

Cambridge Centre
for Housing &
Planning Research

**Reality dawns – the impact of welfare
reform on housing associations:
a mid-2014 view**

Peter Williams, Anna Clarke and Christine Whitehead

October 2014



UNIVERSITY OF
CAMBRIDGE

Contents

- Executive Summary 3
 - Experience of welfare reform..... 3
 - Preparing for Universal Credit 4
 - Overall costs and changes related to welfare reform..... 4
- Introduction 6
- Section 1: The overall impact of welfare reform 7
 - Overview..... 7
 - Avoiding the size criteria by moving 8
 - Rent arrears..... 10
 - Relationships with local authorities and other stakeholders..... 11
 - Organisational changes 12
 - Regional and area differences 13
- Section 2: Preparing for Universal Credit 14
 - Overview..... 14
 - Direct payments..... 16
 - Increased resources 18
 - Supporting tenants on Universal Credit 18
- Section 3: Financial and other changes related to welfare reform..... 19
 - Changes in main financial indicators 19
 - Lenders..... 21
 - Development 22
 - Policies on rents and allocations 22
 - Broadening their activity base?..... 23
 - Strategic Direction 26
- Conclusions..... 28
- Appendix 31

Acknowledgements

Our thanks go to Pippa Bell and Sue Ramsden at the National Housing Federation, and to case study housing associations and their staff for assisting us with this research.

Executive Summary

Experience of welfare reform

1. The social sector size criteria had affected all associations while the household benefit cap only affected a very few to any substantial degree. Other welfare changes which some associations saw as important were the charges for non- dependent adult children and the localisation of council tax benefits.
2. The majority of tenants affected by the size criteria were paying their full rent. Only a few had paid nothing.
3. In the main rent arrears had not risen as much as originally projected - notably because of greater concentration on rent collection and addressing arrears more quickly. The availability of discretionary housing payments (DHP) was also an important factor limiting arrears.
4. However many associations felt that tenant resilience was already declining or would soon decline as other costs rise and savings and family assistance run down.
5. The extent to which tenants had moved to avoid the size criterion varied enormously between areas. This depended not only on the availability of smaller units in the association's stock but also on housing market conditions. Some associations especially in the North had seen very large increases in movement – with significant increases in costs associated with turnover.
6. In some areas moves to the private rented sector were significant. In others, rents were too high to make it a good option for tenants.
7. Mutual exchanges sometimes offered a better option than transfers even though many associations were giving preference to downsizers for transfers.
8. There were still few cases of eviction linked solely to arrears arising from the size criteria. But there were a number of examples where eviction had been avoided by access to DHP.
9. The administration of Discretionary Housing Payments (DHP) was seen to have improved in some areas but there were still great variations. There were considerable concerns around the temporary nature of DHP and what would happen were it to be reduced.
10. Relationships with local authorities and local partners were generally seen as good, although there were areas where local authority housing benefit departments were finding it increasingly difficult to cope because of financial and staffing cutbacks.
11. A number of associations had made major structural changes, notably to their management of rent collection and arrears. Some had outsourced management information systems and financial awareness and welfare support.
12. All associations stressed that they now had far more information about their tenants and used more personalised ways of providing tenant support.

Preparing for Universal Credit

13. None of associations surveyed had significant direct experience of Universal Credit (UC). Many associations felt that changes in the timetable were making it difficult for associations to prepare effectively or to inform tenants about the changes.
14. Active preparation was mainly limited to improving data and management systems and improving financial awareness and digital inclusion among their tenants.
15. All associations were learning from the evidence from the direct payment demonstration projects and where UC has started to go live. All were hoping that the DWP would improve the information available to associations about tenants claiming UC and would streamline processes for 'alternative payment arrangements'.
16. Associations viewed direct payments to tenants and the likely impact on rent arrears and ultimately on bad debts as the greatest risk facing Housing Associations.
17. Most association were projecting higher resource costs for rent collection and its management.

Overall costs and changes related to welfare reform

18. Associations reported considerable variation in the level of arrears and bad debts.
19. Most associations were expecting rising arrears next year and much more rapid increases once UC is introduced. The same applied to bad debts.
20. There was less consistency in expectations with respect to management costs – but almost all had plans in place for staff cost increases.
21. All those interviewed felt that their lenders understood the issues associated with welfare reform and had taken the view that associations were coping well.
22. There was some evidence of changes in development programmes. One or two had reduced their programmes; others were increasing the number of smaller units.
23. Most associations had only made limited changes to their rent structures, mainly in relation to larger units where tenants were at risk of being affected by the benefit cap.
24. Allocation rules had generally been brought into line with the size criteria although some are prepared to allocate properties with 'spare' bedrooms to those in secure jobs, or where they need to do so in order to let some of their stock.
25. No associations suggested that they were cutting the range of services they provide. To the contrary, most were increasing tenant support and financial inclusion services.
26. In the main associations had not changed their strategic direction and were instead reinforcing their mission statements to help poorer and more vulnerable households. There were clear moves towards a more business oriented approach to this mission.
27. Many were working to improve their own use of IT and data analysis to support more efficient management.
28. All stressed that their relationship with tenants had changed. All saw this as having become more supportive. Even so, some felt the result was sometimes intrusive but

felt that it was an inevitable shift especially to address issues around the introduction of UC.

29. Overall all associations were pessimistic about the future – seeing the challenges as far greater than those addressed to date and envisaging that a combination of the continued squeeze on tenants and the increased costs and arrears for the associations meant that over the medium to long term major rethinking would be required.

Introduction

This is the third in a series of case study reports on the impact of welfare reform on housing associations in England^{1 2}. Our aim is to present a picture of how the impacts of welfare reform have evolved since the immediate aftermath of the introduction of the social sector size criteria and household benefit cap. We are also reporting on how associations are preparing for future challenges.

It is evident from the three reports that we can see a progression - from associations beginning to prepare for the process, to the actual introduction and now to being able to stand back with some real experience and say what it might mean in the long term.

Universal Credit and direct payments to tenants on the other hand are only starting to be introduced and none of our sample of 15 case study organisations had had any direct experience of more than a handful of cases. So opinions are really about what might be. On the other hand, all organisations had now had direct experience of the size criteria (the removal of the spare room subsidy (RSRS) or as often termed, the 'bedroom tax'), the cap on benefits, the localisation of the council tax subsidy and other changes, for instance in payments for non-dependent children. They are now much better placed to see how these changes have impacted and are likely to impact over the longer term.

We provide the topic guide for the interviews in the appendix but do not name any individuals or organisations. The topic guide for the third set of interviews was again developed in collaboration with the National Housing Federation (NHF). The main addition, as compared to earlier phases, was a series of questions about preparing for Universal Credit.

¹ See: www.cchpr.landecon.cam.ac.uk/Projects/Start-Year/2012/Welfare-Reform-Impact-Assessment for the preceding two reports.

² The methods comprised telephone interviews with 15 case study housing associations of a range of sizes and types, spread around England.

