



# Welfare Reform Impact report

December 2016

John Wickenden

HouseMark 

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### Acknowledgements

#### Report author

John Wickenden, Data Analysis Manager, HouseMark

#### With support from:

Sharon Collins, Associate Consultant, HouseMark

Jonathan Cox, Head of Data Services, HouseMark

Helena Duignan, Data Analysis Manager, HouseMark

Anita Patel, Specialist Clubs Manager, HouseMark

## 1. Executive summary

This report considers the impact of the changes in welfare support on social landlords' income, arrears and collection costs. The figures have been collected from a cross section of our members managing up to 2.5 million properties. This report includes the latest data up to March 2016.

The main source of data in this report is HouseMark's core benchmarking system. These figures are presented alongside data gathered from our Welfare Reform Impact Club and publicly available research.

The report highlights the following key facts and figures about welfare reform:

- Up to August 2016, 324,058 people were claiming UC. This is rising by around 17,000 additional claimants each month.
- In May 2016 4.68 million people were claiming HB, down from around 5.03 million in April 2013.
- In May 2016 20,100 households were currently having their benefits capped, and 56,000 households had moved off the cap. This is likely to change considerably after the reduction in the benefit cap from 7 November.
- In 2015/16 46% of Discretionary Housing Payments in England and Wales were awarded to mitigate the effect of the bedroom tax – this rises to 60% when Scotland's figures are included.
- DWP figures show that 40,000 decisions to apply a sanction were being made on a monthly basis up to March 2016.

Our data shows that, across each quartile, rent collection rates have improved over the five years between 2011/2012 and 2015/2016. In spite of this overall improvement, performance in the years 2012/2013 and 2013/2014 worsened before picking up. These years coincide with the introduction of many welfare reforms that affected tenants' ability to pay the rent.

Using estimates based on our members' data, we found that more money is being spent on collecting rent each year, and this expenditure is rising faster than inflation. We estimate that UK social landlords spent over £720m collecting rent in 2015/2016, a real terms rise of over £100m from 2011/2012.

The data suggests that the rise in expenditure on this managing rent arrears and collection is driven by an increase in human resources – ie more people being employed to collect rent and manage arrears rather an increase in average pay costs.

Using Tableau predictive analytics, we estimate that these rent collection rates will remain steady, but costs will continue to rise in the years up to 2020.

In October 2016, we surveyed 32 Welfare Reform Impact Club members to see how Universal Credit (UC) was affecting their average arrears rates.

The headline finding of the survey is that the average rent arrears debt of a UC claimant is £618, this compares to average non-UC arrears of £131 per property. With average social rents around £96 per week, this UC debt equates to 6-7 weeks' rent. It seems that this risk of rising arrears is an issue that landlords should be preparing for.

## 2. Introduction

### What does this report cover?

This report considers the impact of the changes in welfare support on social landlords' income, arrears and collection costs. It is the first sector analysis report on welfare reform published by HouseMark since November 2013. The figures have been collected from a cross section of our members managing up to 2.5 million properties. This report includes the very latest data – up to March 2016.

### The data

The main source of data in this report is HouseMark's core benchmarking system. These figures are presented alongside data gathered from our Welfare Reform Impact Club and publicly available research.

Core benchmarking collates cost and performance data for all aspects of social landlords' housing management and maintenance services, together with other areas such as development and estate services. It is an annual exercise that brings together cost and performance data across social landlords' housing stock.

Core landlord services are broken down into a number of housing management activity areas (such as rent arrears and collection management) allowing a detailed analysis of costs, performance and satisfaction.

All costs are taken into account – including employee pay, non-pay costs (such as legal fees) and overheads such as Finance, HR and IT. In order to complete the submission, all benchmarked operating costs and turnover must match the participant's financial statements.

This report uses various statistical methods (set out in Appendix B) to analyse the results and suggest how they should be interpreted.

### Welfare Reform Impact Club

HouseMark's Welfare Reform Impact Club is aimed at housing professionals working in income management, debt advice, financial inclusion, other housing management and strategy roles. The club discusses good practice, shares learning and helps members find solutions to manage the impact of welfare reform on the ground - with the opportunity for benchmarking extra measures on a regular basis.

Club meetings take place three times a year and focus on practical discussions, advice, shared learning, and networking. If you'd like to join the 71 organisations in the Club contact [anita.patel@housemark.co.uk](mailto:anita.patel@housemark.co.uk).

## 3. Facts and figures

### Policy context

When reform of the UK welfare benefits system started in the wake of the 2010 election, much was expected to be complete by the end of 2017. As we approach 2017, there is still a long way to go before all parties have adopted new benefits, new methods of payment and new limits to claims. While on the surface this may seem like poor judgement, extending completion dates for projects such as Universal Credit is arguably a result of better planning based on a prudent, evaluative process, with ongoing improvements.

The change in government ministers following the Brexit vote has led to a 'fiscal policy reset', which has questioned the rationale behind David Cameron and George Osborne public spending ideas. However, given the nature and scale of welfare reform, it is unlikely that softening attitudes towards public spending will result in more money for claimants or social landlords.

### Universal Credit

Universal Credit (UC) replaces income-related Employment and Support Allowance, income-related Jobseeker's Allowance, Housing Benefit, Income Support, Working Tax Credit and Child Tax Credit.

UC was introduced in pathfinder areas of North West England in April 2013. Since October 2013, it has progressively been rolled out to all parts of England, Scotland and Wales.

UC is now available in all Jobcentre Plus (JCP) offices to single claimants, and is being expanded across the country to include all new claimants via the 'full service' at a pace of around five JCPs a month. Currently, this process is due to complete by September 2018. The transition of existing claimants onto UC is scheduled to take place between July 2019 and March 2022.

The latest data published by the Department for Work and Pensions (DWP) up to August 2016, shows that 324,058 people were claiming UC. This has been rising at steadily since August 2015 with around 17,000 additional claimants each month. Just over 40% of UC claimants are in employment.

Regionally, the North West has the largest number of people claiming UC, though Central England and London and the Home Counties recorded more starts in the month up to 11 August 2016.

A typical UC claimant is likely to be a young man. The DWP figures show that 52% of people starting a UC claim in August 2016 were aged 16-24 (39% were aged 25-49). Around two thirds of these claimants were male.

### Housing benefit

As the number of UC claimants has been rising since its introduction in 2013, the number of housing benefit (HB) claimants has been falling. In May 2016 4.68 million people were claiming HB, down from around 5.03 million in April 2013. This is a good indication of the scale of the task to move people onto UC, and shows why the project

still has over five years to run before the estimated completion date.

Around three quarters of the 4.68 million HB claimants were under 65 years old in May 2016 and 68.6% were renting properties in the social housing sector. If the proportion of social sector tenants claiming HB and aged under 65 is similar to the overall figure, there are still about 2.4 million tenants due to move onto UC before 2022. This is roughly half of all social sector tenants in the UK.

## Local Housing Allowance

Local Housing Allowance (LHA) applies to people who are claiming HB and renting from a private landlord. It started nationally in April 2008, and was altered significantly by the Coalition Government (2010-15) when, amongst other changes, the rate was set at the 30<sup>th</sup> percentile of local rents or the CPI inflated local rents rate from the previous year.

LHA became relevant to the social housing sector in 2015 with proposals to limit housing benefit for social tenants taking up new tenancies to Local Housing Allowance rates. This means that housing benefit for single people in social housing under 35 without children will be restricted to shared accommodation rates, so they will only be able to claim the same amount of benefit as a private tenant is able to claim for a room in a shared house.

