

Cambridge Centre
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Planning Research

Intended and unintended consequences?

A case study survey of housing
associations and welfare reforms

Peter Williams, Anna Clarke and Christine Whitehead

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**UNIVERSITY OF
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Executive summary

- This report is based on 15 housing association case study interviews carried out in the months of December 2012 and January 2013. No association or individual is identified.
- All the case study associations expect the main impact of welfare reform to be rising rent arrears. Housing associations (HAs) are assuming a significant hit on their income and are altering their business plans to increase their bad debt provision to between twice and three times current levels.
- There is a high degree of uncertainty and unpredictability as to how tenants will respond to the shortfall of housing benefit caused by the size criteria and to managing their rent payments themselves under Universal Credit.
- There are general uncertainties because so many elements of welfare reform are taking place over the same period and there are concerns about the cumulative impact of these changes.
- Organisations are looking to streamline their operations and to prioritise and focus their resources on rent collections and tenancy support. Some may step back from their wider community support programmes. Others are setting up charitable funds.
- It is quite clear associations are striving to ensure both they and their tenants work through this situation as best they can but there will be increased costs and real victims. Much turns on how the programme of welfare reform unfolds and what adjustments are made in the process.

Size criteria

- The size criteria (or 'Bedroom Tax'), which comes into force in April 2013, is the most immediate concern to all the associations interviewed regardless of size or area. Overall a substantial proportion of most associations' stock will be affected.
- Generally it is the greatest concern to organisations in the north of England, where there are higher rates of under-occupation and a history of building predominantly larger homes and demolishing smaller homes as part of regeneration schemes to provide more sustainable housing.
- Associations concurred with the Government's view that the large majority of affected households were likely to stay put, and see their housing benefit reduced.
- Landlords hope that discretionary housing payments will cover the shortfall for disabled people who are under-occupying properties that have been adapted for their needs, but are uncertain whether such awards will be sufficiently long-term.
- Some associations have already seen evidence of under-occupiers moving to smaller properties in the private rented sector, sometimes resulting in an increased housing benefit claim. This was seen as likely to be a growing trend especially among smaller households and in the north.
- Associations including those that work across many local authorities are struggling to get the data they need to know who will be affected by the size criteria.

Universal Credit

- Any enthusiasm for the simplification and work incentives offered by Universal Credit is outweighed by major concern around plans to make most payments direct to tenants, rather than directly to landlords as most tenants currently choose.
- The big concern is the uncertainty over whether tenants will prioritise their rent, or whether hard-pressed households, struggling with other elements of welfare reform (such as cuts to disability benefits, the size criteria and cuts to council tax support) will sometimes fail to pay the rent. Associations are concerned that a significant minority of their tenants who claim housing benefit will not pay rent regularly and will build up arrears.
- There are real concerns that the evidence from the direct payment demonstration projects shows that tenants require a great deal of individual support to manage their finances and pay their rent. The threat to both rental incomes and to costs could be very significant.
- The lack of clarity over which tenants will be considered vulnerable – and continue to have their benefits paid direct to the landlord – is also causing considerable uncertainty and is in effect raising the level of financial risk to which associations are exposed.
- There were also concerns expressed around the expectation that Universal Credit claims will be made online because a substantial proportion of tenants are still unable to access the internet at home or are unfamiliar with online systems for managing money.

Other welfare changes

- Associations are concerned that reductions to support for council tax will put further strain on tenants' incomes, given the strain on household budgets.
- Associations are also very concerned about the ending of the Social Fund in its current form, and of the impact on vulnerable new tenants who, subject to the local policy in place, may no longer be able to receive grants or loans to help them obtain basic items (such as cookers and beds) for their new home.
- While the impact of the household benefit cap on affected families will be substantial, this was the least significant measure for most housing associations at this stage because of the lower number of households affected.

Responding to welfare reform

- Almost all case study associations are increasing funding for support workers to help tenants claim the benefits to which they are entitled, to understand the reforms, to budget and to access work and training. Options were seen as more limited in the north because of continued cutbacks in local authority funding and the economic environment.
- Some associations, especially those who concentrate on supported housing, had strong individual relationships with their tenants. Others were moving to a much more structured responsive mode attempting to identify problems very early on. Larger associations were perhaps tending to be more formulaic.

- Associations with stock dispersed across a number of local authority areas are finding sharing data with councils to be complicated, because of the different formats of data used and because of questions over the quality of some data.
- Most associations have decided that enabling their tenants to set up direct debits was the best way to ensure that rents were paid under Universal Credit. There were however concerns about what happens when benefit payments are delayed.
- All the case study organisations were aware that they would need to evict tenants who failed to pay their rent, and all stated that they would do so. Associations are looking to take a greater role in supporting tenants to pay their rent, but are aware that they will also need a robust and enforced policy of evicting tenants who still fail to pay.

Impact on policy and strategy

- Most took the view that it was no longer appropriate to house tenants in a home they would be under-occupying (by DWP criteria), if this could be avoided, even if they could grow into it.
- In terms of future allocations of social housing, some associations might consider moving away from taking tenants on welfare. One organisation has revised its allocations policy to give priority to working households. It is hoping in the long term to reduce the proportion of tenants on housing benefit from around two thirds to a half.

Impact on the development of new homes

- None of the associations interviewed saw any problem in raising private finance and generally saw little effect at present on their borrowing arrangements.
- Future development of new homes was most likely to take the hit from having to make allowance for the costs of welfare reform or from a change in strategy by the HA based on other factors as well as welfare reform.
- Some associations are looking to change the mix of new housing to be built, for example, by developing smaller homes in order to meet the changing demand arising from the size criteria, and avoiding housing larger families who would be affected by the household benefit cap and be unable to pay their rent. Clearly this has implications especially for some BME associations.
- There was a general feeling that organisations can live with welfare reform but they cannot do that and self-finance any larger development programme. There was also particular concern, especially among larger associations, about how costs might grow over time.

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1. Introduction

1. The National Housing Federation has sponsored a programme of research on the impact of welfare reform on housing associations and their tenants. The work is being undertaken by Ipsos MORI (IM) and the University of Cambridge Centre for Housing and Planning Research (CCHPR). An initial baseline report by IM and CCHPR was published in January 2013 ¹ and as a follow up to that work CCHPR has been undertaking a number of case study interviews with housing associations. The objective was to provide a more rounded and in-depth commentary on the impacts to build on the initial results of the baseline report. A further report, focusing on tenants, will be published shortly.

