

Impacts of Social Sector Size Criteria (Bedroom Tax)

Summary

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1. Background to the Research

The Social Sector Size Criteria (SSSC), more frequently referred to as the bedroom tax, came into effect in Northern Ireland as part of the broader programme of welfare reform on 20 February 2017. It applies to Housing Executive and housing association tenants considered to be 'under-occupying' their homes. Where a household is considered to be 'under-occupying', the eligible rent used to calculate the Housing Benefit/housing costs element of Universal Credit will reduce by 14% if under-occupying by one bedroom, or 25% if the household is under-occupying by two bedrooms or more.

At the time of writing, most households that are impacted by the bedroom tax, and whose circumstances have not changed, are receiving Welfare Supplementary Payment as part of a mitigation scheme that is scheduled to end on 31 March 2020. However, where an under-occupying household chooses to transfer or exchange (without Management Transfer status) to another property in the social rented sector where they continue to under-occupy to the same level or perhaps greater, they will no longer receive a Welfare Supplementary Payment (WSP).

In December 2018, the Housing Executive commissioned RF Associates to conduct research assessing the impact on tenants who had been affected by Social Sector Size Criteria and had lost Welfare Supplementary Payment. At the date at which this project commenced, it was estimated that around 100 Housing Executive households had lost bedroom tax mitigation through changes in circumstances. This qualitative research focused on the experiences of these households and how they had dealt with the impact of losing Welfare Supplementary Payment for under-occupation.

2. Methodology

The research comprised a literature review, qualitative research with stakeholders, including Northern Ireland Housing Executive staff, and qualitative research with a sample of tenants affected by the bedroom tax.

A total of 15 depth interviews were carried out with tenants who had lost Welfare Supplementary Payments, recruited from tenant lists supplied by the Housing Executive. In addition, four telephone depth interviews were completed with Housing Executive frontline staff who had dealt with tenants who had lost Welfare Supplementary Payment. All the interviews were carried out in February/March 2019.

3. Literature Review Evidence

The reduction in Housing Benefit for working-age social tenants whose properties have more bedrooms than they need, based on the Department for Work and Pensions (DWP) size criteria, was introduced in England, Wales and Scotland on 1 April 2013. The Government intended the reform to cut the cost of Housing Benefit expenditure and to encourage tenants to downsize so as to make larger properties available for those who needed them.

Claimants in England and Wales can apply to the local authority for Discretionary Housing Payment (DHP) where there are special circumstances that contribute to financial difficulties. The Scottish government has vowed to abolish the 'bedroom tax' in Scotland and since 2014 has fully funded affected tenants with DHP to cover the costs of reduced payments due to over-occupying.

An evidence review carried out for the Equality and Human Rights Commission and published in 2018 collated research and data on the impacts of the various changes to the benefits system introduced as part of the wider programme of welfare reform. It indicated that:

- relatively few affected tenants had downsized in response to the bedroom tax;
- those who stayed had had to meet the financial shortfall by using savings, moving into work, increasing working hours, or letting out the spare room;
- affected claimants had mainly responded by 'paying and staying', absorbing the financial losses primarily by reducing essential and non-essential spending, applying for Discretionary Housing Payments (DHPs), and borrowing money from friends and family;
- Housing associations reported an increase in rent arrears, including among tenants who had never previously experienced them;
- There was emerging evidence that 'paying and staying' may prove hard to sustain for some families, making them look for alternative options; and
- Some qualitative studies had identified that the bedroom tax had had negative psychological impacts such as pervasive stress and greater social isolation, leading to a detrimental impact on mental health and wellbeing.

Research among housing associations in England (Hickman et al, 2018) had indicated that the impacts of SSSC had been less pronounced than initially expected. This was attributed to:

- Extensive use of Discretionary Housing Payments to mitigate the reductions in Housing Benefit;
- Commitment of resources to prepare for and manage SSSC;
- Introduction of new allocations policies;
- Tenants downsizing; and
- Changes to operational practices including increased communication with tenants, provision of digital services, placing more emphasis on tenants' responsibilities, provision of more advice and support, and adoption of a more proactive approach to income collection.

An initial scoping study published by the Housing Executive in 2018 noted that approximately 30% of Housing Executive tenants and 25% of housing association tenants in receipt of Housing Benefit were likely to be impacted by the SSSC. In its January 2019 report on Welfare Reforms in Northern Ireland, the Northern Ireland Audit Office noted that the shortage of smaller property in Northern Ireland may result in increased deductions for under-occupancy, leading to difficulties for tenants and social landlords alike.

