from April 2013 is the conduct of an online survey of National Housing Federation members. The survey was designed collaboratively by Ipsos MORI, CCHPR and the Federation to collect both organisational and perception based data from landlords. The data collected will be used to establish baseline results against which the effects of the reforms can be compared through subsequent surveys in to 2014. A summary of the survey approach is set out below and further details are provided in the appendix to this report.

Survey approach

The questionnaire

The questionnaire was designed to collect a range of organisational and perception based information from member housing associations. In this report we focus specifically on the initial perceptions of the impacts on landlords and will report separately on perceptions of tenant impacts prior to implementation of changes starting in April 2013.

Fieldwork

In Autumn 2012, Federation member housing associations in England were invited by Ipsos MORI to complete an online survey about the likely impacts of the Government's welfare reforms on their organisation.

From a total of 781 organisations contacted, 232 submitted a completed response over a six week fieldwork period, representing an adjusted response rate of 31%. This is a good level of response for a survey administered online and where there is a high degree of technical, organisational information being requested.

The Federation membership accounts for around 90% of all General Needs rented stock owned or managed in England, and survey respondents account for 53% of the general needs rented stock owned or managed by Federation members.

To account for an over-representation of organisations with general needs stock in London and to a lesser extent in the South East, and under-representation in the North East and Yorkshire & Humberside, data has been weighted to the national profile of general needs stock owned and managed by region using the latest Statistical Data Return for 2012. Data has also been weighted by size of organisation to account for the under-representation of smaller (less than 500 stock) housing associations in the survey. Further technical details of the survey approach are presented in the appendix to this report.

Sub-group analysis

Throughout the analysis survey results have been disaggregated by a number of key sub-groups including:

- Region – established through the survey and distinguishing nine regions. Some questions included responses broken down by region of operation and are presented as such. Where questions ask about the views of the association, those covering multiple regions are included within the respective regions in which they operate.

- Size of association – based on information included with the sample from the latest SDR stock information as well as survey response data. Size band is based on total stock size.

- Rural – based on information included with the sample from the latest SDR stock information indicating whether the association manages any rural stock or not.

- Tenancy type – based in part on information included with the sample from the latest SDR stock information and distinguishes whether the association predominantly (more than 50%) accommodates single tenancies, family tenancies or a mix.

Where results are analysed by sub-groups data have been presented for completeness but it is important to remember that due to smaller base sizes, not all differences will be significant.

A detailed breakdown of survey results by region is provided under separate cover to this report.

Presentation and interpretation of data

It should be remembered at all times that only a sample of organisations chose to respond to the survey so results will be subject to sampling tolerances (i.e. all results have a calculable margin of error). Further details are presented in the Appendix section of this report.

Throughout the report analysis is based on all valid responses which includes 'Don't know' responses. Responses are excluded from the analysis where a respondent has failed to provide an answer (i.e. left it blank). The effect of this is that base sizes may vary for each piece of analysis.

Survey results have been charted throughout and base sizes indicated accordingly. Data rounding and multiple answers mean that in some instances percentages do not sum to 100. Throughout the report an asterisk (*) in charts denotes any value less than half a per cent.

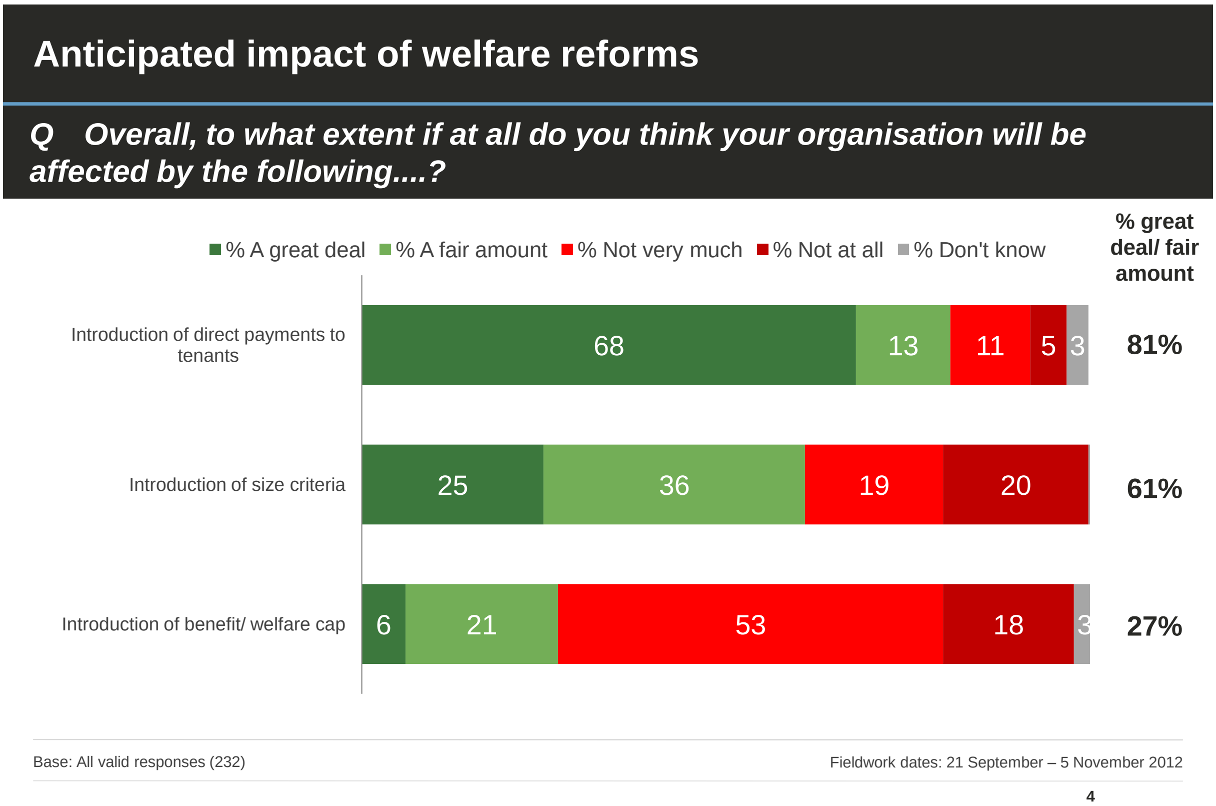
5. Perceptions of likely impacts

The survey provides an opportunity to collect a wide range of baseline organisational and perception based data from housing associations to enable the monitoring of changes over time. We begin with organisations' initial perceptions of how they will be affected by specific aspects of welfare reform before going on to consider their responses to these particular aspects in more detail in subsequent chapters.

Anticipated impacts of welfare reforms

Unsurprisingly more than eight in ten (81%) housing associations believe they will be affected, either a great deal or a fair amount by the introduction of direct payments to tenants. Only five percent of housing associations say they will not be affected at all by this. In contrast, perceptions of the impact of other welfare reform aspects are more variable. Around three in five (61%) housing associations currently believe they will be affected by the introduction of size criteria either a great deal or a fair amount, whereas a fifth (20%) say they will not be affected at all. The introduction of household benefit caps is considered least likely to have an effect across the sector – seven in ten housing associations say this will have no or not very much effect on their organisation.

Chart 5.1: ***Anticipated impact of welfare reforms***



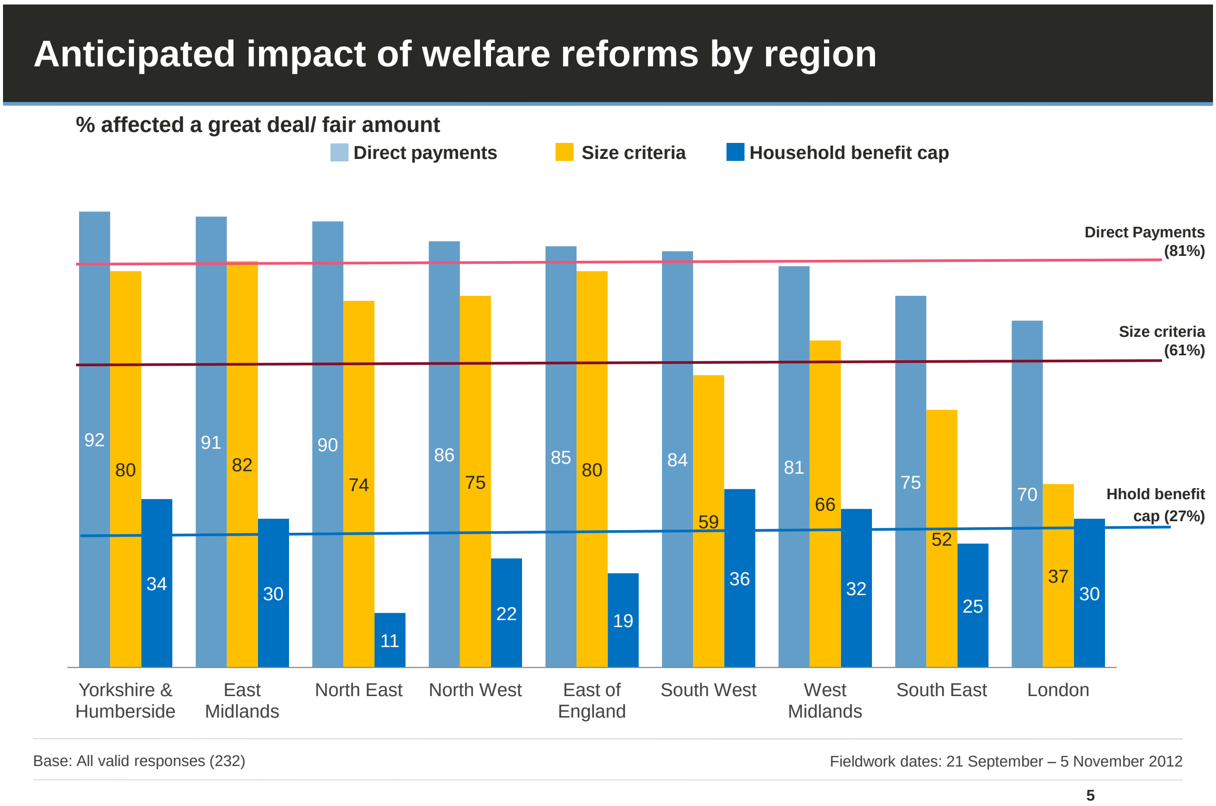
Variations in anticipated impacts

There is clear variability in the anticipated impacts of welfare reform both by region and by size of organisation. Direct payment to tenants is anticipated to impact the most across all regions, although those operating in *London* and the *South East* are less likely than other regions to say they will be significantly affected.

A similar pattern is also evident when looking at those who say they will be affected by the size criteria. Around eight in ten associations operating in the *East Midlands* and the *East of England,* and three quarters in the *North East* and *North West*, say they will be affected either a great deal or a fair amount by this, compared with 61% overall. In contrast just over a third (37%) of associations operating in *London* say they will be significantly affected by the size criteria.

The anticipated extent of the impact of the household benefit cap is uniformly lower across all regions although it is those associations operating in the *South West*, *Yorkshire & Humberside*, *West Midlands* and *London* who are more likely to perceive there will be an impact. Three in ten or more of associations operating in these regions say they will be significantly affected by the introduction of the household benefit cap, which compares to 27% overall and just 11% of associations operating in the *North East*. Indeed those associations operating in the *North East* show the biggest differential in anticipated impact arising from these two reforms – 74% of *North East* associations expect to be significantly affected by the size criteria, whereas only 11% expect to be significantly affected by the cap.

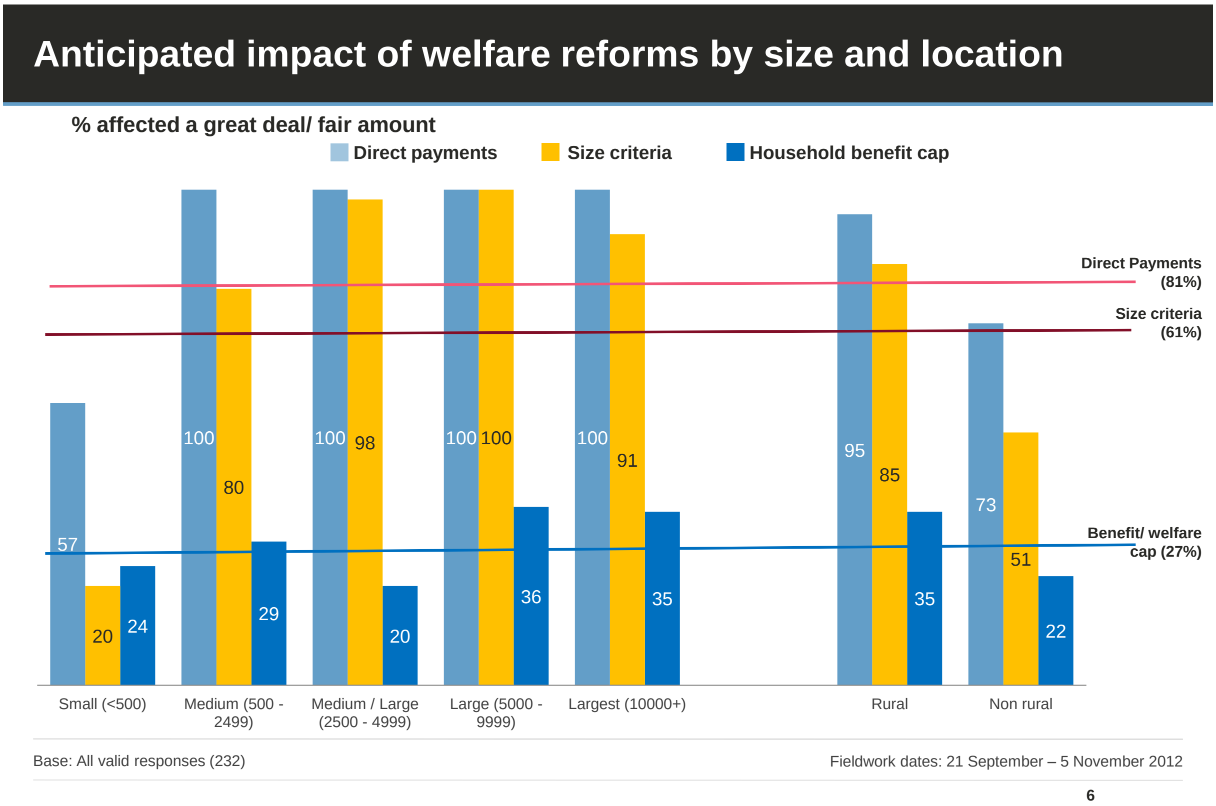
Chart 5.2: *Anticipated impact of welfare reforms by region*



There is also some variability in anticipated impacts based on the size of the organisation and whether it manages stock in rural areas or not. Smaller associations are less likely to anticipate that all reforms will significantly affect them, although this may reflect a higher proportion of older tenants or supported housing which will be largely unaffected by the reforms. Large and the largest associations are more likely to say the reforms will affect them. Indeed every housing association with more than 500 stock expected the shift to direct payments to tenants to significantly affect their organisation. Similarly 100% of 'large' associations responding (with between 5,000 and 9,999 stock) anticipate the size criteria will affect them a great deal or a fair amount.