2. In total 15 case study associations were interviewed. They varied in size of organisation, regional spread from national to local and type of organisation (whether traditional, stock transfer or specialist) (for details see Appendix). The intention is to re-interview a number of these associations later in 2013 to gauge how welfare reform is working out in practice.

3. The paper is organised around three themes; first an overview of the broad impacts of the major components of the welfare reform programme; second the direct impact upon tenants and third the impact upon broad strategy and policy. The paper ends with a series of conclusions.

2. Summary of welfare reforms

4. The Welfare Reform Act introduces the following reforms that will affect social housing tenants:

- **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.
- The **household benefit cap** – imposing a limit to benefit claims for out of work, working age households.
- **Universal Credit** – introducing a single monthly integrated benefit for working age households, both in and out of work, paid direct to claimants.
- Changes and cuts to support for **Council Tax**, devolving power to local authorities to design and administer this benefit.

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

- The **deductions in housing benefit** made for tenants whose household includes adult members other than their partner (**non-dependants**) have been increased.
- **Benefits for sick and disabled people** have been reformed with the introduction of Employment Support Allowance to replace Incapacity Benefit.

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<http://www.cchpr.landecon.cam.ac.uk/Downloads/Impact%20of%20welfare%20reform%20on%20housing%20associations%20-%20IPSOS%20MORI%20report-1.pdf>

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

3. Welfare reform measures – differential impacts

(i) Overall

7. All the case studies expected the main impact to be on increasing rent arrears and bad debts, though the extent of concern varied greatly and there was a high degree of uncertainty as to how tenants would respond in particular to the shortfall of housing benefit (HB) caused by the size criteria and to managing their rent payments themselves under Universal Credit (UC).

8. Broadly speaking, housing associations (HAs) were altering their business plans to increase their bad debt provision to between twice and three times current levels. The evidence base for these estimates varied greatly – some detailed modelling but also peer group attitudes and hunches. Associations varied considerably in terms of their up to date knowledge of their customer base. Much of their work was based on modelling worst case scenarios, but the extent to which these would be realised depends on tenants' behaviour which is harder to predict. Most of the work was at an association level (even where there had been extensive research and modelling) and there had been only limited analysis on regional differences. One association had identified what it saw as its higher risk areas and was focussing its resources there.

9. Most had carried out financial analysis of the potential loss from the size criteria, the so called 'bedroom tax', but the potential impact of Universal Credit was much harder to predict. In addition, they had allowed additional costs for example for evictions, for bank transfers of rent payments that would in the future need to be taken from each tenant individually (rather than just one payment direct from the DWP), for the cost of securing direct payments to the landlord and for the on-going monitoring of the situation. The calculated increased costs were then factored into business plans.

10. In addition there were additional support costs associated with helping tenants to adjust to the reforms and to pay their rent. These varied substantially between associations, even allowing for the different size of their tenant population and quite striking variations in terms of numbers of tenants on full benefit and of working age. They were hard to quantify as much of the work supporting tenants to cope with welfare reform was being carried out by staff already employed to give money advice, ensure benefits were maximised and help tenants to find work.

11. All were taking action to address the issues and help tenants pay their rent. Some, especially those who have had significant problems with rent arrears in the past (in one case as a consequence of a merger and the other pressures that generated,) felt that they have bad debts reasonably under control and reckoned to be able to mitigate effectively (see below). Others are concerned that there are aspects they cannot mitigate (for instance, they needed to continue allocating properties to households who would be under-occupying from the outset in lower demand areas and where there were few smaller properties). Others see the problems building, particularly because of the 1% per annum limit on benefit increases.

Risks

12. There were general uncertainties because this is new territory, and because so many elements of welfare reform are all taking place over the same time period. There are particular concerns about the unpredictability of tenant responses. Some HAs were broadly positive as their latest analysis had

suggested that the impact on bad debt may not be as bad as they had initially expected – one thought that evidence on arrears in affordable rent tenancies seems surprisingly positive. But others are concerned that there may be additional unexpected costs. Both larger and more forward looking associations were especially worried by the 1% cap on increases to some working age benefits over the next three years. Most were expecting further unpredicted policy changes. One association thought that they were probably massively underestimating legal costs associated with evictions (typically estimated at around £4,000).

13. One other area raised by several HAs was the reputational risk with respect to evictions – all were working on the basis that tenants must pay to stay, though there was some acknowledgement that this might be difficult to implement in practice, particularly once they were dealing with individual cases. Many had now moved to get new tenants to sign to a formal undertaking to pay the rent and it was clear that much more stringent processes were being introduced in terms of pre-tenancy work and dealing with any arrears. Associations reported that most local authority partners seemed comfortable with this new stronger line.

14. Some noted that phasing of the introduction of Universal Credit was likely to help to mitigate risks allowing some time for adjustment – by all parties.

15. Some associations were focussed mainly on the most immediate elements of welfare reform (the size criteria), but others were concerned about the cumulative impact of the different elements, and the longer term impact of inflating benefits by less than inflation, and aware that there would be long-term as well as an immediate impact on their tenants and their ability to pay their rent.

ii) The size criteria

16. This is the aspect of welfare reform that was of most immediate concern to all the associations interviewed regardless of size or area. The extent of concern about size criteria depends on tenant and stock profile. Overall a substantial proportion of most associations' stock will be affected. Generally it is the greatest concern to organisations in the north of England, where there are higher rates of under-occupation and a recent history of building only larger homes as one-bedroomed stock has been found in the past to be difficult to let and associated with higher turnover. Indeed this low demand had led many associations to demolish their smaller homes (bedsits and one beds). Some had now stopped their demolition programmes reflecting the changes in demand emanating from the welfare reform process. At the other end of the spectrum there is also real concern in some areas that larger dwellings could become hard to let, as the private rented sector (PRS) successfully competes for households unable to afford the shortfall in HB payments. Associations in London were not concerned about anything being hard to let and generally less critical of the measure, and aware that it should help to alleviate overcrowding.

17. Overall, associations concurred with the DWP's view that the large majority of affected households would probably stay put, though there was serious concern that even a small proportion looking to downsize could create more demand than could be met for smaller properties. Perhaps equally alarming were the first signs of lower demand for three bedroom homes with one association finding it had no takers for such a property. In addition associations expressed particular concerns about tenants living in adapted properties, who would find it difficult to move to suitable smaller dwellings, without considerable expenditure on further adaptations. They are hoping that the discretionary housing payments will cover the shortfall for this group, but are uncertain whether such awards will be long-term. There is also believed to be a mismatch between the size profile of adapted properties (many of which have two bedrooms) and the size of households requiring them, most of which require only one bedroom according to the size criteria.