Alongside other welfare reforms, this measure (which was estimated to save the Treasury £225m), is likely to have a detrimental effect on social tenants and their landlords' finances.

## Benefit cap

The benefit cap was one of the Coalition Government's welfare reform measures aimed at deficit reduction. Working age households with income from benefits in excess of the cap experience a reduction in their Housing Benefit entitlement. Measures to introduce the cap were included in the Welfare Reform Act 2012 and the related regulations. The cap was rolled out in the months to September 2013.

The household cap was originally set at £500 a week (£26,000 annually) for a couple or lone parent with children and £350 a week (£18,200 annually) for single person households. In order to increase the incentive to find a job or increase hours worked, all benefit households which are entitled to Working Tax Credit are excluded from the cap.

The Welfare Reform and Work Act 2016 lowered these annual limits to £20,000 for couples and lone parents with children (£23,000 in Greater London) and £13,400 for single person households (£15,410 in Greater London) from 7 November 2016. This legislation also removes some benefits, such as Carer's Allowance, from the cap calculation.

According to DWP statistics<sup>1</sup>, 76,200 households have had their benefits capped between 15 April 2013, when the benefit cap was introduced, and May 2016. In May 2016 20,100 households were currently having their benefits capped, and 56,000 households had moved off the cap. While the point-in-time caseload fluctuates from month to month, the general picture has been that more households are moving off the cap than moving onto it. It will be interesting to see how this changes when the cap is

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/542734/benefit-cap-statistics-to-may-2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/542734/benefit-cap-statistics-to-may-2016.pdf)

lowered.

The cap has a definite regional pattern - 45% of capped households have been in London. Only two of the top 20 Local Authorities with the highest cumulative number of capped households are outside London – Birmingham and Edinburgh. This is likely to be a reflection of higher housing costs in London.

Households with children are most likely to be affected by the cap. In May 2016, 94% of capped households include children. Child Benefit and Child Tax Credits are both in-scope for the benefit cap, so families with more children, in receipt of higher amounts of these benefits are more likely to exceed the cap limit and be capped.

## Discretionary Housing Payments (DHPs)

The Discretionary Housing Payment<sup>2</sup> (DHP) scheme allows local authorities to make monetary awards to people experiencing financial difficulty with housing costs who qualify for Housing Benefit (HB), or who have housing costs rental liability in their Universal Credit (UC) award. It has been cited by Welfare Reform Impact Club members as a key reason for maintaining income management performance levels.

According to official statistics<sup>3</sup>, in 2015/16, central government contributed £123.6 million to DHP funding. In England and Wales, £112.3 million was spent from a budget of £110.2 million. There was a large increase in DHPs in 2013/14 that has been sustained subsequently.

The Scottish Government made an extra £35 million available to fund DHPs above the £13.3 million contribution from central government; bringing the total funding for Scottish LAs to £48.3 million. The additional funding from the Scottish Government was made available with the explicit intention of being used to fully mitigate the removal of the spare room subsidy policy (bedroom tax).

The largest proportion of DHP expenditure in 2015/16 was awarded to mitigate the effect of the bedroom tax – in England and Wales this accounted for 46% of expenditure, rising to 60% when Scotland's figures are included. Almost 1 in 5 awards (1 in 4 for England and Wales) were for reasons not related to welfare reforms.

## Pay to stay

In 2012 the Department for Communities and Local Government (DCLG) launched a consultation, 'High Income Social Tenants: pay to stay'. This addressed an issue described by the then housing minister Grant Shapps<sup>4</sup>, "The Government believes that it is not right for high income families to be paying such a low social rent when they could afford to pay more or their home used by someone in much greater need." This policy announcement coincided with media coverage of a trade union leader living in a social rented property while being paid a six-figure salary.

Pay to stay became legislation in the Housing and Planning Act 2016, which allowed the Secretary of State to place a duty on local authorities to charge higher rents to tenants who earn more than £31,000 a year (£40,000 in Greater London). However, after

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<sup>2</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/536404/use-of-discretionary-housing-payments-2015-16.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536404/use-of-discretionary-housing-payments-2015-16.pdf)

<sup>3</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/536404/use-of-discretionary-housing-payments-2015-16.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536404/use-of-discretionary-housing-payments-2015-16.pdf)

<sup>4</sup> <http://researchbriefings.files.parliament.uk/documents/SN06804/SN06804.pdf>

consultation, Housing Minister Gavin Barwell decided not proceed with this duty. Consequently, the scheme is voluntary for both local authority and housing association landlords.

The legislation allows local authorities and housing associations to liaise with the HMRC<sup>5</sup> to determine the taxable income for individual tenants. Tenants will pay higher rent based on a taper of 15% - for every additional £1 a household receives in income above the threshold they will pay an additional 15p per week in rent.

## Sanctions

People claiming Job Seekers' Allowance (JSA) or Employment and Support Allowance (ESA) must abide by the conditions of the benefit or face a suspension in payments – a sanction. Conditions include actions such as attending meetings or interviews, and actively seeking work.

JSA and ESA weekly payments range from £57.90 to over £120 for a couple meeting certain disability criteria. There is a sliding scale of sanctions relating to the severity and frequency of condition breach. They can involve withdrawal of up to 100% of the benefit and can last between four weeks and three years.

The current set of rules regarding sanctions were introduced in October 2012. Since that point there have been 1.97 million decisions to apply a sanction. Figures published in August 2016<sup>6</sup> show that around 40,000 decisions to apply a sanction were being made on a monthly basis up to March 2016.

Sanctions have been identified by Welfare Reform Impact Club members as a key reason for non-payment of rent. While claimants can appeal the sanction and apply for hardship payments, the immediate lack of funds often has a psychological effect on the tenant as well as a risk of building up rent arrears and other debts.

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<sup>5</sup> The Commissioners for Her Majesty's Revenue and Customs.

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/548290/quarterly-stats-summary-august-2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/548290/quarterly-stats-summary-august-2016.pdf)



## 4. Latest HouseMark data

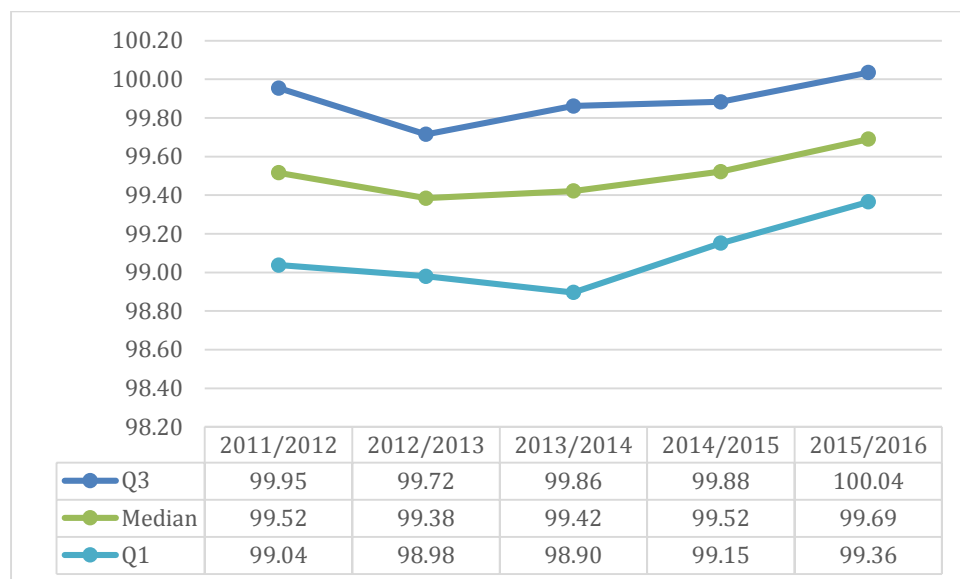
The figures in this section are drawn from our core benchmarking submissions over a five-year period from 2011/12 to 2015/16. The results are based on an unbalanced panel<sup>7</sup> comprising all participating HouseMark members each year. The measures contained in this report have been selected to help understand how and where the sector has moved over the period. They form a small proportion of the hundreds of available measures we calculate for our members.