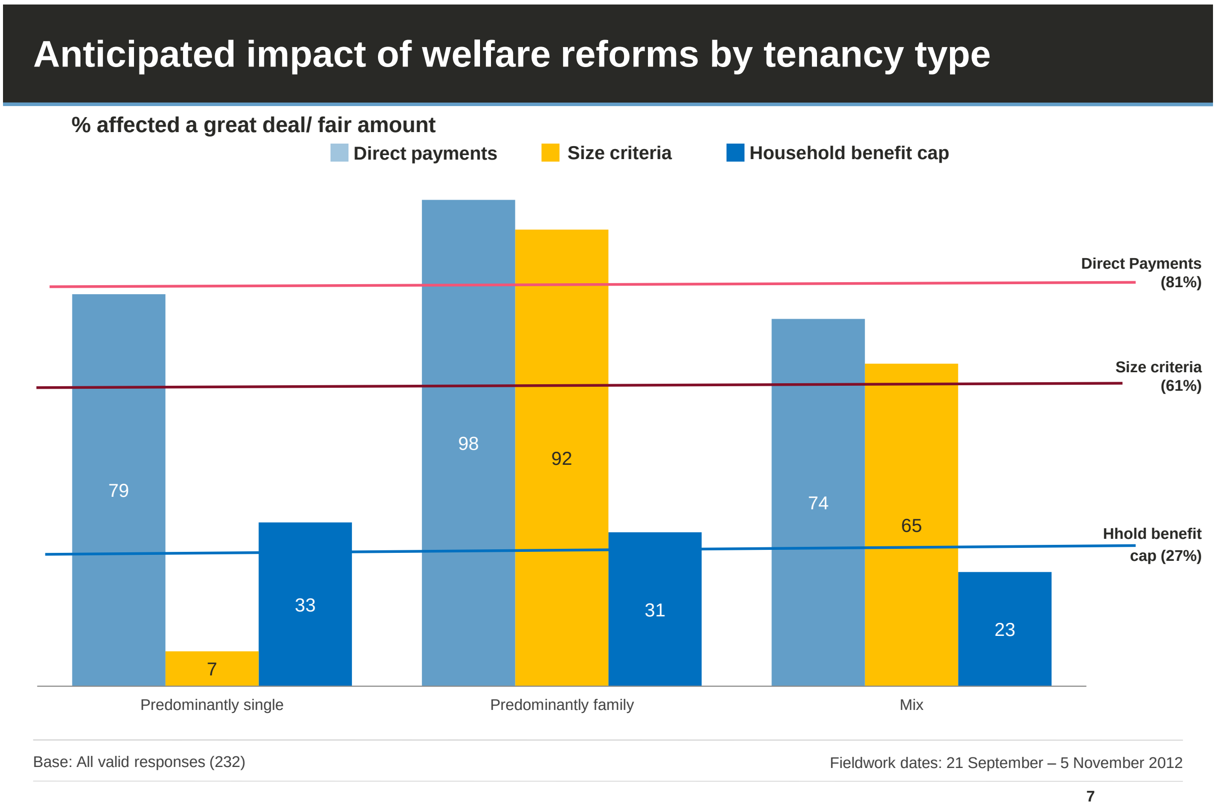
Around three in five (57%) small associations (less than 500 stock) say they will be significantly affected by direct payments to tenants and between a quarter and fifth say they will be significantly affected by the cap and size criteria. In contrast larger associations (with a stock of more than 5,000) are more likely to say they will be affected by both the size criteria (96%) and the household benefit cap (35%). Those associations operating in rural areas are also more likely to say they will be affected by the reforms – in particular the size criteria - when compared with associations with no stock in rural areas.

Chart 5.3: ***Anticipated impact of welfare reforms by size and location***



Associations that are predominantly accommodating family tenancies also appear more likely to anticipate being significantly affected by all components of the reforms, and particularly the size criteria. More than nine in ten associations (92%) that predominantly accommodate family tenancies anticipate being significantly affected by the size criteria, compared with 61% of all associations.

Chart 5.4: ***Anticipated impact of welfare reforms by tenancy type***



Using size profile and relet information it is possible to derive an approximate indicator for the potential capability of an association to manage some of the intended impacts of the reforms, such as downsizing to smaller accommodation for example. An association with a high proportion of one bed relets relative to the number of larger two bed units might be expected to have greater capability to accommodate downsizing households than an association where the level of one bed relets is relatively lower. The analysis below uses the latest SDR data matched to survey responses[14] and shows the ratio of two bed units to one bed relets banded to identify those potentially best and worst placed to manage intended impacts.

There are no significant differences in the anticipated impacts from the introduction of size criteria and direct payment to tenants according to this down-size capacity measure. The analysis suggests that having more one-beds into which under-occupying tenants could potentially downsize if their current occupants were to move on, does not necessarily lead to a reduction in the perceived extent of impact from introduction of the size criteria. It may also suggest that an abundance of smaller homes alone may not be sufficient to mitigate against the effects of this measure.

The analysis also indicates that those identified to have the best down-size capacity are less likely to say the household benefit cap will have a significant impact.

Table 5.1: ***Anticipated impacts by potential down-size capacity***

Down-size capacity	% of associations that say they will be affected either a great deal or a fair amount by...		
	Direct payments	Size criteria	Household benefit cap
Best placed (<15 2 beds per 1 bed relet)	100%	97%	24%
Average placed (15 to <25 2 beds per 1 bed relet)	100%	90%	28%
Worst placed (25+ 2 beds per 1 bed relet)	100%	95%	39%

Base: All valid responses (107)

[14] Data is only available for those with stock size above 1,000 units and as such the analysis is based on a sub-set of all associations completing the survey

Potential impacts of reforms

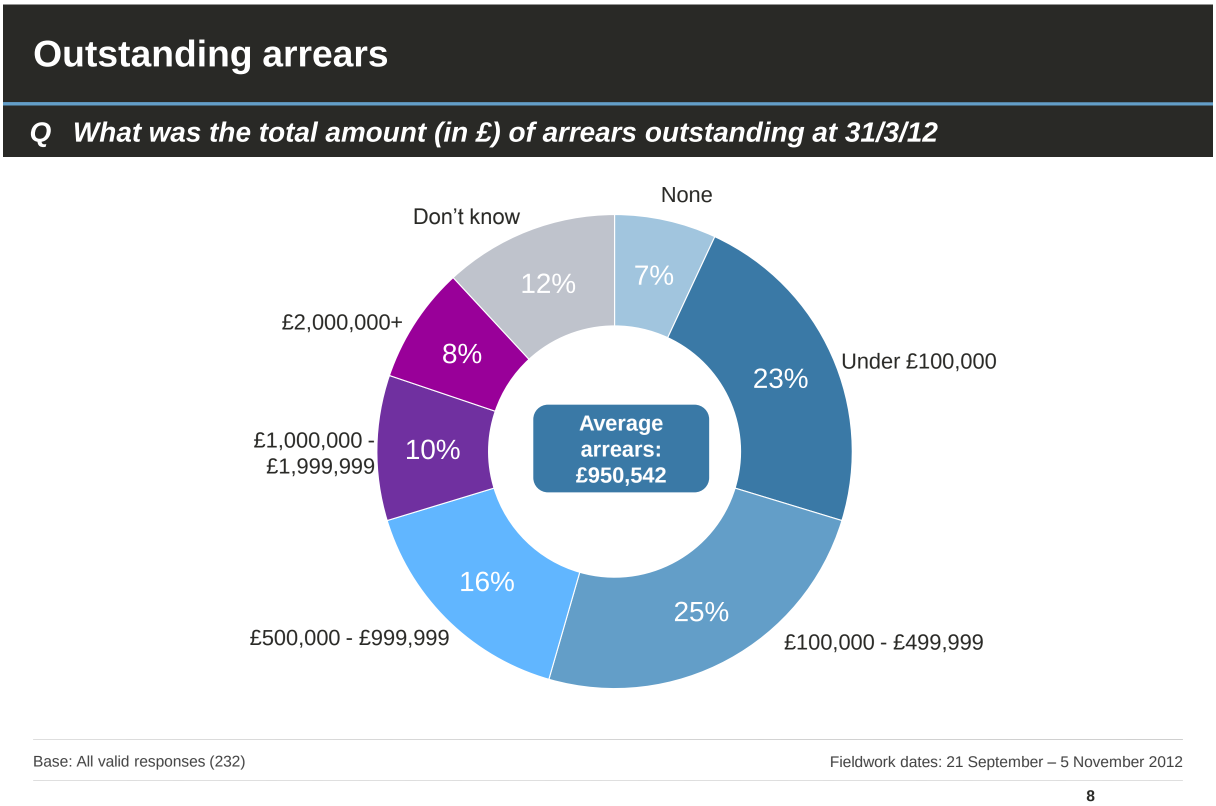
The survey also captured baseline data on a number of potential impacts arising from the reforms, including; arrears and borrowing capability. These are commented on further below.

Anticipated changes in rent arrears

One of the anticipated impacts of the introduction of welfare reform on housing associations is an increase in arrears. There is a concern that already financially vulnerable tenants may struggle to keep up rent payments in the face of reductions in benefits and greater responsibility for the management of their finances. The current survey provides an opportunity to baseline current arrears levels and monitor this over time as the welfare reforms are introduced.

The average total amount of outstanding arrears at the end of the 2011-12 financial year was £950,542 with fewer than one in ten organisations (7%) indicating no arrears and a similar proportion (8%) with £2m or more. As is to be expected, the amount of outstanding arrears is closely related to the size of the organisation. The average amount of outstanding arrears per working age general need tenant on full or partial housing benefit is £492[15].

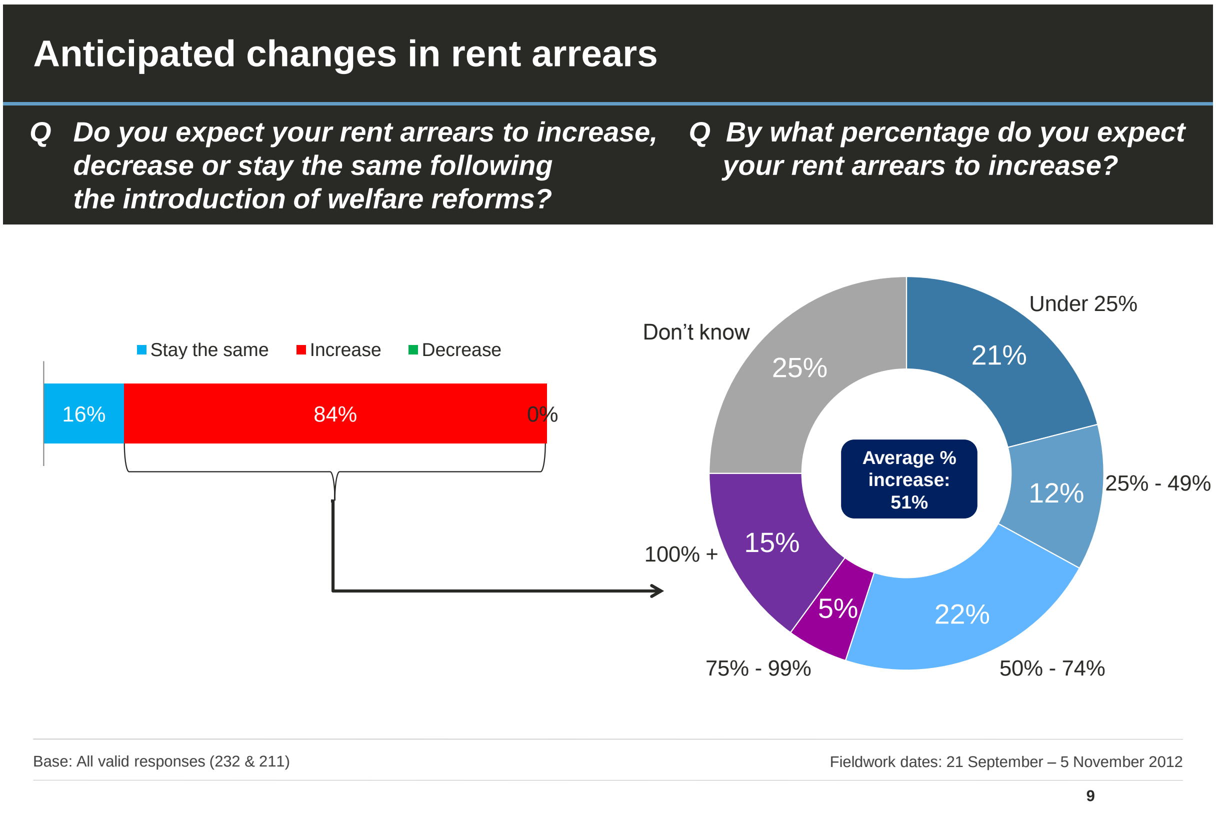
Chart 5.5: *Outstanding arrears*



[15] Average estimate derived from the survey using data from each landlord respondent on the amount of outstanding arrears and the number of general needs tenants of working age and on Housing Benefit.

The overwhelming majority of associations anticipate that their level of rent arrears will increase following the introduction of welfare reforms. Some 84% of associations expect an increase and the remainder expect rent arrears levels to remain unchanged. Of those expecting an increase, the average expected increase is 51% and around one in six (15%) anticipate their rent arrears to at least double. The 2011 Global Accounts of housing providers[16] indicates that tenant arrears stood at 5.0% at year end (£481m), representing an increase of 14% on the level seen at 2010 year end. If a 51% anticipated increase was replicated across the sector, it would mean arrears levels across England at 7.5% (£726m). For individual working-age tenants on housing benefit, this would mean average outstanding arrears increasing by £250, from £492 to £743.