18. There were also concerns about the perverse incentives for under-occupiers to move to smaller properties in the PRS, resulting in an increased HB claim as a result. This was thought to be most likely in the cheaper parts of the country where the two sectors are already in active competition and where accommodation within the Local Housing Allowance limits is easier to find. Some associations had already seen some evidence of this happening, though the extent to which it will continue do so is still very uncertain.

19. A number of associations were concerned as to how households would respond to the size criteria if their circumstances changed. One association active in an area with high levels of temporary employment raised the issue of seasonal workers, who would often be on and off HB on a regular basis.

iii) The Household Benefit Cap

20. All associations felt that the household benefit cap did not pose any significant risk to rental income, even in the London based associations, as the number of households affected is small. However the impact, in financial terms, on individuals families affected is substantial. This was the least significant measure at this stage.

iv) Universal Credit

21. Associations were aware that Universal Credit is not being introduced until later in the year, and that the phasing in of UC over four years will mean that the impact on their tenants and rental streams will not be as immediate as that of the size criteria: "It's a slow burner". Nevertheless, it was the element where there was the most concern around impact in the medium to long term. There are real concerns that the early evidence from the demonstration projects shows tenants require a great deal of individual support, despite having in some cases selected tenants for the pilots quite carefully, and it is unclear whether this will be a short term problem or on-going which would then pose a real problem for the associations given the costs involved.

22. There was some modest support from associations for the view that the system will make tenants take responsibility for their finances and that this will have longer term benefits. Housing associations were also aware that UC, as an integrated in and out of work benefit, should help alleviate the difficulties their tenants currently experienced in ensuring continuity of HB and rent payments as they moved in and out of work. This enthusiasm was however outweighed by a major concern around the plans to make most payments direct to tenants, rather than directly to landlords as currently happens. Most associations currently receive HB directly for the vast majority of their tenants who claim it.

23. The big concern over the payments to tenants is the uncertainty over whether tenants will prioritise their rent, or whether hard-pressed households, struggling with other elements of welfare reform (such as cuts to disability benefits, the size criteria and cuts in support for council tax) and meet rising living costs will sometimes fail to pay the rent. HAs are concerned that a significant minority of their tenants who claim HB will not pay rent regularly, but are unsure how many of these will come within the definitions of vulnerable which will mean they can continue to have their rent paid direct to their landlord². A number of associations highlighted the tensions a tenant may face with new money in a bank account, a payday lender at the door asking for payments on a high interest loan and the rent payment due at the end of the month for which there is no interest charge if it is made late (or not at all). Landlords recognise that many tenants are highly skilled at managing

² See new guidance (<http://www.dwp.gov.uk/docs/personal-budgeting-support-guidance.pdf>)

their limited income and that they will work out how to best manage it though this might mean that rent is not paid as regularly as it was when it came direct to the landlord.

24. Housing associations were also concerned about the process of assessing which tenants would be classed as “vulnerable” and therefore eligible to continue having their rent paid direct. Uncertainty over which tenants will be considered vulnerable was in effect raising the level of financial risk to which associations would be exposed.

25. There were also concerns expressed around the expectation that UC claims will be made online and that a substantial proportion of tenants were still unable to access the internet at home or were unfamiliar with online systems for managing money. One association reported that almost half of its tenants did not have internet access yet and expressed the fear that those that did may decide that this is an area they will be forced to cut in order to cope with the loss of income they are facing.

v) Council tax benefit reform

26. The reforms to council tax benefit were recognised as an important issue for tenants. The impact on tenants’ incomes will differ between areas, and many local authorities were still finalising their plans. Whilst it would appear that some areas will retain existing benefit arrangements, for the first year at least, most will be attempting to collect some council tax from the majority of working age households currently claiming council tax benefit. Associations are concerned that this will put further strain on tenants’ reduced incomes with the additional payments estimated to be up to £5 a week being very significant given the strain on household budgets. In the north there were particular concerns because of the heavy wider local authority cutbacks.

vi) Increases in non-dependent deductions

27. These are being phased in over a three year period, so have not yet reached their full impact level. Nevertheless, organisations reported no real impact on rent arrears or evictions as a result so far. They believe there to have been relatively small numbers of tenants affected, and those that are appear to be paying their rent successfully.

vii) Changes to benefits for sick and disabled tenants

28. The replacement of Incapacity Benefit (IB) with Employment Support Allowance (ESA) has been a concern to many landlords in the last couple of years. They are aware that tenants being reassessed for ESA often experience a break in their benefits, including HB, whilst they appeal. They are very unsure of the extent to which tenants’ difficulties are transitory whilst their appeals are heard and they put in a claim for Job Seekers Allowance if necessary, or whether these tenants will see lower incomes in the future and therefore will have more difficulties in paying their rent, especially once UC comes into force and they will be handling the money themselves.

29. Housing associations are for the most part, as yet, unfamiliar with the detail of the proposed reforms to Disability Living Allowance as these are yet to come into effect.

viii) Other welfare reforms

30. Associations were very concerned about the ending of the Social Fund in its current form. Their chief concerns were around vulnerable new tenants who were no longer able to receive grants or loans to help them obtain basic items (such as cookers and beds) for their new home. They were aware, for the most part, of the new increases in the Discretionary Housing Payments. They were

aware that the large majority of tenants would not be able to receive assistance, but were hopeful that the groups the government has indicated should receive help (disabled people in significantly adapted properties and foster carers) and others in distressed circumstances (such as the recently bereaved) would receive help. However there were concerns that the fund is cash limited and small with respect to the total planned cuts and subject to local policy.

31. Associations did not generally report any major changes in demand for their housing resulting from other elements of welfare reform (such as the single room rate for under 35s) though not all manage their own waiting lists so may not always be aware of changes in demand.

4. Responding to welfare reform

i) Overall response and mitigation

32. Increased funding for support workers to help tenants claim the benefits to which they were entitled and help people back into work and training was an almost universal response by associations. A general concern was that local authorities were cutting back on individual assistance to vulnerable people, via a range of cuts, so associations were having to pick this up as part of the budgeting and arrears support they offered to tenants. There seemed to be very little clarity about how much extra resource would really be involved here and its cost. Some HAs were using peer support models which they hoped would enable tenants to understand the changes.