### Rental income and arrears

In the main, our rental income measures look at how much rent has been collected as a proportion of how much rent has been charged. The arrears and write-off measures calculate the amount of uncollected rent as a proportion of rent due. The eviction rate calculates evictions as a proportion of all tenancies.

### Rent collection rates

The chart below outlines the quartile positions<sup>8</sup> for the measure 'Rent collected from current and former tenants as % rent due excluding arrears' (brought forward from previous year) over a five-year period.



The chart shows that, across each quartile, rent collection rates have improved over the five years between 2011/2012 and 2015/2016. In spite of this overall improvement, performance in the years 2012/2013 and 2013/2014 worsened before picking up subsequently. These years coincide with the introduction of many welfare reforms that affected tenants' ability to pay the rent.

By location, the drop in collection rates was felt most acutely by organisations based in the North of England, followed by those based in the Central region (Midlands and East) and Wales. Organisations based in London, the South of England and Scotland did not record any corresponding pattern of a downturn in performance. These results suggest that reforms such as the bedroom tax had a greater impact on landlords based outside South East England; also that Scottish Government intervention to ameliorate the

<sup>7</sup> Further explanation of panels is available in Appendix B

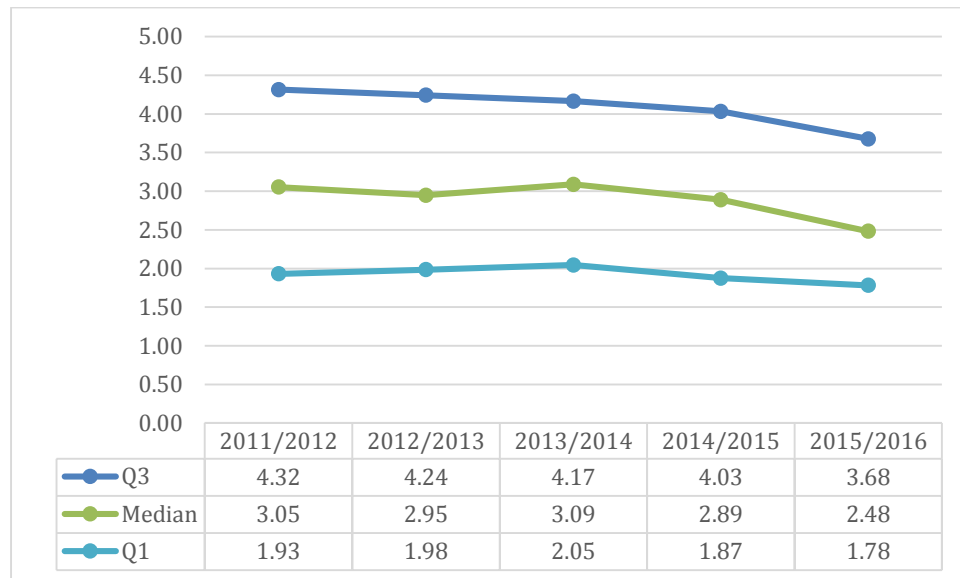
<sup>8</sup> Further explanation of quartiles is available in Appendix B

impact of the bedroom tax is reflected in collection results.

## Arrears

We collect two arrears measures – rent arrears of current tenants as % rent due and rent arrears of former tenants as % rent due. Rent due excludes losses due to void (empty property) periods.

The chart below outlines the quartile positions for current tenant arrears rates (CTAs) over a five-year period.



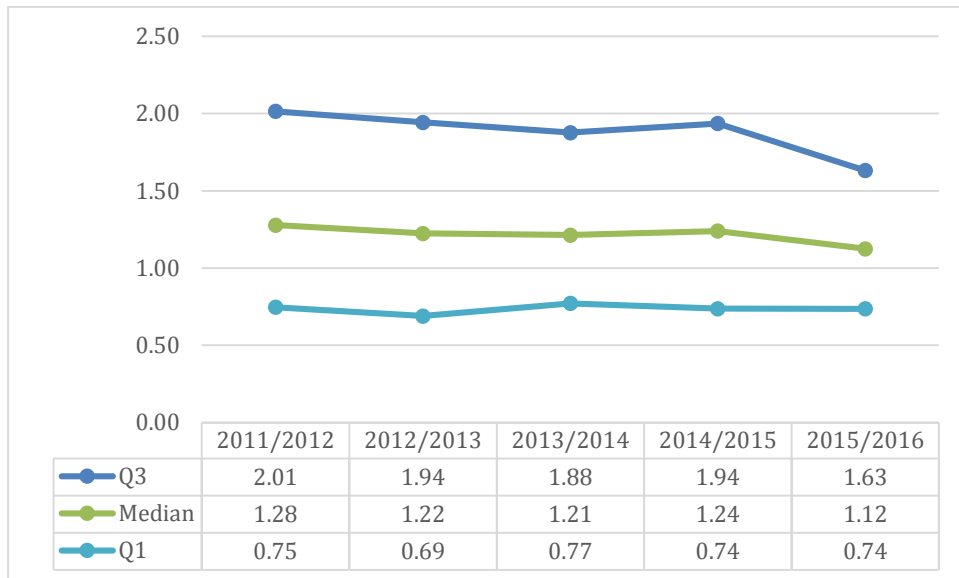
The chart shows a similar pattern to rent collection in that performance has improved over the entire period. Also similar to rent collection, the median and quartile one positions show a slightly worse performance in 2012/2013 and 2013/2014 before reducing up to 2015/2016, though this is not evident in quartile three. This suggests that current tenant arrears rates tend to follow rent collection rates.

By region, London-based landlords tend to have the highest arrears rates. While this isn't very evident at the median, the first and third quartile positions are one or two percentage points higher than the national figures.

Housing associations tend to have higher arrears rates than local authorities and ALMOs. This is usually due to lags in housing benefit payments. It will be interesting to see how this plays out when housing benefit claimants start moving onto UC.