Chart 5.6: ***Anticipated changes in rent arrears***



[16] http://webarchive.nationalarchives.gov.uk/20120514075635/http:/www.tenantservicesauthority.org/server/show/ConWebDoc.21847

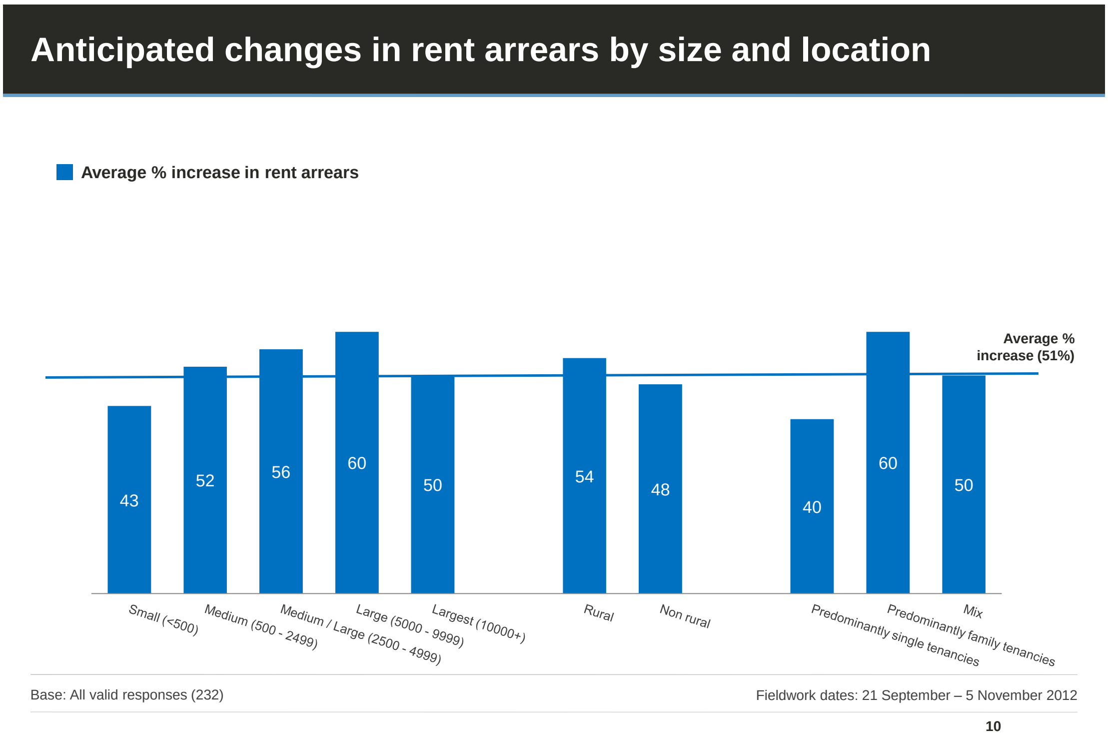
The table below shows the anticipated average increase by regions and indicates that associations operating in *Yorkshire & Humberside* are anticipating the highest increase in rent arrears whereas those operating in the *North West* are anticipating the lowest increase.

Table 5.2: ***Anticipated changes in rent arrears by region***[17]

Region	Average % increase
Yorkshire & Humberside	62%
South West	56%
East Midlands	55%
London	55%
East of England	52%
North East	50%
West Midlands	50%
South East	45%
North West	42%

Anticipated changes in rent arrears vary by size of association with medium/ large sized associations (those with stock of between 2,500 and 9,999) anticipating the largest increases in rent arrears. On average these organisations anticipate a 58% increase in rent arrears, a figure which compares to an average 46% increase for smaller associations (with stock of less than 2,500). Those associations operating in rural areas also anticipate an above average increase in rent arrears following introduction of welfare reforms as do those associations that predominantly accommodate family tenancies.

Chart 5.7: ***Anticipated changes in rent arrears by size and location***



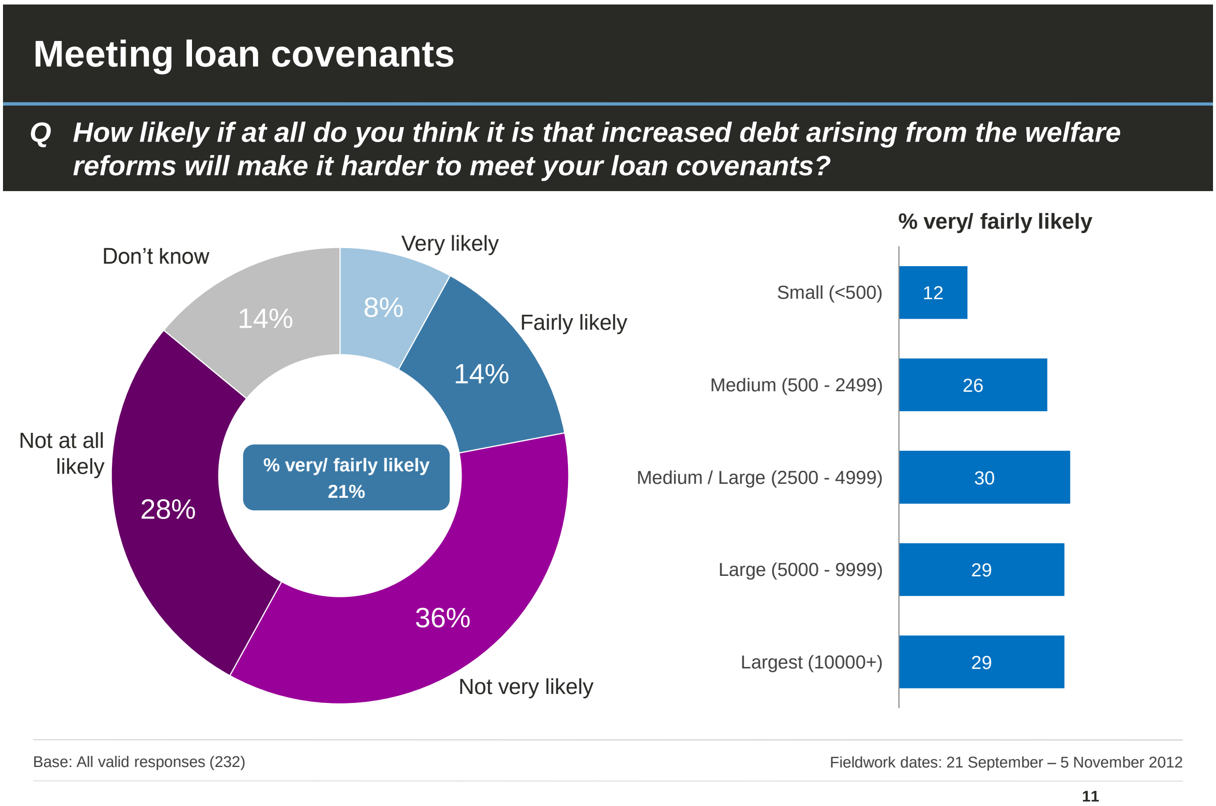
[17] The regional average excludes associations operating in all regions

Meeting loan covenants

The survey asked associations about the likely impact that welfare reform would have on meeting loan covenants[18]. A failure to meet loan covenants may limit the capability of associations to borrow at the most cost-effective rates and, in turn, could potentially make it harder to build new homes.

Although the overwhelming majority of associations are expecting rent arrears to increase as a result of the reforms, a majority (64%) do not think any increased debt will make it harder to meet loan covenants. Slightly more than one in five (22%) associations say rising debt is either very or fairly likely to make it harder to meet their loan covenants. Larger associations are most likely to say it will be harder to meet loan covenants – around three in ten associations with stock of 2,500 or more say it is very or fairly likely that welfare reform will make it harder to meet loan covenants.

Chart 5.8: *Meeting loan covenants*

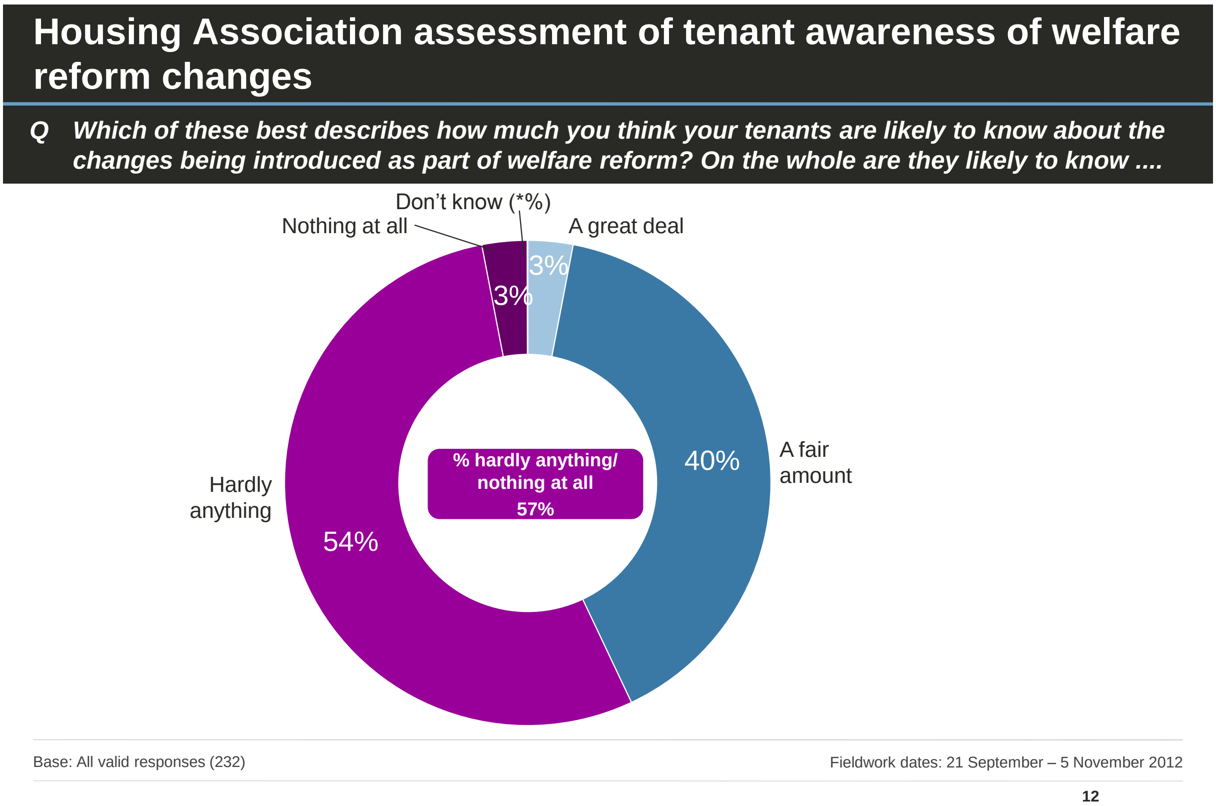


[18] Loan covenants are imposed by lenders which place limits on the ratio of debts to assets (gearing) that an association can reach.

Tenant awareness of changes as perceived by housing associations

More than two in five (43%) associations think their tenants are likely to know about the welfare reform changes being introduced although a majority (57%) think their tenants know *hardly anything* or *nothing at all*. Three-quarters of associations operating in *London* say their tenants know hardly anything or nothing at all about the changes, significantly higher than associations overall and those operating in the *North West*.

Chart 5.9: *Housing association assessment of tenant awareness*



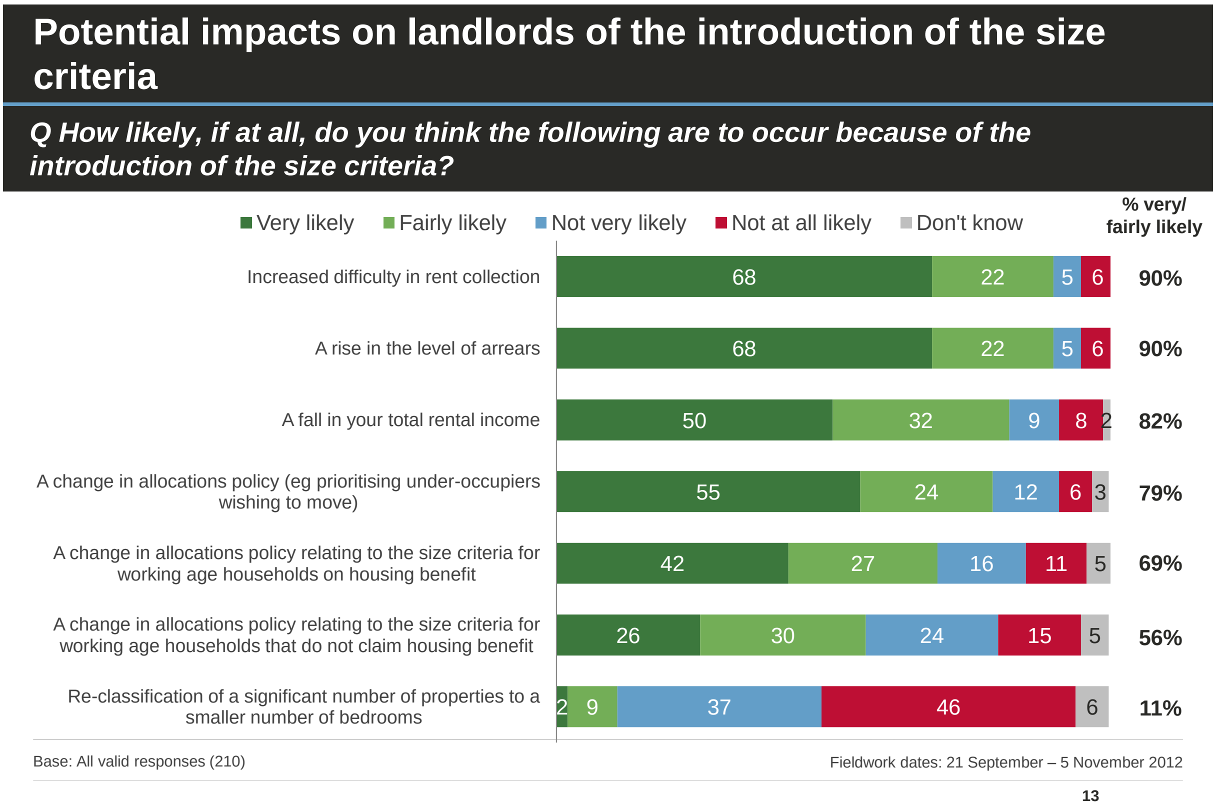
6. Potential impacts of the introduction of the size criteria

The preceding chapter has already highlighted that more than three in five (61%) associations believe they will be significantly affected by the introduction of the size criteria and it is more likely to affect those operating in the Northern regions as well as larger associations. In this chapter we consider in further detail perceptions of the potential impacts on these associations.

Likelihood of impacts arising from the introduction of size criteria

For those associations who indicated they would be affected by the introduction of the size criteria, the overwhelming majority believe it is likely to result in increased difficulty collecting rent (90%) as well as a rise in the level of arrears (90%). Further, more than four out of five (82%) associations expect the introduction of the size criteria to result in a fall in rental income.