33. Associations were generally looking to find 'smarter ways' forward but these were typically more expensive – and there is no open ended budget. Some were investing in energy efficiency programmes in response to the welfare reforms, as a way of trying to put money back in their tenants' pockets. Joint working with other associations and local authorities, and keeping a close eye on what each other was doing is also a feature emerging from the new environment. All saw their reserves as their ultimate fall back –most had significant reserves but these were already being used to underpin funding and development. The current annual rent increases under the RPI plus 0.5 regime were still a major part of longer term strategy though some associations recognised that if tenants were then paying direct there might be more opposition to rent rises and more challenge on costs.

ii) Responding to the size criteria

34. Associations are working with their local HB departments to share information to establish which households will be most affected by the criteria. The associations hold data on both households and size of dwellings, but their information on households is often out of date, and their stock data is therefore being matched with the more up to date details from benefits claims via the local authority. Associations with stock concentrated in just a few districts have generally managed to acquire this information, or expect to do so very soon. Those with dispersed stock however need to share information with a large number of authorities, all of which are using different formats for the data required and were still struggling to obtain the data they need in many areas. Systems for maintaining/updating the details over time are yet to be developed. At least two associations that were relatively advanced in obtaining details of affected tenants had checked the information provided back with their tenants and raised some concerns with the quality of data – reporting that pensioners had been included in error as well as households that had non-dependents and people whose circumstances had recently changed.

35. Case study organisations took differing views regarding encouraging lodgers, or facilitating shared housing for single adults. Some associations see these possibilities as providing greater

opportunities for tenants to avoid the size criteria, and embraced the opportunity to think creatively as to how to make best use of their stock in areas where they have mostly family sized homes and large numbers of single people on the waiting list. Others see these solutions as regressive, and think they are not what they are in business for: “Who takes lodgers these days? My grandmother used to take lodgers!”

36. All would allow lodgers, and most were making their tenants aware of this facility as a possible option for those affected by the size criteria. However, most were reluctant to take this work much further, citing concerns around management issues with tenants sharing their homes, and possible risks to vulnerable tenants. Many had considered providing some sort of lodger-matching facility, but had decided against it for these reasons. They wanted to be clear that their responsibilities were to their own tenants, who must manage their own relations with the lodger. One association had held a matching event for lodgers and tenants and another was issuing a draft tenancy agreement that would be suitable to use for those taking on a lodger. Most associations were of the view that only a small proportion of their tenants would be interested in the possibility of taking a lodger, though some did expect this number to increase once tenants were faced with the reality of their HB shortfall, the lack of other options, and the potential financial benefit (once on UC) of taking a lodger and being able to keep the rental income without losing benefits. This was a good example of an area where it was hard to predict how tenants might react.

37. Similarly with shared housing, most associations were reluctant to consider something they felt they had moved away from some time back. One was currently running a pilot scheme via another association where the other organisation would lease the properties from them, and sub-let them as bedsits to groups of single sharers. This was clearly an area of development where associations want to proceed with caution, if at all.

38. Plans to remodel or re-designate the number of bedrooms in dwellings were of much smaller scale overall than some might have imagined. There were a few cases of remodelling, usually at the development stage, on removing dividing walls that had been added previously, rather than knocking down the original walls of a property. Associations were concerned around how they should treat housing stock that had very small rooms (including box rooms) that were currently classified as bedrooms. The DWP has not defined a minimum size of a bedroom and makes no distinctions on bedroom size. Associations are meeting DCLG space and bedroom standards in stock they build themselves, but sometimes have their own historic stock, or that built intended for the private market where very small rooms exist – they may never have let these properties at full occupancy but the new size criteria brings the whole issue of these standards (or the lack of them) in terms of classification and rent charged into the open and it has highlighted the difficulties associations face. Some associations had created their own criteria (such as over five square meters), and were re-designating a small amount of stock with smaller rooms as having one fewer bedroom. There were no plans to do this on a large scale because of the implications on covenants with lenders and the loss of rent that could have been charged. Another was asking the local authority to “treat as two bedroom homes” those with a double room and two small single rooms which could not easily be shared. DWP rules are however likely to mean that there is no discretion over this matter.

39. Some associations had also become aware that their records on the number of bedrooms in their properties were inaccurate, for instance in cases where a fourth bedroom had previously been converted into a bathroom. Given that, as of January 2013, most HAs had not yet written to their affected tenants to tell them they would be impacted, it is possible that further issues of this type are yet to emerge. One was looking to support some rent payments in particularly low demand

areas where stock was only suited to under-occupation, though this may reduce the rent level eligible for HB and hence leave tenants little better off.

40. Associations were also altering their allocations policies in response to the size criteria, as discussed below.

iii) Responding to the household benefit cap

41. As the numbers affected are small (often just a handful in each organisation) but the impact was substantial, associations have generally been identifying affected households and looking to work closely with them to find potential solutions. These include supporting older children or parents into work, ensuring full benefits are claimed (including DLA in some cases, the receipt of which exempts the household from the cap) and identifying other housing options for older children together with financial advice and more general support around budgeting. Even the associations with substantial numbers of larger households, including one with many large BME households, were managing to carry out this detailed one to one work. Overall the view that was expressed was that most of these households are coping well at present on their income and were not in poverty to the same extent as some other tenants with whom HAs worked. The extent to which they will be able to cope with substantially reduced incomes is, however, unclear at present.

42. The delay in implementation, whilst undoubtedly a temporary relief for some households, was a source of some frustration to case study organisations who were working with tenants to ensure they understood the changes that were to take effect, only to find they are now not coming into effect as planned.

iv) Responding to the changes under Universal Credit

43. Most associations had decided that enabling their tenants to set up direct debits was the best way to ensure that rents were paid. Many had surveyed their tenants and found that between 80 and 90% of them did have bank accounts (though this figure includes pensioners and working households) but many of those with bank accounts still preferred to handle cash and had never made use of the facility to set up direct debits. Several were assisting their tenants to set up bank accounts by establishing relationships with banks and credit unions whereby they as landlords could prove the tenants' identity and complete most of the paperwork involved in setting up a bank account.

44. Two associations however had decided that direct debits would not work because of the problems associated with late payment of HB under the current system, and fears that Universal Credit may experience similar problems. This was something that they as landlords could cope with but their tenants, who rarely had any financial buffer, would struggle with. Just one HA thought the problems were perhaps being overstated, as the vast majority of their tenants already had bank accounts and direct debits and paid some regular payment to the association. Another association was setting up an arrangement with a secure payments company offering a basic bank account through which tenants' income and payment/debt obligations could be managed.