4. Qualitative research findings

Interviews with Housing Executive tenants and staff and other key stakeholders provided a detailed picture of the issues and challenges facing social housing tenants and landlords in Northern Ireland, where the bedroom tax is concerned.

1. Making the decision to move: tenants' awareness of potential impact

Tenants cited a range of reasons for wanting to move to a different property, from seeking a home that was more affordable to run, to wanting to live closer to family members. A number of tenants also wanted to move to escape issues with neighbours/people in their locality. All tenants had moved to new accommodation with the same number of bedrooms.

Two thirds of tenants claimed that they did not know that the bedroom tax would apply to them if they moved, and seemed to be unaware that they had previously been receiving Welfare Supplementary Payments. They had found out about the loss of mitigation a while into their new tenancy, which often meant that significant arrears had built up. They usually found out about their loss of mitigation through a letter from the Housing Executive detailing their arrears.

One third of tenants interviewed said they did know about the bedroom tax before they moved and there was some recollection from these tenants of the letters/forms used by the Housing Executive in relation to the loss of Welfare Supplementary Payment.

Of the ten tenants who claimed they only became aware that they would have to pay the bedroom tax after they had moved, six said or strongly inferred that they would have moved anyway. This was because most had important reasons for moving in the first place, for example to be closer to family, and circumstances meant that they would just have to find a way to make up the shortfall.

All tenants were generally confused about the bedroom tax, and individual circumstances were difficult to unpick due to a lack of understanding by tenants of what had happened. Tenants did not understand the logic for a change in Housing Benefit payments when the size of the property they were living in had not changed and their personal circumstances had not changed. The policy felt unfair to tenants, and none of them were aware of what the policy was trying to achieve. Some tenants were aware of the lack of smaller housing stock so could not see how it made sense.

Most of the tenants interviewed now understood that mitigation will end for most people in March 2020, but there were mixed views as to whether this was understood more widely in their communities.

2. Housing Executive staff: experiences and perceptions

Staff presented a general view of tenants as being focused on their own specific circumstances at that moment in time. Overall, tenants were not looking ahead and thinking about the future impact of the bedroom tax. Both Patch Managers shared examples of tenants who had made decisions not to transfer to properties they would under-occupy and tenants who were anticipating being impacted in future and had actively downsized in advance.

Staff also perceived that tenants' reasons for moving often appeared to have been significant enough to mean that they did not engage around the bedroom tax, i.e. they wanted to move regardless of any other factors. Also, tenants in receipt of full Housing Benefit have been used to having their housing costs paid for them in full, so the need to actively make an additional payment to the Housing Executive was a new area of responsibility and it seemed to have been a shock to the system for some.

Housing Executive staff explained that they always informed tenants about the bedroom tax and the loss of Welfare Supplementary Payments. However, they recognised that tenants did not always understand the implications of moving and losing Welfare Supplementary Payment. They gave a number of reasons for this. Staff perceived that:

- Tenants were used to their housing costs being paid for them and were not used to having to take responsibility for them.
- Tenants expected that 'someone else', e.g. the Housing Executive, would resolve any issues with housing payments on their behalf.

- Tenants often lived in the moment and were unable to grasp the implications of needing to pay additional rent in the future.
- Tenants included vulnerable people who might have mental health issues and could be hard to engage with; if those who were eligible for some form of additional tenancy support did not seek it out or consent to receive it, it was difficult to provide them with help.
- Tenants thought that they would be able to manage the payments, but the reality was that when it came to the point at which they were asked to make additional payments, they felt unable or unwilling to do so.
- Tenants did not fully engage with what they were being told by Housing Executive staff; they don't always believe them.
- Tenants did not always read letters or communications from the Housing Executive.
- Tenants' desire to move to a specific new property trumped any caution they might have about incurring costs in the future.

All four frontline staff interviewed expressed the view that they understood the policy and that Patch Managers followed the correct processes of informing tenants and ensuring they were aware that the transfer would lead to the loss of Welfare Supplementary Payment. However, the contrast between this and tenants' experiences of the process suggests that there is a mismatch between what the Housing Executive is doing and what tenants need in order to fully understand the loss of Welfare Supplementary Payment. Clearly the message about the bedroom tax had not been understood by some tenants.

