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The impact of welfare and tenancy reforms on housing associations

An evidence review

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About the author

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Executive Summary

1. This evidence review is part of a project exploring the impact of welfare reforms on housing associations. It has been carried out through the UK Collaborative Centre for Housing Research, a multidisciplinary partnership between academia, housing policy and practice. A second publication reports on a scoping study, which is based on interviews with a number of housing associations and stakeholders (see: Hickman et al, 2018).

2. The review considers the impact of a series of welfare and tenancy reforms on housing associations. It includes a range of academic, peer-reviewed literature, research reports, and policy evaluations. However, much of this research was conducted before or early-on in the roll-out of welfare reforms, and it is important to add to this evidence base with contemporary research.

3. The spatial dimension of welfare reforms is relevant at neighbourhood, city, regional, and national scales. For example, in high-rent housing markets policies such as the Benefit Cap have a greater impact, whilst housing associations with a predominance of three-bedroom homes in the North of England may be more vulnerable to the impacts of the Size Criteria. There is also divergence between England and devolved nations in terms of welfare and housing policy; further research is needed to understand the impact of this divergence.

4. Housing association impacts have largely been considered in relation to two areas: financial impacts, and cultural impacts.

5. There is some evidence that housing association income has been impacted by welfare reforms such as the Size Criteria, although this varies widely depending on the stock profile and geographical location of the association. The ability of tenants to 'pay and stay' may be increasingly compromised as other pressures on incomes are felt, and the role of Discretionary Housing Payments has been emphasised in stabilising arrears.

6. In relation to new tenants, impacts on housing association income are to some extent being managed by changes to allocations criteria, for example to prevent under-occupation and to assess the affordability of housing prior to acceptance.

7. Changes to Housing Benefit payments directly to housing associations under Universal Credit was thought to pose a much greater challenge to organisational income. There is little comprehensive evidence about the impact of UC on housing association income,

because of delays to the rollout. However, evidence from evaluations of the direct payment of Housing Benefit suggest a negative impact on arrears.

8. There is general consensus that housing associations are changing their operations, particularly in relation to income management, and in response to welfare reforms such as UC. This may result in additional costs.

9. Small scale research with lenders to the housing association sector report low levels of concern around the financial viability of housing associations. However, there is evidence of some housing associations broadening out into different financial markets, although it is difficult to attribute this specifically to welfare reforms.

10. There has also been diversification in relation to the type of housing provided, with associations offering private and market-rent-linked products such as Affordable Rent. Again, diversification is also a longer-running trend, yet it seems that the climate of austerity has brought into focus questions around who social housing providers are able to house.

11. This relates to questions around the culture and values of housing associations. Again, there is some evidence of changes to the operations of housing associations, including greater orientation towards market-rent and outright sale, however it is difficult to attribute this specifically to welfare reforms.

12. Tenancy reforms such as the use of Fixed Term Tenancies, and the Affordable Rent regime (letting properties at up to 80% of market rent) add to the broadening of tenant profiles. Yet, there are questions about whether there is a parallel tightening of allocations at the opposite end of the income spectrum, with changes to allocations policies to include affordability assessments and tensions between the priority need of households and their ability to afford social housing in a context of welfare reform.

13. Much of the impact on housing association finances is dependent on the experiences of individuals and households. This is particularly the case in relation to the payment of rent. Research into the impact of welfare reform on households has particularly focused on – in the context of Universal Credit – money management and budgeting. Several studies report concerns about monthly budgeting for many households, who may be used to budgeting weekly or fortnightly.

14. However, there is also evidence that although some households felt able to cope with budgeting, they may also be experiencing arrears. In-depth research suggests that it may not be households' ability to budget that is an issue, but their ability to absorb financial shocks such as unexpected expenses. With limited financial flexibility, unexpected expenses could disrupt rent payments.

15. A number of studies from across the UK have highlighted the strategies used by households to manage on a limited income, including reducing spending on utilities, food, and borrowing from family and friends. This has potential impacts on health, wellbeing, and the ability of households and communities to manage on a long-term basis. There were concerns that as these resources are depleted, households may increasingly fall into arrears or resort to other – more expensive – forms of credit.

Introduction

About the review

Welfare reforms introduced since 2010 in the United Kingdom represent a major challenge for housing associations. The purpose of this evidence review is to understand the impact of housing-related welfare reforms and tenancy reforms on general needs housing associations. The review is one of the first outputs from the UK Collaborative Centre for Housing Evidence (CaCHE). The centre, which is funded by the Economic and Social Research Council, Arts and Humanities Research Council and Joseph Rowntree Foundation, is a multidisciplinary partnership between academia, housing policy and practice. Over the course of the five-year programme, CaCHE will produce evidence reviews and conduct new research, which will contribute to tackling the UK's housing problems at a national, devolved, regional and local level.

Scope of the review

Initial literature searches revealed a small set of academic research literature specifically focused on housing associations, and it was also clear that much of the impact on housing providers stemmed from resident experiences of welfare reforms, particularly to the extent that these may squeeze incomes and disrupt rent payments. Therefore, a search protocol was developed that would enable both housing association and resident impacts to be explored. Searches were conducted in October and November 2017. A detailed explanation of the search strategy can be found in Appendix 1.

The specific reforms considered in this review are:

Universal Credit	Combines a range of existing out-of-work benefits into a single monthly payment. Effectively ends the payment of Housing Benefit directly to landlords, except for more vulnerable tenants.
Benefit Cap	An overall limit to the amount of benefits that can be received. Some exclusions apply, such as those in receipt of some disability benefits, or those earning enough to claim Working Tax Credits.
Benefit Freeze	Working-age benefits frozen until 2020.

Size Criteria ('Bedroom Tax'/RSRS)	Reduction to Housing Benefit for households of working age found to be under-occupying by one or more bedrooms.
Rent Reduction	Housing associations to reduce rents by 1% a year, from 2016 to 2020.
Tenancy reforms	Social landlords can offer Fixed Term Tenancies of two to ten years, but generally discussed in terms of five years. Separate reforms allow some properties to be let at an 'Affordable Rent' of up to 80% of market rent, which may in addition be let as Fixed Term Tenancies.

As some research would likely consider a number of reforms in a single publication, broader search terms around welfare reforms more generally were also included in order to ensure the return of as much relevant research as possible. This notwithstanding, the reforms set out above represent a bounded list of specific reforms that may particularly have a housing impact, yet the context of welfare reform is much broader. Although the wider set of reforms are beyond the scope of this review, it is important to note that the combined and cumulative impact of reforms to welfare benefits will be of importance in shaping household experiences. Jobcentre sanctions, the suspension of benefits, changes to disability benefits and depressed labour markets all contribute to the impoverishment of tenants (Power et al., 2014: 14). Whilst this review has not considered the specific impact of reforms such as changes to disability benefits, work capability assessments and Employment and Support Allowance, and reforms to tax credits, it is recognised that these add to the pressures faced by households.

It is important to outline a number of exclusions that were made in order to ensure the review was appropriately bounded. Research was limited to English-language publications in the UK context, post-2010. Research that did not fit the thematic areas of interest, as outlined above, was excluded from the review. The remaining publications were coded by sub-theme. Due to the relatively high proportion of quality research reports and non-academic (peer-reviewed) publications, a number of exclusions were made in order to rationalise the literature for review. Consequently, the review does not consider publications primarily focused on:

- Broad changes to societal attitudes to welfare
- The impact of welfare reform in redefining/reshaping citizenship
- The legality of welfare reforms (for example, the Bedroom Tax)

- The impact of welfare reform on food bank use (although this is captured in a number of publications included in the review, in relation to specific policies)
- Supported housing

Initial searches resulted in 1,517 research publications to be screened for thematic fit with the evidence review. Following exclusions, hand-searching key journals, and supplementary searches for non-peer reviewed research reports, 48 publications form the basis of this evidence review. Published work, both peer-reviewed literature in academic journals and research reports, can largely be divided into two categories: those focusing on the impact of welfare reform on housing providers, and those focusing on the impact on individuals or households. A small number of studies consider both.