45. Some associations were highly engaged with work to facilitate greater levels of digital inclusion for their tenants, and were considering programmes such as free wi-fi for flatted developments. Others, however, voiced concerns that this could be going beyond their role as landlords and that the DWP should be doing more to facilitate access to UC administrative systems for households without internet access.

46. All the case study organisations were aware that they would need to evict tenants who failed to pay their rent, and all stated that they would do so. It was clear that in a system under strain there had to be consequences of non-compliance. Organisations were tightening procedures, limiting discretion and putting a lot more effort into income collection. However some were putting into place hardship funds that can be allocated by managers, though others saw this as the thin edge of the wedge in taking over others' responsibilities.

v) Responding to council tax benefit reform

47. Associations are trying to inform tenants of the reforms, but the devolved nature of the schemes poses particular issues for landlords that try to offer money advice to their tenants across many local authority areas. Their staff were having to familiarise themselves with the workings of many different schemes. One association reported that they had developed an affordability calculator, to help tenants work out whether they could afford the rent on a property but they were now unable to use it because it could not cope with the variety of different council tax benefit schemes now in operation.

vi) Responding to other elements of welfare reform

48. The other elements of welfare reform, discussed above, will reduce some tenants' incomes and rent paying capacity, but it was felt these might not impact as directly upon association finances. As a consequence these areas were not so much of a focus in their mitigation work. The associations' role has largely been to help individual tenants affected via their support work (see below).

49. Case study organisations reported that some local authorities were offering their own schemes to help people previously assisted by the Social Fund, but there was a great deal of confusion as to what was on offer.

50. Associations were hopeful that the increases in the Discretionary Housing Payments would help some of their tenants. Some were expecting to help tenants affected by the size criteria or household benefit cap apply to receive assistance in advance of April (or the summer) when these schemes come into effect.

5. The impact of welfare reform on policy and strategy

i) Overall mission

51. Most of the association executives interviewed were firm in their views that their fundamental mission would not change. This view was expressed particularly strongly in the lower demand areas where helping tenants in housing need remained the overriding concern, and associations were quick to point out that the high levels of welfare dependency were a result of the overall state of the economy. However, some other answers suggested that some associations might consider moving away from taking tenants on welfare, and that they might seek to do this firstly in the stock where they retained their own nomination rights.

52. Most were already seeking to ensure that their tenants' household sizes fitted their stock profile more carefully, and were aware that the notion of providing a "home for life" had been undermined for those who depend on HB to pay their rent. As a consequence it was no longer appropriate to house tenants in a home they could grow into if this could be avoided. To avoid having under-occupied stock, some associations stated that they were considering a move away from single people towards housing more families. Some saw the need under their mission to help particular

groups for instance by changing rent structures, particularly by limiting rent increases for family sized housing to target rents.

53. In the supported housing sector the impact of welfare reform was overshadowed by what might happen to local authority social services as the cut backs in expenditure worked through. Associations expected to see a move away from an overriding emphasis on homelessness and young people and more towards mental health and disability where they thought the local authorities were more concerned about meeting their legal responsibilities.

54. Associations seem relatively satisfied with the changes they are already making in management procedures. Some say it has made them re-think aspects of their management which needed to be improved. They see a tightening up with respect to processes and in strategic thinking which may pay longer term dividends, notwithstanding the real concerns over rental income. Welfare reform had triggered thinking about policy and procedures and staffing and costs. Organisations were looking to streamline their operations and to prioritise and focus their resources. It was clear from some of them this did mean stopping doing some things. Quite a lot of thinking was going on around housing management and whether it could remain a generic service or become more focussed on specific activities around rent collection and tenancy support. This suggested that some wider community based activity might be more vulnerable.

ii) Board and Strategy

55. All associations were clear that their boards are very aware of welfare reform and have been receiving papers and regular briefings on it. In one case there was a hint that there might be a case for changes to revitalise the board to meet the challenges ahead– but more to support changing development plans than welfare reform as such. It was recognised that boards would be facing some challenging decisions going forward.

56. Boards varied in their focus. Most boards' main concerns were around managing funding lines and rent and investment strategies, though some were focused on ensuring that the association did not lose sight of their ultimate purpose of helping the poorest members of society by providing affordable housing.

57. There was no evidence to suggest boards had been urging any fundamental change to mission or positioning – although our sense would be that incrementally, if there are longer term problems with arrears and bad debts, it will come onto the agenda.

58. Just one association felt that its board's attitude was at times unhelpful in that it focussed mainly on protesting about the reforms, rather than delivering within the context in which the association found itself.

59. Boards were also risk-adverse and looking to avoid risks in other areas (such as development) until the risks associated with welfare reform were better understood. Their overall risk appetite has not increased.

iii) Borrowing and Development programmes

Borrowing

60. Although all the case study associations were alert to concerns about funding, in practice none of them had found any problem in raising private finance and generally saw little effect at present on

their borrowing arrangements³. Most had discussed the reforms with their funders but sensed lenders were comfortable that the situation was under control. One main concern, which has recently been shown to have been well-founded was the possibility that Moody's and Standard and Poor's might downgrade associations from their existing very high ratings. Some said that there were other opportunities coming up from new lenders. Overall this was an area where both associations and funders were keeping a watching brief. It was too early to draw conclusions and so far all the evidence was that there were no immediate threats to funding lines. However downstream if budgets came under strain and revenue income was put under pressure the position might change.

Scale of development

61. Associations varied in the extent of their development programmes, with two not developing at present and but most of others heavily involved. Those with a development focus were strongly in favour of retaining this focus – “development is in our DNA” - but did acknowledge that this was the element of their work that would most likely take the hit from having to make allowance for the costs of welfare reform (bad debts, bank transfers and staff costs) in their business plans. The extent to which they expected to cut back varied; one association felt that the current financial arrangements and the Affordable Rent regime meant that it had already lost the ability to develop in ways that it wanted. This association suggested it might stand back for some years until the financial environment changes. Others were proceeding but with more caution, and would wait to see how the size criteria and early stages of UC went before committing themselves any further.