Section 1: The overall impact of welfare reform

Overview

The question as to what aspects of welfare reform were most problematic generated a mix of responses partly reflecting the role of the respondent in the organisation and how far they were taking a more strategic view. Issues around the size criteria were seen as most important by most respondents, mainly because of the large numbers affected to date and the difficulties landlords had in being able to provide smaller accommodation for those who wished to downsize. The most immediate concern of most landlords was how to ensure the rent was collected. This had often impacted heavily on their operational systems and on their administrative costs. Just as fundamental to their long term mission was how to support tenants facing increasing pressure on their financial resources. The benefit cap was generally not high on the respondents' lists as the numbers impacted were small. Even in London the numbers affected had turned out to be very much lower than expected. The major concern into the future was that, although most tenants appeared to be coping, in many cases their resilience was being eroded, so associations generally expected arrears to worsen.

Most landlords had not so far reached the point of eviction for arrears arising solely from the size criteria but all had cases where arrears were mounting and could yet end up in court. Some had evicted people whose arrears position had worsened under the size criteria and almost all expected the situation to deteriorate in the future. Some associations were finding judges were sympathetic to tenants when the arrears were partly associated with welfare changes. The payment of Discretionary Housing Payments (DHP) has been crucial in keeping arrears down even though in some associations the numbers in receipt are quite small – 7.5% of those affected in one large association for instance, although nearer 15% in a smaller association in the North.

In the majority of our case study areas it was reported that the local authorities were struggling to deal with the implications of cuts to their own budgets and this was impacting upon their ability to process both Housing Benefit and DHP claims. The upshot of this is that in some cases there were growing DHP backlogs. Some landlords believed that, where the authority had retained its stock or had an ALMO these claims were often prioritised over those from other landlords. Others stressed that a majority of local authorities had underspent their DHP budget because of over-caution or because of administrative difficulties. As the authority deals directly with the tenant when awarding DHP, landlords were also concerned that there was often a lack of information about outcomes and delays.

Authorities were also reported now to be taking a harder line on processing DHP claims and renewals. For instance, in one case awards of one year were no longer being made and instead awards for three to six months were being substituted, whatever the reason for the claim. A number of respondents highlighted their concern about the temporary nature of DHP as a solution to people's situations. There was also concern about whether the DHP funding source would be cut or withdrawn in the future. Some noted that DHP was being supplemented by local authority funding and that this provided a greater level

of security for both landlords and tenants at least in the short term.

Two respondents made mention of the potential for the General Election to change this landscape radically. Labour has promised to scrap the size criteria if elected and the Liberal Democrats have discussed severely curtailing it. Many are therefore hoping this is a problem that will go away but were aware that relying on this would be a considerable gamble.

A number of associations highlighted the quality of their relationships with their local authorities and the extent to which more effective partnerships were being developed. On the other hand a number noted how difficult it was to deal with issues around the localisation of council tax benefit across so many authorities. Indeed for one large landlord the fact that, in many authorities, tenants had to pay some council tax with the associated problems of (sometimes aggressive) distraint³ procedures was of greater importance than arrears arising from the size criteria.

Finally, most associations could see little beneficial impact from the current changes except the extent to which they were now closer to their tenants, more aware of their financial circumstances and more able to address tenant concerns. In contrast, and despite concerns over direct payments, a number of respondents highlighted the potential benefits of some aspects of Universal Credit. They liked the concept behind Universal Credit, although many did not want housing costs to be part of it, suggesting that Housing Benefit should remain with the local authorities. The reason for this was concern over DWP's capacity to run the system, provide information on an accurate and regular basis and to make the right payments to households, as well as concerns over direct payments of the rental element to tenants.

Avoiding the size criteria by moving

The numbers of people impacted by the size criteria had generally declined – in part because of changes in household structure and natural turnover and partly because some affected tenants had moved.

In some areas it had proved possible to assist households to move to the appropriately sized home but in many cases there were very few smaller properties available. One association said that 5% of affected tenants had downsized; in other associations almost no moves had taken place either because tenants had not requested such moves or because there was no suitable accommodation available.

In one medium sized organisation 2013/14 had seen a significant increase in the number of tenants (625) undertake exchanges within their stock under the association's scheme aimed at helping tenants to move. The numbers in 14/15 were projected to be closer to trend (119 in the 1st quarter) suggesting the previous year had dealt with a 'backlog' of people who were willing to downsize. The association is now researching the position in

³ Distraint typically involves the seizure of goods (chattels) belonging to the tenant to sell the goods for the payment of money owed.

more detail. Another association found similarly that an increased number of tenants had moved in 2013 but that this number had reverted to trend as those who could move reasonably easily had done so.

Several associations reported that in lower value areas tenants were moving to the private rented sector. In one association, of the 2,414 households in October 2013 who were impacted by the size criteria, 900 had now moved - 550 into the private rented sector and 350 into one bed homes within their own stock. This is high by national standards but reflects the nature of the housing market in the area. More generally associations reported that the majority of their tenants affected by the size criteria did not want to move, or that their only options, if any, were too distant to allow the continuation of support networks and would affect their families and/or their jobs. As a result they had decided to stay and bear the costs.

There were enormous variations in the use and effectiveness of mutual exchanges although all associations said that they had tried to support this approach. Many saw mutual exchanges as far more effective than transfers – as they were not limited by existing vacancies. In one large association for instance reported that mutual exchanges had risen sharply but from a low base, though nevertheless still represented only 20% of the total number of those downsizing. Another, working in similar areas, however, had seen only a tiny number of mutual exchanges and fewer than 2% of tenants had registered an interest in a transfer or mutual exchange. In part this can be explained by the availability of smaller properties and the extent that opportunities to downsize are perceived to exist by tenants – but the differences across associations were very considerable.

A big issue for many associations has been the loss of tenants to the private rented sector – especially in lower demand areas and where the association's stock is concentrated in larger units. A major cost for many associations has been the lost rent and increased management and maintenance requirements associated with the turnover of tenancies. One association noted 'we have had a 72% increase in void properties compared to the same period last year and our repair costs on voids has increased accordingly. Many also pointed out that the cost of a vacancy and subsequent re-allocation is often far larger than the rental loss alone as repairs are very often also required.

In some areas associations have had to undertake new initiatives to fill vacancies. This has been particularly prevalent in areas where the majority of stock is in the form of three bedroom homes. Such initiatives have included using Zoopla, or the equivalent, to reach a wider range of potential tenants or changing allocation rules to allow those in secure employment to take larger units, even when they are under-occupying. Both of these generally mean letting larger homes to people with lower housing priority than associations would previously have done. Some associations have also decided to provide white goods or other incentives to enable them to find tenants and compete better with the private sector. In contrast smaller homes are now in higher demand and therefore harder for new tenants to access.

Rent arrears

In terms of who was able to cover the extra outgoings the picture was quite mixed. There was almost no evidence of direct refusal to pay and the vast majority of affected tenants had paid something. In most cases the majority of tenants were paying the total amount due. Equally in a majority of associations arrears were either stable or declining, although this was often the result of more effective rent collection implemented around the same time as the size criteria were introduced. It was stressed that the position with respect to arrears was in many cases also beginning to reverse, that the relatively positive picture was significantly the result of DHP and that any reduction in that support would cause arrears to rise sharply.