Understanding the evidence base

Whilst there is a relatively large amount of literature in relation to the impact of welfare reforms, there is wide variation in relation to the type of research. Some publications focus on explaining the trajectory of policies, considering the impact theoretically rather than empirically. This is particularly the case for publications immediately following in the early stages of the announcement of welfare reforms, as there were few impacts to assess empirically at that stage. This remains the case upon immediate implementation of policies, with research attempting to extrapolate potential impacts by considering similar policies, or working with providers to predict the range of expected outcomes. Over time, more empirical work has been undertaken to understand actual impact, as opposed to anticipated impact. This is particularly important because many welfare reforms are predicated on the assumption of behaviour change among tenants as reforms are rolled out, for example that people would be incentivised to move into work resulting in fewer people being affected. There have also been a number of government-commissioned, large-scale, national evaluations of policies.

Robust evidence in some areas is still emerging, particularly around Universal Credit. As the rollout of UC has been delayed, whilst there are a number of reports which provide insight into potential impacts and challenges, at the time of the review there was no large-scale, national, independent evaluation. It will therefore take some time to understand the impact of relatively new reforms, such as UC, and to understand how these may change over time. Some impacts may take time to filter through to housing associations, particularly where they are dependent on the responses of tenants and lenders.

The evidence review first highlights the importance of maintaining a focus on the geographies of welfare reform. This is relevant at a number of scales, from understanding the interaction of neighbourhood stock profiles and reforms such as the Size Criteria, to the increasing divergence between devolved nations and the English welfare and housing regimes. Following this, the review considers the different impacts that have been identified in relation to social housing providers. Impacts can be seen as falling into two broad but related areas: financial impacts, such as pressures on housing association income, and cultural impacts, such as redefining organisational missions and target client groups. Finally, the review draws out a number of individual and household impacts, from budgeting and income, to health and wellbeing.

Geographies of welfare reform

In understanding the impact of welfare reforms, it is important to consider the spatial context. Reforms such as the Size Criteria relate to the nature of housing stock, whilst the Benefit Cap is more likely to have an impact in high-price housing markets. Therefore, the impact on housing associations will to some extent depend on the nature of the housing markets in which they operate, their stock profile, and whether their housing provision is concentrated in particularly affected places, or particularly affected property types. Identified spatial impacts are discussed in relation to specific reforms in the sub-sections that follow, however a number of studies have identified broader geographies of relevance when considering the impact of welfare reforms.

Modelling the impact of welfare reform on cities, regions and districts, Beatty and Fothergill (2014) argue that three types of areas are hit hardest: older industrial areas in England, Scotland and Wales, seaside towns, and some London boroughs. They argue that a key effect of welfare reform will be to widen the gaps in prosperity between the best and worst local economies across the country (Beatty and Fothergill, 2014: 77), since loss of benefit income will have consequences on local spending patterns and therefore employment. Hamnett (2014) reinforces this point, noting the distinct geography of welfare benefits, with higher proportions of claims in old industrial areas and a few inner London boroughs, and the lowest levels of claims in the South East and South West. As with a number of studies in this review, the focus of the research was on anticipating the impact of reforms, with Hamnett (2014: 501) warning of "indirect welfare policy generated 'social cleansing' in the next few years" leading to a "partial redrawing of the poverty map of London and some other big cities". Policy commentaries and analyses (Murphy, 2017) also highlight the broad potential implications of policies, but it is important to add to these with empirical research that has been undertaken since the implementation of proposed reforms. It might be anticipated that housing associations with provision centred on areas more widely affected by a raft of welfare reforms could be more vulnerable to knock-on impacts from reduced tenant incomes.

At a national level McKee et al (2017) highlight the increasing divergence of social housing policy, between devolved nations and England in particular, noting that while devolved governments continue to invest significant amounts in social housing, the emphasis in England has shifted to homeownership, 'affordable' housing products linked to market rents, and the promotion of flexible, shorter tenancies. Stephens (2017) also notes this trend for divergence, arguing that during the five years to 2015/2016, the completion rate of social rented housing fell from 37,680 units to 6,550, whilst Affordable Rent housing rose from 1,150 to 16,550. The Scottish government also notably made available £35 million to allow local authorities to fully mitigate the application of Size Criteria in the social housing sector, with the intention to continue off-setting the impact through Universal Credit in the longer term (Stephens, 2017). Although this review did not exclude research from devolved nations, much of the evidence focuses on the English context, with only a limited amount spanning the devolved nations. Therefore, the impacts discussed below should be understood in this context.

Housing association impacts

Introduction

This section considers research into the direct impact of welfare reform on housing associations. This is an area of some interest, with a survey of housing associations in 2013 finding that welfare reform was viewed as the most important external change for housing associations (Mullins and Jones, 2015). Jacobs and Manzi (2014: 223) argued that research is needed that considers the implications of the reconfiguration of the welfare state, retrenchment, and hostility towards the public sector, on the future of social housing. Whilst there have been a number of significant research projects seeking to understand the impacts of welfare reform on housing associations, this is a long-term issue as many impacts may not be fully understood until reforms have been in place for some time. Impacts are not, therefore, static, and this is particularly the case in relation to welfare reforms, which are predicated on the assumption of behaviour change on the part of recipients. Finally, in a situation in which there is a considerable amount of change, it can also be challenging to isolate the impact of specific reforms.

Housing association income

It seems that the impact of some reforms, which have a direct impact on housing association income, have received little attention. For example, no research has been found in relation to the reduction of social housing rents. The enforced reduction in social rents in England by 1% p.a. for 4 years from 2016/2017 was predicted to reduce the output of affordable homes by some 14,000 (Stephens, 2017: 13). One of the reasons for the lack of research into the impact of this measure is likely to be its relative newness. A similar area in which there has been little research into provider impacts, is the freeze on working-age benefits. A case study of different types of housing association found that larger and more ‘forward-looking’ associations were particularly worried by the 1% cap on increases to some working-age benefits, uprating benefits by less than inflation (Williams et al., 2013). The impact of this change would likely be felt in the general worsening of tenants’ financial positions, as will be discussed later in the review.

There has been a relatively small volume of research specifically focusing on the impact of the Benefit Cap on housing association income. This is largely because the numbers of households affected are small, and even in high-cost areas in which the cap impacts on more households, these still make up a small minority of a housing association’s tenants (Power et al., 2014). Therefore, the capacity of the Benefit Cap to have a standalone impact on, for example, housing associations' incomes, is very small. In a survey of 312 social landlords, as part of the official evaluation of the impact of the Benefit Cap on housing associations one year after implementation, Clarke and Williams (2014: 33) found that the number of capped households varied widely between landlords, with 15% reporting no capped households and 39% ten or fewer affected.

Clarke et al (2015b) noted that there was a clear geographical element to the level of concern around the Benefit Cap, with those operating in London the most concerned, while concerns about those in greatest poverty being unable to afford rents in lower priced areas was much less common. Agencies were particularly concerned about homeless households in temporary accommodation in London, who were unable to afford temporary housing and unable to find housing in or near to the city due to the high cost of private housing and shortages of social housing (Clarke and Williams, 2014: 41). There is potential for the Benefit Cap to affect increasing numbers of households in high-value markets, particularly considering the way in which the cap could interact with the Affordable Rent regime. As will be discussed later, landlords were largely managing the future impact of the Benefit Cap through changes to allocations policies, increasingly assessing the affordability of properties in relation to nominated households.

There has been a large amount of research around the introduction of Size Criteria for households receiving Housing Benefit in the social sector (variously referred to as the under-occupancy penalty, the removal of the spare room subsidy, and the Bedroom Tax). Gibb (2015) highlights that the policy is characterised by government as an incentive to downsize and to efficiently allocate a scarce resource (social housing), yet notes that there is great scepticism around the housing system's capacity to downsize under-occupying households. The Size Criteria can be seen as having a broad impact, covering all housing associations, with some tenants struggling to meet payments and unable to move to smaller properties due to a shortage of appropriate units (Power et al., 2014).