Chart 6.1: ***Perceptions of the potential impacts of the introduction of size criteria***



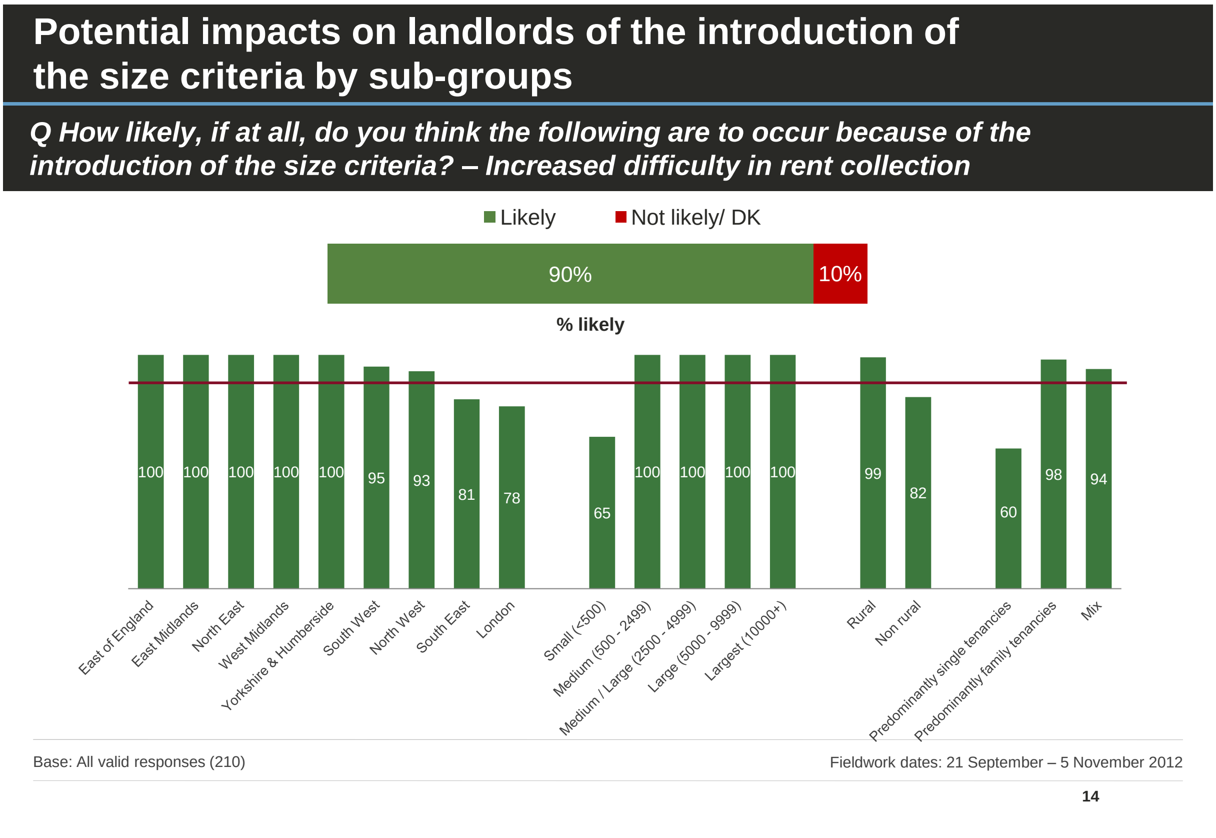
A similarly high proportion (79%) of associations think that a change in allocations policy (to prioritise under-occupiers wishing to move) is likely. Fewer (56%) think it is likely the size criteria will result in a change in allocations policy for working age households who do not claim housing benefit.

Very few associations (11%) believe they are likely to re-classify significant numbers of properties to mitigate against the size criteria.

The impacts are anticipated to be felt differently across the sector. It is noticeable for example that associations operating in *London* are least likely to anticipate the size criteria leading to increased difficulty in rent collection (although a majority still believe this is likely).

Similarly, it is smaller associations, those operating in urban areas and those that predominantly accommodate single tenancies that are less likely to consider the introduction of size criteria to lead to increased difficulty in rent collection.

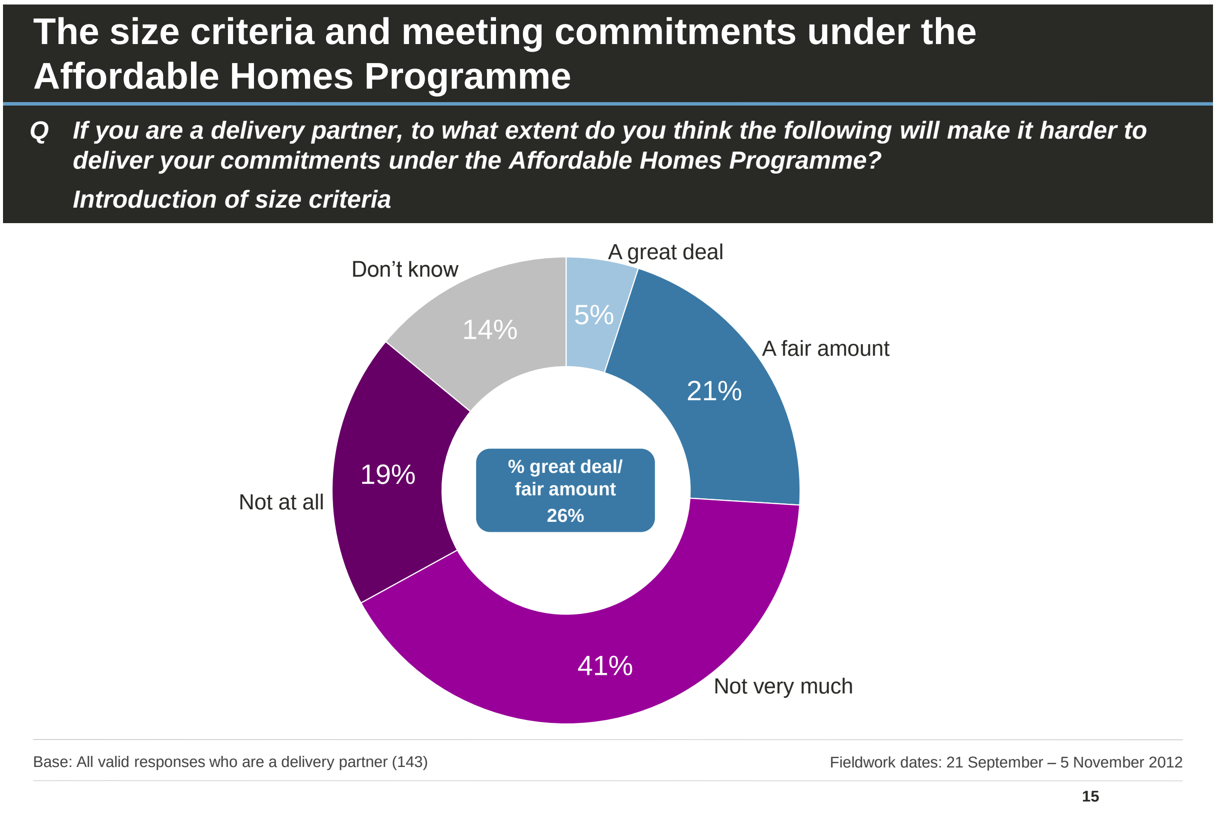
Chart 6.2: ***Perceptions of the potential impacts of the introduction of size criteria by sub-groups***



Likely effect of the size criteria on homes delivery programme

For those associations committed to developing new homes under the Affordable Homes Programme, three in five (61%) do not think the introduction of the size criteria will make it harder to deliver on its commitments. Nevertheless around a quarter (26%) of housing associations who have committed to developing new homes under the Affordable Homes Programme say they believe the size criteria will make it a great deal or a fair amount harder to deliver. In particular, it is those associations operating in the *North East* who expect this to have the greatest impact – 29% say it will be a great deal or fair amount harder to deliver compared with 14% of associations operating in *London*.

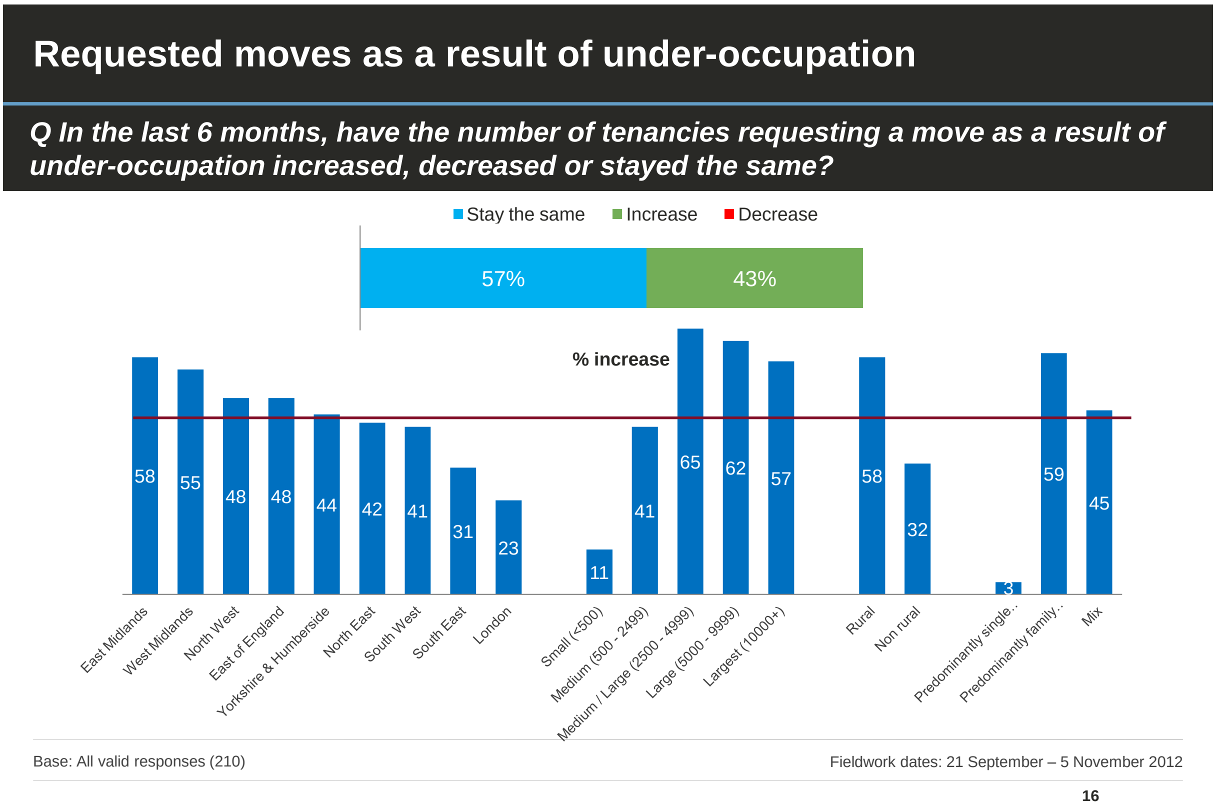
Chart 6.3: *The size criteria and meeting commitments under the Affordable Homes Programme*



Requested moves as a result of under-occupation

Even prior to the introduction of size criteria, more than two in five (43%) associations have reported they have seen an increase in requests for a transfer from under-occupying households in the last six months.

Chart 6.4: *Change in the level of requested moves as a result of under-occupation*



In particular, associations operating in the *East* and *West Midlands* are most likely to say they have seen an increase in requests for transfers from under-occupiers in the last six months (58% and 55% respectively). In contrast, in regions where the anticipated impacts of the size criteria are lower (like *London* and the *South East*) the stated incidence of an increase in transfer requests is much smaller – just 23% associations operating in London say they have seen an increase in the last six months.

Larger associations (with more than 2,500 stock), those operating in rural areas and those who predominantly accommodate family tenancies are all more likely to report an increase in the number of transfer requests in the last six months.

7. Potential impacts of the household benefit cap

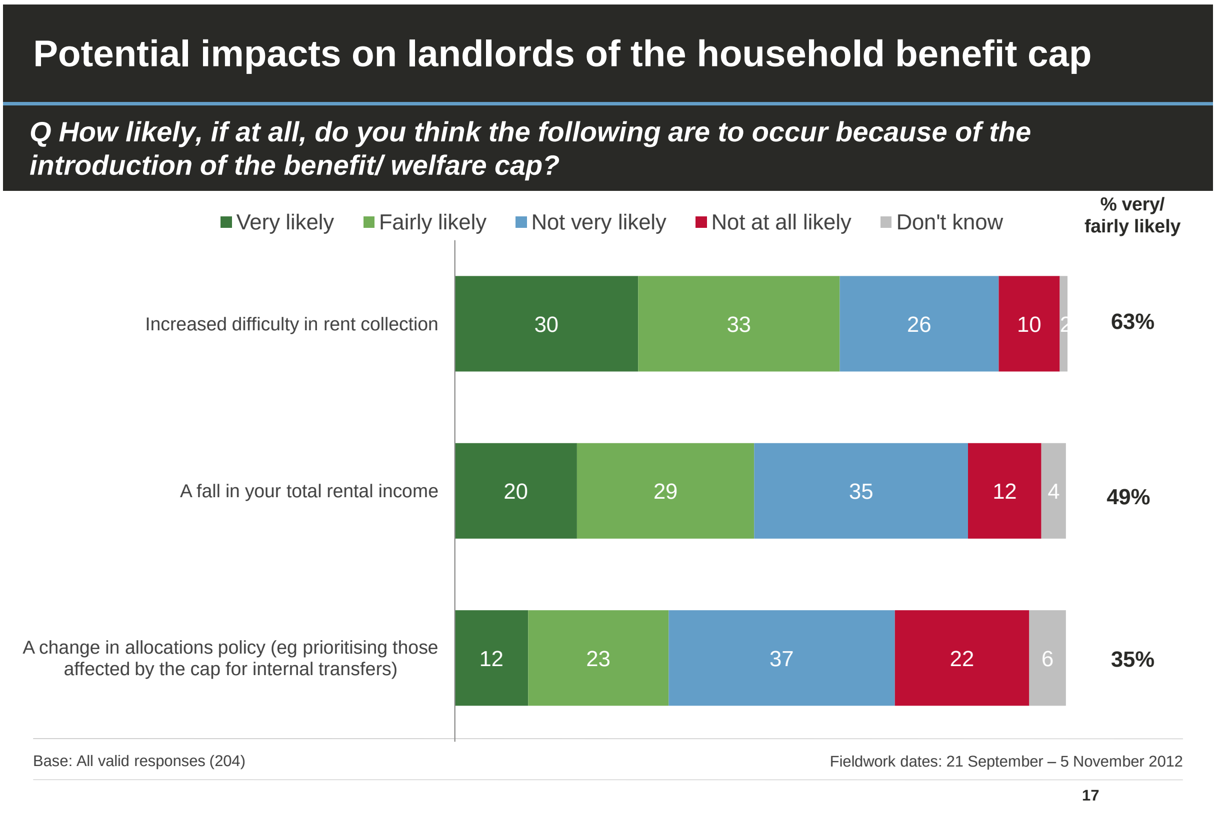
More than a quarter (27%) of associations believe they will be significantly affected by the introduction of the household benefit cap but this is more likely to affect larger associations and those operating in *London*, the South and *West Midlands*. In this chapter we consider perceptions of the likely potential impacts on associations from the introduction of the household benefit cap.