Verbatim quotes reflect the diversity of experience: 'half in arrears'; 'most have paid'; 'rent arrears up'; '37.5 % of tenants in debt/further debt post April 2013 with average debt up by £220'; '5% of the rent bill unpaid associated with the bedroom tax'; initial increases in arrears followed by decline and now again increase'; 'stable but expecting rises'. Differences in arrears performance appear to depend on the mix of tenants and housing stock, the nature of the local economy, and the processes and approach of the association.

In a northern city, one association had had 394 tenants affected by the size criteria. Out of these 76 had moved out, another 12 downsized within their own stock, 124 were paying in full, 53 had received DHP and just eight had paid nothing. Out of the total, 353 were receiving support from the association in terms of advice and support. Another association reported that they had seen a large increase in the number of tenants moving and that 38% of these moves were by tenants affected by the size criteria. They also reported that 68% of affected tenants had paid in full and only 6% had paid nothing. Unusually, this association had already evicted two tenants for rent arrears associated with the size criteria.

In a southern association arrears for those affected by the size criteria were close to 8% as compared to just over 5% for those unaffected – even though two thirds of affected tenants were paying in full. A smaller association in the north had managed to collect 75% of the annual £1m at risk. Most saw little chance of arrears being paid off as tenants were clearly finding it difficult to pay the current shortfall.

On the income side, associations have been learning a lot more about the realities of their tenants' finances and have been successful in increasing some tenants' incomes. Associations have been working hard to recover backdated Housing Benefit claims, reduce fuel bills, facilitate access to food banks, provide financial advice and give more general support. Some associations have been working closely with credit unions and helping tenants open accounts with them (including one association which has put £100 into the accounts as an incentive). One association estimated it had put £250,000 back into tenants' pockets by way of helping them to claim benefits to which they are entitled.

Another association suggested the difficulties tenants had in meeting rent costs had little to do with short term borrowing from payday loan companies but were fundamentally about increases in other costs, such as water charges, TV licence, phone and broadband

costs, and council tax. Some of these providers were very quick to move to prosecute for unpaid bills, as were some local authorities. Council tax arrears were seen as a particularly important issue in some areas.

Many associations noted the impact this had on their own services – which have themselves often been expanded. One association noted it had made a fourfold increase in debt support in 13/14 and that requests for help had doubled. Landlords were now looking at affordability issues in a much more detailed way. Some were grouping their tenant population into segments, often with the help of improved software, to clarify patterns of rent payment and the types of assistance which might be most appropriate.

A number of associations suggested that, so far, the impact of welfare reform was less than they had feared it could be. However, most felt that the situation would get worse and that their tenants' financial resilience was already declining. With Universal Credit still to come, they thought this situation could only get worse.

Relationships with local authorities and other stakeholders

Welfare reform has had a big impact on the relationships between associations and local authorities. Many associations suggested that relationships had improved and were very positive about their interactions. Respondents often highlighted the huge variations in capacity and performance that existed in local authorities in relation to Housing Benefit, DHP and other payments made by the local authority itself. Some associations who dealt with large numbers of authorities thought that some bigger authorities with strong housing functions were more effective administrators than smaller authorities with less specialisation. Regardless of size, some were reported to be excellent but others were finding it increasingly difficult to cope and associations had suffered from delays in processing payments. Local authorities have lost skills and their remaining staff members are under huge pressure. One association even described its main local authority as 'in meltdown', with the authority taking three months to deal with simple information changes to Housing Benefit claims.

On the other hand, a number of associations commented on their excellent relationships with their main local authorities (including authorities that had developed their own regional or sub-regional partnerships) and the fact it had got closer under welfare reform. One had established a fast track system for Housing Benefit and DHP for cases where eviction was a possibility although even here the case load was building up faster than it could be processed. A number of associations commented on the benefits of their stock rationalisation programmes in reducing the number of authorities they dealt with. One association had built up joint working with its local authority to the extent the authority was now considering getting the association to manage some of its own stock.

Most associations commented on the plans to incorporate Housing Benefit into UC and therefore the greater role to be played by DWP. They feared the loss both of well-established contacts in the local authorities and of the capacity to deal in person with complex cases. They also noted the inability of DWP to provide simple information or any real service in relation to complex cases. In this context many associations were concerned that the switch to dealing with national call centres, rather than a known local

team would inherently mean less understanding of the issues faced by individual tenants.

Associations noted that there had been some movement on data sharing protocols but this was still a difficult area for many– and was expected to worsen even if the protocols themselves improved. Some associations had participated in tripartite meetings with DWP and local jobcentres but in the main, little progress had been made with respect to information flows. Most were concerned about what happened when UC went live but could do little about it at this stage apart from stress how important it was that landlords were kept informed about the tenants claiming Universal Credit.

Very few associations mentioned the Local Support Services Framework which will be introduced to support Universal Credit claimants and it was clear that they felt planning for local support was still in its infancy⁴.

They felt that the question of trust was central to all relationships and this was built up by person to person contact over sustained periods. It was evident that these relationships were already being eroded for some associations and in some areas at a time when they increasingly required them. Most associations expected this position to worsen under UC especially, as noted above, with respect to the identification of tenants claiming UC and who were in arrears.

Rather similar issues were identified with respect to associations' relationships with job centres, which had become an important part of tenant support. One association suggested that the jobcentres had become even more focussed on supporting work and that issues around benefits were becoming very secondary. This was putting additional pressure on associations. Others simply noted how overstretched jobcentres were.

Examples of broader initiatives bringing associations and other stakeholders together included: one association which was part of a sub-regional grouping that aimed to pool resources and information to support each other; another which was part of a community advice network for the entire city which involved the jobcentre, adult social services and schools partnerships – it had supported a sustained attempt to break the cycle of deprivation. The National Housing Federation has local groups on various issues, including financial inclusion, which were seen as valuable. More generally mention was made of the good work of the Federation in pushing forward the agenda of joint working. Even so, despite considerable progress there was much to do to spread good practice.

Organisational changes

Some of the associations reported that they had undertaken major reorganisations both with respect to partnerships but also internally. Some groups had brought their separate organisations together and were sharing responsibilities – especially with respect broader activities such as energy savings and bulk buying. Some had outsourced activities notably with respect to financial inclusion and to the technical aspects of housing

⁴ See:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181395/uc-local-service-support-framework.pdf

management, in both cases because high quality specialist consultants were available.

The most significant changes have been around rent collection, with considerable centralisation of activities and far greater emphasis on early intervention when payment patterns change. Some associations have managed this within their current staffing levels; others have significantly increased their expenditures but felt it has been financially and organisationally worthwhile. The other major area where resources have been increased is with respect to customer relationship management – involving both much more direct involvement with tenants and more analysis of individual data. Overall, most associations have put more resources into ensuring that they have closer relationships with their tenants and can provide a wider range of support services. All associations felt that this had been beneficial. More generally, most were putting emphasis on increasing tenants' access to the internet and improving their digital skills. In one association currently 55% of general needs tenants were online and the association has a target to get 90% online within three years.

Closer working relationships with local authorities and other local stakeholders, while seen as highly desirable, had in some cases generated higher costs – but also often higher staff satisfaction levels.

A final issue was that most associations reported far greater involvement from the Board in understanding the major welfare reform challenges faced by the organisation. Associations also noted that Boards accepted the need to be responsive to future requests for further resources in the face of considerable uncertainties.