62. The case study organisations generally felt confident in proceeding with their existing development programmes though some had cut back and restructured what they were doing. This was particularly true of plans post 2015. Where associations felt they would be stepping back from development in the future for a period of time, there was great regret that they would be unable to contribute to supplying much-needed housing in the areas in which they worked. Some reported that they were already aware of much of the welfare reform measures when they'd put in their bids for their current programmes, and had therefore been cautious in the commitments they made.

63. One further barrier to development was having little or no control over allocations in cases where local authorities required 100% or at least a very high proportion of nominations. The development of tenancy strategies had also led local authorities to take a role not just in nominations but also on rents and rent structures. In some cases associations felt that the authorities were imposing requirements to develop 'non-viable' investments. This is an issue which is wider than the impact of welfare changes. The issue around nominations and conflicts over rent structures were particularly a problem in London and is clearly causing concern and increasing risks for associations who need to be able to guarantee rental incomes to make development viable.

64. Regardless of welfare reform, some of the case study organisations were anyway reworking their strategies and were looking to cut back on new development and would, if anything, mainly be looking for refinancing. The timing of development programmes means that most of the current programme is already committed, and there will be limited opportunities for further development (except possibly LSVTs) until after 2015.

65. Others are in development partnerships where they see cutbacks as inevitable. No association saw any reason or opportunity to expand the overall size of development programmes as a result of welfare reform. Some see a significant move towards market rent provision (as well as affordable

³ We note that one in five HAs surveyed in the baseline study did express such concerns (see Impact of Welfare Reform on housing associations Baseline Report, Ipsos Mori, January 2013)

rents) and to sales for reasons that were more financial than indicative of an overall change in mission.

Size of homes built

66. Some associations are looking to change the mix of new housing to be built - moving more to smaller homes in order to meet the changing demand arising from the size criteria, and to avoid housing larger families who will be affected by the household benefit cap and therefore unable to afford their rent. Some are looking for clear lettings plans on new sites (agreed in principle before commitment) to help manage child densities.

67. In less buoyant markets, such as parts of the north of England, however, there was still a nervousness around building smaller homes as these had proved difficult to let and costly to manage in the past, and in some cases had only recently been demolished. As one case study organisation described it “we haven’t built one bedroom flats in over ten years. No one wants them”. It was felt most tenants preferred to have a spare room, and associations in lower demand areas felt that this was a reasonable expectation. There is some reluctance in these organisations to alter development plans to build smaller homes, turning against a long history of building homes for households to grow into, or have a bit of extra space. There was also a concern that building homes is for the long term, and that it would be foolhardy to alter development programmes in the light of one current policy, although, when pressed, no one actually expected the policy to change substantially in the foreseeable future. This highlighted the real tensions around how to proceed –push ahead and build smaller homes and then possibly regret it in later years as both demand and policy change. What is built on the ground over the next few years will remain as a long term testimony to how these tensions play out.

iv) Allocations policies and transfers

68. The proportion of their housing stock over which local authorities held nomination rights varies from a minority of the stock to all of it. Most associations were dependent on good working relationships with their local authority partners to ensure that their stock is allocated to tenants who are likely to be able to pay the rent. The biggest concern was to avoid under-occupation where possible.

69. There were three main approaches taken by case study organisations. These were:

- No change - already allocating at bedroom standard (or above) (high pressured areas)
- Altering allocations schemes to allocate according to DWP bedroom standard
- Advising tenants of options and letting them decide (low pressure areas, or with few 1 beds)

70. Associations generally reported good working relationships with authorities who didn’t want to see tenancies fail any more than they did, and were in any case altering their allocations policy to ensure their own stock was fully occupied where possible.

71. Local authorities were mostly in the process of revising their allocations schemes, and some had already increased the priority given to downsizers, in order to help those affected by the size criteria. Contrary to initial concerns that it would become harder for pensioners to downsize (facing competition with younger households whose HB was being cut), the evidence suggests that pensioners who want to downsize may in some cases be benefiting from the revised allocations schemes that give downsizers greater priority.

72. Associations were for the most part revising their rules around allowing tenants to transfer tenancies with rent arrears, as they were aware that under their current policies those with rent arrears resulting from HB shortfalls under the size criteria would be prevented from downsizing, but only if they downsized would they be able to afford to reduce their arrears. Most planned to allow tenants to transfer in these circumstances, and would include a clause in the new tenancy which would require the tenant to repay the arrears owing on the previous tenancy.

73. Some associations, especially in the higher pressured areas, are also working towards fixed term tenancies to get more control over their stock and allocations. This is also seen as creating an additional incentive to tenants to pay.

74. One organisation has revised its allocations scheme to give priority to working households. They are hoping in the long term to reduce the proportion of their tenants on HB from around two thirds to a half.

75. There were concerns about housing single working age people because of the possibility of further cutbacks in welfare payments, though associations were continuing to do so for now.

v) Rent setting

76. Linked to the issue of development – though really a separate issue – is rent determination and rent structures, as well as the extent to which re-lets are moving into the Affordable Rents regime. For a decade housing associations have been moving towards target rents which were determined by the regulator and which resulted in rents much closer to market levels for smaller homes but with rent differentials between property sizes which meant that rents on larger homes were much further below market levels. Many developing associations when they spelled out potential rent structures under the Affordable Rents regime followed similar principles. Many, especially in London and the south, chose to set rents for smaller properties at or near 80% of market but kept rents on family housing considerably lower – at maybe 60% to 70% of market. Rents on the largest properties were often kept at target rent levels which were sometimes below 50% in London and the South East.

77. Most case study organisations participating in the Affordable Homes Programme have some freedom to increase rents on new development and a proportion of their relets up to the 80% of market rent, although the LHA limit sets an implicit cap. Some are seeing this as the main way they will be able to cope with any growing bad debts if the impact of welfare reform turns out worse than expected. Those not involved in the current programme don't have this freedom. Although some were expecting that the RPI regime would not be replaced, others felt that a rent increase across all tenancies to support their revenue base would be a fairer solution than pushing up their Affordable Rents. In some associations this would enable them to slow the transfer to Affordable Rents for re-lets especially for family homes (and therefore reduce the likelihood of larger families being affected by the benefits cap). In one case the process was if anything being speeded up because of perceived success of use of new fixed term tenancies. One association suggested there are lower arrears in Affordable Rents properties because the limited security of tenure makes tenants more conscious of their rent paying obligations though of course it is rather too early in this regime to generalise.