Likelihood of impacts arising from the household benefit cap

Nearly two-thirds (63%) of associations likely to be affected by the household benefit cap believe it will likely lead to increased difficulty collecting rent. Significantly, given the recent announcement that the household benefit cap is only to be introduced from April 2013 in four London Boroughs, more than seven in ten (71%) associations operating in London believe it is likely to result in increased difficulty collecting rent.

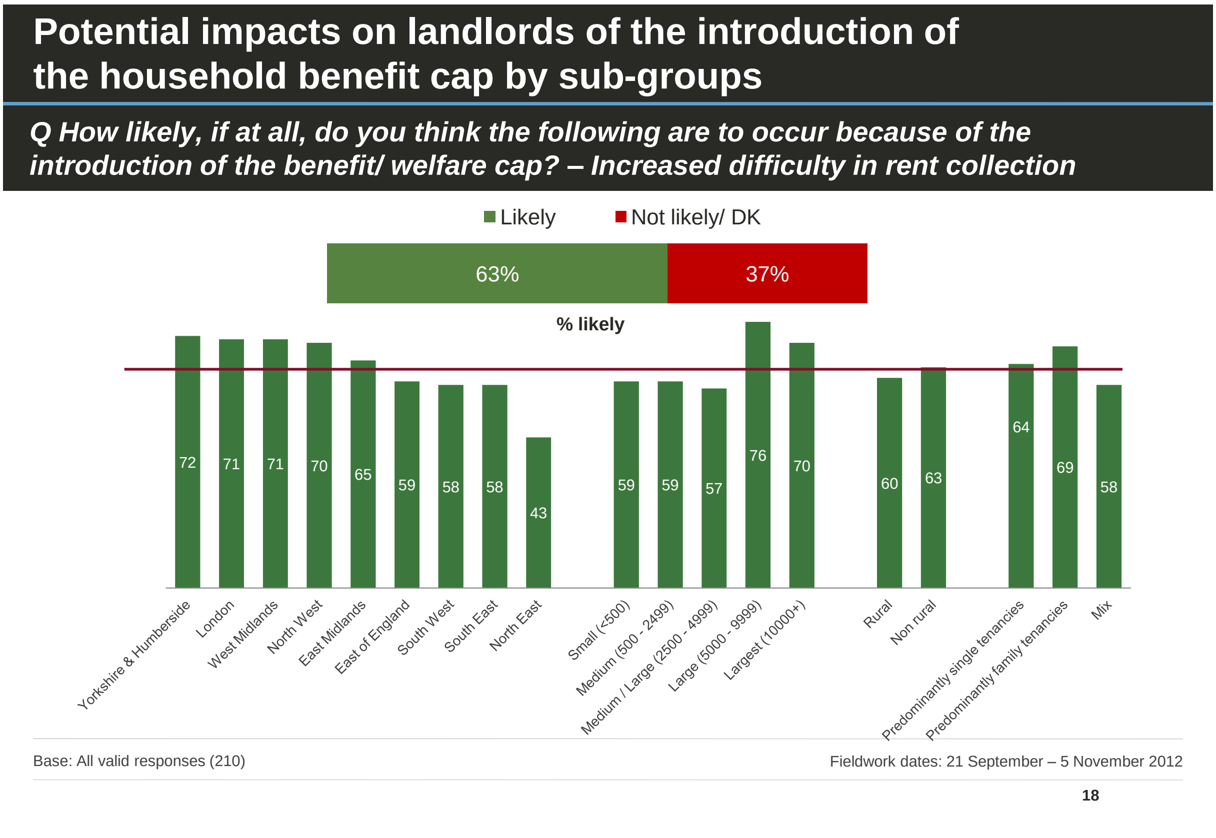
In contrast, just over a third of associations (35%) think the introduction of the cap will result in a change in allocations policy, for example by prioritising those affected by the cap for an internal transfer.

Chart 7.1: ***Perceptions of the potential impacts from the household benefit cap***



As noted above in relation to London, the anticipated impacts are expected to be felt to differing degrees across the sector. In addition to regional variations, results indicate that it is larger associations and those that predominantly accommodate family tenancies who are most likely to anticipate the introduction of the household benefit cap to lead to increased difficulty collecting rent.

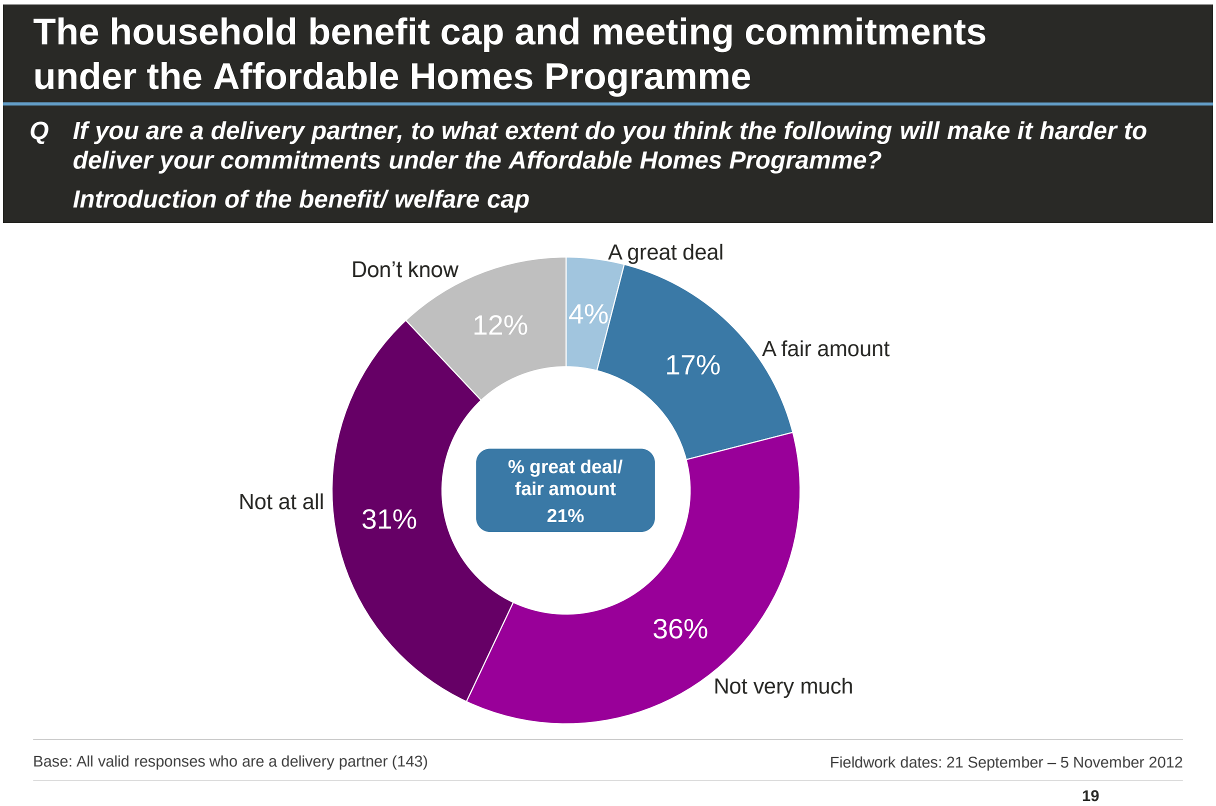
Chart 7.2: *Perceptions of the potential impacts from the household benefit cap by sub-groups*



Likely effect of the household benefit cap on homes delivery programme

For those associations committed to developing new homes under the Affordable Homes Programme, two-thirds do not think the introduction of the benefit cap will make it harder to deliver on its commitments. However, around a fifth (21%) of housing associations who have committed to developing new homes under the Affordable Homes Programme say the cap will make it a great deal or a fair amount harder to deliver.

Chart 7.3: ***The household benefit cap and meeting commitments under the Affordable Homes Programme***



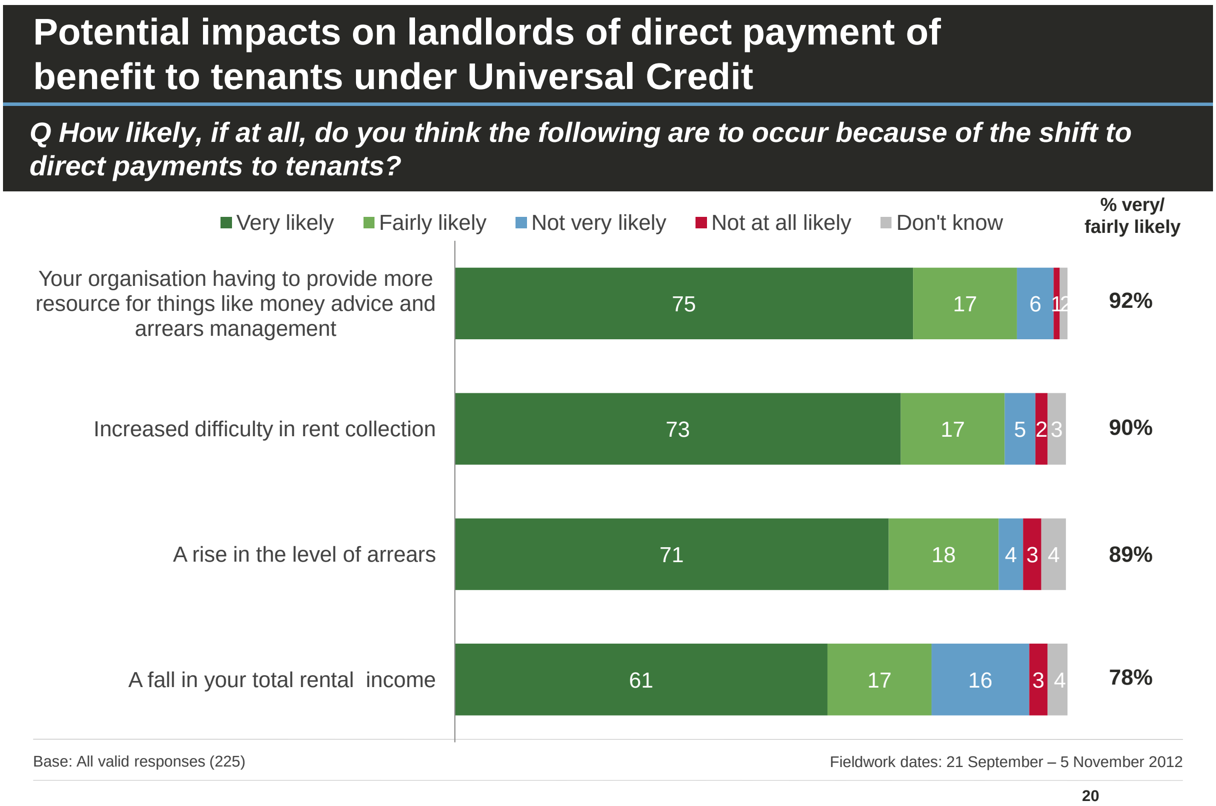
8. Potential impacts of direct payment of benefit to tenants

As part of the move towards Universal Credit, current existing out of work and in-work benefits for working age tenants will be replaced by a single benefit. The key changes for claimants currently receiving housing benefit are that payments will be made monthly and, in most cases, paid directly to the claimant rather than the landlord. As this will be applied by default to all tenants (excluding exceptions) when Universal Credit is introduced in certain areas from April 2013, it is no surprise to see that 81% of all associations believe they will be affected, a great deal or a fair amount. In this chapter we consider the perceptions of the likely potential impacts for associations as well as housing associations' views on the financial capability of their tenants and their preferred priority groups for exceptions from direct payments under Universal Credit.

Likelihood of impacts arising from the shift to direct payments to tenants

More than nine in ten associations (92%) believe that direct payments are likely to lead to more resources being needed for things like money advice and arrears management and 90% believe they are likely to face increased difficulty collecting rent. These are uniformly high across all regions with the proportion ranging from a low of 80% to a high of 100%. Fewer, but still a majority (78%) think the introduction of direct payments will result in a fall in rental income.

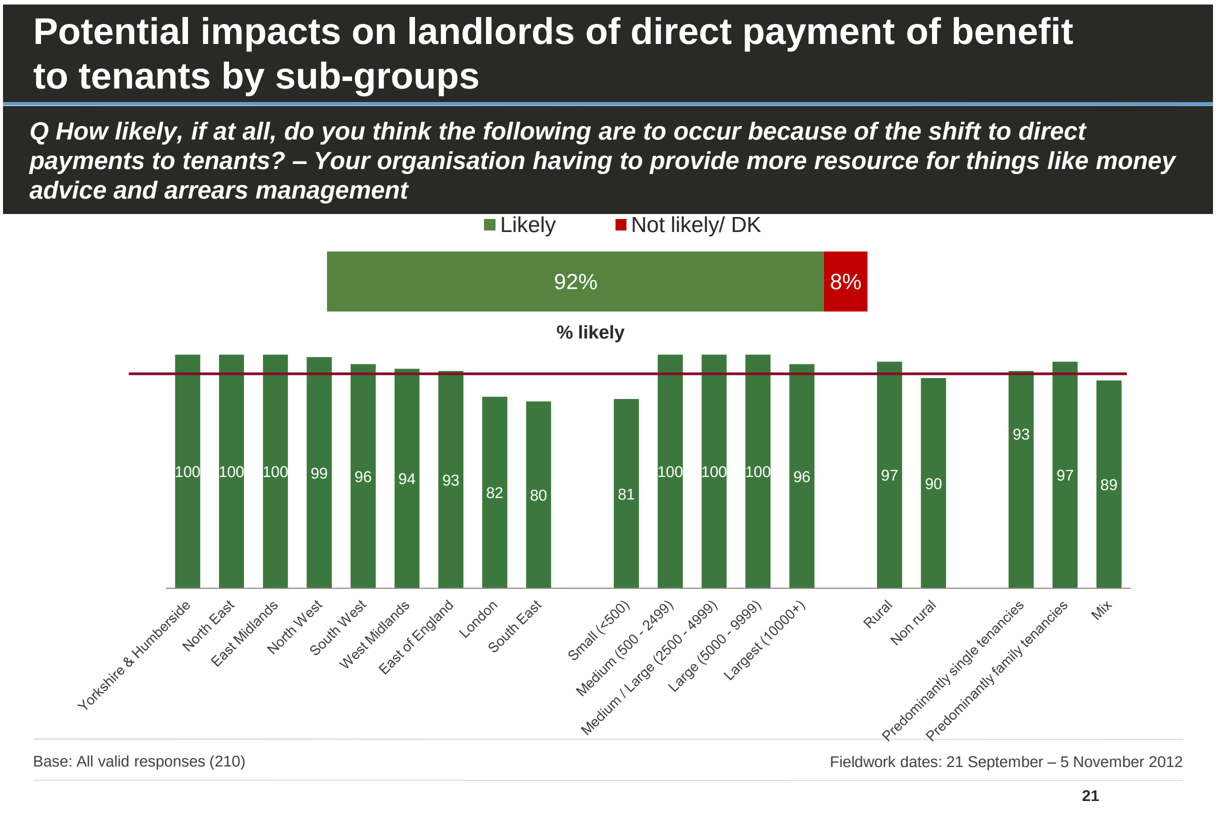
Chart 8.1: ***Perceptions of the potential impacts from the introduction of direct payments of benefit to tenants***



Again the anticipated impacts of direct payment to tenants are likely to be felt differently across the sector. But even in *London* and the *South East* where associations report the least impact, the majority still expect the introduction of direct payments to lead to provision of more resources for money advice and arrears management.