Regional and area differences

In the earlier reports there was emphasis on the very significant regional variations in demand for larger properties, sometimes exacerbated, especially in LSVT associations, by limited availability of smaller units. This problem has, if anything, become more obvious under the size criteria regime. But there are also other differences. Some associations noted variations in demand for their homes: limited demand for high rise flats in urban areas; high demand for houses in outlying villages, with tenants paying to remain somewhere they valued; limited demand for traditional three bedroom homes. In some cases urban private renting was an option for tenants wanting to downsize. In other areas private renting was too expensive to be a viable option. Other associations highlighted the fact that the way in which Housing Benefit had previously been paid regardless of under-occupation had masked the realities of the different levels of demand for different sized homes, even in less popular areas. Implementing the size criteria had revealed this quite starkly and was forcing a new approach to marketing and in some cases a renewed interest in regeneration. Another large association that had previously found it difficult to let some of its smaller inner urban terraced houses was now finding that instead there were difficulties in letting larger properties in outer estates.

In the South the main problem remained that there were few opportunities to help tenants to move because of the lack of available smaller homes. There were also some continuing concerns that some local authorities were being intransigent with respect to

allocation criteria.

Those working in the North East reported that the problems were exacerbated by particularly large cutbacks in local authority funding and few job opportunities. Another general point being made that it was harder dealing with issues in small rural authorities where there were fewer opportunities for tenants to downsize or find work.

Section 2: Preparing for Universal Credit

Overview

Most of the case study associations were not operating in areas where Universal Credit was live. One had stock in an area due to go live in late July, and three others had between two and eight tenants receiving UC. These were all tenants who were already receiving UC and who had moved to their properties from another area where UC had already gone live.

Although the timetable kept changing most were assuming the numbers of tenants receiving Universal Credit would start to build up soon, though they expected numbers to remain low for some time to come. There was general concern about how associations would know if tenants were receiving UC. Under the current system, payments of Housing Benefit directly to the landlord mean that associations know which tenants are in receipt of Housing Benefit, and can intervene at an early stage if benefits stop for any reason. Under UC, however, they would typically only know if the tenant gets into arrears and the tenant tells the association that this was, for instance, because of delays in UC payments. One association was particularly pleased by the agreement to roll out cost verification procedures trialled in Warrington, which means that tenants would have to either provide a rent statement or give permission for DWP to contact their landlord. This increases the likelihood that landlords will find out about Universal Credit claims at an early stage. One local authority had agreed to notify the association if tenants came off Housing Benefit because they have moved to UC although they were still waiting for this to be confirmed.-

Associations were generally happy with their level of preparation involving changes in data, IT and administrative structures as well as supporting tenants in a wide variety of ways. However their responses were to a great extent a continuation of the expansion of services and increased efficiencies which had been underway since before the introduction of the size criteria in April 2013.

All were active in preparing for UC and this was being done in a variety of ways including attendance at National Housing Federation and DWP meetings in live running areas, engagement with DWP, visits to other organisations in live sites and engaging with local authorities and associations that have experience of UC. For instance, one association was buying the same computer system as an association in a current live UC area and then developing it alongside a new customer relationship management system and a linked mobile phone technology solution. Another association was investing in an

outbound dialling system so it can automatically call tenants about their payments and was now streamlining its processing of letters and the scripts used in calls. The aim was to tackle the needs imposed by the new UC system with the use of technology and to use staff more efficiently and to better effect. With full tenant information and call history now on screen this had also allowed one association to rework their housing management service so that though staff retain 'patches', where they can get to know their tenants better, they now have a tenant caseload across the entire stock allocated on a weekly basis. This has led to a more equitable and effective distribution of work.

All associations either had or were currently carrying out internal reorganisations of the types exemplified above. However, most felt that it was too early to involve their tenants except in the most general way or in response to active questioning. This is partly in response to the feeling that they went into 'overkill' with respect to early tenant related activities on the size criteria but found that tenants were ready to engage only when the changes were imminent. Associations were aware that UC was going to come into effect over a longer time scale, and therefore might not affect some tenants for several years. Some were concerned about providing information too early.

In terms of data, all associations have remained active in gathering more information and knowledge and understanding about their tenants in part in preparation for UC. More than one association suggested it was more focussed upon making better use of the information it had started collecting over the last two years than collecting more at this stage, but many were now looking to gather new information, especially from new tenants, including the tenant's eligibility for UC, expected payment date (if the tenant is claiming UC), National Insurance number and bank account details. Profiling of tenants was a growing focus amongst respondents, with some associations looking to models which would offer predictions about which tenants might struggle and thus where early intervention might be needed.

One concern was over the expected difficulties tenants would have in paying their rent when it is due at the start of each tenancy period. Housing Benefit has for many years been paid in arrears. Associations know this, receive the payments direct, know which tenants are receiving Housing Benefit, and therefore know that the money is likely to be paid. They therefore allow tenants to have what are often termed "technical arrears", without taking the usual first steps in arrears recovery, which they otherwise would do should a tenant start to run up arrears. IT systems are commonly set up to anticipate this expected delay in income and to distinguish it from other types of rent arrears. This system avoids wasting staff time on chasing arrears that are due solely to the payment patterns of Housing Benefit, and avoids worrying tenants unnecessarily. Associations are, however, unsure how they will be able to run such a system under UC as they will not know which tenants' arrears are an outcome of waiting for UC payments. In response to this, one association had started requiring all new tenants to pay their rent when it is due at the start of each tenancy period; another had required tenants in receipt of benefit to pay one week's rent at the start of their tenancy with those in work needing to pay one month's rent. Others were requiring the full month from everyone – but with a support system to address individual needs. Some of these changes would probably have happened anyway but are being brought forward in preparation for UC.

One medium sized association had undertaken a census of its tenants and had noted that in a year some 270,000 calls were made, each one of which gave opportunities to check information and communicate. There was a major push to support tenants to go online and use IT effectively and all this tied in with digital inclusion strategies. Associations were clear that early and effective communication with tenants would be important. They were well aware of the need for low cost high volume communications. It was thought that tenants would need regular reminders about rent payments due and rapid follow ups where rent is not paid on the due date. In this context the direct payment demonstration projects had highlighted big increases in the costs of managing the payments process with tenants – as well as increasing arrears and bad debts.

Direct payments

Everyone interviewed saw the move to direct payments to tenants as a major source of risk for the organisation. All associations wondered how tenants would cope with it, what the consequences would be and how any subsequent impacts on their organisations should best be alleviated. Most felt that current evidence was both limited and negative. Almost all the case study associations noted the difficulties that had been observed in the demonstration projects around predicting who would fall behind in payments⁵.

UC in general and direct payments in particular have the potential massively to disrupt cash flows and hugely to increase administrative burdens. Associations were concerned that much would hinge on the mechanism for switching to 'alternative payment arrangements', and how these would be triggered. There was concern about having to wait for two months of arrears. Some who were involved in discussions with DWP saw some potential in developing good practice and fast track means of determining whether tenants should have an alternative payment arrangement.

Associations were closely following the fortunes of the UC live sites and other demonstration projects, which seemed to them to indicate that rent collection was possible but at a considerable cost in terms of resources. Associations typically receive at least a third of their rental income from Housing Benefit for working-aged tenants, who will be moving to the UC system. As one association with a rent roll around £50 million put it 'that's £15-20 million that's at risk'. However none suggested they were able to properly assess the extent of risk involved and associations were often working on 'worst case scenarios', much as they were doing two years ago in preparation for the size criteria.