78. On rent structures, most seemed to be carrying forward a version of their bid rents in the last round – but if anything reducing rent levels a little. A typical rent structure for new build and a proportion of re-lets under the current programme in the south of England was 70-80% of market rents for smaller homes; 60-70% for two (and sometimes three bed homes) and target rents (which

are relatively very low) for the larger homes. Especially in London this reduced the likelihood of tenants being affected by the benefit cap, but was also seen to be helping those in the greatest need with larger families and not least in relation to the BME communities. There was the possibility that larger homes could actually become cheaper than small homes in absolute terms.

79. Overall, housing associations were concerned that future rent increases could pose a further strain on households, particularly those who were not on full HB but were being affected by the below inflation one percent per annum increase in tax credits and child benefit and other spending cuts. There was concern as to what future inflation measures related to rents the government might move to after 2015: RPI; CPI; or RPI – x as in other utilities. Some were, however, looking to increase their rents by the maximum possible in order to provide a financial cushion against bad debts and eviction costs arising from welfare reform. Others however recognised that the cycle of annual rent increases built in part on assumptions that HB would take the strain are now more open to question both in terms of Board support and tenant pushback. It was thought that tenants might begin to ask associations to justify the proposals and not least to demonstrate that it had taken steps to reduce costs and increase efficiency.

vi) Rent collection and evictions

80. All associations saw themselves as moving more towards ‘relational management’ with their tenants. Most had not held large amounts of up to date information about established tenants but were now starting to collect this and expected to maintain it in the future. Up to now their focus has been at the point of allocation and thereafter mainly responsive, following up when rent arrears become significant or where there are problems. This is now expected to change with more developed systems for providing information and early warning indications of when tenants are in difficulties with their rent, followed by usually face to face discussion about how to address the arrears. There is also a growing emphasis on payment history as an indicator to future behaviour and the use of new software systems for identifying tenants in need of support at an early stage.

81. Associations were looking to take a greater role in supporting tenants to pay their rent, but also aware that they would also need a robust and enforced policy of evicting tenants who still failed to pay. There was some discomfort as to how these two roles would sit alongside each other.

vi) Partnership with local authorities

82. For some associations the most important issue seemed to be the number of local authorities they were involved with - those with concentrated stock generally reported very cooperative working arrangements, but those with a dispersed stock base were having more difficulties. Some associations were active in over 100 different local authorities and therefore had to deal with over 100 different allocation schemes, over 100 different administrative schemes (and data sharing protocols) and over 100 different council tax support schemes. In some areas, local authorities were working in sub-regional groupings, which had helped in producing a consistent approach. In other areas associations reported that authorities had taken differing policy stances it and this made it more difficult for associations that worked across several authorities (especially in the context of the Affordable Rent programme).

83. The priorities of authorities were very important in the context of supported housing – where they have tight contracts in terms of staffing and other inputs.

84. There was also a concern about IT capacity within local authorities, and in particular capacity to put resources into improving it – but the main message seemed to be that there were some very good examples of improved IT and communications - and a hope that good practice would prevail.

vii) Impact on Supported housing

85. Many of the key elements of welfare reform are not a major concern for supported housing provision. There were no concerns raised around the size criteria for supported housing as it is not usually under-occupied. Some two-bedroom sheltered stock is however occupied by people under the women's pension age and therefore potentially affected, though the allowance of an extra room for non-resident overnight carers may help some.

86. Case study supported housing operators thought they were already doing most of what the other associations are looking towards – they have strong individual relationships with the tenants and are aware of their problems and circumstances. But all have continuing concerns regarding direct payments; welfare payment changes and more general levels of knowledge.

87. One particular concern affecting supported housing is the issue over exempt accommodation. The housing costs of exempt accommodation are to be excluded from Universal Credit, but associations raised issues over which accommodation was classified as exempt. They did not all have accurate records of whether or not their accommodation was exempt, and were unclear on what should be classified as exempt, or how to ensure their accommodation is classified.

88. The issue of services charges was also raised in relation to supported housing and UC. The UC rules define which service charges can be included in the housing element (rather than just list excluded ones, as currently happens) and some associations were concerned that the funding for their supported accommodation was reliant on service charges being paid by HB which would not be covered by UC.

6. Conclusions

89. It is clearly early days in understanding the impacts of welfare reform but this short report does highlight a number of issues and tensions. It indicates that associations are generally working hard to understand the possible impacts and to manage them through as far as they can. However choices are being made and without doubt the regime is tightening in terms of who gets what in terms of housing, the consequences of defaulting on rent payments are becoming more serious, the rationalisation of wider community activity is likely to increase and we are seeing a refocusing of the organisations themselves. There was a general feeling that organisations can live with welfare reform but they cannot do that and self-finance any large development programme. At the end of the day as the costs and pressures generated by welfare reform build, HAs will be forced to make strategic choices as the scale and type of development they undertake. Here you could see a real tension between the government's ambition to reform welfare and its desire to see more housing output.

90. Most of the current thinking is pretty static and snapshot based, partly because associations are simply trying to understand what is coming towards them. At this stage there has been only limited work on how the impact of welfare reform might build up over time and how the dynamics of changes in tenants' situations will evolve both with respect to the tenants themselves and the organisations. This is hardly surprising since we are in somewhat uncharted territory in terms of how tenants and others will react to the new situation (as well as to still-developing government

policy). As this unfolds associations will be better placed to model through the consequences. There is justifiable caution at this stage.

91. In general terms associations still see themselves as having freedoms with respect to rent increases, the scale and scope of their development programme and the use of their reserves. However welfare reform introduces new tensions for associations to manage and not least around their tenants, their local authority partnerships and of course with central government. Other changes working through are more a result of overall positioning of associations and the future of the Affordable Homes programme post 2015 than welfare cuts as such -the point here is these agendas overlap. Some associations, especially those who are thinking more strategically, are concerned by the cumulative effects of changes to incomes and eligibility and increasingly limited options some households might face. This is not so much a problem of 2013/14 – although it begins to pose major challenges – more about where will we be by, say, 2017. There is the potential here to seriously change the scope and direction of associations and the sector as a whole, who it serves and how it does it.

92. Linked to this is the concern that there is really no way of predicting the outcome given the numbers of changes and their depth. It means that associations can only do their best and then be flexible in response to the unfolding actuality.

93. However based on what we know now even though associations are mainly antipathetic to government changes, there is a lot of evidence from the case studies that associations are working to adapt to the new regime and give it a chance of working. They are seeking to facilitate adjustment for tenants whether it be by re-housing, highlighting the potential for taking in lodgers or by giving better tenancy support and financial advice. Indeed there is even evidence that associations are taking costs out and driving up efficiency.