Medium and larger associations as well as those operating in rural areas and those that predominantly accommodate family tenancies are most likely to anticipate the introduction of direct payment to tenants to lead to provision of more resources for money advice and arrears management.

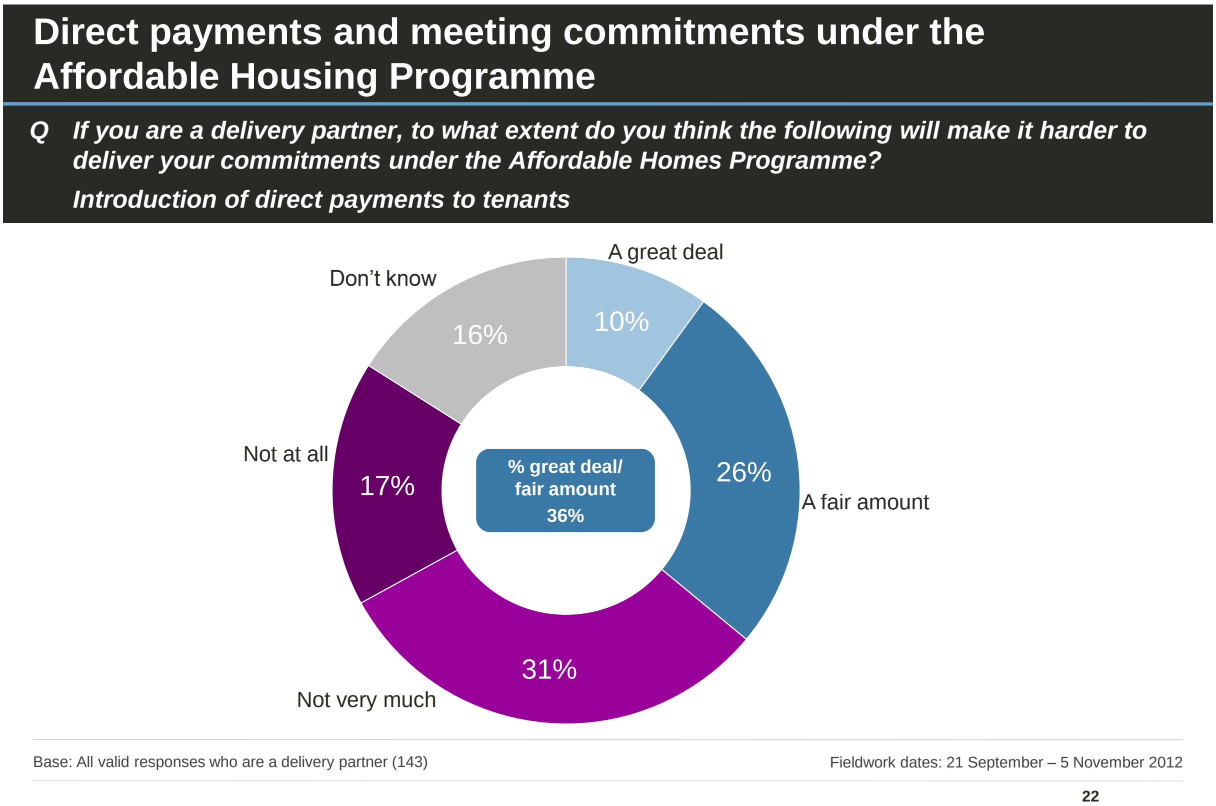
Chart 8.2: ***Perceptions of the potential impacts from the introduction of direct payments of benefit to tenants by sub-groups***



Likely effect of the introduction of direct payments on homes delivery programme

For those associations committed to developing new homes under the Affordable Homes Programme, slightly fewer than a half (48%) do not think the introduction of direct payments to tenants will make it harder to deliver on their commitments. However, more than a third of associations (36%) believe direct payments will make development of new homes under the Affordable Homes Programme either a great deal or a fair amount harder. Of the three welfare reform components, this is expected to have the biggest impact on the delivery of new homes.

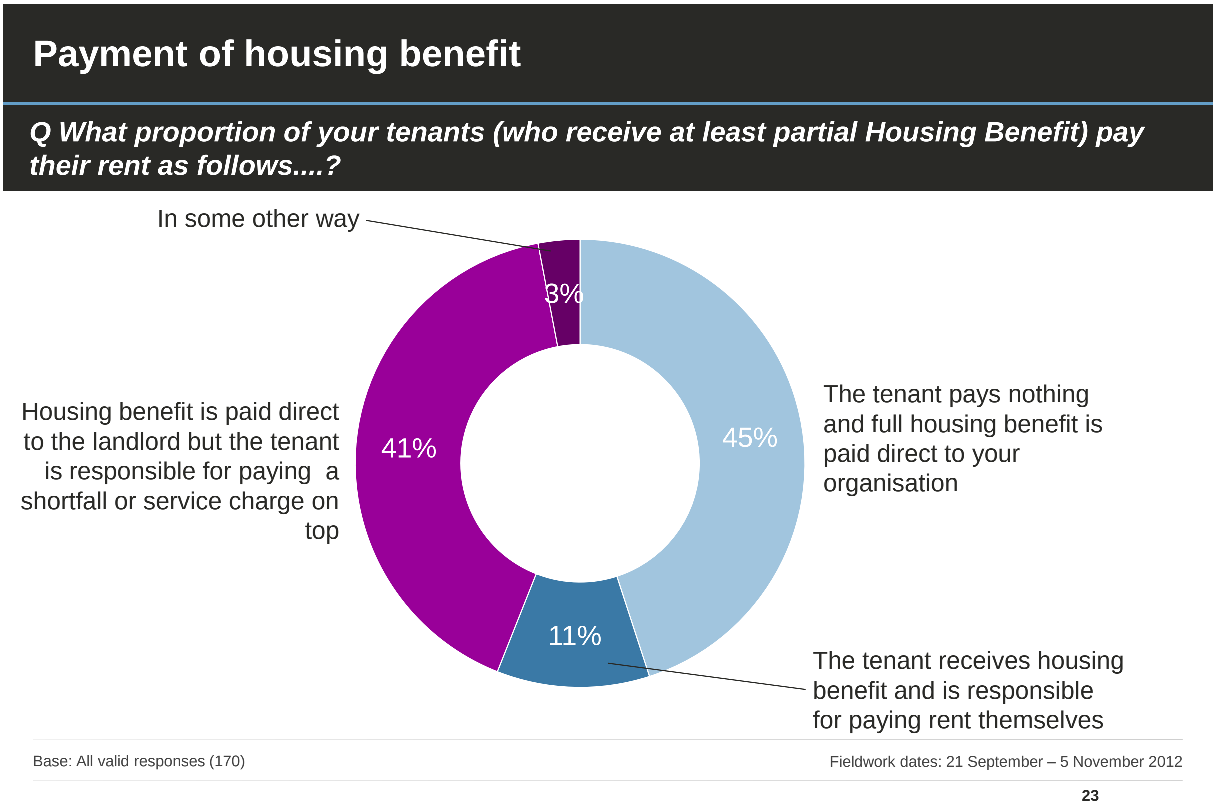
Chart 8.3: ***Direct payments and meeting commitments under the Affordable Homes Programme***



Perceptions tenants' capability to move to direct payments

With the exception of those tenants who are deemed too "vulnerable", all working age tenants will be expected to move to direct payments when Universal Credit is introduced from October 2013. Currently associations estimate that 11% of existing tenants on housing benefit (either full or partial) are currently being paid directly. Slightly less than half of those receiving housing benefit (45%) have all their housing costs paid directly to their landlord and a similar proportion (41%) have some form of responsibility for the payment of any shortfalls or service charge top-ups.

Chart 8.4: *Current payment method of housing benefit*



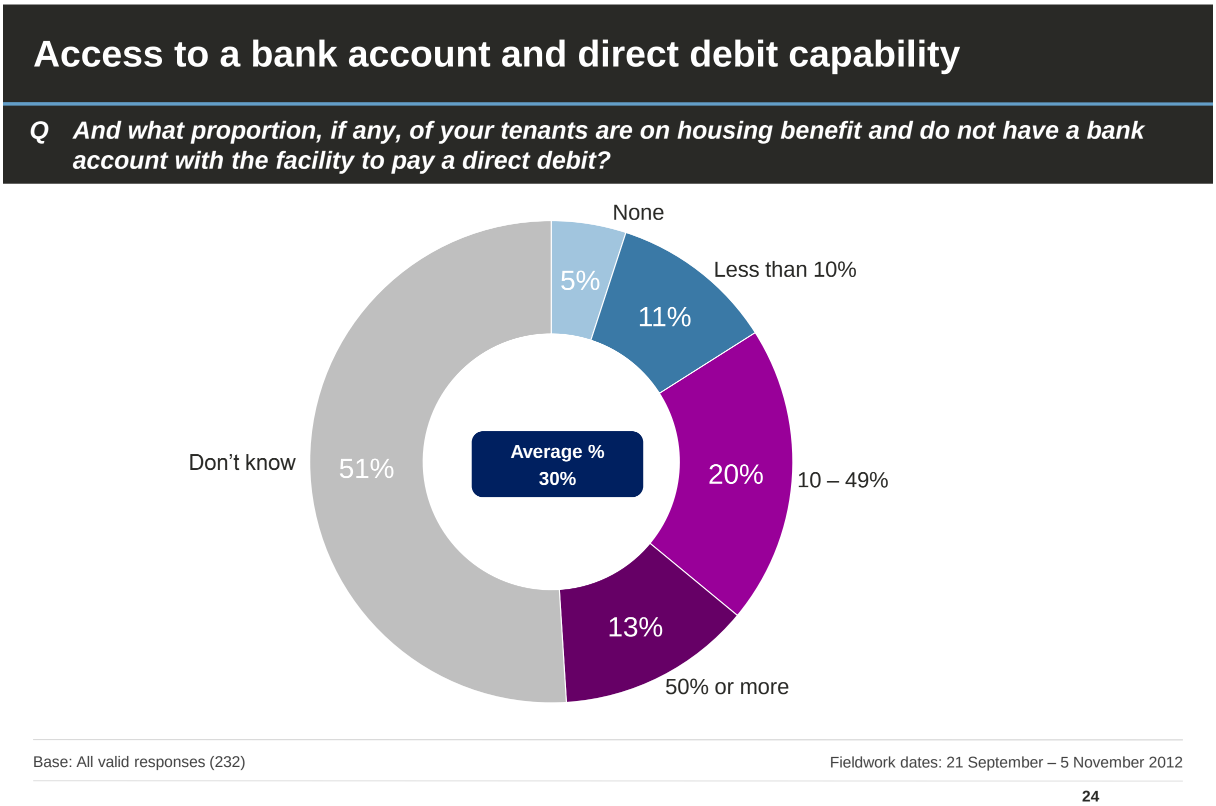
Further analysis of results by region mark those associations operating in *London* out as having the highest incidence of direct payment to tenants already in operation (19% compared to 11% overall). This may go some way to explaining why these associations are also less likely to say they will be significantly affected by the introduction of direct payments to tenants (as presented in chapter 5).

Access to bank account and direct debit capability

A key element in the successful roll out of Universal Credit will be the capability of tenants to receive and manage benefit payments directly. Integral to the process will be access to a bank account with direct debit capability. Currently, more than half of associations (51%) say they do not know how many of their tenants are on housing benefit and lack a bank account with direct debit facilities. Of those that do know, on average associations estimate that 30% of their existing tenants are on housing benefit and do not have access to a bank account and direct debit facilities.

Further analysis does, however, reveal considerable variability across the sector with the highest average proportion of tenants on housing benefit without access to a direct debit bank account seen among associations operating across the *West Midlands* (50%), smaller associations with less than 500 stock (35%) and those that predominantly accommodate single tenancies (53%).