In terms of payment methods, the limited evidence available had suggested to some that direct debits were not the answer for everyone and that some tenants prefer to pay online, by card or by phone. People vary in how they like to manage their money and some tenants had been let down by direct debits in the past in situations when their benefits had not been paid in time and had therefore incurred bank charges. Landlords were assuming that for the most part they will get paid in the end but that payments might be sporadic and will require a lot more management. Even so, all associations were

⁵ <https://www.gov.uk/government/publications/the-direct-payment-demonstration-projects-dpdp>.

making allowances for far higher bad debts.

Some associations had undertaken direct payment trials, letting tenants receive Housing Benefit direct in advance of UC coming into place in their operational areas. One association had run some pilots –‘they didn’t go as badly as we expected’ but ‘some tenants commented that they wanted to stay as is’. There were missed Housing Benefit payments which triggered bank charges when rents went out and this caused a lot of friction as tenants were losing out despite doing all they were asked and the association was very uncomfortable with this outcome. Other tenants were reported to be concerned about the temptations coming their way – to spend – and didn’t want to be given the chance to spend their rent money in this way.

Another association was just setting up a pilot with new tenants getting Housing Benefit paid direct to them and alongside this there was a package of support with a view to helping set up bank accounts, secure better utility deals, along with advice on shopping and budgeting. Another association wanted to run a pilot but their credit union partner has not been able set up the bank accounts they felt were needed first, which had caused delays

Some of those who were initially opposed to piloting had come to realise that there were benefits of learning how to manage under the new system: ‘you can’t really understand what it is you need to do until you try it’. For instance, one organisation planned to use Housing Benefit direct and was in the process of identifying a large estate which can be split in two with a control group alongside the group in the pilot scheme. It was intended that this scheme – whilst small enough not to threaten the financial security of the organisation – would nevertheless be large enough to offer some robust insight into the impact of direct payments.

Other schemes were on a much smaller scale, and more cautious in approach. For instance, one association had sourced 22 tenant volunteers in a pilot scheme. Of these two withdrew immediately when they understood the full implications and of the remaining 20, five needed bank accounts. The association had developed a simplified application form for moving to direct payments which was sent out for completion. Seven replied returning the completed form and of those four had errors including two in terms of family composition. Thirteen had not replied. With monthly rent of around £400 due, difficulties were encountered with cash payments in cases where people had a daily withdrawal limit of lower amounts such as £250. As a consequence two withdrawals were required to pay the rent each month.

Some case study associations were strongly against running pilots, regarding them as too complicated, providing very little information and potentially harmful for the tenants involved. These associations were focussed on getting arrears as low as possible before UC arrived - as they had done before the implementation of the size criteria.

A final point made by many associations is that a government which emphasises the benefits of choice should allow tenants to choose whether or not to have their rent paid directly to their landlord. Most tenants will be faced with enormous trade-offs in terms of determining priorities for payment, given the demand of council tax payments and other bills. Many have already expressed their wish to make a single decision, to have the

payment made to their landlord, to ensure that their rent is paid.

Increased resources

There was evidence of associations increasing resources to prepare for Universal Credit though the balance of activity and extent of expansion varied depending upon what had been done previously. Some had specific budgets put aside; others had agreement from the Board to extend when and where necessary; others expected to manage within their current budgets uplifted by inflation.

Many associations saw the requirements in preparation for UC as mainly an extension of what they were already doing in terms of digital inclusion, support into work' specialist advice and resident engagement. One association had already established a money advice team and was now expanding its employment services support. Another was expanding its financial inclusion team with four to five new posts costing £100,000 per annum, while a third had set up a welfare reform team of five staff focussed on helping tenants get DHP and working closely with existing income collection officers.

In another case the focus was on investing in IT and technology rather than staff and the plan was to spend £239,000 on this over the next five years. Reviews of IT were commonly part of the process and some combined this with extra staffing. Finally one organisation had merged with another and across the group now had a significant income management function and had involved their local neighbourhood staff with the welfare reform work. It was working on new mobile phone technology to make it easier for tenants to receive the information they would need and had increased its inclusion team. As all of this suggests, associations are responding strongly to the challenge.

Supporting tenants on Universal Credit

Much of the work that associations expect to undertake in supporting tenants is seen as being an extension of what is currently in place – including improving IT skills, the maintenance of broader support services and strong individual relationships with tenants which help to build the trust between them and the association.

In reality the major emphasis among associations is in trying to reduce the risks associated with UC payments direct to the tenant both for the organisation as well as for tenant well-being. As such the three main issues are: how to obtain information about arrears as quickly as possible; how to transfer tenants who are not coping back to payment to the landlord; and how best to employ staff resources to minimise arrears and bad debts.

There was a real appetite to work with the DWP to identify tenants who needed support. Some were already engaging with local support services and doing this within local service frameworks. Associations felt that they were better placed and better resourced than the DWP to assess which of their tenants were vulnerable and should therefore have their rent paid to the association.

Some associations had made organisational changes to provide a more holistic understanding of emerging issues. One association had set up a cross organisation Welfare Reform Steering group emphasising the need for top level executive involvement. Others were putting greater resources into their financial inclusion teams. Most, however, saw their response to the size criteria and the benefit cap as an appropriate starting point for working on UC. One organisation put it as 'make it easier for tenants to pay, make people understand how important it is to pay; be upfront and responsive'. More generally many associations had seen the welfare changes as an opportunity to reiterate and reinforce their mission statements and their commitment to helping their traditional clientele.

In terms of resource to support tenants on UC there was universal agreement this was needed although associations varied in the extent that they had resolved what resource to provide and where to focus their efforts. Feedback from areas where UC was operational had suggested to associations that a significant increase in staff associated with rent collection and support for tenants falling into arrears was likely to be necessary. There was concern among some associations as to whether they could afford sufficient staff. Others saw many ways of streamlining their activities. One association was undertaking a service mapping exercise in relation to their customer base in order to see if they have the right services in the right places. Others had contracted with external agencies to undertake some of the advice work which would flow from UC. This was seen as bringing in the right skills but also providing higher quality advice on financial issues. Those associations with a clear focus on IT solutions saw this not only an effective delivery mechanism but also as a means of freeing up resources to enable associations to help those in difficulties more effectively. It was also a capital expenditure item which tended to be readily accepted by senior management and boards.

Section 3: Financial and other changes related to welfare reform

The third section examines issues around the financial impact of the welfare changes in relation to the major indicators: arrears, bad debts and management costs and associations' capacity to raise debt finance. It reviews how associations have responded in terms of rents and allocation policies, investment in the existing stock and provision of services to tenants and the wider community. Finally, this section describes how associations see their strategic direction in the face of continuing changes to the welfare system.

Changes in main financial indicators

Associations were asked for details of costs with respect to arrears, bad debts and management costs. Not all information is available for all associations.