However, the extent of impact on housing associations varied considerably. The national evaluation of the Size Criteria reported that among landlords with more than 1,000 general needs properties, the proportion of affected tenants ranged from 2% to 34%, with strong regional impacts (Clarke et al., 2015a: 32). A survey of National Housing Federation member housing associations found that half of respondents reported being significantly affected by the Size Criteria, with most associations in Yorkshire and Humber (93%) and the North West (73%) reporting being significantly affected, and those operating in the South less likely to be affected (Ipsos MORI, 2014a: 4). As well as higher rates of under-occupation, associations in the North also have a recent history of building only larger homes, as one-bedroomed stock has been difficult to let in the past, and associated with high turnover (Williams et al., 2013: 7). Evidence suggests that the impact of the Size Criteria has particularly been felt in terms of void properties and turnover of tenancies among associations with large numbers of three bedroom homes in areas of lower demand (Williams et al., 2014a: 5). In these areas, several associations reported that tenants were moving into the private rented sector (Williams et al., 2014b: 9). Housing associations operating in the South East also argued that the policy failed to account for short, medium and longer-term changes in household needs, as some of those affected by the Size Criteria were likely to have children, whilst older people may need space to accommodate carers (Consortium of Associations in the South East, 2012).

The official evaluation of the application of the Size Criteria, found that the number of households affected fell by 13.8% in the first 16 months of the policy (Clarke et al., 2015a: 28). This finding is also reflected in a survey of housing associations in which the number of tenants affected by the Size Criteria fell by 13% between 2013 and 2014 (Ipsos MORI, 2014a: 4). It seems that a relatively small number of residents moved in the first years of the policy; of those who were no longer affected, it was estimated that 42% of tenants had downsized to another social property via transfer or mutual exchange (Ipsos MORI, 2014a: 5). Analysis of CORE data for the national evaluation found that no more than 8% of those affected by the Size Criteria had downsized 2012/13 to 2013/14, although this was a significantly higher rate of downsizing than among social housing tenants overall (Clarke et al., 2015a: 74).

A survey of ALMOs reported that a significant number of those affected by the Size Criteria chose to pay and stay (Birchall, 2017). Case study research among housing associations suggested that although most tenants initially wanted to stay, paying was hard to sustain, with households then looking for alternatives (Williams et al., 2014a: 9). This suggests that the impact of the Size Criteria on providers' incomes may change over time as tenant payment behaviour changes. Associations reported that of those currently affected by the Size Criteria and in arrears, 69% were estimated to have been in arrears prior to its implementation, suggesting that some of those affected and in arrears were experiencing longer-term arrears (Ipsos MORI, 2014a: 27). However, the national evaluation of the Size Criteria found that 43% of affected tenants were in arrears on implementation (March 2013), and 55% were in arrears 18 months later (Clarke et al., 2015a: 60). Of major concern for the future was therefore the ability of tenants to cope with payments in the longer term, with associations that participated in a longitudinal, in-depth research project reporting that resilience was being eroded and arrears were expected to worsen (Williams et al., 2014b: 7).

Landlords stressed the role of Discretionary Housing Payments (DHPs) in stabilising arrears resulting from the application of Size Criteria (Williams et al., 2014b: 10). The national evaluation noted that the majority of landlords in Scotland reported that DHP funding covered the entire shortfall as a result of the Size Criteria in 2013-2014, in England and Wales DHPs were not sufficient to offset the impact for most tenants (Clarke et al., 2015a: 38).

Although the application of Size Criteria was found to have adversely affected residents, a survey of housing associations found that Universal Credit (UC) and the end to the direct payment of Housing Benefit to landlords was thought to pose a bigger challenge to organisational viability, since HB forms a majority part of the rental income stream of most housing associations (Mullins and Jones, 2015: 267). Indeed, while many housing associations had carried out financial analysis relating to potential loss of income from the Size Criteria, the potential impact of Universal Credit was found to be much harder to predict (Williams et al., 2013: 6). In addition to concerns over whether residents would prioritise rent payments, housing associations also noted that a substantial proportion of tenants were unable to access the internet at home to make online claims, or were unfamiliar with online money management (Williams et al., 2013: 9). Many housing associations were expecting arrears to increase under UC, but there was acknowledgement that projections beyond five years were largely informed guesswork (Williams et al., 2014b: 21).

However, this longitudinal, in-depth research was carried out before UC and direct payments to tenants had been introduced in any of the case study organisations (Williams et al., 2014b). Delays to the rollout of UC mean that there is little comprehensive, independent research into the impact on housing associations. There are, however, a range of academic, commissioned, and government reports around the anticipated impact of UC, issues such as direct payment, and emerging research into the impact of the rollout of UC. The direct payment of Housing Benefit to tenants is one of the key areas of concern in relation to housing association income.

Evidence from a national evaluation of direct payment of Housing Benefit to tenants (Hickman et al., 2017) provides a number of insights that are likely to be useful in considering the potential impact of Universal Credit on social housing providers. Over an 18-month period, direct payment to tenants had a significant negative affect on landlords' arrears, with a total of £1.9 million of rent not paid, equivalent to 2.3% of the annual rent roll. Overall, tenants who received Housing Benefit direct paid 95.5% of all the rent owed, whilst a comparator sample of tenants (whose Housing Benefit was paid straight to the housing association) paid 99.1% of rent owed (Hickman et al., 2017: 1119). 8% of tenants managed to pay all of their rent in full over the duration of the programme (Hickman et al., 2017: 1115). Therefore, the direct payment of Housing Benefit to tenants under UC could represent a risk to landlords' income.

Surveys of housing associations have found high levels of concern about difficulties with rent collection under UC, with 84% of associations assuming that some of the income they receive will be at risk (Ipsos MORI, 2014a: 6). A review of the DWP Trusted Partner Pilot, in which landlords were able to recommend alternative payment arrangements under UC, noted that landlords had a good understanding of their tenants and which households may require additional support (Department for Work and Pensions, 2017). There is also recognition that most tenants will be faced with trade-offs in terms of deciding priorities for payments, given other bills that they will be faced with (Williams et al., 2014b: 17), and concerns around household budgeting (Power et al., 2014: 34), which will be discussed further in sections on resident impacts.

Whilst it may be possible to counteract high initial arrears under UC by providing intensive and targeted advice and support from landlords before households transition onto the new system, evidence in relation to the direct payment of Housing Benefit indicates that over the longer term arrears was related to financial vulnerability, in particular unexpected expenses (Hickman et al., 2017: 1119). Payment behaviour was unpredictable, and tenants moved between underpayment, non-payment, full payment, and sometimes overpayment (Hickman et al., 2017: 1119). In relation to UC, "the negative effects are likely to be greater in their magnitude and severity" because the conditions of implementation are less favourable (Hickman et al., 2017: 1123). For example, under the direct payment pilots, landlords were able to target resources at a relatively small group of tenants, and were compensated for additional costs and loss of rental income, which will not be the case under UC. A survey by the National Federation of ALMOs highlighted this issue, noting that the financial and administrative cost of the rollout of UC had largely been absorbed by local authorities and ALMOs, but with around 2.6% of residents on UC at the time of the survey there were concerns that changes in working practices would not be scalable for larger numbers (Birchall, 2017). For this reason, Hickman et al (2017) argue that it is crucial for research to be undertaken into the direct payment of Housing Benefit under UC.

There have been some smaller scale evaluations of Universal Credit. A survey of ALMOs found that 2.6% of households from 37 organisations were receiving UC, but as of March 2017 these households accounted for 10% of landlord arrears. 10 organisations could compare tenants' rent accounts before and after the rollout of UC in their area. Of UC households that were currently in arrears, 60% were a tenant and already in arrears before UC, while 40% were not in arrears prior to their UC claim either because they were a new tenant (16%) or a tenant with a clear rent account (24%) (Birchall, 2017: 10). However, it is important to note that the rollout had only included single people, who may be in more precarious circumstances than other demographic groups (Birchall, 2017: 11). Housing providers in the North of England also reported concerns about arrears, with average arrears growing across the year-long period of study and reaching £427 per UC claimant at the end of the year (Northern Housing Consortium, 2017), although no comparator figure was provided.