There was a sense from these discussions that communications by the Housing Executive and housing associations have been improving over time, so the mismatch may partly reflect the outcomes of different, earlier phases in the development and refinement of communications about bedroom tax. Further, we hypothesise that some Housing Executive frontline staff may be making assumptions that tenants know what the bedroom tax is and that they understand the implications of losing Welfare Supplementary Payment. We also hypothesise that Housing Executive staff assume that these tenants know how to pay the additional rent because they don't ask questions about it at the point at which staff talk to them about it. However, it is clear from our qualitative research with tenants that they do not really understand the policy, its application to them and, most importantly, the implications it will actually have for them, until they first realise that they are in arrears and owe money due to losing Welfare Supplementary Payment.

It was also apparent that there are issues around the language associated with SSSC and we hypothesise that this could be contributing to confusion around the policy amongst tenants.

Staff commented that there had recently been a period of considerable organisational change within the Housing Executive. Head office staff commented that communications with tenants had been an area of development and continued to be a work in progress since the policy was introduced.

All frontline staff interviewed felt that it was important that tenants were better informed about how the bedroom tax would impact them. Concerns were raised in four areas around the type and timing of information provided in relation to the loss of Welfare Supplementary Payment and the qualitative interviews with tenants have confirmed that these concerns are justified:

- information is provided **too late in the process** (i.e. at allocation stage when the person is already very keen to move);
- information is **not specific enough** (e.g. people do not know exactly how much they will have to pay);

- people **have to rush to make a decision**; they do not have enough time to consider their options; and
- people are **directed to another agency** for more specific advice, if the Housing Executive advice is unclear.

Patch Managers were conscious of the need to alert tenants to the future impact of the bedroom tax on those who were under-occupying their properties. One talked about encouraging tenants to register on HomeSwapper so they could match with people looking for larger properties. Patch Managers were also conscious of trying to actively manage tenants who were significantly under-occupying and encourage them to move to a smaller property. However, they recognised that it was too early to tell what tenants would do once mitigation ends in March 2020.

3. Coping with bedroom tax: how tenants have responded

Of the 15 tenants interviewed, only two were working and therefore had income in addition to benefits. Everyone else only had income from benefits. Further to this, only one tenant mentioned having any savings; the others admitted they had no reserves, and the majority frequently borrowed money from family and friends. In relation to the Housing Executive offer of a financial capability assessment, 13 of the tenants said they weren't offered one, or at least couldn't remember being offered one. In general all the tenants seemed to have low levels of financial literacy.

The loss of Welfare Supplementary Payment had had a significant impact for most of the tenants involved. All were seeking to manage their budget as best they could. This meant reducing their spending in a wide range of areas in their daily lives. A major area of impact related to tenants' abilities to do/provide things for their children such as school trips etc. Tenants talked about cutting down wherever they could, reducing spending on heating, clothes, TV packages, phones, their car etc., and watching their budget in relation to food.

Whilst most tenants seemed to have made significant enquiries to the Housing Executive in relation to the loss of Welfare Supplementary Payment, they were generally apathetic about seeking assistance and advice from other organisations as they felt that there was no one else who might be able to help them.

Overall, tenants were seeking to manage the shortfall in rent as best they could. This tended to be through a combination of having the shortfall taken direct from their benefits, borrowing money/getting support from family and friends and managing their budget as tightly as possible.

Ten of the 15 tenants said that they had not been in rent arrears previously. In comparison 11 tenants said that they were now in arrears due to having to make up the shortfall in their housing costs after losing mitigation. Analysis of the arrears data provided by the Housing Executive in relation to the sample likewise shows an increase in arrears. Twenty-eight of 100 tenants had arrears of an average of £82.60 at the point of loss of mitigation. For the most recent quarter that we were provided with data, this had risen to 67 of 100 tenants who had arrears on average of £242.81.

Tenants had limited plans for managing things differently in the future. They felt they just had to get on with it as best they could, but some could not see an end to their current circumstances and/or could not think about the future. Many felt very despondent. Only two tenants mentioned looking for work. Due to their health, age or caring responsibilities, the others did not consider looking for work as a viable option. Only one of the 15 tenants said they would consider renting out a room to a family member.

Tenants suggested that the following areas of support could be improved:

- Clear communication of policy changes in advance of them occurring i.e. there should be communications now with tenants about the loss of mitigation that will happen in April 2020.
- Clear communication of what these changes mean for them specifically i.e. how much money they will need to find per week, and how that totals on a monthly basis.
- Clear direction and support on what they need to do as a result and practical advice on how they make any payment.
- Access to a helpline / face-to-face service that can provide clear advice and answers in relation to their circumstances.
- Any existing confusion in relation to their account to be clarified.