Table 1: Case study associations' financial position and projections: arrears, bad debts and management costs

Association	Arrears as % of rent roll 13/14	Arrears 14/15 target	Arrears 15/16 Forecast	Bad Debt as £ or % 13/14	Bad Debt 14/15	Bad Debt 15/16	Mgmt Costs £ 13/14	Mgmt Costs 14/15	Mgmt Costs 15/16
1	Up	£1.2m	£1.5m	1.37%	2.75%	2.75%	Up	Stable	Stable
2	NA	NA	NA	3%	3%	4%	NA	NA	NA
3	1.8%	1.8%	3%	3%	3%	4%	Up £421k	Stable	Up
4	5.3%	4.97%	5.58%	£1.8m	1.83m	£2.1m	0	Up £28k	Up £102k
5	2.5%	2.9%	NA	NA	NA	NA	Up	Up £200k	Stable
6	4.04%	6%	7%	0.88%	1.2%	1.7%	0.7m	inflation	Inflation
7	5.69%	6.25%	6.73	0.9%	1.2%	1.6%	Up by £80,000	inflation	Inflation (may need additional staff)
8	1.9%	2.0%	2.1%	Trebling over 3 years	NA	NA	NA	Up	NA
9	1.8%	2.4%	4.0%	0.9%	0.9%	1.255%	stable	Up 20%	Up 5%

Source: Case studies survey. NA = not available

With the limited information available we must be cautious about any conclusions especially as there is great variation both in experience and in projections. With respect to arrears, the evidence presented suggested there had been a great deal of effort to stabilise, and in many cases lower, arrears in the early period. At the present time the median experience was of stability in arrears but some increase in bad debts. This was not projected to continue. A number of the associations interviewed said they were including what they saw as worst case scenarios rather than best guesses. On that basis arrears were often projected to double and bad debts to double and sometimes treble as UC came into play.

Management costs had generally risen around April 2013 when the size criteria and other welfare reforms were introduced. In most case study associations these were now stable apart from inflation. However many of the associations expected to add staff as UC was introduced both to support tenants and to ensure as much rent as possible is collected. In some cases staffing costs are being held down by commensurate capital expenditure on the purchase of technology or by outsourcing some services. Staffing cost increases may therefore underestimate the effect on total costs.

These immediate projections were reflected in the 30 year business plan assumptions. Most of those responding indicated their association has assumed early rises in costs related to welfare reform and then these flattening out over the 30 years but never returning to pre-welfare reform levels. One association had taken a more pessimistic view of arrears and was forecasting these rising to 9.5% per annum by 18/19. Most associations had at least doubled their bad debt provision assumptions and were not expecting any longer term reductions. One association had used evidence from a similar association already involved in UC to make their projections – expecting around 85% rent collection but making adjustments for projected trends in age profile of tenants.

Thus almost all associations were projecting increases in arrears and possessions arising from the introduction of UC and saw no reason to expect things to improve. However the most usual response was that after about five years these projections were simply informed guesswork. One general assumption was that the welfare environment would continue to change making the environment more challenging.

Lenders

In terms of the reaction of lenders to welfare reform all the associations were clear that lenders remained concerned but comfortable. A number stated that the lenders' response was excellent or that there was 'no problem'. In one case there was concern about covenants. Some associations reported that lenders were pressing for detailed assessments of the impacts and for reassurance that cash flows can be protected. But in most cases they were clearly happy that housing associations were taking responsible measures.

Levels of arrears and bad debts were seen as the most important indicators of problems and these were being benchmarked across the sector. The main concern was around the impact of direct payments. Moody's had reviewed the sector and individual associations and was still giving a clean bill of health which in turn had opened the way for continued

bond issues. Broadly it was business as usual but with more scrutiny.

Development

Turning to the impact of welfare reform on planned development programmes, there was evidence of continued adjustment in the scale and content of associations' plans, although many were maintaining their programmes. Many associations said they were maintaining their programmes in numbers terms, sometimes making changes in mix within that number but often not. However one had halved their programme because of concerns about the financial impact of welfare changes.

With respect to size of unit, one association was bucking the trend and building more large homes. Mostly there was either no change or a shift to smaller units. One association had stopped building four bed homes and was focussed on two bed units; others were going from three to two bedrooms, while another had reverted to building more one bed homes.

There were other types of change broadly linked to the welfare reform context. One had ceased to use design and build contracts while at least two were doing a lot more build for sale to strengthen their reserves. Some saw the bidding round as determining the possibilities while one had made no bid in this HCA round (because they did not want to build one bed homes). Overall, there had been a shift in their mix towards smaller homes but this was very much under review.

It was evident in some of the more expensive areas that associations were concerned that some tenants in large properties might be caught by the benefit cap. For one landlord the upshot had been to stop building such homes, but it had also begun doing work on profiling housing need, while another association reported that they were looking closely at how it set its rents for bigger homes.

Policies on rents and allocations

A number of associations were examining the possibility of modifying rent structures in the context of the affordable rents regime with the aim of setting rents which would take larger households below the benefit cap. Many were moving re-lets on to the Affordable Rents regime giving them more flexibility in rent setting. However others had made no changes beyond inflation increases. There was a widespread concern with the ability of working people to afford Affordable Rents and some landlords had introduced affordability assessments including helping tenants assess their lifestyles and what they could afford. Staff in one association had found this difficult, very personal and quite intrusive which had led to higher expenditure on training, counselling and support to front line staff.

There had been some changes in allocation rules. Most associations had already modified their allocation policies to meet size criteria by the time of our previous interviews in January/February 2014. However, a number were concerned about how the welfare regime worked in relation to Choice Based Lettings; others were still worried that local authorities were making nominations that were not in line with the size criteria. Others had allowed under-occupancy usually by one bedroom at the point of allocation

for working households after careful consultation with the household members. This was sometimes prompted by local authorities. In one case, this had led to an increase in working households moving into their homes. Another had changed their rules to allow under-occupancy by stable working households because they could not otherwise readily let three bed units. Still another referred to an embryonic discussion around who they house with the possibility of shared housing being part of the solution. More generally, associations were tending to require new tenants to pay the rent when due at the start of each tenancy period and to increase the use of probationary tenancies in cases where the tenants' ability to afford the rent was uncertain.

Associations were putting more resources into arrears management. While they were clear that they remained sympathetic to, and supportive of tenants, they would have to take possession for those who continue to fail to pay their rent. Most were taking time on this especially in relation to size criteria arrears but processes were being tightened and improved. As already noted, judges were in some cases being particularly sympathetic to tenants whose arrears were clearly linked to welfare reforms.

Most associations had been or were in the process of reviewing policies in the light of welfare reform. All were monitoring arrears more carefully and identifying problems more rapidly. Some had restructured their rent collection department; others had put in place different working hours so that they could contact people at home. One was looking at its mutual exchange programme in relation to size criteria rules; another was reappraising its whole approach to income management; while a third was weighing up the balance between choice based lettings and direct lettings. One association was undertaking an efficiency drive across the organisation hoping to secure 2% to 3% savings via staff savings and better procurement. It had now reverted to an in-house contractor to reduce VAT on maintenance. Others were purchasing IT equipment and outsourcing specific activities such as money advice. These were among many examples given by associations as of particular importance in their overall coping approach.

Broadening their activity base?

With all these new pressures associations had been weighing up the balance of their wider activities.