Early analysis from the rollout of Universal Credit in Southwark and Croydon, which compared the rent accounts of those moving onto UC with those on the legacy Housing Benefit system, highlighted a peak in rent arrears in week one, with accrued arrears being paid down by week 13 (The Smith Institute, 2017: 5). This may have cash flow and staffing implications for landlords if large numbers of people move onto UC at the same time (The Smith Institute, 2017). By week 20, UC tenants were on average £156 in arrears while HB tenants overpaid by 4% of rent due. While UC tenants were no more likely to underpay than HB tenants, the level of underpayment varied widely, with 39% of cases of underpayment being by more than 75% of rent due, compared to 8% of housing benefit cases underpaying at this level (The Smith Institute, 2017: 5). At 30 weeks, almost 80% of tenants on UC had rent arrears, compared to just over 60% on Housing Benefit, although if rent payment behaviour continued on its trend, arrears as a proportion of rent for the year would have dropped significantly (The Smith Institute, 2017: 32). However, it is important to note that arrears could have been higher if it was not for the strategies used by residents to try to avoid falling behind on rent payments, which will be described in later sections (The Smith Institute, 2017: 64).

Staff costs

Gibb (2015: 164) highlights that welfare reforms carry with them an unknown but "likely large" opportunity cost, passed onto landlords who must invest in preparation for reforms, mitigation activity, and rent arrears management, especially in relation to the end of direct payment of Housing Benefit to landlords. In response to welfare reforms, the most significant organisational changes seem to have been around rent collection, with an emphasis on early intervention when payment patterns change; while some associations managed within current staffing levels, others significantly increased expenditures (Williams et al., 2014b).

There is general consensus that direct payment of Housing Benefit to residents under UC would increase costs for landlords. Over half of respondents to a national survey of housing associations were anticipating rent collections costs and spending on financial inclusion to increase with the rollout of UC, and a majority were also expecting to increase provision of services such as money management advice and employment support (Ipsos MORI, 2014a: 6). During case study research in which UC had yet to be implemented in the operating areas of the associations interviewed, staffing levels had nevertheless increased, along with staff costs (Williams et al., 2014a: 13).

This fits in with the findings from pilot evaluations. In the evaluation of direct payment of Housing Benefit to residents, landlords reported that staff time was the largest additional cost, as income teams were reconfigured, new methods of rent collection were trialled, 'patch' sizes re-evaluated and new IT systems were introduced (Hickman et al., 2017). Interviews with housing associations, some of which were involved in UC pilots, revealed similar staffing changes such as intensifying divisions between arrears monitoring staff and benefits advice staff, and increasing the focus on income maximisation (Power et al., 2014: 21). A DWP review (2017: 8) also found that social landlords were making significant changes to their IT systems, housing team structures, rent collection practices, and support provision under UC.

Financing and lending

To the extent that welfare reform may contribute to higher arrears and instability in previously regular rent payments, there could be a negative impact on housing associations' repayments of loans, credit ratings, and the pricing of new loans (Gibb, 2015: 156). A number of research reports have included discussions with lenders to the housing association sector, generally reporting low levels of concern. Whilst there was more engagement and scrutiny from lenders, there had been no attempts to renegotiate terms or impose higher charges (Williams et al., 2014a: 14). In relation to the Benefit Cap specifically, interviews with lenders found that none were concerned about the impact of the cap on the finances of social landlords, but there was more general concern about the principle of capping benefit levels and the overall and cumulative impact of a series of welfare reforms (Clarke and Williams, 2014: 39). This resonated with reports from a national survey of housing associations in relation to the Size Criteria, in which very few respondents believed that increased debt resulting from the Size Criteria would make it harder to meet loan covenants, and four in five expressed that this was not very, or not at all, likely (Ipsos MORI, 2014a: 36).

Nevertheless, there is interest in the extent to which welfare reforms, in combination with other factors such as lack of grant funding, may be broadening the types of financing options that housing associations are involved in. Several housing associations have reported turning to capital markets to raise funding through bond financing (Chevin, 2013). Although a number of housing associations have demonstrated diversification in terms of raising finance that pre-dates post-2010 welfare reforms, the potential impact of welfare reform on housing association income may be a contributing factor to sector financialisation. Wainwright and Manville (2017) note that housing associations have increasingly turned to global capital markets, with investors such as pension and insurance funds purchasing housing association bonds. Whilst bondholders cannot influence housing association governance directly through voting, as shareholders can, corporate change can be influenced through the design of bonds, which are tied to the formalisation of risk management plans and particular behaviours (Wainwright and Manville, 2017: 821).

In the context of welfare reform, housing stock type and the location of housing associations can have a particular impact in determining the risk profile of an investment, for example the impact of the Size Criteria is heavily related to stock profile. In an effort to manage income risks, Wainwright and Manville (2017: 833) argue that some housing associations are undermining their social objectives in providing housing for low-income households, analysing their tenant profile and aligning their activities with the objectives of investors to minimise income risks and producing a “new politics to the sector to protect investor returns”. As the growth of the housing association bond market is relatively new, the impacts of financialisation may take time to be comprehensively understood. As such, further research is needed to explore how practices of financialisation may be challenging the social objectives of third sector organisations through the reorientation of strategies, values and practices (Wainwright and Manville, 2017: 834). The broader issue of the reshaping of organisational mission and value will be discussed later in this review.

Development and ‘housing plus’

In part to generate cash flows, associations have diversified into areas such as private rented housing and converting social rents to Affordable Rents when units become empty. Morrison (2016: 900) carried out in-depth case studies of two commercially-oriented housing associations, noting that these ‘pioneer’ organisations were often “creators of change to which their competitors need to respond”. Therefore, the impact of the activities of a small number of housing associations could have wider implications. However, Chevin (2013: 33) argued that the housing association sector lacks the skill sets to effectively compete with the major operators in the private rented sector, and there is sector scepticism about whether private rental businesses are worthwhile financially.

Some housing associations argue that lack of grant means that the only way to provide low-cost housing for households on low incomes is to cross-subsidise profits made from housing at or close to market rents (Chevin, 2013). Housing associations have the flexibility to provide housing for rent at up to 80% of market rates. Analysing the policies of a range of housing associations in England, Clarke et al (2015b: 17) found that large and small organisations were diversifying the tenure of the properties that they built, with most arguing during interviews that building only Affordable Rent maximised delivery, or was the only way to provide any housing at all. Only a small number were not taking part in Affordable Rent, generally justifying this in terms of the impact on affordability for tenants. According to Chevin (2013: 70), “the general view among experts and practitioners [in London and the South East] is that the numbers simply don’t add up for conventional social housing”. On the one hand, this can be seen as diversifying the groups that housing associations seek to house, for example to working households less able to afford market rates in high-rent areas. On the other hand, the Affordable Rent regime can also be seen as restricting those who are housed, because in high-rent areas the cost may push households in receipt of benefits over the limit of the cap. The use of Affordable Rents, linked to market rents, has therefore increased the effect of location on affordability (Clarke et al., 2015b: 21).

This leads to questions about who Affordable Rent should be for; Clarke et al (2015b) found considerable confusion among landlords, with some arguing that as a more expensive product it should be aimed at those in employment. At least five associations involved in the research were using income ratios to establish whether Affordable Rent was affordable, similar to tests used by private landlords. Another housing association was advertising these homes via commercial property websites (Clarke et al., 2015b: 20). The HCA recommends capping Affordable Rent at the level of Local Housing Allowance, and associations following this rule generally cited affordability concerns as the rationale (Clarke et al., 2015b). In-depth case study research with housing associations found that a number were examining the possibility of modifying rent structures to bring Affordable Rents for larger households below the Benefit Cap, and there was widespread concern over the ability of working people to afford rent levels (Williams et al., 2014b: 22).

Indeed, the provision of affordable housing for families is a particular issue highlighted by the research evidence, both from case studies and national evaluations. It is argued that welfare reforms such as the Benefit Cap are undermining the development of family homes in London and the South East (Chevin, 2013, Clarke and Williams, 2014), because the cap is not linked to household size (Consortium of Associations in the South East, 2012: 12). Compounded by other reforms such as the Size Criteria, this could lead to fewer family homes being built. For example, a survey of housing associations found that of those with a planned development programme, a fifth were intending to increase the proportion of smaller properties they develop as a result of the Size Criteria (Ipsos MORI, 2014a: 5). However, in-depth case studies found that in less buoyant markets such as the North of England, there was nervousness around building smaller homes as these had proved difficult to let, costly to manage, and in some cases had only recently been demolished (Williams et al., 2013: 16).