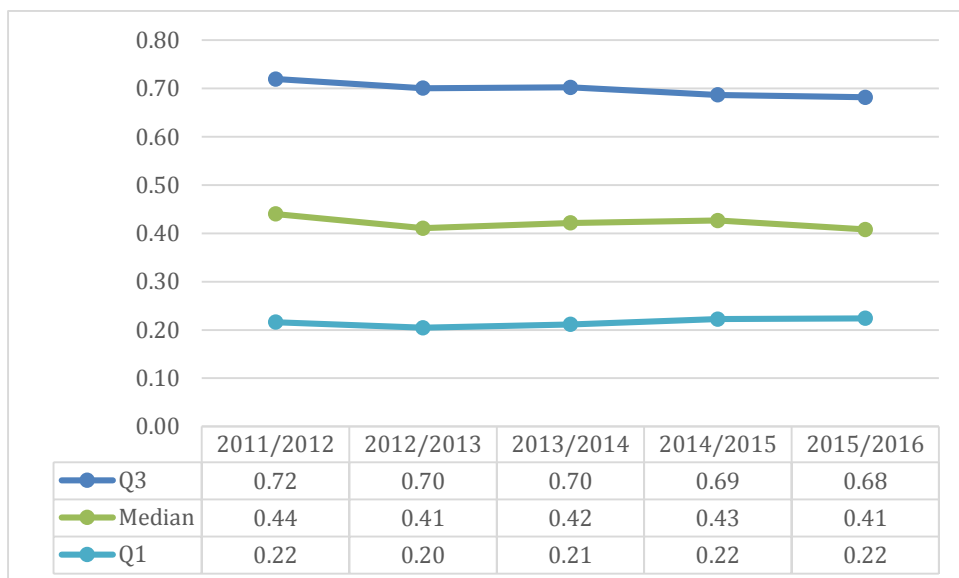
The chart below outlines quartile positions for former tenant arrears rates (FTAs) over

the same five-year period.



The chart also shows the same overall pattern of improving performance over the entire period. The main difference from CTAs and collection rates is the lag factor. FTAs tended to increase in 2013/2014 and 2014/2015 rather than earlier. This suggests that the rise in current tenant arrears in 2012/2013 and 2013/2014 became former tenant arrears in 2013/2014 and 2014/2015 as tenants with debts moved out.

The chart below shows the amount of current and former tenant arrears written off as a percentage of rent due over the five-year period.



While it is difficult to suggest any changes in performance by looking at this measure, it does show that the increase in FTAs outlined above were likely to be collected by landlords rather than simply written off as unrecoverable – as write-off rates remain fairly static during the period.

## Rent arrears and collection management costs

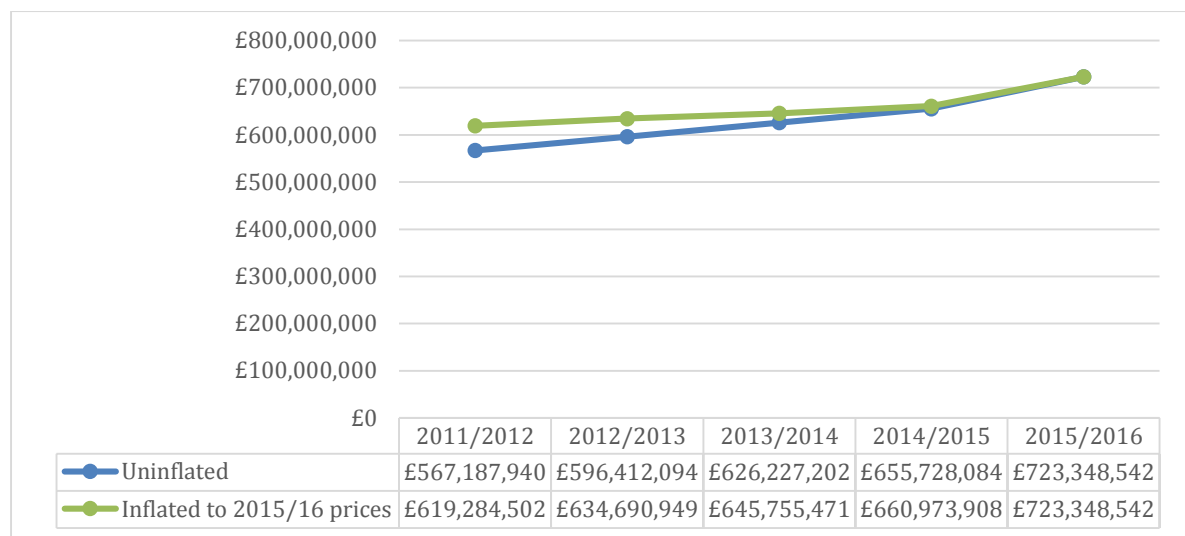
HouseMark cost measures are made up of employee pay costs, direct non pay costs

and overhead costs. Employee time spent managing rent arrears and collection and other housing management activities is apportioned by HouseMark members when they take part in the exercise. Overheads are apportioned automatically based on the number and type of employees working on the service.

## Sector-wide cost estimates

Using component costs aggregated across the whole sector, we have estimated how much is spent by social landlords on collecting rent and managing arrears. The estimates are calculated using the number of properties as a factor to multiply costs up to a UK-wide level.

The chart below outlines cost estimates over a five-year period from 2011/2012 to 2015/2016. Prices have been inflated to 2015/2016 levels using the Retail Prices Index (RPI)<sup>9</sup>.



Our estimates based on our members' data<sup>10</sup>, shows that more money is being spent on collecting rent each year, and this expenditure is rising faster than inflation. We estimate that UK social landlords spent over £720m collecting rent in 2015/2016, a real terms rise of over £100m from 2011/2012.

This contrasts with other analysis we have produced this year, for responsive repairs and anti-social behaviour, where expenditure has not kept pace with inflation.

## Cost per property

This section uses the total cost per property measure for managing rent arrears and collection. This aggregates employee pay costs, non-pay costs (eg court fees) and overheads divided by the number of properties managed by the organisation.

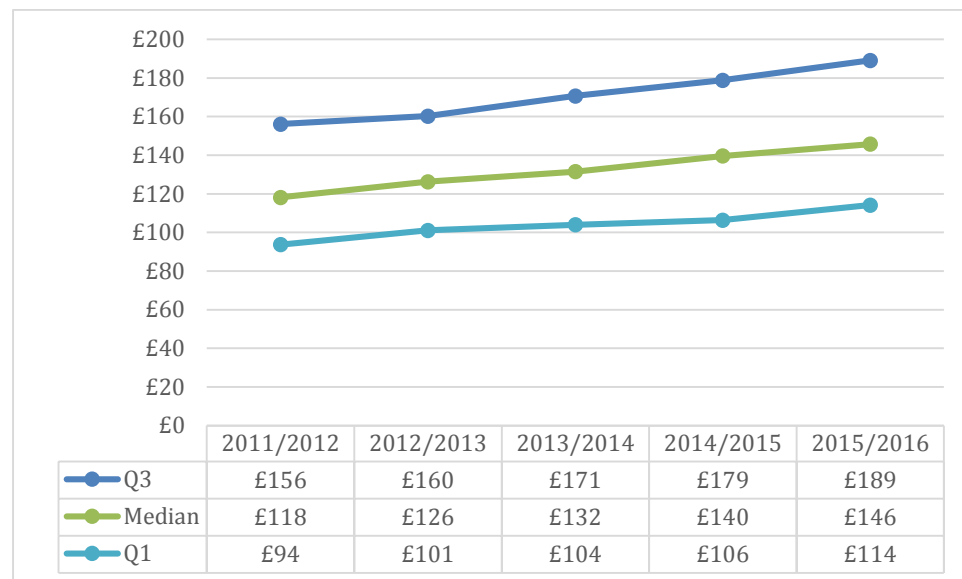
The chart below outlines the total cost per property in real terms<sup>11</sup> of managing rent

<sup>9</sup> Using RPI in the September following year-end. Further information on this method is available in Appendix B.