Table 2 below summarises what is happening in terms of levels of activity and therefore spend. It should be noted that sometimes 'the same' means unaffected by the welfare reforms and its consequences but there may have been other strategic reasons for change.

The most interesting aspect of this table is only one association suggests it is doing less. Some do not provide 'financial inclusion' (e.g. debt management and budgeting skills support) for non-tenants and never had done so; otherwise the level of activity in this area is either constant or increasing. Some also mention particular schemes that they have set up, for example, for helping people into employment, for bulk buying and energy savings. Others mention joined up working with other agencies and associations in their area. Some of the activities, such as financial and digital inclusion work, are seen as having a knock on positive effect on efficiency.

By implication, and sometimes directly stated, in no case is there likely to have been a reduction in direct expenditure on these activities. What is not clear however is how much additional resource is being applied - or whether much of this activity involves staff working harder or reorganising their working days. In the main, except for the first two which are part of the association's investment strategy, the overall amount of funding for 'other services' generally remains a very small proportion of total expenditure.

Table 2: Activity levels on existing stock and tenant services in the light of continuing welfare reform

Association	Stock improvement	Adaptations	Wider Community services	Financial inclusion for own tenants	Financial inclusion for wider community	Digital inclusion	Apprentices & training	Support to staff
1	Same	Same	Same	Same	Same	More	Same	Same
2	More	Same	More	More	More	More	More	More
3	More	Same	More	More	Same	More	More	More
4	Same	Same	More	More	Same	More	More	Same
5	Same	Same	Same	Same	Same	More	Same	More
6	Same	Same	Same	Same	Same	Same	Same	Same
7	Same	Less	Same	More	Same	Same	More	More
8	Same	Same	Same	Same	Same	Same	More	Same
9	Same	Same	Same	Same	Same	More	More	Same
10	Same	Same	Same	More	Same	More	More – partly for other reasons	More resources
11	Same	Same	More	More	More	More	More	More
12	Same	Same	Same	More	No	More	More	Same
13	More	More	More	Same	More	More	More	Same
14	More	More	More	More	No	More	More	More

Source: Case studies survey

Strategic Direction

Most associations had either just published or were about to publish new corporate plans. Some associations were re-evaluating their core mission statement, usually reinforcing their commitment to support poorer and more vulnerable households rather than changing it. One for instance stated that it 'was back to basics', focussing on core housing services and a number of others put forward similar sentiments. However they recognised that some aspects of their mission could be under threat, even though they wanted to continue to house tenants with a range of circumstances. Many associations felt that the introduction of UC could be expected to change relationships with a much broader range of their tenants including, for example, groups who had never before been seen as at risk in that their payments were certain. UC systems were seen as very vulnerable to failure.

A number of associations had reduced their longer term growth expectations. They were re-focussing on internal services and their capacity to help underpin the resilience of their customers rather than focussing on a continued expansion of their development programme. Sometimes, although much more rarely, this included looking to see what more could be done in communities. In other cases it was a re-examination of who the customer was and thinking about a wider spread of customers. One association commented that their business portfolio was becoming more mixed, while others highlighted concerns about having to ensure a competitive offer especially in the face of stock obsolescence and an over concentration on three bed properties. These issues had been brought into focus by welfare reform but were now seen as more fundamental to the future success of the organisation.

A number of associations stressed the complexities and difficulties emerging with respect to the security of cash flow. Some said that income was largely secure, for the time being at least, because of DHP; others that rent collection had been much improved as a result of the greater emphasis being placed on this element of the business and because of the introduction of better IT equipment. Some associations stressed growing concerns that tenants were becoming financially less resilient as time went on. They were therefore giving a lot more attention to customer budgets, digital inclusion, access to banking and more general financial inclusion for tenants. UC was seen as being of a different order as compared to the welfare reforms as currently experienced, with massive concerns about how to ensure the rental income was maintained along with responding to the much broader need for tenant support.

Many recognised that their relationships with customers were changing and some were concerned about the levels of intrusion implied by the need to monitor individual circumstances. Some saw the need to market themselves to new tenants and to ensure greater satisfaction among existing tenants but in the main the emphasis was more on cost effectiveness. Associations were becoming more business oriented – so although they wished to remain supportive they had to respond to other pressures. One association expressed some of the tensions well when it said 'we don't want to leave behind being a supportive organisation but we worry we will have to be more of a "rent-first" culture in order to be viable'. The challenge very clearly was to balance the two but there was a growing understanding that they were at times at odds with one another

when dealing with vulnerable tenants, on very low incomes who were struggling to afford their rent.

An association that had recently merged felt it had now got the scale of capacity and resources to deal with the range of issues welfare reform was posing. It had adopted a 'we can help you to help yourself' stance which was new and this took the association into complex issues with tenants such as lifestyle and budgeting. This association was keen to retain the distinction between tenancy support staff working with tenants and the rent collection team in order to maintain its supportive focus. This was in contrast to another association that had suggested everyone was now 'an income manager' at the same time as maintaining their positive involvement with tenants. Another felt that there would be lasting impacts but these would be slow to become fully visible –the first signs were rising arrears but much more would follow. It was concerned that it might see estates becoming more polarised between those who could pay and those who could not. Much turned on how the UC system might work out and how many tenants go back to payment direct to the landlords – and for how long.

Conclusions

Based on our case studies and in summary, we would highlight a number of issues for consideration, albeit the power of associations to tackle some of these is quite limited. These are:

- There is a lot of interest in the evidence from the UC live sites, and some limited interest in trialling direct payments of Housing Benefit to tenants.
- There is deep concern about the lack of information once tenants are on UC – with associations not knowing whose arrears are due to UC being paid in arrears or other UC related problems.
- There is considerable interest in the DWP's recent initiatives around partnership but there were real concerns about the local DWP capacity to deliver this. .
- Some associations had very good close working relationships with local authorities in administering Housing Benefit and that these had developed further in administering DHP. However there was real fear this might all be lost under UC as a nationally administered benefit alongside LA staff cutbacks and the lack of direct involvement by associations. Mention was also made of the move to a national call centre system under UC which would be very remote.
- Almost universally the size criteria impact had been less than some had feared. Most tenants were paying, though many were struggling to do so. In some cases – there were more concerns about council tax and some local authorities' almost "trigger-happy" preparedness to move to court proceedings to obtain payment.
- Associations were still keen to retain a wider social role, albeit alongside a more active rent-collector role. The main casualties of the growing financial pressures have thus far been (a) the scale and content of development programmes and (b) rent collection levels.

Furthermore the case studies would suggest that:

- The household benefit cap was not a big issue for most associations and tenants.
- The impacts of the size criteria were still to some extent emerging. Arrears were generally well under control and in the main it had not yet reached the point where eviction was a relevant option for those whose arrears had arisen solely because of the size criteria.
- Associations reported that they were becoming increasingly business oriented. At present this is mainly showing through improved rent collection, housing management and some IT innovations with a major focus on collecting more individual information about tenants.