Whilst welfare reforms may be one of a range of factors influencing associations, changes to development programmes and diversification into market rent products brings into focus questions around the client group for housing associations. Diversification is blurring the lines between the provision of rented housing by type, cost and ownership. Morrison (2016: 912) calls for continued investigation of diversification, to understand the implications for housing associations' social obligations to house those with least ability to pay. The general view from interviews with senior housing association staff in London and the South East was that the focus for new homes will largely be on tenants who are in work and not reliant on Housing Benefit (Chevin, 2013). However, there are significant questions around who will house the most vulnerable, leading to tensions between housing associations that are reassessing who they house and what they charge, and nominating local authorities who have a duty to house those in priority need (Chevin, 2013).

There is a lack of evidence around the impact of welfare reforms on associations' involvement in 'housing plus' activities. Housing associations must define the social and economic value and impact of the services they offer when tendering for public contracts, and housing association leaders noted that this requirement will lead to an emphasis on community programmes that deliver demonstrable benefit rather than participating in them because it seems 'like the right thing to do' (Chevin, 2013: 32). Ferrari (2014) also argued that there was some evidence that social landlords would scale back on wider community activities because of financial pressures. However, there is little direct evidence on this area.

Social mission and values

Housing associations are subject to a relatively large degree of regulatory and financial independence, allowing them to define, and redefine, their missions, core tasks and strategies (Morrison, 2017: 2870). There is some evidence that welfare reforms have had an impact on the culture and values of housing associations, although this is an area in which is it difficult to definitively attribute particular trajectories, or changes in values, to a specific cause as there are likely to be a range of wider drivers.

From documentary and interview analysis, Clarke et al (2015b) noted that – not surprisingly – there was clear separation between social and private landlords in terms of the extent to which addressing poverty and deprivation was part of their 'mission'. Case study research has also found firm views from housing association chief executives that their fundamental mission would not change as a result of welfare reforms, especially in lower demand areas where helping tenants in housing need was an overriding concern in the context of a wider depressed economy (Williams et al., 2013: 13). There was consistency in follow-up research, with re-evaluations of mission statements usually reinforcing commitments to support poorer and more vulnerable households, rather than changing it (Williams et al., 2014b: 26).

A number of policies, albeit not limited to the reconfiguration of welfare, have compelled shifts away from the provision of subsidised rental housing, towards market renting and different homeownership products (Manzi and Morrison, 2017). Although interviews with senior managers at large, London-based housing associations (the G15) suggested consensus around retaining a strong social purpose, documentary analysis appeared to challenge this aim. For example, business models suggested that development for outright market sale would over time constitute a significant proportion of development programmes (Manzi and Morrison, 2017). Whilst this could be justified in terms of cross-subsidising low-cost units, all organisations were becoming more reliant on income generated from market sale, suggesting future tensions between social and commercial goals. Manzi and Morrison (2017: 15) argue that market logic makes it likely that such organisations will abandon social roots as they widen their resident profile and focus on building homes for outright sale.

For housing practitioners more widely, this may lead to an emerging crisis of identity. A large survey of housing professionals, and workshops with a range of housing providers and educational professionals, highlighted competing discourses around social value, justice and housing need, versus entrepreneurialism, commercialism and market housing (Manzi and Richardson, 2017). A majority of survey respondents identified welfare reforms as the major drivers of changes to working practices, and expressed the overwhelming view that being commercially minded would be important in the future (Manzi and Richardson, 2017: 216). One organisational response was to consider how staff were recruited and trained, with recognition that different skill sets were required for successful management in response to external drivers such as welfare reform (Richardson et al., 2014).

In part, this is a result of financial pressures. Evaluating the direct payment of housing benefit to tenants, Hickman et al (2017: 1121) noted that some organisations were being forced to confront tensions between their traditional 'social' landlord function and the need to adopt a more hard-headed commercial approach in order to protect income streams in a context of welfare retrenchment. Diversification into market and private rental products may bring housing associations into competition with private landlords in some housing markets. Examining rivalry between social and private landlords in the UK and the Netherlands, Lennartz (2015) found that housing associations with a more profit-oriented, commercial profile actively apply competitive strategies where possible, and co-operative ones where necessary, whereas those with a more social mission-orientation reveal little awareness of competition in mixed markets. Although factors such as non-profit business models, rent regulation, and tenant allocation procedures limit housing association behaviour (Lennartz, 2015), the current context of increasing flexibility in these key areas may lead to greater competition between social and private landlords, reinforcing questions around for whom social housing exists.

Tenancy reform, allocations and disposals

Fixed Term Tenancies enable housing associations to offer tenancies for lengths of two to ten years. As outlined earlier, one of the stated rationales for this policy is to facilitate the more effective use of a scarce resource, enabling social housing to be provided for a limited period when people were in a high level of housing need. However, Fitzpatrick and Pawson (2014) argue that using Fixed Term Tenancies as a tool for re-allocating tenancies according to housing need makes little sense from a housing management perspective, as better-off tenants would be replaced by increasingly needy residents. Following the announcement of the policy, they predicted only a modest impact arising from Fixed Term Tenancy regimes, although the policy contributed to a wider narrative that social housing was 'not for normal people' (Fitzpatrick and Pawson, 2014: 612). The use of Fixed Term Tenancies, in combination with other reforms such as the Affordable Rent regime, can be framed as fostering displacement by enabling maximum value to be extracted through rent in places that had previously been subject to social safeguards (Paton and Cooper, 2016).

Housing associations have demonstrated a range of views in relation to the use of Fixed Term Tenancies. In London particularly, some housing associations viewed Fixed Term Tenancies as a way of generating new rental supply through the Affordable Rent programme (Fitzpatrick and Watts, 2017). However, some smaller and more geographically concentrated associations were antipathetic to Fixed Term Tenancies, viewing them as potentially destabilising communities, and undermining a key part of social housing provision in supplying a secure home for life.

Some associations viewed them as an opportunity to recalibrate the landlord-tenant relationship, with a strong emphasis on the responsibilisation of tenants, for example fostering self-reliance or encouraging moves towards homeownership (Fitzpatrick and Watts, 2017). As Mullins and Jones (2015) note, Fixed Term Tenancies have diminished the protections offered to tenants while at the same time social housing provision has become more conditional and linked to intervention in, and monitoring of, tenants' lives, for example through work-readiness requirements. However, Robinson and Walshaw (2014) reported that tenants closer to the labour market found that security of tenure rendered employment a more viable and realistic proposition, suggesting that security of tenure is already a positive work incentive, which could be undermined by Fixed Term Tenancies. Affordability criteria in relation to Affordable Rent, the Benefit Cap and Size Criteria, is also increasing landlords' focus on tenants' lifestyles and priorities (Williams et al., 2014a: 18). There is some evidence that additional conditions and behavioural norms are being placed on tenants, changing the nature of social housing (Mullins and Jones, 2015: 280), whilst some associations are using tenancy agreements to articulate the 'deal' in terms of what the provider will do and what the resident will do (Richardson et al., 2014: 29).

Given the extent to which those on low incomes are locked out of homeownership, and face insecure and expensive housing in the private rented sector, the use of Fixed Term Tenancies in social housing "conjures up the unattractive prospect of a substantial slice of the population being unable to achieve 'secure occupation' of a home of their own at any point in their life course" (Fitzpatrick and Watts, 2017: 1033). For early adopters of Fixed Term Tenancies, the first renewals of which would be due in 2017, it would be instructive to identify the subsequent pathways of tenants, whether renewed or not, or whether the tenancies may be abandoned by providers (Fitzpatrick and Watts, 2017).

The combination of Fixed Term Tenancies and Affordable Rents suggests that a new generation of social housing tenants will be paying much higher rents and have less secure tenancies than past cohorts (Chevin, 2013: 66). In combination with other welfare reforms such as the Size Criteria and Benefit Cap, the capacity of prospective tenants to afford social housing properties, whether at a social or Affordable Rent, is a significant area of concern for housing associations, as evidenced by changes to allocations policies.