4. Managing the shortfall: impact on rent accounts and arrears

The negative impact on rent arrears caused by the loss of Welfare Supplementary Payment was corroborated by the frontline Housing Executive staff. The few tenants that staff were aware of who had lost their Welfare Supplementary Payment had struggled to meet the shortfall in their housing costs and were accruing arrears. Staff anticipated that this would be the main impact on tenants and therefore on the Housing Executive. Staff were not able to suggest what impact the loss of Welfare Supplementary Payment would have on tenants beyond this inability to pay and the prospect of becoming further behind with payments.

Staff were fearful of the impact on their roles and the arrears that would build up if/when the bedroom tax was no longer mitigated from April 2020. They considered that Welfare Supplementary Payment mitigation against bedroom tax was essential for preventing further increases in arrears.

Housing Executive staff talked about an increasingly complex workload and did not see how their workload could be sustained in the longer term if mitigation ceased as planned and arrears increased dramatically across all tenants affected by the bedroom tax.

Team Leaders explained that confusion between the Housing Executive and the Department for Communities (DfC) regarding Universal Credit had added to their workload considerably. They felt that tenants were being misinformed and that mistakes were being made in the processes and payment systems. They identified that Housing Executive staff were now unable to see the full picture of what was happening with housing payments to Universal Credit claimants and this was causing increasing arrears.

Staff were all aware that within the context of so much change, the usual processes and policy around evictions were in a state of flux. Staff had to create individual arrangements regarding arrears repayments and benefit deductions for each tenant, and this all took them considerable time. Both Team Leaders wanted the Department for Communities to act before March 2020 to prevent all the difficulties described above. One Team Leader suggested that there needed to be a Discretionary Fund to support tenants unable to pay.

Housing association stakeholders also predicted that they will face very significant levels of arrears following the removal of mitigation in 2020. One housing association commented that they will have arrears in the region of £1 million, another said £1.5 million. Housing associations provided information on a wide range of areas of development aimed at improving knowledge of tenants and providing them with access to information, advice and support.

Stakeholders, both within the Housing Executive and outside it (from the advice agency and housing associations), were extremely concerned that Universal Credit would only worsen tenants' financial circumstances and their ability to pay the shortfall.

Frontline staff were conscious that the Housing Executive waiting lists were considerable and that it was unlikely that affected tenants would be able to downsize easily. Both Team Leaders described how some estates used to be less popular but this was less the case now. In addition, in some locations housing stock was being reduced. They wanted to know what the Housing Executive's plans and policy would be to help affected tenants to downsize.

In addition, staff pointed out that the Housing Executive's own allocations policy is different to the SSSC policy. Therefore, tenants are eligible for bigger properties and are allocated properties which they will then be deemed to under-occupy. As the Housing Executive does not have many one bedroom properties, single people are offered two bedroom properties under Housing Executive allocations policy and single people with access to children may also be offered three bedroom properties. Staff emphasised that these groups of tenants are likely to be significantly impacted and are likely to have limited choice – they will not be able to downsize so they will have to pay the bedroom tax. Staff also mentioned the fact that some of the two bedroom housing stock was small and the second bedroom was not suitable for one person to occupy, yet it would be classed technically as a two bedroom property. Staff also highlighted anomalies regarding allocations policy for disabled people, and that under the bedroom tax they would not be entitled to extra space for their equipment.

Team Leaders emphasised that there needed to be closer alignment between the policies coming from the Department for Communities around welfare reform and Housing Executive policies.

5. Policy and operational conclusions

The research findings indicate that:

- There is very little understanding amongst tenants that mitigation is in place, preventing tenants in Northern Ireland from being affected by the bedroom tax;
- Further to this, tenants are not aware that in certain circumstances they can lose access to their mitigation payments;
- The removal of mitigation at the end of March 2020 may well come as a surprise to tenants and is likely to set in chain a series of events whereby a significant number of tenants will go into arrears and make contact with the Housing Executive to understand what is going on. Amongst our sample the number and size of arrears have risen significantly, and this is a trend noted in all other relevant research that we reviewed;
- The Housing Executive has had an evolving understanding and delivery of the bedroom tax policy which may have further confused some tenants affected so far;
- The Housing Executive and housing associations are aware of and concerned about issues associated with the bedroom tax, and are beginning to make provision through extra support for tenants, planning for arrears management etc. However, it is clear that, as March 2020 looms closer, these preparations need to be *considerable* to offset the challenges that will arise if all tenants lose their Welfare Supplementary Payments as scheduled.