- The lack of information about which tenants will be on UC together with tenant responsibility for their own payments, is seen as a massive challenge for housing associations.
- The costs of these changes are not yet fully understood but as yet only a few associations suggested that their increased costs may be unmanageable.
- There is potentially a lack of realism about the range of activities the associations are continuing or planning to undertake as many involve increasing costs to associations already under strain.
- Projections about arrears and bad debts are often worst case scenarios – so should be interpreted as such. Evidence on actual costs is necessarily very limited.
- There is some support for UC in principle, however concerning the practicalities might be. There is almost none for the size criteria.
- The other major impact has been on the appetite for development – though it is very difficult to separate the welfare regime effects from the effect of reduced capital grants and the Affordable Rent regime which is leading some associations to think more of going it alone without grant.
- There has been some rethinking about rent structures but the financial and legal capacity to implement these is limited.

Looking ahead, many associations see the level of hardship as growing. As one association noted '50% of our bedroom tax tenants are now in arrears whereas previously only a quarter of this group had arrears'. Another association commented: 'people are genuinely struggling, even those working, the working poor and people on partial benefit. Salaries have not kept up and the cost of living has increased faster than wages'. Associations reported the greater use of food banks and utilities and phones were being cut off. The working assumption is that these pressures will grow.

In terms of impact, the benefit cap had been far less damaging than expected with some associations having only a tenth of the number of tenants affected as compared to the original DWP estimates (although this could all change if the benefit cap is reduced as recently proposed, or over time as inflationary pressures and rent increases mean that the cap falls relative to household costs). The size criteria on the other hand impacted on all associations, although the greatest problems were undoubtedly in areas of concentrated poverty, particularly where the stock was mainly in the form of older three bed units.

All associations saw the introduction of UC and particularly the issue of direct payments to tenants as a much greater risk to their organisations and tenants than they had yet experienced. Associations agreed that there was no way of predicting the impact so they would need to be 'fleet of foot' as the policy was rolled out. Information and a responsive

DWP were seen as at the heart of any successful transition to that changed environment.

Overall, most tenants were still managing to pay at present and associations were challenged but positive that they were coping. Tenants were managing better than expected albeit there was real concern this was in the short term and that their capacity to do so would decline over time. The relative capacity to cope was partially due to DHP, a mild winter and people using up existing resources/credit with others. But it was also the result of associations putting in more resources to support their tenants – which was not always seen as sustainable.

All associations were pessimistic about the future – seeing the challenges as far greater than those addressed to date and envisaging that a combination of the continued squeeze on tenants and the increased costs and arrears for the associations meant that over the medium to long term major rethinking would be required. Associations were clearly giving a lot of thought to how they might operate in the future. They will adapt to the new regime but it will impact significantly upon what they do and how they do it.

Appendix

CCHPR Case Study Telephone Survey Checklist June 2014

As you may recall we interviewed you in early 2014. We now wish to undertake our final phone survey regarding the impact of welfare reform and want to work through the following areas of concern. We have included a new section on Universal Credit.

The overall impact of welfare reform and related changes on your association

1. What aspects of welfare reform have been most problematic or most beneficial to your tenants to date? Do you think these impacts will worsen/stay same/improve?
2. How have tenants impacted by the bedroom tax/RSRS responded? How is it working out – has it been difficult to sustain tenancies? Have you been able to help those who wanted to move?
3. Has your perception of welfare reform changed over time? Has the impact overall been worse than expected, about the same or better than expected? In what ways?
4. Have your relations with local authorities changed through this period? E.g., in respect of HA administration, DHP administration, nominations to HAs for housing, preparations for UC, Local Support Services Frameworks.
5. Have there been organisational changes around these relationships - e.g. transfer of information and systems to enable changing tenant circumstances to be taken into account? Have the reforms and their implementation triggered joint working to mitigate the impacts? Is there more that could be done?
6. If your association has stock in different areas, have you noticed any differences in impact across the regions or types of areas (urban/rural or high/low demand)?

Preparing for Universal Credit

7. Does the association have any tenants claiming UC / stock in the current live sites?
8. What are you doing to prepare for UC now? And what do you plan to do in the future? What is your association's attitude to preparing for UC (e.g. the sooner the better, it's too soon to start preparations, want to wait and see more details emerge, it will all change after the election etc.)?
9. Are you collecting more information on your tenants in preparation for UC? What do you think they need to know/didn't know before? Are you profiling those tenants who might struggle on UC in order to target resources? What information is it hard to find out?

10. Have you changed any policies, practices or systems in response to UC (e.g. arrears, income collection, IT systems, other)?
11. Have you developed relationships with other agencies (e.g. JCP, new relationships within LAs, other)? Have you experienced any barriers to engaging with these agencies (e.g., don't know who to contact, lack of engagement, data protection issues etc.)?
12. Do you see direct payments as a particularly difficult issue?
13. Have you considered moving some tenants onto direct payments of Housing Benefit in advance of UC roll out? Why/Why not? If yes, have you done so? Lessons learned?
14. What additional resources have you committed/plan to commit as a result of UC? In what parts of the business? How much? Why did you choose to do this?

Supporting tenants on UC

15. What is the role of housing associations in supporting tenants in transition to UC? What can DWP offer HAs to ease the transition to UC? Would they be interested in working with DWP to identify tenants who need additional support or who won't manage the standard UC payment? What role would you like to have in this process?
16. How did you make decision around resources in this area? e.g. if not resourcing, is this because there's adequate local provision, don't think it's their role, don't think they have the skills to deliver, have other priorities for investment, think it's too soon to invest resources to mitigate UC impacts etc.?

Overall costs and changes related to welfare reform

17. We want now to discuss costs in the short to medium term. You will be finalising your 15/16 business plan at present. What assumptions are you making regarding the following: arrears, bad debts and management costs in relation to the impact of welfare reform? Can you give us the 13/14 outturn, 14/15 forecast and 15/16 assumption?
18. In terms of your 30 year long term plan which you will be submitting to the HCA again what assumptions are you making regarding rent arrears, bad debts and management costs in relation to welfare reform
19. Previous discussions with your association have suggested that lenders, though tracking welfare reform issues, have stood back and focussed their attention on ensuring associations have got the situation under control. Is this still the case?
20. Now you are clearer as to the costs and risks of some aspects of welfare reform has your current investment programme been changed in response to any aspects of

welfare reform? Which aspects, and how has the development programme changed?

21. Have you further amended your policies since we spoke last in response to the welfare reforms in respect to:
 - a. rents,
 - b. Allocations/ who you house,
 - c. arrears management?
 - d. Do you expect to make further changes?

22. What activities has the association increased, reduced or ceased funding, in the light of the continued effects of welfare reform on HAs' income/workloads?
 - a. Stock improvements
 - b. Adaptations
 - c. Wider community services
 - d. Financial inclusion work for own tenants
 - e. Financial inclusion work for wider non tenant community
 - f. Digital inclusion
 - g. Apprenticeships and training
 - h. Support to help deal with greater staff workloads/stressful work
 - i. Anything else?

23. Do you see these changes impacting on your overall strategic direction and the positioning of the organisation? Is there pressure on the association to change its mission? If yes from where and what are the changes?

24. Once migration to UC/welfare reform is embedded, what lasting impacts will UC have on your business in 5 or 10 years' time? E.g. Different relationship with customer? Mainstreamed tenant support? Changes to who they house? Other?

25. Overall how do you think you and your tenants are coping?

*Thank you. We will use your comments to inform our second case study report.
We will not name individuals or associations*