There is some evidence that housing associations are becoming more risk-averse in relation to accommodating those reliant on benefits (Fitzpatrick and Watts, 2017). In-depth case studies found that almost all housing associations had changed their allocations policies, including stronger pre-tenancy affordability assessments, and joint allocations policies with local authorities, bringing size standards in line with DWP (Williams et al., 2014a: 15). Some local authorities in medium- and high-rent areas had seen housing associations refuse significant numbers of direct nominations of potential tenants, with analysis of policies suggesting that some affordability tests had been developed in response to welfare reforms, particularly the Size Criteria (Clarke et al., 2015b: 42). A survey of social landlords found that there were concerns about letting properties to households who would not be able to claim Housing Benefit for all of their rent as a result of the Benefit Cap, with 9% of landlords reporting that they would not let to such households, while 28% would if the tenant and landlord were confident the rent was affordable (Clarke and Williams, 2014: 36). This was most common in London, with 18% of London-based landlords refusing lettings to capped households. In interviews, one London-based housing association said that they could no longer house people on benefits in need of larger homes, and would instead seek to rent them to working families unaffected by the cap (Clarke and Williams, 2014: 38).

In lower-demand areas, the Benefit Cap was less of a concern, but the Size Criteria has a greater impact on the allocation of properties. As well as prioritising downsizers to enable households to avoid the application of the Size Criteria (Ipsos MORI, 2014a: 35, Clarke et al., 2015a), in lower demand areas some associations were also changing their allocation rules to allow those in secure employment to take larger units even if they were under-occupying, because properties were otherwise difficult to let. This resulted in letting larger homes to people with lower housing priority than would otherwise have been the case (Williams et al., 2014b: 9). This was also identified in the national evaluation of the Size Criteria (Clarke et al., 2015a). In areas in which landlords were in greater competition with the private rented sector, some associations were also advertising properties more widely through letting agents or websites, and fitting white goods and carpets (Williams et al., 2014a: 15).

Analysis of allocations policies and tenancy strategies showed a split between the ‘traditional’ model of housing those most in need, and a widening of the role of social landlords to accommodate a greater range of tenants. Typically, those operating in higher value markets were most likely to see housing people in lower levels of need, on higher incomes, as a social goal (Clarke et al., 2015b). Clarke et al (2015b: 37) found that associations moving away from allocations on the basis of need were instead emphasising local connections or being in employment, with some landlords implementing affordability tests, resulting in those in priority need not necessarily being housed. Some associations refused applicants on the basis of credit checks, and prevented lettings to under-occupying households (Power et al., 2014). One interviewee expressed the view that the association had a duty of care not to put people in the situation of 'buying' a product that they cannot sustain (Richardson et al., 2014: 33). However, the impact of this is not clear, given that local authorities continue to nominate those in priority need. During in-depth organisational case studies, some expressed the view that associations may consider moving away from taking tenants on welfare, firstly in the stock where they retained their own nomination rights (Williams et al., 2013: 13). There are key questions around whether or not those who fail affordability tests will be offered alternative homes that they can afford (Clarke et al., 2015b: 50), and who will take responsibility for housing the most vulnerable households.

There have also been policy changes in relation to asset management and disposals. Although asset management through targeted stock-disposal has been long-standing practice in the social housing sector, sales programmes have become a stronger component in many business plans since 2010 as a way to raise funding and reduce maintenance costs (Morrison, 2017). Case study analysis identified a range of responses to asset management, from caution at 'selling the family silver', to the pragmatic disposal of valuable housing to maximise investment opportunities, and more entrepreneurial orientations in which selling valuable assets was a way to generate income streams, become self-financing, and exploit new products and services (Morrison, 2017). However, it has been argued that some asset management strategies adopt a narrow conceptualisation of the asset value of housing. Ferrari (2014: 526) highlights that selling off expensive assets undervalues two significant factors: the impact of increased social fragmentation as a result of 'ghettoisation', and the brake on economic growth resulting from the exclusion of low-income households from areas of high economic productivity like London. Selling valuable and scarce social assets in effect denies low-paid households the opportunity to live in, and work in, these neighbourhoods (Morrison, 2017).

Individual and household impacts

Introduction

There has been a considerable amount of research around the impact of welfare reforms on individuals and households, seeking to predict potential impact as well as assessing actual experiences and responses to reforms once they have taken effect. It is important to consider this research, because a number of ways in which housing associations may be impacted by welfare reforms depend on the experiences of their residents. This is most clearly demonstrated in relation to direct payment of Housing Benefit through Universal Credit, in which the impact on housing association income is mediated by residents' rent-payment behaviour.

Budgeting and money management

In relation to Universal Credit in particular, a range of research has explored how households manage money and budget across a month. It is important to understand how tenants manage monthly payments in order consider the possible impact of changing the payment of Housing Benefit direct to landlords. The context for many associations was one in which many tenants would have had no recent experience of paying their rent, with some groups likely to have no experience at all (Hickman et al., 2017: 1106). As Millar and Bennett (2017: 172) note, there are significant concerns that UC will disrupt family budgeting patterns, as only about half of those earning less than £10,000 per year are paid monthly. A survey of tenants in the South West, for example, found that more than half of respondents thought that monthly payments under UC would be difficult to handle (Power et al., 2014: 34).

Small-scale longitudinal research, focusing particularly on the experiences of younger job-seekers under welfare reform, highlighted the time-intensive efforts involved in 'getting by' and the hard choices that were frequently made as a result of living on a restricted income (Patrick, 2014). Even a relatively small change in participants' financial circumstances could make a considerable difference to their lives (Patrick, 2014: 713). This provides some context for understanding how rent payments could be disrupted due to unexpected expenses, as claimants had very limited financial flexibility.

As much research was undertaken before the rollout of UC, studies were interested in extrapolating from similar policies, such as the direct payment of Local Housing Allowance, or pilots of the direct payment of Housing Benefit. Hartfree (2014) drew on experiences of changes to Local Housing Allowance to extrapolate lessons for UC around the impact of monthly payments to low-income households. They highlighted particular concerns around people who were used to receiving benefits on a weekly or fortnightly basis, receiving one lump-sum payment that does not differentiate between different elements, misalignment of payment cycles with rent, and those who were financially inexperienced. The existing strategies used by low-income households to get by may not be appropriate under UC, for example weekly budgeting, juggling priority payments, and using manual payment methods (Hartfree, 2014: 24). These strategies were similar to those described by households subject to the Benefit Cap, living day-to-day and prioritising which bills or debts to pay depending on what they could afford (Clarke, 2014: 31).

The Housing Benefit direct payment pilots followed tenants over time, and crucially included analysis of rent accounts, finding that although at the third-stage survey three-quarters of tenants reported that it was very or fairly easy to manage their finances whilst receiving Housing Benefit directly, only 8% of tenants managed to pay all of their rent in full over the duration of the programme (Hickman et al., 2017: 1115). This suggests a disconnection between the ability to manage finances and budget, and the ability to pay all of the rent due. The research highlighted the importance of unexpected expenses in the development of arrears, which by their nature are difficult to anticipate and plan for (in the absence of sufficient income to save).

Interviews with residents on UC in Southwark and Croydon found that a monthly payment regime posed few issues for those used to a monthly salary, but was more challenging for those who found it difficult to budget (The Smith Institute, 2017: 45). The evaluation of UC family claimants on behalf of DWP found that 75% of claimants felt confident in their ability to budget on a monthly basis, showing little change over the 4- to 5-month research period (Johnson et al., 2017: 13). Yet, at wave one (around 8 weeks after the submission of the UC claim), 41% were in arrears, falling to 31% at wave two, some 4- to 5-months later (Johnson et al., 2017: 14), suggesting that some residents were still struggling to make rent payments and/or pay down arrears. Indeed, a quarter of those who said that they were confident in paying their rent from their UC payment also reported that they were currently in arrears (Johnson et al., 2017: 51). For some, therefore, the main issue was not budgeting across a monthly period, but the sense that the amount received was insufficient to cover all household costs and the repayment of advances that had been taken (Johnson et al., 2017: 48). This is also relevant in considering the capacity households have to manage unexpected expenses (Hickman et al., 2017). A similar point was made in relation to the Size Criteria, that budgeting advice to help households deal with increased pressures on incomes cannot address the underlying problem facing many households, of insufficient money to meet basic needs (Moffatt et al., 2016: 200).

Financial position

Some impacts were being offset by other policies, in particular through the use of Discretionary Housing Payments (DHPs). Exploring the impact of the Benefit Cap on affected households, Clarke (2014) found that all of those who had applied for DHP had been at least partially successful in covering the shortfall from the cap. However, individuals had to meet certain conditions in order to receive the payments, such as increasing attempts to find work or increasing hours, and claimants were generally aware that DHP was awarded on a temporary basis. Therefore, there impact of certain policies on households' financial positions is fluid, changing in relation to both household circumstances and the mitigating impact of other interventions.