94. It is clear this willingness and ability to deliver is coming at a cost and development is almost certainly the area which will take the strain and take the hit financially. It is the big cost, it can accommodate fluctuations in spend levels, and is more of an optional extra than the other things. If income is squeezed, so is debt servicing capacity; and borrowing is one of the major cost components alongside staff costs. While associations will increase their financial inclusion work, it will be highly focussed and the evidence suggested that some associations will refocus their community development work around this theme and in so doing step back from some of their wider community support programmes. Given that local authorities are likely to be doing the same we could see major cuts in areas which have done much to make disadvantaged areas work better being lost.

95. Clearly the size criteria and direct payments under UC are the two big issues for the sector. The size criteria come into force sooner and all at once, so it is the most immediate concern. Associations that work across a large number of local authorities are sometimes struggling to get the data they need to know who will be affected by the size criteria. Stock-transfer and locally based HAs are usually better placed and typically have stronger working relations with their authorities.

96. There is relatively little remodelling or re-designation of bedrooms going on despite initial reactions - though there are some serious issues over what counts as a bedroom (for example, in the case of very small rooms) but overall the issue of number of bedrooms is proving uncontentious. However associations will have to see whether that remains the case post April and whether tenants dispute it. Again the lodgers issue generated mixed views but most associations do not want to get too involved in facilitating lodgers reflecting their concerns about management and vulnerable tenants.

97. Going forward, allocations policies are being reformed in most areas to bring them into line with DWP size criteria. This does not seem to have been a point of contention with local authorities. However in low demand areas there are concerns regarding letting larger properties and the mix of households in particularly vulnerable areas. Associations will advise tenants of the issues but allow some to under-occupy from the outset. Associations are struggling with the conundrum of probably having more demand for smaller homes and the long held view based on experience that one bedroom homes will be hard to let over the long term. Given housing is a durable commodity and one in which associations invest for the long term there is a great reluctance to build for the short term and then regret that decision later and at great cost because the stock no longer matches their potential tenant profile or demand or both.

98. Financially welfare reform will increase costs to organisations and their tenants and all case study organisations are assuming a significant hit on their income. Although they plan cost saving measures, most assume they may be forced to reduce development activity to cope with the loss of income (on the assumption that most development is supported by little or no grant). Funders have remained comfortable to date but it is clear they are keeping a watching brief. If there is a sense that regulatory oversight and government commitment to the sector is weakening along with tighter finances then risks are seen to increase and this could trigger a change in views.

99. The landscape on which welfare reform is landing is very varied in terms of the spectrum of tenants and their personal situations, the position of their landlords in terms of history and stock composition, financial strength, scale of development, wider community roles and local partnerships, and the local authorities who sit at the heart of the welfare reform process. The impact will be highly differentiated and constantly changing. It will take time to establish clear trends and impacts and the process will evolve as tenants, landlords and local authorities develop their responses to the new situation. However this review has built upon the Baseline report and pointed to a number of strains and tensions and the difficult choices associations will have to make. It is quite clear associations are striving to ensure both they and their tenants work through this situation as best they can but there will be increased costs and real victims. There is no win-win here.

100. Much turns on how the programme of welfare reform unfolds and what adjustments are made in the process. There are many unanswered questions, for example, how the obligation on associations to help any tenant in arrears whose HB is subsequently paid direct to the landlord will revert to receiving it themselves works in practice? Equally how best should an association work to provide financial inclusion, digital inclusion and other services to tenants? Housing associations are being drawn into much broader welfare issues with associated costs and the case study survey highlighted the tensions around this with many associations suggesting they can do less, not more.

101. The government recognises Welfare reform will generate costs but it also argues there will be cost savings and greater fairness. The evaluations published to date by government and others have generally been quite narrow in perspective. As impact and understanding grows we will see how higher costs bear down on tenant spending on diet, health, education and much more and on the capacity of associations to assist them. Even if housing benefit costs fall, or at least level off, the question must be asked –at what cost? And even if those costs are hidden in the short term, over the long term they may well be costs to society as a whole.

102. The sector is still building its understanding and absorbing welfare reform, as are its local authority partners. The picture should become somewhat clearer when we return to case study organisations in a few months to continue the dialogue. The possible loss of income, the certain increase in costs and the cuts in budgets that will flow through both local authorities and

associations will put further strain on the system and the relationships between them. Rent levels and reserves may become much more serious points of debate for tenants, associations and authorities. We will also see a new focus on cost and efficiency as associations move to restructure their operations to best meet the new challenges of welfare reform. In doing this associations are giving new thought to their strategic direction in terms of who they house and how, the range of housing and non-housing activities they engage in, and their costs and benefits and the wider question of how this might impact upon mergers and the overall shape of the sector. Over time there is likely to be some serious repositioning.

Appendix

Methods

A1. Originally 6 case study interviews had been proposed. However it was subsequently agreed this could be expanded to 16 if both phone calls and visits were used as part of the interview process. CCHPR then went through a protracted sample selection process with the NHF in order to achieve a reasonable spread of case studies –by size of organisation, regional spread from national to local, type of organisation(traditional, stock transfer, specialist) and also whether they had (a) responded to the survey questionnaire and (b) agreed to further follow up discussions.

A2. A number of associations we had initially considered selecting had indicated they did not want contact and even where they had subsequent exchanges made clear they could not help further at this time. The upshot of all of this is that we ended up with a sample of 16 associations with most but not all having been survey respondents. This meant CCHPR had access to background information on them and this was supplemented by CCHPR's own profiling work.

A3. In the event it still proved impossible to agree an interview with one association despite numerous attempts. A substitute association was then agreed with the NHF and this also refused contact. We therefore ended up with 15 case study associations. Six of these were interviewed in person with CCHPR staff travelling to the organisation and having a series of meetings with key staff (in the event bad weather meant one of these 6 was done in an extended conference call). The other 9 associations were interviewed by phone and typically the conversation was with the Chief Executive or another senior director. Notes were made of all interviews however it was agreed the discussions would remain confidential and no organisation or individual would be identified.

A4. The result generated a first round view of impacts and possible responses. Clearly it is early days and the intention is to re-interview a number of these associations later in 2013 so we can gauge how it is working out in practice. We may also choose to add additional associations as we learn how impacts are working through different types of organisations. It is quite clear from this first round that although there are some universal responses actual impacts vary considerably depending upon the history and make up of each organisation.