<sup>10</sup> The first four years in the chart, HouseMark members' stock covers around half the UK social housing sector. In 2015/2016, the proportion is around one fifth, due to this analysis being undertaken while collection is still taking place.

<sup>11</sup> Inflated using RPI in the September following year-end. Further information on this method is available in Appendix B.

arrears and collection for each quartile over a five-year period.



The quartile positions over the period show that, similar to the estimated sector-wide estimates, expenditure on collecting rent and managing arrears is rising faster than inflation. At a national level this pattern is discernable at every quartile and is steady, adding £3-11 per property each year.

The national picture of a steady rise evens out some interesting regional changes. Organisations based in South East England recorded a real fall of around £10 in the median cost per property between 2012/2013 and 2013/2014, whereas every other English region, Scotland and Wales recorded rises over the same period. The largest rises over the five-year period were recorded in the East Midlands, London and Yorkshire and the Humber.

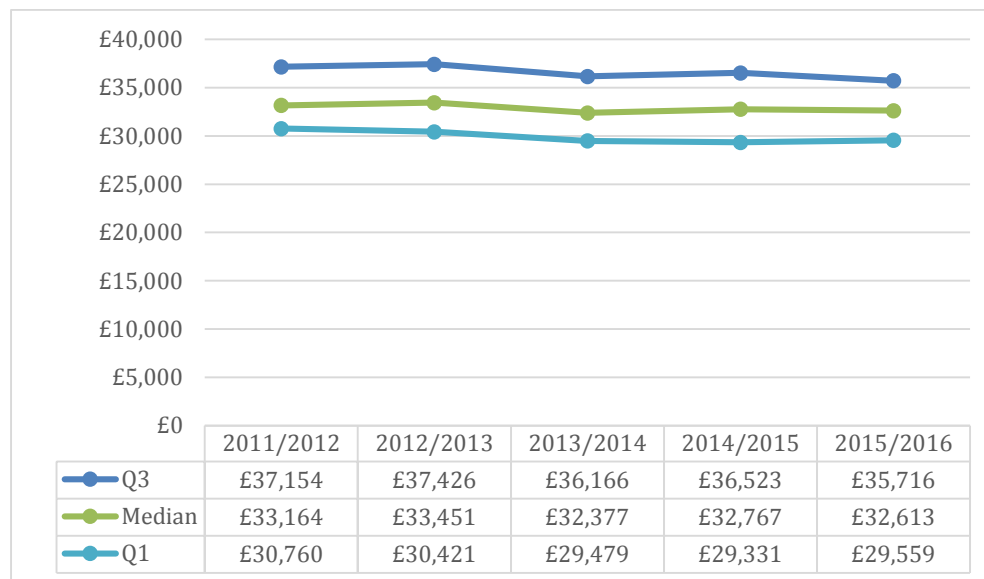
By size, smaller organisations managing fewer than 5,000 properties tended to record larger rises in the cost per property than those with more stock. By type, both housing associations and local authorities / ALMOs recorded real rises in the median cost per property of 20% over the five-year period.

## Employee resources

The HouseMark model collects data on the number of whole time equivalent (WTE) employees for an activity (such as managing rent arrears and collection), and the pay costs associated with WTEs' time apportioned to that activity. This means we can identify drivers of cost in terms of pay or people.

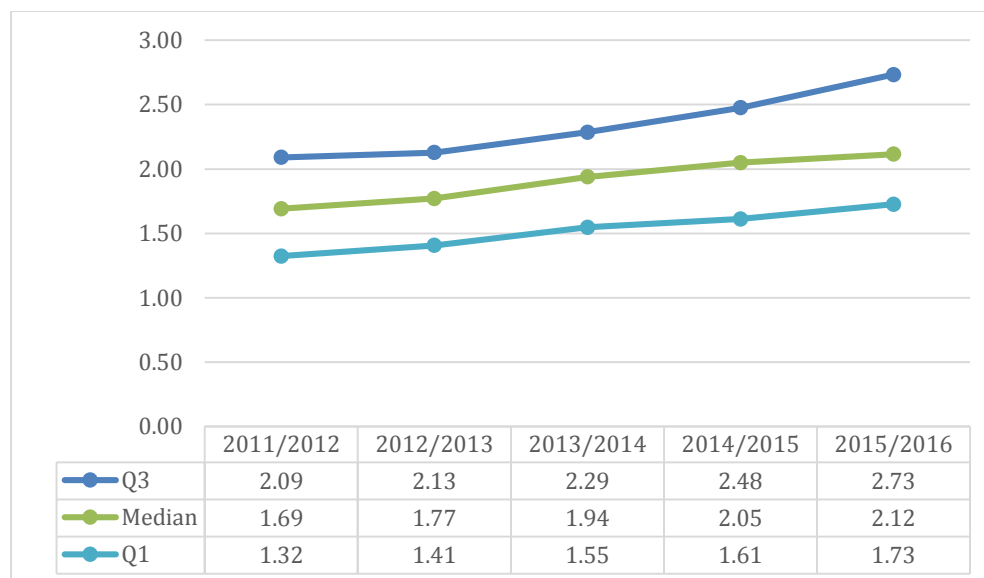
The chart below outlines the change in real pay costs over the five years between

2011/2012 and 2015/2016.



The chart shows that, while pay costs per WTE<sup>12</sup> have remained stable, they have not kept pace with inflation over the period. This pattern is repeated across each location, size and type of organisation. It shows that the increase in expenditure on managing rent arrears and collection is not driven by staff pay awards.

This charts shows the ratio of rent arrears and collection WTEs per 1,000 properties managed over the five years between 2011/2012 and 2015/2016.



The chart shows year-on-year rises in the number of employees across each quartile. This confirms that the rise in expenditure on this activity is driven by an increase in human resources – ie more people being employed to collect rent and manage arrears.

Similar to costs, the regional pattern shows some interesting changes over the period. Organisations based in London, the North of England, Scotland and Wales tended to

<sup>12</sup> This is the employee pay cost for the activity including on-costs divided by the number of WTEs.

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record the largest increases in staffing in 2013/2014 and 2014/2015, whereas organisations based in the Central and South of England regions recorded larger increases in 2015/2016. This could be related to the differing regional impact of welfare reforms and the need to increase resources, as judged by individual organisations.