Chart 8.5: *Proportion of tenants that are on housing benefit and do not have access to a bank account with direct debit capability*

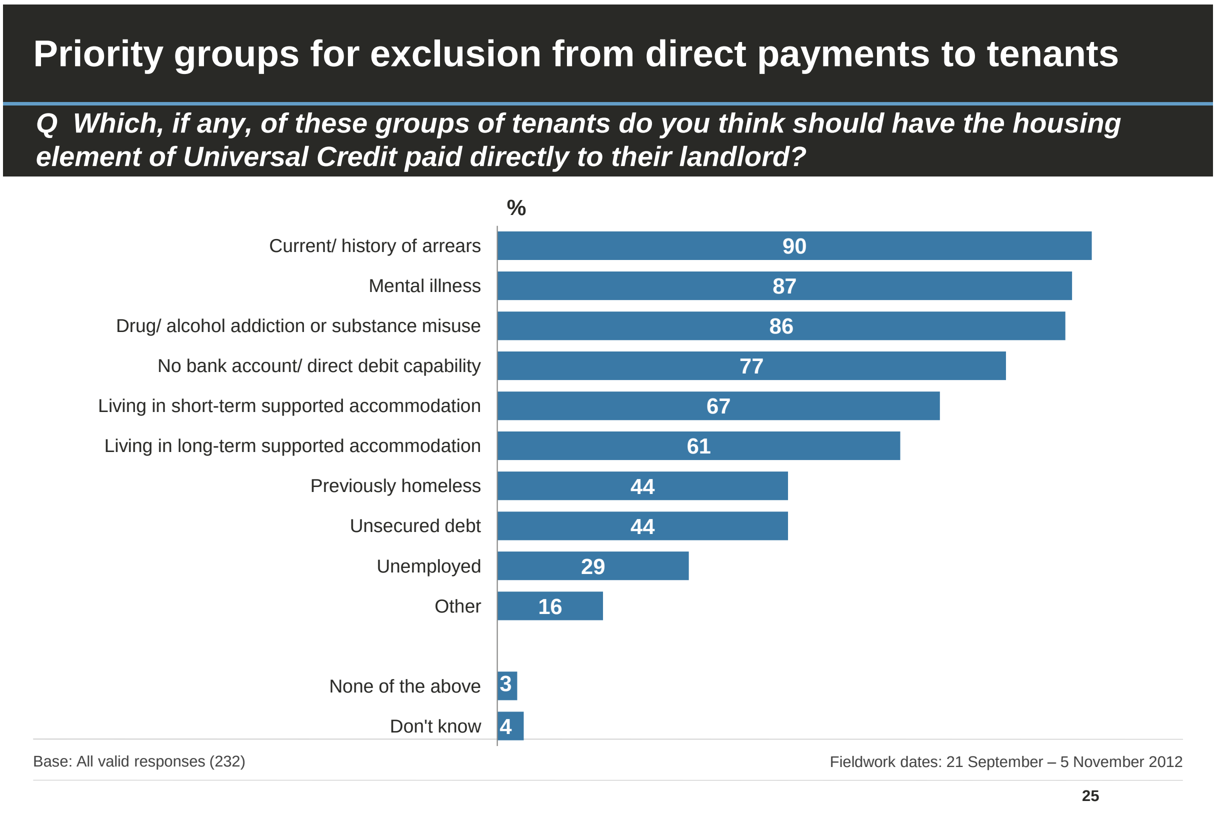


Priority groups for exclusion from direct payments

Associations were also asked to indicate which potential groups of tenants should be granted payment exceptions and have their benefits paid directly to their landlord. There is a clear consensus among the majority of associations (90%) that those currently, or with a history of arrears, should have the housing element of Universal Credit paid directly to their landlord. Nearly nine in ten (86%) associations also identified those with a mental illness and those with a drug or alcohol addiction as groups that should be exempt from direct payment to the tenant. There is also strong support for exceptions for those without a bank account or direct debit capability (77%).

There is greater variability for other tenant groups identified: around two-thirds of associations indicated those in short-term supported accommodation should be excluded from direct payments, just under half (44%) identified those who were previously homeless and three in ten (29%) identified those who are unemployed.

Chart 8.6: ***Priority groups of tenants who should be granted payment exceptions***



9. What housing associations are doing to prepare

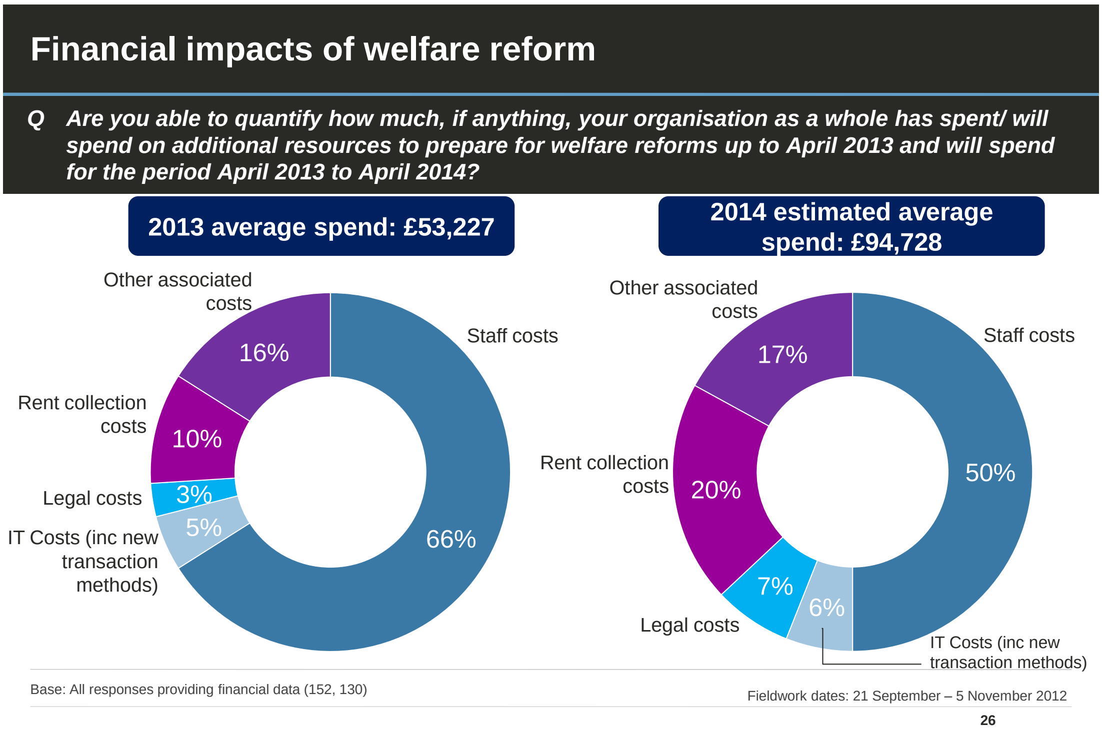
In this final chapter we assess some of the responses associations have already undertaken in preparation for the introduction of welfare reforms. Specifically we consider the additional costs already incurred and predicted as well as some of the changes associations are making or planning to make. The scope of the survey means the focus here is on extra investment as a measure of financial impact although it is recognised that the impacts are likely to be wider, for example, with resources being redirected away from other areas of spending. The chapter finishes with consideration of how associations perceive the risks and opportunities presented by the welfare reform changes.

Financial impacts of welfare reform

Housing associations expect to spend an average of around £53,000 up to April 2013 on additional resources in preparation for welfare reform. Around a quarter of associations (24%) say they will be spending nothing additional up to April 2013 – nearly three-quarters of which are made up of small associations with less than 500 stock. In contrast four percent of associations say they will be spending £200,000 or more extra in preparation for welfare reform up to April 2013 – nearly nine in ten (89%) of which are large associations with more than 5,000 stock. The maximum amount of extra spend up to April 2013 is estimated to be £1.53m.

The majority of the extra spend on additional resources is made up of staff costs – on average 66% is accounted for by staff costs. Rent collection and other associated costs account for 26% of the average additional spend and IT and legal costs account for the remaining 8%.

Chart 9.1: ***Assessment of current and future financial impacts of welfare reform***



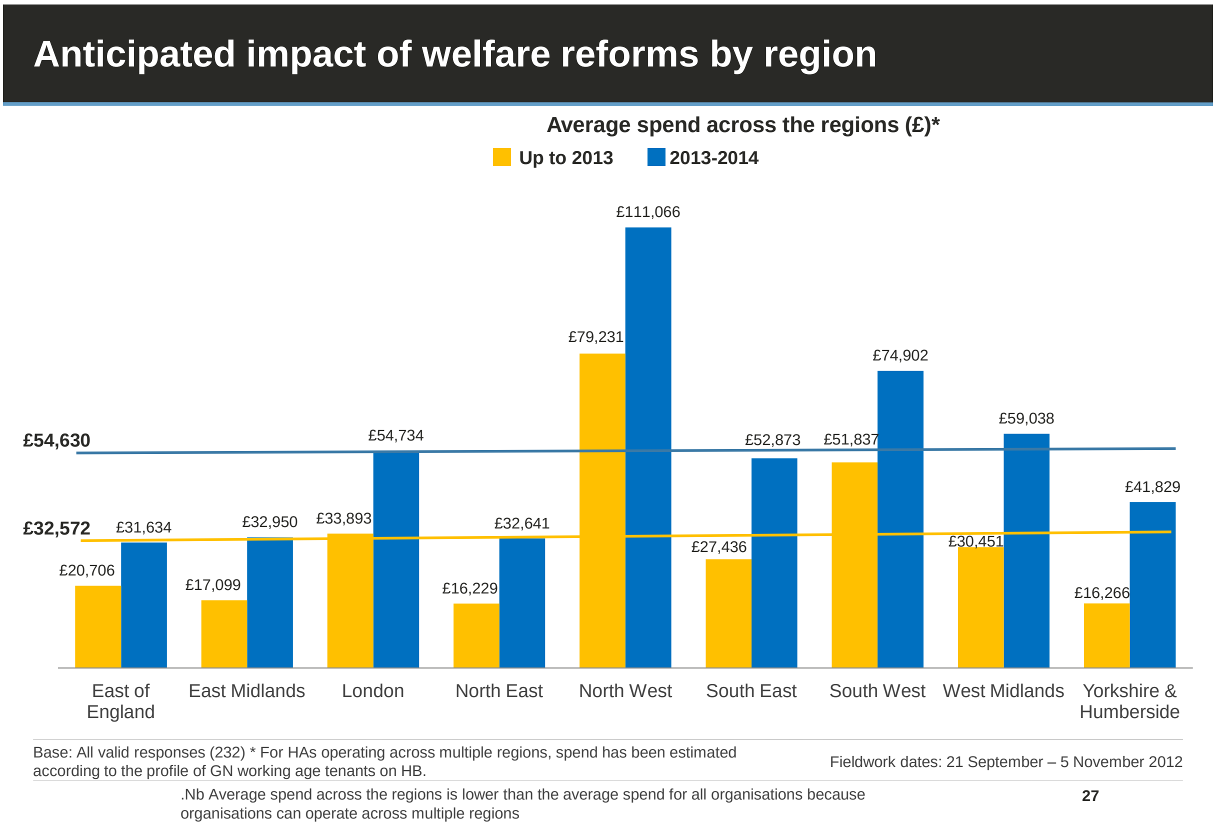
The estimated average extra spend on additional resources for the year ending April 2014 is nearly £95,000. Around one in five (22%) associations expect to spend nothing extra on additional resources to April 2014, whereas fewer than one in ten (6%) expect to spend an extra £200,000 or more. The maximum amount of additional spend to be incurred in the year to April 2014 is estimated to be £2.1m.

Again it is staff costs that account for most of the predicted extra spend (50%) but associations are also predicting significant increases in rent collection, and legal costs. Additional rent collection costs are predicted to double (from 10% up to April 2013 to 20% between 2013-14), as too are legal costs (rising from 3% to April 2013 to 7% in 2013-14).

Variations in additional spend

Further analysis by region[19] indicates some significant variations with the highest average additional spend up to April 2013 seen among associations operating in the *North West* (c£79,250) and to a lesser extent the *South West* (c£51,850) whereas those operating in the *North East* predict an average additional spend up to April 2013 of c£16,250. Longer term, between 2013-14, the pattern of additional spend is similar although it is associations operating in *Yorkshire & Humberside* that are predicting the biggest growth in additional spend - more than doubling from c£16,250 up to 2013 to c£41,850 between 2013-14.

Chart 9.2: *Anticipated financial impact of welfare reform by region*

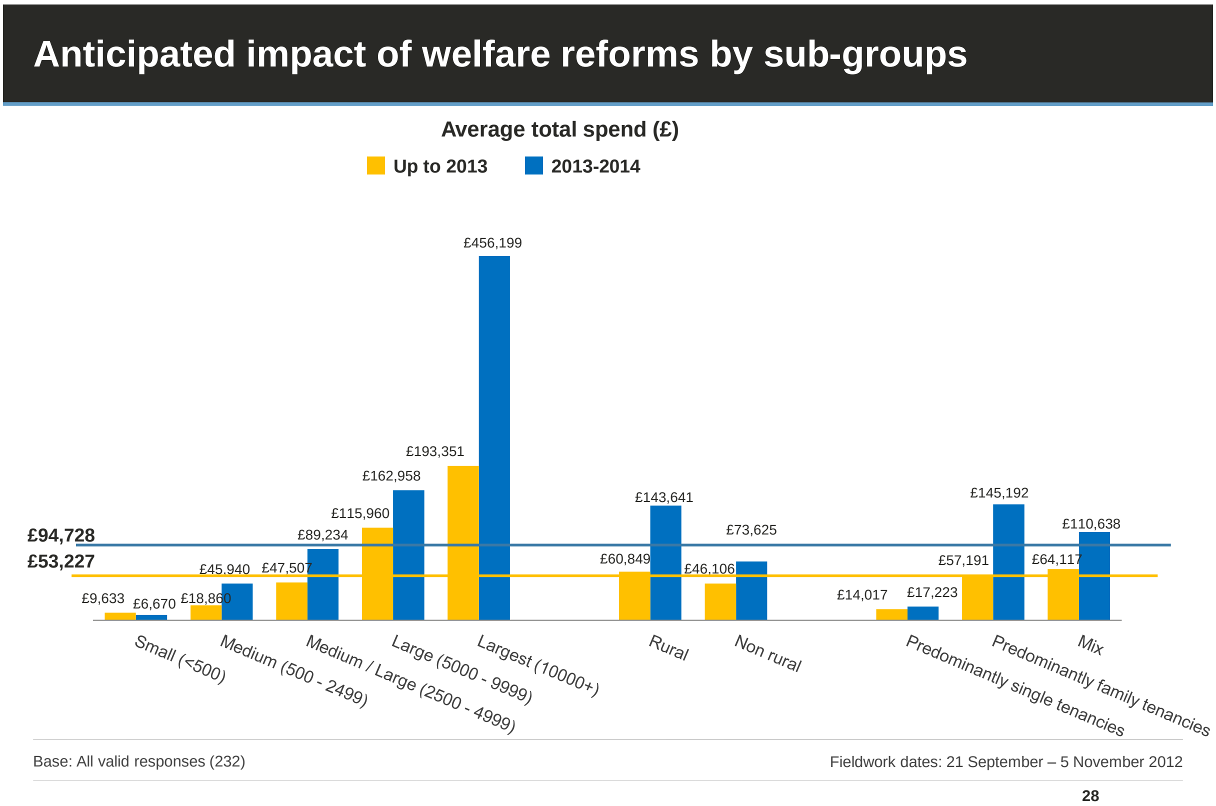


[19] The average spend across the regions differs to the overall average spend figures because they are based on a regional distribution of costs for each association depending on their areas of operation. For example an association spending £100,000 and operating across two regions might mean for example that £75,000 of costs are incurred across region 1 and £25,000 across region 2 depending on the distribution of the stock.

As is expected there appears a close relationship between the level of additional spend and size of organisation with the largest organisations expected to have the highest additional spend. For the largest associations, the average additional spend up to 2013 is around £193,000 which is expected to rise to just over £456,000 for the financial year 2013-14.

Results also suggest that associations operating in rural areas and those predominantly accommodating family tenancies are more likely to anticipate a higher amount of additional spend as a result of the welfare reforms.