Fundamentally the Housing Executive needs to consider how its allocation and income (arrears) policies align with the SSSC to allow for clarity going forward. It needs to consider how to implement a policy that, without a greater number of small units in its housing stock, is difficult to realise. If most tenants choose to 'stay and (try/fail to) pay', then the Housing Executive and housing associations will have to find the best ways to manage significant arrears, which is likely to require more staffing and resources in itself. On the other hand, if tenants seek to downsize, then the Housing Executive must consider how best it can access and allocate any smaller properties available and how this sits with its current allocations policy. It has been recognised in the Fundamental Review of Social Housing Allocations led by DfC that the sharing ages of children in the Housing Selection Scheme need to be aligned with those of SSSC to reduce under-occupation for new tenants.

In the context of on-going welfare reform and a shifting of the onus to individuals to manage their own circumstances, the Housing Executive needs to support tenants as best it can to grapple with a new way of doing things that is really a culture shock to them. Tenants are used to having their Housing Benefit paid for them and to being passive recipients. We think the change that this represents for tenants cannot be underestimated. In some ways tenants are being asked to move from an adult/child transactional relationship to an adult/adult relationship in which they take ownership and charge of their own rent accounts. The Housing Executive needs to be committed to supporting this change in dynamic ways for the long haul, and to developing a new way of working with tenants.

We suggest that the following actions are of paramount importance:

- The Housing Executive should significantly enhance its communications activities with some specific and targeted activities and information that highlights these issues to tenants. This may need to take the form of a national advertising campaign to provide the level of cut through required to reach tenants and dispel the misinformation that has been in place for some time. **Tenants need to know that they will have to pay more for their housing.**
- A communications campaign should seek to find simpler ways to talk about the bedroom tax, helping to evolve a better, clearer, common language which can be shared by tenants and Housing Executive frontline staff e.g. "You now need to pay your bedroom tax; you've lost the payments that were making up the shortfall". Fundamentally it needs to move away from ambivalent language such as "you may be affected".
- Given the pressure that the Housing Executive staff are under, it would seem that further additional staffing should be put in place to provide advice and support to tenants to help them to plan for and manage their future, perhaps through a dedicated support telephone line that can take and answer specific queries.
- The Housing Executive should find ways to support tenants to manage financially and develop basic financial literacy skills.
- All frontline Housing Executive staff need to be fully trained and aware of how to deal with tenants on this issue in the best way and they, too, must move away from "adult-to-child"-style approaches.

When communicating with tenants the Housing Executive needs to:

- Communicate as clearly as possible in tenants' own language, move away from traditional letter-based communications and seek to find the best ways to educate tenants on the issue of the bedroom tax. Housing associations are increasingly using

communications based around behavioural economics approaches to help change behaviour around arrears. This may be an area for further investigation.

- Communicate exact amounts to people rather than an abstract percentage. More work could be done to test and evolve these communications, for example considering whether it is best to communicate a weekly, fortnightly or monthly sum and indeed whether it is useful to provide some sense of what that spend is equivalent to or the difference it might make to what can be bought from one week to the next.

Based on this research, tenants do not *want* to be in arrears. However, given income levels it is very hard for a tenant to get out of arrears if they fall significantly behind. Therefore, everything must be done in both communications and practical terms to help people as early as possible. A wider communications campaign would lay the ground for people to realise that this could happen to them. Proactive tenant communications and account management is, in our view, the only way to help reduce the levels of arrears post-2020 and we understand there is some evidence from work already undertaken by the Housing Executive to support this conclusion. The Housing Executive needs to look in some detail at the journeys customers go on in accessing their services, to identify the most effective points in the process at which to provide focused information.

Below we have provided some ideas of elements that could be included at appropriate points within the customer journey to help with proactive account management. Ideas and approaches could be trialled with small tenant panels before wider roll-out.

This list is not exhaustive and each idea would need development to find the best way to approach it.

- Communications campaign in relation to the loss of mitigation;
- Access to a specific waiting list for those wishing to downsize;
- Access to advice organisations that will help consider the best ways to manage money, provide support to access food banks etc.;
- Arrangements to pay/agreements with Department for Communities in relation to payments put in place at sign-up meeting for new property;
- Information at sign-up regarding where tenants can go if they need help and advice;
- Rent account check when a tenant transfers to a new property;
- Regular account check-ins and support (fortnightly perhaps?);
- Tenant review meetings triggered after first missed rent payment (taking account of the 5 week delay waiting period);
- Regular reminders about the need to pay rent issued via text, with examples of people in similar circumstances who have had to pay and how they manage to do it; and
- Named front line staff to provide help and advice to a tenant.