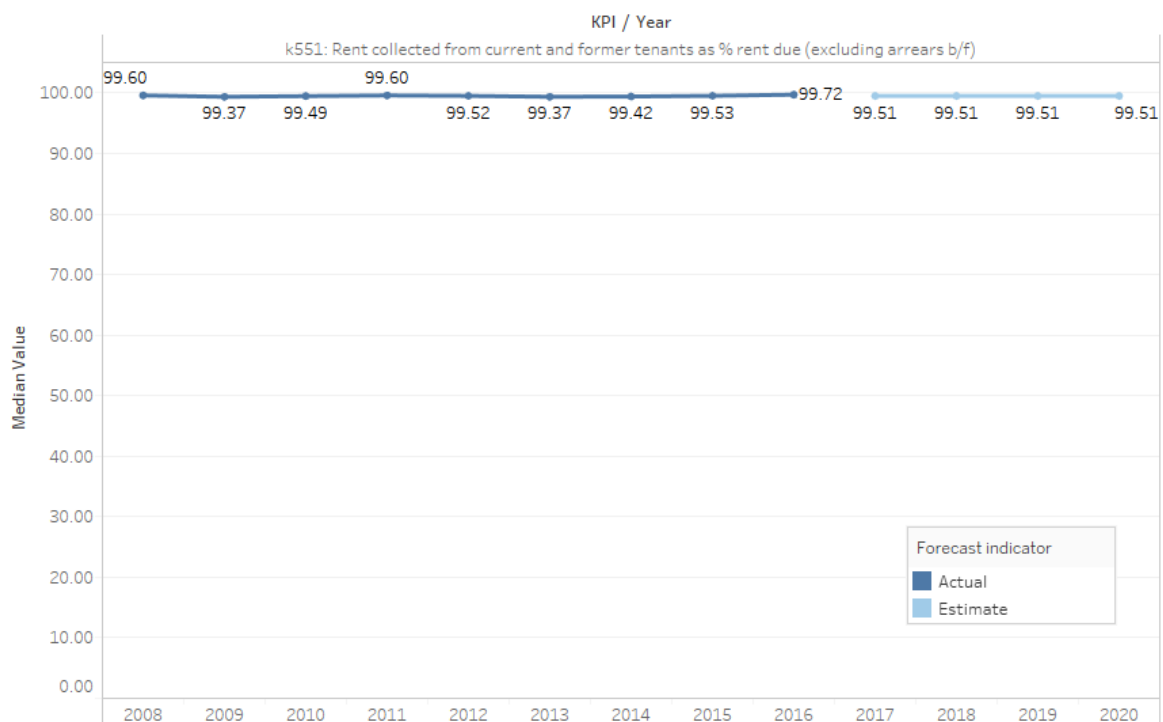
## 5. Predicted costs and performance data up to 2020

Using benchmarking data going back to 2007/2008 (including the five years covered above), we have used Tableau predictive analytics to model how managing rent arrears and collection costs and performance levels could move over the next four years.

The predictions are based purely on the data so far. We have not made any assumptions relating to changes by moving onto UC or other reforms. The shaded areas represent a 95% confidence interval – this means the model is 95% confident at the moment that the result will fall into this area.

### Performance up to 2020

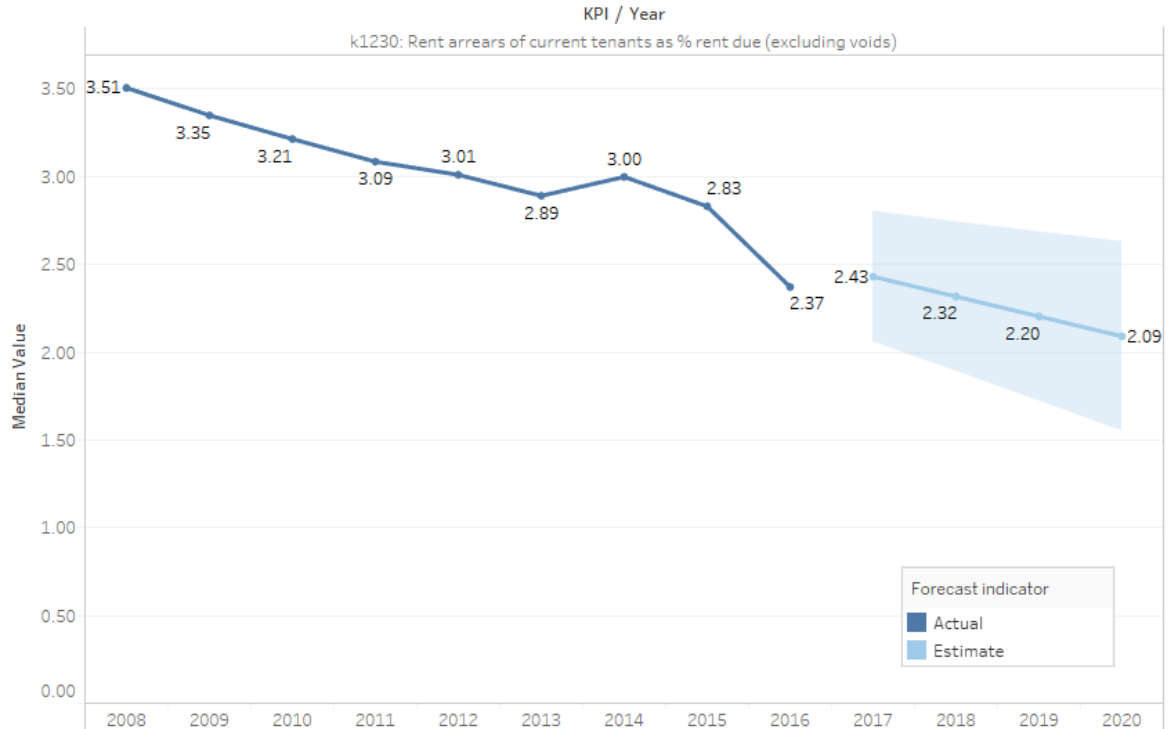
The chart below uses Tableau predictive analytics to estimate median rent collection rates up to 2020.



Based on the median level of rent collection over a nine-year period, the predictive analysis has found that, without further assumptions, the median level is unlikely to move much in the years going up to 2020.

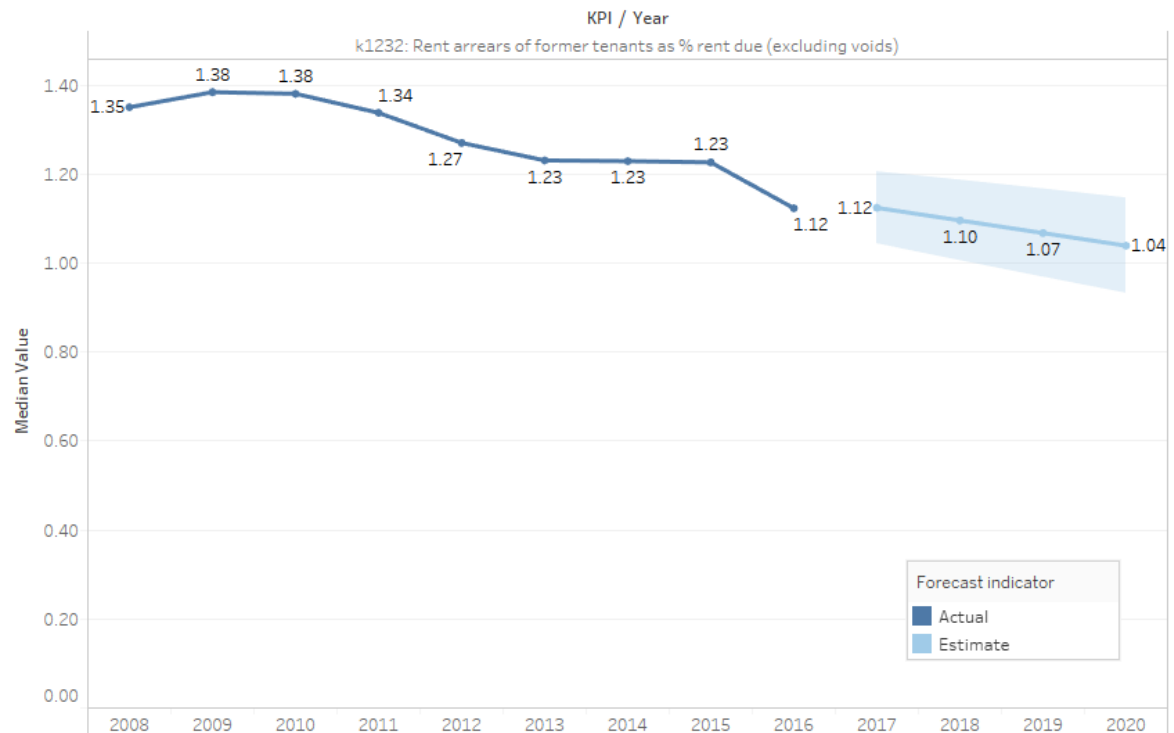


The chart below outlines the estimated range for current tenant arrears.