The national evaluation of the Size Criteria found that households were typically paying the gap in rent by using savings or borrowing from family, but in the second year these sources were increasingly depleted, leading to reports of cutting back on household essentials and non-essentials (Clarke et al., 2015a: 61). In a qualitative examination of the impact of the Size Criteria, Moffatt et al (2016) noted that in an attempt to prevent rent arrears, all participants reported significantly reducing spending on household essentials, especially food, and cutting back on heating, lighting and cooking. These strategies were also reported by households during longitudinal research, which highlighted the potential for further unintended consequences for health in the longer term (Ipsos MORI, 2014b: 47). Similar strategies were reported in large scale surveys and interviews of tenants in the South West (Power et al., 2014, Provan and Herdan, 2015), and longitudinal research in the North (Leeds and West Yorkshire Housing Association, 2015). In terms of scale, of 200 respondents in the South West, 164 had cut back on food bills in the previous year and 144 had saved on utilities (Power et al., 2014: 36). Family members were also reported to lend money, buy food, and provide other in-kind services. Research among housing providers in the North of England reported that all organisations were aware of food bank use among tenants (Northern Housing Consortium, 2017).

Although participants affected by the Size Criteria reported informal support from family and community networks, for example in lending money, providing childcare or food, there was recognition that these sources of support may become strained as more people were affected by welfare reforms (Moffatt et al., 2016). This is particularly prescient when considering the geography of welfare reforms, for example neighbourhoods in which social housing stock is primarily comprised of three-bedroom properties may have a greater concentration of residents affected by the Size Criteria. The nature of housing stock, with a lack of appropriately-sized alternative properties locally, was also a source of frustration among tenants who were willing to move in order to avoid the Size Criteria (Ipsos MORI, 2014b).

Early analysis from the roll out of Universal Credit in Southwark and Croydon highlighted that tenants had almost universally experienced financial hardship when transitioning onto UC, most notably as a result of significant delays to payments (The Smith Institute, 2017: 6). Whilst tenants reported similar coping strategies to those affected by the Size Criteria, the research also noted that borrowing from family and friends could come at an emotional and financial cost to them and their wider network (The Smith Institute, 2017: 64).

This suggests a wider context in which households are employing a range of strategies to cope with a worsening financial position. Unexpected expenses, such as replacing white goods, could therefore have considerable impact, dramatically affected household budgets (Keohane and Shorthouse, 2012). Indeed, in evaluating the direct payment of Housing Benefit to tenants, new arrears were not correlated with whether or not tenants were receiving Housing Benefit direct, but with tenants' financial vulnerability (Hickman et al., 2017: 1116). 'Trigger' under-payers, the largest group of those underpaying their rent, were attempting to manage unexpected expenses, which were by their nature difficult to predict and therefore to plan for.

Impacts on income could be partially mitigated, at least in the short-term, through borrowing. Professionals working in areas heavily affected by the Size Criteria, for example, reported concern over increased levels of debt (Moffatt et al., 2016). Interviews with low-income families in advance of the implementation of Universal Credit noted that although there was widespread aversion to debt, this sat alongside evidence of high continued use of credit (Keohane and Shorthouse, 2012). Indebtedness was also highlighted in households affected by the Benefit Cap, with most households currently experiencing some form of debt, from unpaid utility bills, council tax, overdrafts, and doorstep lenders, some of which were reportedly accrued as a result of the cap (Clarke, 2014: 31). Surveys and interviews with tenants in the South West also highlighted the lack of flexibility in the household finances of jobseekers, with arrears, loans and unpaid bills a common experience (Provan and Herdan, 2015: 42). Longitudinal research with tenants in the North of England found weekly debt repayments had almost doubled over the 18-month period of the study (Leeds and West Yorkshire Housing Association, 2015: 23). Again, it is important to consider the time that it takes for some impacts to filter through, for example as tenants affected by a range of welfare reforms work through savings, borrow informally from friends and family, and then perhaps from lenders which may have a longer-term worsening impact on finances.

Health and wellbeing

Being affected by the Size Criteria was found to be associated with financial hardship, however people also reported extreme levels of anxiety, stress, fear and hopelessness, worsening mental health and wellbeing (Moffatt et al., 2016: 203). This was also highlighted by longitudinal, qualitative evaluations of the impact of welfare reforms on tenants, with reports of emotional and financial stress arising from being subject to the Size Criteria (Ipsos MORI, 2014b: 9). Longitudinal research with tenants in the North of England also reported that 77% of tenants felt that welfare reform was having a negative impact on their health and wellbeing (Leeds and West Yorkshire Housing Association, 2015: 24), whilst housing providers were reporting increases in health issues (Northern Housing Consortium, 2017: 13). In relation to the direct payment of Housing Benefit to tenants, there was evidence that some tenants found this a stressful experience (Hickman et al., 2017: 1114).

On a broader level, it has been argued that reforms such as the Size Criteria position some family forms as legitimate, whilst in a context of austerity others are delegitimised, with households forced to pay for certain versions of families (Greenstein et al., 2016). For example, separated parents may have a spare bedroom to enable children to stay with them, or grandparents who provide support for children in work by looking after grandchildren may also utilise a ‘spare’ room (Greenstein et al., 2016, Moffatt et al., 2016). During surveys and interviews with residents in the South West, half of all households with full time carers had been affected by the Size Criteria, often because a partner’s disability made sleeping in the same bedroom difficult; several residents reported that they felt they were being punished for their poor health (Provan and Herdan, 2015: 44). The long-term impacts of cumulative welfare reforms on health and wellbeing have yet to be subject to rigorous research.

Conclusion

This evidence review has considered research related to the impact of welfare and tenancy reforms on housing associations and their tenants. Comprehensive literature searches were undertaken to generate a broad set of evidence upon which to base the review. There are clear challenges in assessing the impact of policy reforms, in particular the changing context in which new reforms were being implemented. Although in some cases it is possible to delineate the impact of a single reform, for example by contrasting variables of interest pre- and post- reform, it is also important to understand the cumulative and spatial impact of reforms. Many households will be impacted by multiple different reforms, as well as a broader set of initiatives that have not been considered by this review, such as changes to disability benefits. Heightened levels of stress, mental ill health, and negative impacts on wellbeing have been noted by a number of studies (Moffatt et al., 2016, Ipsos MORI, 2014b, Hickman et al., 2017, Leeds and West Yorkshire Housing Association, 2015), but have arguably not yet been foregrounded, nor have the implications of these developments for tenants and service providers been fully explicated. The spatial implications of welfare reforms, in particular the ways in which affected groups may be concentrated in particular regions or even neighbourhoods, and the cumulative, long-term implications this has for the types of coping strategies highlighted by the research evidence (Clarke et al., 2015a, Moffatt et al., 2016, Power et al., 2014) is also an area for further development.

Some welfare reforms were in the early stages of implementation; this applies especially to Universal Credit, which has received considerable attention and attempts to predict potential impacts, but at the time of the review had not been rolled out sufficiently widely for impacts to be fully understood. There is also value in revisiting reforms such as the implementation of Fixed Term Tenancies, to follow the housing pathways of tenants as tenancies approach renewal (Fitzpatrick and Watts, 2017). There has been very little research specifically into the impact of tenancy reform, yet the implications could be far reaching, perhaps even more so in relation to the ways in which different tenancies may be allocated to different groups, such as restricting some products to those in stable employment.

In general, the financial impact of welfare reforms on housing associations can be seen in changing arrears levels due to the Size Criteria and direct payment of Housing Benefit to tenants. The extent of impact, particularly in relation to direct payment under UC, is not well-understood due to the low volume of tenants affected. As noted at the outset of the review, there is also very little evidence in relation to the impact of the 1% Rent Reduction on housing associations. This is likely due to the newness of the policy. Whilst the impact on financial income is relatively easy to predict, as it specifically affects rental levels, any broader impacts in terms of housing association operations remain to be explored.