Chart 9.3: ***Anticipated financial impact of welfare reform by size, location and tenancy type***



Preparing for changes

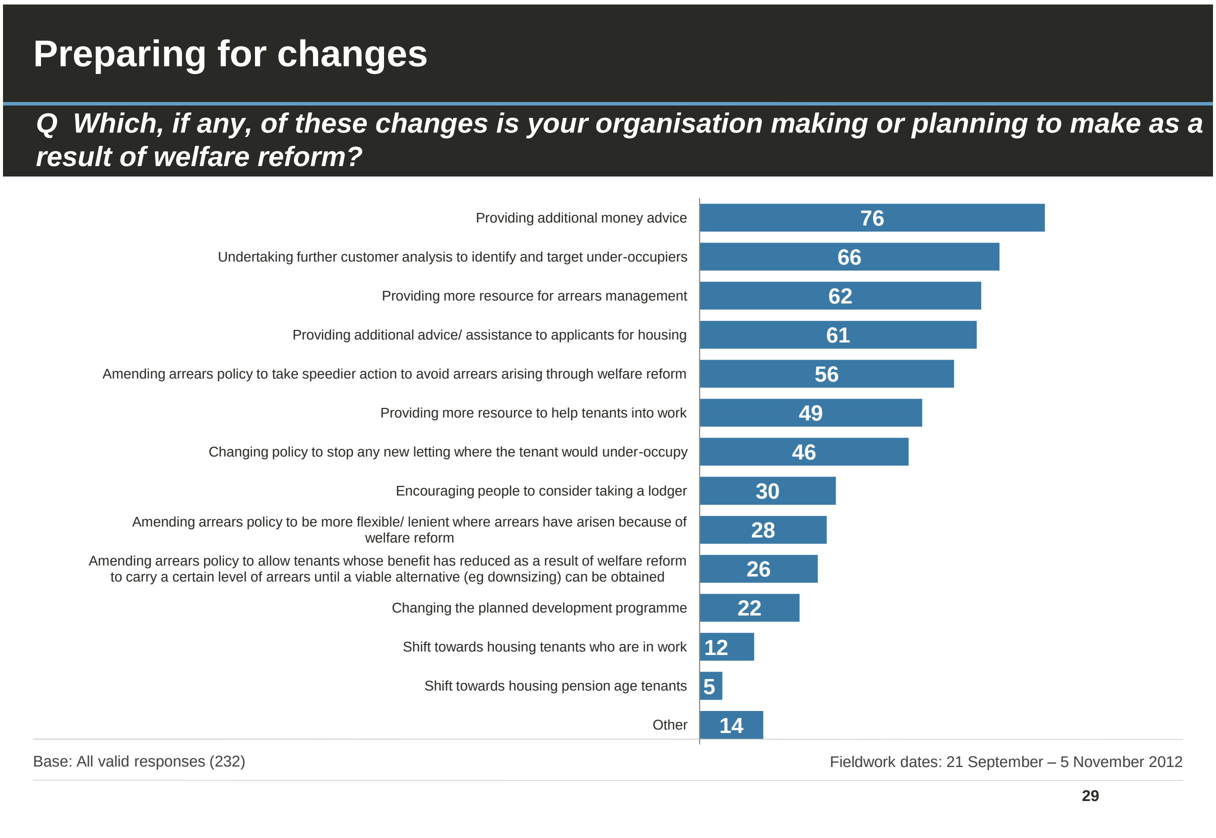
A significant majority of housing associations (76%) say they are providing or planning to provide additional money advice and 62% of associations say they will be providing more resources for arrears management. About half (49%) are considering investing additional resources to help tenants into work.

In anticipation of the introduction of size criteria, two in three associations plan to undertake further customer analysis to identify and target under-occupiers. However just three in ten plan to encourage tenants to consider taking a lodger as a policy response.

Nevertheless, a majority of associations indicated they would be changing their policies on various aspects of housing management in response to welfare reform. Just under half (46%) plan to stop new lettings to tenants who would be under-occupying and 56% plan to take speedier action to avoid arrears arising. Further, only a minority of associations (28%) plan to be more flexible or lenient where arrears have arisen because of welfare reform.

In terms of strategic responses, around a fifth (22%) of associations expect to change their planned development programme while just 12% plan to shift their allocations policy to prioritise tenants who are in work. One in twenty associations say they are planning to shift their allocations policy to favour older tenants who are exempt from welfare reform changes.

Chart 9.4: *Preparations for changes arising from welfare reform*

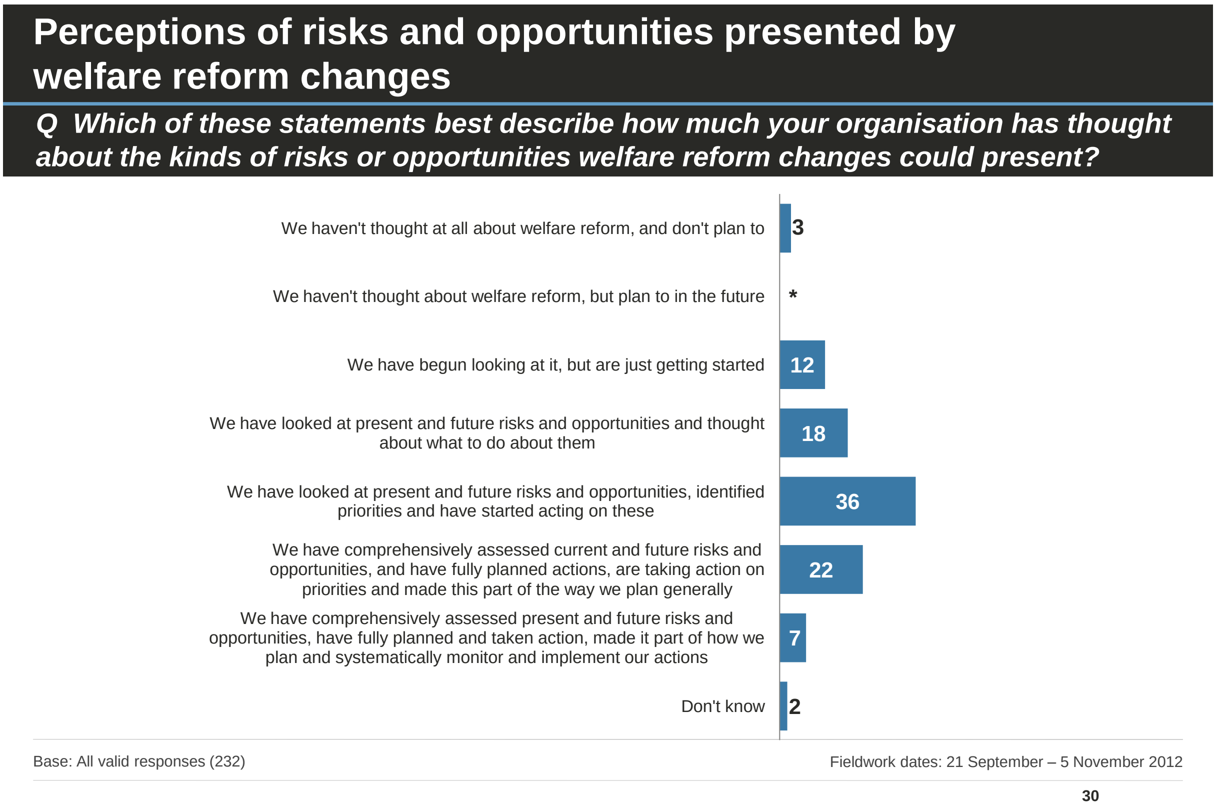


Perceptions of risk and opportunities presented by welfare reform

Associations were asked to consider the extent to which their organisation has thought about the risks and opportunities presented by welfare reform. More than a third (36%) of associations say they have looked at present and future risks and opportunities, identified priorities and have started acting on these. A further 22% say they have comprehensively assessed the risks and opportunities, have fully planned actions and have made taking action on its priorities part of its general planning.

In contrast, 12% have begun looking, but are just getting started. Only three percent say they have not thought at all about welfare reform and did not plan to.

Chart 9.5: ***Perceptions of risks and opportunities presented by welfare reform changes***



Further analysis highlights some particular variations in response across the regions. Those associations operating in *Yorkshire & Humberside* are more likely to have identified priorities and started to act upon them (62% of associations compared to 36% overall) whereas those operating in the *North West* are more likely to have fully planned actions which are being incorporated into the way they plan generally (39% compared to 22% overall).

Appendices

Appendix 1: Technical information

In Autumn 2012, all Federation member housing associations in England were invited by Ipsos MORI to complete an online survey about the likely impacts of the Government's welfare reforms both on their organisations and their tenants.

A total of 781 organisations were invited to complete the survey with invitations sent to Chief Executives on 21st September 2012. In addition to a link to the survey, the invitation also included a printable version of the questionnaire in anticipation that some responses would require the input of particular business areas within each organisation. To meet the requirements of the Data Protection Act, the introduction to the survey stated the purpose for which the data was being collected and the confidentiality assured to respondents.

The fieldwork period lasted for six weeks and during this time four reminders were issued to those organisations that had either not started or had not submitted their survey responses.

Fieldwork closed on 5th November 2012 and, in total, 229 responses were received. A further three responses were received after the submission deadline (completed in hardcopy format) which were also included within the final dataset.

A total of 232 organisations submitted a completed questionnaire, which after taking account of non-effective email addresses (a total of 44 email addresses were invalid, of which 15 were corrected), gives an adjusted response rate of 31%.

Table A1.1: Online survey response rate

Sample	Response
1. Total email invites	781
2. Non-effective email address	44
3. Rectified email addresses	15
4. Completed responses	232
Adjusted response rate (4/ (1-(2-3))	**31%**

The questionnaire

The questionnaire was designed to collect a range of organisational and perception based information about member housing associations. This included details such as the overall number of working age tenants on housing benefit among their general needs rented stock, levels of under-occupation and arrears as well as a breakdown by the regions in which they operate. The perception based measures were designed to collect information on specific elements of welfare reform covering the size criteria, household benefit cap and direct payment of benefit to tenants under Universal Credit.

Weighting

After fieldwork was completed, the profile of organisations who took part in the survey was compared with the national profile of general needs stock owned and managed by region using the latest available Statistical Data Return for 2012. The analysis shows that the sample of members invited to take part in the survey closely matches the national profile although over-represents associations operating in London. The response profile to the survey similarly overrepresented general needs stock in London and to a lesser extent in the South East, and underrepresented stock in the North East and Yorkshire & Humberside.

Table A1.2: Regional profiles of General Needs stock nationally and for the survey sample and responses

Region	National profile		Sample profile		Response profile	
	No	%	No	%	No	%
East of England	189,785	10%	169,246	10%	84,401	10%
East Midlands	91,811	5%	86,706	5%	37,741	4%
London	295,358	16%	339,887	20%	243,093	28%
North East	126,543	7%	86,039	5%	32,456	4%
North West	392,572	21%	357,838	22%	168,868	19%
South East	252,428	14%	222,072	13%	142,875	16%
South West	163,386	9%	137,839	8%	77,373	9%
West Midlands	192,841	10%	151,070	9%	60,422	7%
Yorkshire & Humberside	147,035	8%	111,603	7%	27,995	3%
TOTAL	**1,851,759**	**100%**	**1,662,297**	**100%**	**875,223**	**100%**

To correct for this imbalance, survey data has been weighted to the national profile of general needs stock by region. Data has also been weighted to correct for an apparent under representation of smaller housing associations. A profile of smaller associations was derived using a combination of survey data and SDR data supplied with the sample. Based on the combination of these sources, it is estimated that smaller associations account for around 43% of member associations.

The effect of the weighting is shown in the tables below comparing unweighted and weighted results for the key weighting variables.

Table A1.3: Weighted and unweighted regional profile of General Needs stock for survey responses

Region	Unweighted	Weighted
	%	%
East of England	8.6%	10.1%
East Midlands	4.8%	5.0%
London	24.7%	16.0%
North East	4.3%	6.7%
North West	19.5%	21.2%
South East	17.3%	13.7%
South West	9.9%	8.8%
West Midlands	7.6%	10.5%
Yorkshire & Humberside	3.4%	8.0%
TOTAL	**100.0%**	**100.0%**

Table A1.4: Weighted and unweighted profile by size of organisation

Size band	Unweighted	Weighted
	%	%
Small (<500)	27.2%	43.3%
Medium (500 - 2499)	19.0%	14.9%
Medium/large (2500 - 4999)	18.5%	17.2%
Large (5000 - 9999)	21.1%	14.6%
Largest (10000+)	14.2%	10.0%
TOTAL	**100.0%**	**100.0%**

Statistical reliability

The organisations that took part in the survey are only a sample of the total "population" of organisations, so we cannot be certain that the figures obtained are exactly those we would have if everybody had responded (the "true" values). We can, however, predict the variation between the sample results and the "true" values from knowledge of the size of the samples on which the results are based and the number of times a particular answer is given. The confidence with which we can make this prediction is usually chosen to be 95% - that is, the chances are 95 in 100 that the "true" value will fall within a specified range. The table below illustrates the predicted ranges for different sample sizes and percentage results at the "95% confidence interval" based on a population of 800 organisations. It is also important to note that the use of weighted data can impact on the effective size of the sample (both up and down) and consequently on the sample tolerances achieved.

Size of sample on which survey result is based	**Approximate sampling tolerances applicable to percentages at or near these levels**		
	10% or 90%	30% or 70%	50%
	±	±	±
100 responses	5.5	8.4	9.2
150 responses	4.3	6.6	7.2
200 responses	3.6	5.5	6.0
230 responses	3.3	5.0	5.5

For example, with a sample size of 230 where 30% give a particular answer, the chances are, 19 in 20, the "true" value (which would have been obtained if the whole population had been interviewed) will fall within the range of ±3.3 percentage points from the survey result (i.e. between 26.7% and 33.3%).

When results are compared between separate groups within a sample, different results may be obtained. The difference may be "real," or it may occur by chance (because not everyone in the population has been surveyed). To test if the difference is a real one - i.e. if it is "statistically significant", we again have to know the size of the samples, the percentage giving a certain answer and the degree of confidence chosen. If we assume "95% confidence interval", the differences between the results of two separate groups must be greater than the values given in the table below. In some cases in this report differences are reported between the results by region and size of association which, because of reduced sample sizes responding to each question, are indicative and not necessarily statistically significant.

Size of samples compared	**Differences required for significance at or near these percentage levels**		
	10% or 90%	30% or 70%	50%
	±	±	±
50 and 50	11.5	17.6	19.2
100 and 100	7.8	11.9	13.0
150 and 75	7.8	12.0	13.0

Appendix 2: References

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