As median current tenant arrears rates have been falling over the nine-year period, the predictive analytics model suggests that the decrease will continue to up to 2020, ending up somewhere between 1.6% and 2.6%. This doesn't take account of the rollout of UC, and will be interesting as a comparison as more areas start offering the full service.

This chart shows the estimated direction for former tenant arrears going forward to 2020.

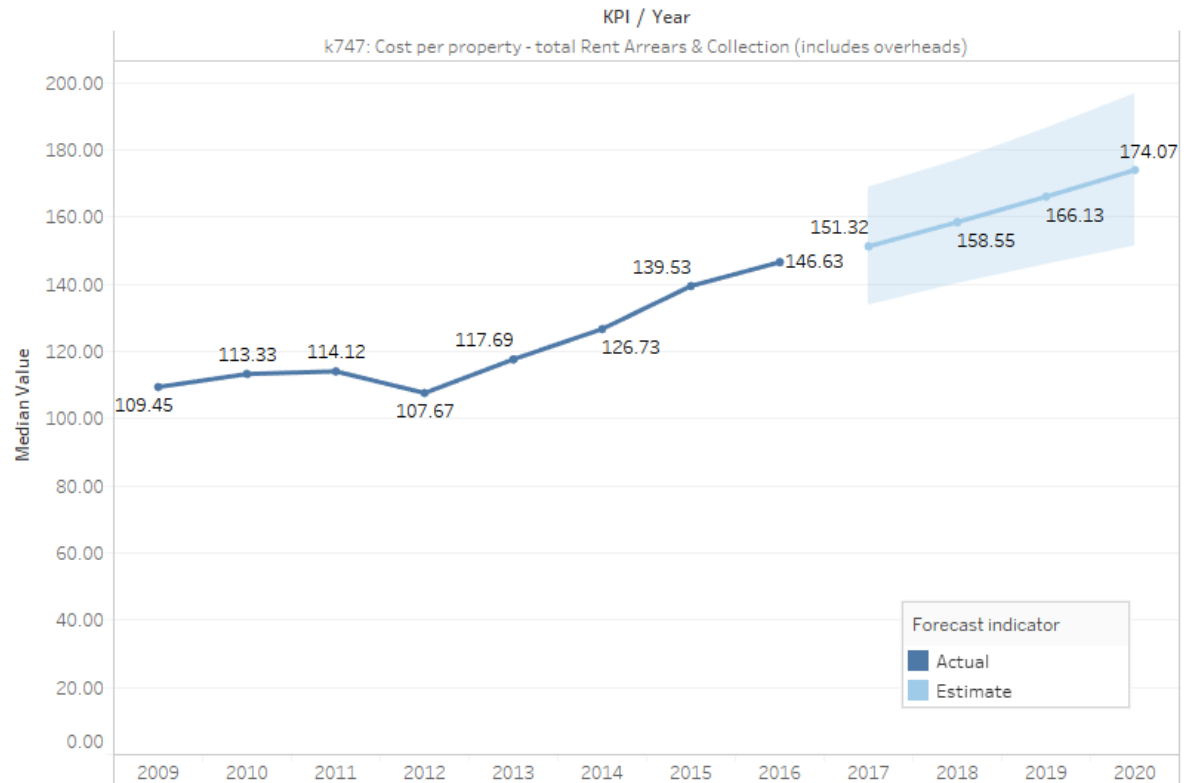


Similar to current tenant arrears, the predictive analytics model estimates a steady fall in median former tenant arrears rates, following the pattern that has occurred in the

preceding nine years.

## Rent collection costs up to 2020

This chart shows the estimated change in costs over the next four years. No adjustments have been made for inflation.



Following the slight fall in 2011/2012, the rise in the total cost per property of managing rent arrears and collection is predicted to continue in the years up to 2020, to somewhere between £150 and almost £200. Given the rises over the last five years and the extra resources landlords are likely to require to deal with UC, this could end up being quite a conservative estimate.

## 6. Welfare Reform Impact Club UC survey

### Background

In February 2016 we carried out a short survey of Welfare Reform Impact Club members to try and understand how UC (Universal Credit) is starting to affect arrears levels. This found a considerable difference in arrears levels between those claiming UC and those on housing benefit or who pay their rent by other means. In October 2016, we revisited the topic with Club members to see how and whether the position had changed as claimant number have increased<sup>13</sup>.

### About the participants

There were 32 participants in October 2016, who between them manage around 450,000 properties. Twenty-four participants are based in the Central and North regions of England, with eight based in London and the South. There was a mixture of types of landlords with stock ranging from 2,210 to 40,000 properties.

We collected data on which UC Tranche<sup>14</sup> participants' stock was in. Ten participants were in Tranche Four, eight in Tranche One, four in Tranche two and five participants in Tranche Three or All Four Tranches.

The mean average number of known UC participants was 154, the lowest number reported was seven and the highest was 490. This compares to an average of 90 UC claimants for the 24 respondents to February's survey.

### Main findings

The headline finding of the survey is that the average rent arrears debt of a UC claimant is £618, this compares to average non-UC arrears of £131 per property. With average social rents around £96 per week, this UC debt equates to 6-7 weeks' rent.

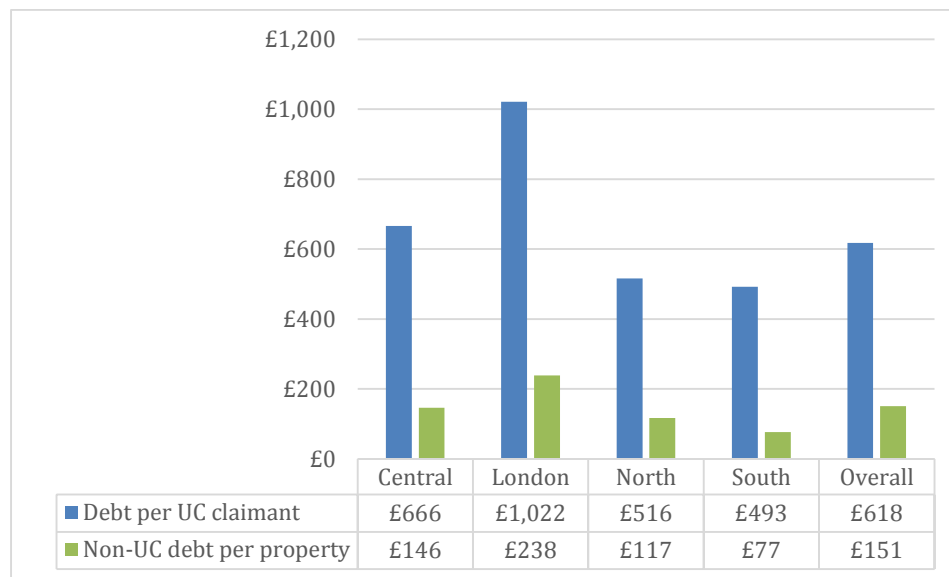
The chart below breaks the debt down by the English region where participants are

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<sup>13</sup> The survey questions are detailed in Appendix B

<sup>14</sup> The DWP rolled out UC to Job Centre Pluses in four tranches over a two-year period from 2014 to 2016.