In relation to residents, the financial impact of the welfare reforms specified here, and a broader context of austerity, has been to increase monetary pressures. A wide range of research has highlighted the strategies used by tenants to get by on more restricted incomes, cutting back on food spending, utilities, essential and non-essential items (Clarke et al., 2015a, Moffatt et al., 2016, Power et al., 2014). It is worth noting that this is in a context in which the review did not consider research specifically focused on food bank use.

Of particular concern are the gaps in provision that may arise as a result of the combination of restricted household incomes, housing association attempts to protect income-streams, and local authority housing obligations. This has been highlighted in relation to homeless households in high-rent areas, unable to afford the cost of temporary housing as a result of the Benefit Cap, priced out of the private sector, with no social housing options. However, the application of affordability tests by housing associations to potential tenants raises the question of who will house those who are unable to afford social housing, whether at a social or 'Affordable Rent' rate. There are also broader questions concerning attempts to predict which tenants may fall into arrears or be more vulnerable to reduced incomes under welfare reform. Whilst such models may be used to focus support on those most in need, there is also the possibility that the same information could be used to prevent potential tenants being offered tenancies in the first place.

Areas for further research

Some of the existing research was carried out either before, or early on, in the rollout of welfare reforms. Therefore, in many cases there was only a limited understanding of how the impact of welfare reforms may interact and build up over time, and how to understand dynamic changes in tenants' circumstances (Williams et al., 2013: 19). There was recognition that it would take time to establish the costs to housing associations, clear trends and impacts, and that processes would be constantly evolving (Williams et al., 2013: 21, Williams et al., 2014a: 13).

Universal credit

- What is the impact of the rollout of Universal Credit on housing association income?
- What is the impact of Universal Credit on staffing and the organisational structure of housing associations?
- How are housing associations identifying potentially vulnerable households?
- To what extent are housing associations attempting to predict tenant payment behaviour and what potential implications does this have?

Housing association mission and values

- How do housing associations explain their core mission and values? To what extent has this changed as a result of welfare and tenancy reform?
- What views are held by senior executive teams and boards of governance? Are there tensions at different levels of governance?
- To what extent are commercial and social purposes held in tension by housing associations?

Housing low-income households

- To what extent are housing associations applying affordability criteria to potential tenants?
- What are the housing pathways of tenants who do not pass affordability criteria?
- What are the gaps in provision, emerging at the intersection between local authority nominations and housing association affordability criteria?
- To what extent is the diversification of housing products changing the client-base of housing associations? What implications does this have for the sector and potential tenants?
- What are the housing pathways of tenants coming to the end of Fixed Term Tenancies?

Behaviour change and contingent services

- To what extent have welfare reforms increased scrutiny of tenant behaviour and led to new behavioural expectations?

- How are housing associations attempting to predict and influence the behaviour of tenants?
- To what extent are housing association services linked to particular behavioural expectations?
- Are behavioural models being used to predict tenant behaviour and target support in advance of apparent need?

Appendix 1: Evidence review search strategy

The purpose of this evidence review is to understand the impact of housing-related welfare reforms and tenancy reforms on general needs housing associations. The specific reforms considered by the evidence review are:

- Universal Credit
- Benefit Cap
- Benefit freeze
- Size Criteria (‘Bedroom Tax’/removal of the spare room subsidy)
- Rent Reduction
- Tenancy reforms (Fixed Term Tenancies; Affordable Rent)

Stage one

Initial scoping covering specific welfare reforms, in combination with housing associations, returned only a small set of academic research literature. It was also clear that some of the impact on housing providers stemmed from resident experiences of welfare reforms, particularly to the extent that these squeezed incomes and disrupted rent payments. Therefore, it was decided to remove terms for housing associations from the search criteria in order to broaden the search and capture as much relevant literature as possible.

In addition, to recognise that a number of publications would likely refer to broader sets of welfare reforms, rather than necessarily stating specific reforms in the title or abstract, general terms such as ‘welfare reform’, ‘reform(s) to welfare’ and ‘cuts to welfare’ were also included in the search protocol. Local Housing Allowance was also included in the search protocol because LHA rates were to be applied to social housing rents. However, mid-way through the review this policy was withdrawn. As a result, this report does not specifically focus on the impact of the application of LHA rates to housing associations, although some publications may consider this in addition to other reforms. This demonstrates one of the challenges in reviewing evidence in a shifting policy sphere, where much is written about the anticipated impacts of policies that have been announced, but which may be subsequently withdrawn or amended.

Searches were conducted in October 2017, in two bibliographic databases: Scopus and Web of Science. As set out in Table 1, Web of Science returned 1,002 citations, while Scopus returned 896 citations. These 1,898 citations were exported into Endnote. Once duplicates were removed, 1,517 citations remained.

Because the search terms were relatively broad, particularly with the inclusion of terms for welfare reform more generally, this resulted in a relatively high rate of rejection during title and abstract screening. Being outside the country scope (for example, US welfare reforms), or focused on welfare reforms such as work capability assessments, Attendance Allowance, or Disability Living Allowance, resulted in exclusion at this stage. Following title screening to identify publications that met the thematic focus of the evidence review, 168 citations remained for abstract screening. Following abstract screening, 36 thematically relevant references remained.

To supplement this broad search, a more focused search was undertaken to specifically capture evidence around tenancy reforms and the impact of Fixed Term Tenancies and Affordable Rent regimes in housing associations, but this only returned one relevant publication, which was also identified during stage two hand-searching.

Stage two

Database searches were supplemented by hand-searching journal publications post-2010 and asking experts in the field for recommendations; this was carried out in October and November 2017. The six most relevant journals covering housing (n=3) and social policy (n=3) were searched:

- Journal of Social Policy
- Journal of Poverty and Social Justice
- Social Policy and Society
- Housing Studies
- Urban Studies
- Housing, Theory and Society

References of key publications were also followed up to identify any additional relevant literature. This resulted in an additional 16 publications.

The combined set of academic publications were coded to a number of broad sub-themes, such as provider impact, financial impact, tenant wellbeing. As it was anticipated that there would be a high number of quality research reports and non-academic publications returned from the grey literature search, for example national evaluations of welfare reform policies, a number of final thematic exclusions were made to rationalise the academic literature for the review. This review excluded 22 publications primarily focused on:

- Broad changes to societal attitudes to welfare.
- The impact of welfare reform in redefining/reshaping citizenship.
- The legality of welfare reforms (for example, the Bedroom Tax).
- The impact of welfare reform on food bank use (although this is captured in a number of publications included in the review, in relation to specific policies).
- Supported housing.

In addition, four publications were identified as only applying to the private rented sector, and were therefore added to the excluded studies (a total of 26).

Stage three

It was anticipated that there would be a high volume of non-academic, grey literature in relation to welfare reforms, stemming from a range of organisations, from university research centres to charities and housing associations. IDOX information services were engaged to conduct a broad search of grey literature, in line with the database search terms. This was particularly drawn on to capture publications from housing associations and consortiums, which have undertaken a range of research with their own residents in relation to the impact of welfare reforms. In addition, hand-searching of key research centres, government departments such as the Department of Work and Pensions, use of Google Scholar, and requests for reports from key experts in the field provided a range of additional sources. In total, 22 reports were included in the evidence review from grey literature searches.

Table 1: Search results

First stage					Second stage	Third stage
	Initial search	Combined and duplicates removed	Following title screening	Following abstract screening	Hand-searching journals and publications	Grey literature
Web of Science	1,002	1,517	168	36	16	
Scopus	896					
Total from first stage						
Total from second stage						
Post-coding thematic exclusions					26	
Total from third stage						22
Final included sample						**48**

Quality assessment

All studies were assessed in terms of a set of criteria, outlined in Table 2. Quality assessment was not used to exclude any studies that were in the final included sample, but to guide how the evidence was used in the review.

Table 2: Quality assessment criteria

Dependability	Credibility	Transferability
Aims and objectives stated?	Data to support the interpretation?	Adequate description of context and participants?
Research design specified?	Analysis appropriate for data?	
Process by which findings produced is explained?		

These criteria were adapted from Hannes (2011) and Dixon-Woods et al (2006). In line with Dixon-Woods et al (2006), the criteria enabled a broad range of research to be considered, rather than resulting in the prioritisation of particular types of studies or methodological approaches. In an area in which there were a considerable number of research reports, it was important to take an inclusive approach, dealing with any quality issues through the review.

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