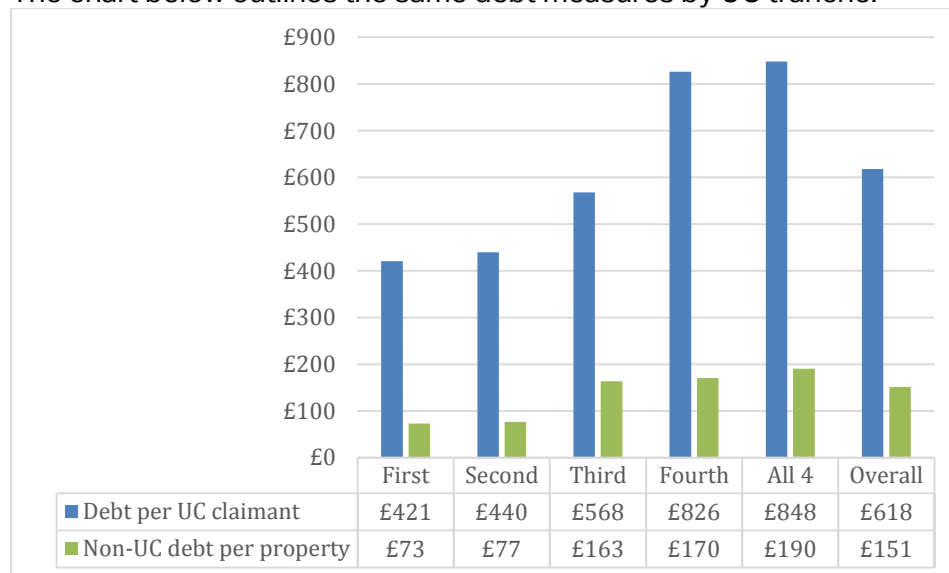
based.



This shows that the large difference between the debt per UC claimant and the debt per property<sup>15</sup> occurs across England.

Claimants based in London are likely to have the highest arrears rates. While the sample is very small, there is further evidence for London-based landlords recording higher arrears rates outlined in the 'Latest HouseMark Data' section of this report.

The chart below outlines the same debt measures by UC tranche.



This shows a distinct pattern between UC tranche and the level of UC debt per claimant, as well as the debt per property. Landlords with stock in the earlier tranches recorded lower UC and non-UC debt. This suggests that some UC debt is resolved over time, also that landlords end up focusing on managing arrears in general, which has a positive effect on other debts. This is certainly worth further investigation.

<sup>15</sup> This is calculated by dividing the total non-UC debt by all stock minus UC claimants.

The chart below outlines the debt measures by splitting the participants into thirds with a comparatively high, medium or low number of UC claimants.



The table shows that while landlords with a comparatively high number of UC claimants recorded the highest debts per claimant, the difference from the medium group is quite small. Overall, there was a weak correlation<sup>16</sup> between the number of UC claimants for each landlords and the average debt of each UC claimant.

## Conclusions

This is the second time we have run this survey, and both occasions have found that UC is a considerable arrears risk for tenants and landlords, which could have a profound impact on our predictive findings. Qualitative information collected with the survey suggests that delays in processing UC claims form a large part of the increase in arrears. As 17,000 new claimants start receiving UC each month, it seems that this risk of rising arrears is an issue that landlords should be preparing for.

<sup>16</sup> A correlation coefficient score of 0.16

## Appendix A: Disclosure of information

The information and data contained in this report are subject to the following clauses in HouseMark members' subscription agreements. These refer to future and further use of the information.

"Where any compilations of Benchmarking Data or statistics or Good Practice Examples produced from data (other than Data submitted by the Subscriber) stored on the database forming part of the System are made for internal or external reports by or on behalf of the Subscriber, the Subscriber shall ensure that credit is given with reasonable prominence in respect of each part of the data used every time it is used (whether orally or in writing) and such credit shall include the words "SOURCE: HouseMark".

"The Subscriber shall use best endeavours to ensure that any and all uses of the System shall be made with reasonable care and skill and in a way which is not misleading.

"The Subscriber may not sell, lease, license, transfer, give or otherwise dispose of the whole or any part of the System or any Copy. The provisions of this clause shall survive termination or expiry of this Agreement, however caused.

"The Subscriber shall not make any Copy or reproduce in any way the whole or a part of the System except that the Subscriber may make such copies (paper based or electronic) of the data and information displayed on the System as are reasonably necessary to use the System in the manner specifically and expressly permitted by this Agreement.

"The Subscriber agrees not to use the System (or any part of it) except in accordance with the express terms and conditions of this Agreement."

## Appendix B: Benchmarking methodology

### What do we measure and why?

The main purpose of the new core benchmarking system is to enable housing organisations to make a value for money assessment of their operations across the broad range of their business activities.

This assessment is done across three key areas:

- Cost of delivery - how much you spend on service activities, such as rent collection
- Resources for delivery – for example staffing and overhead allocation.
- Performance – how well your organisation is performing across the range of your business activities – including managing rent arrears and collection.

By taking these three key areas together, you are able to make a rounded and informed assessment of how well your organisation is operating in terms of cost, resource and performance.

### Aggregation

The charts in this report are based on aggregated data from individual landlords. HouseMark members can access their own underlying data, alongside many other landlords who agree to share on a like-for-like basis, by using our online reporting tool.

### Inflation

Real costs have been inflated from previous years using the September RPI (Retail Price Index) figure following year-end (eg September 2015 RPI figure is used to inflate 2014/2015 costs to 2015/2016 levels).

### Area cost adjustment (ACA)

Cost figures exclude the area cost adjustment that HouseMark can apply to adjust costs downwards for organisations based in London and the South East to reflect the generally higher costs experienced. This is particularly useful for inter-organisation comparison and may be switched on or off using our online benchmarking tool. We wanted this analysis to be based on actual costs in order to understand the true effect of operating in a high cost location.

### Presentation of data

In order to best understand the data, it has been analysed and presented in a number of different ways – depending on the measure.

The following calculations are used in this report:

- Per property or per 1,000 properties managed – this has been used to compare data from housing organisations of different size.
- Percentage – Percentages are used to highlight the proportion of rent due for performance measures.
- Average – the arithmetic mean (or average) is used where cross-tabulation does not permit the median to be used.

## Using quartiles and medians

This report uses the terms:

- First quartile or Q1 – the threshold between lowest 25% and the rest of the group.
- Median – the middle point of the group’s results.
- Third quartile or Q3 – the threshold between the highest 25% and the rest of the group.

The following table shows example satisfaction scores for eight organisations and how the median value and quartile information is reached.

Organisation	Data values	Quartile
A	99	4 <sup>th</sup> quartile – top 25 per cent
B	97	
C	95	2 <sup>nd</sup> quartile
D	87	
E	83	3 <sup>rd</sup> quartile
F	79	
G	77	1 <sup>st</sup> quartile – bottom 25 per cent
H	75	

← Q3 value = 96

← Median value = 85

← Q1 value = 78

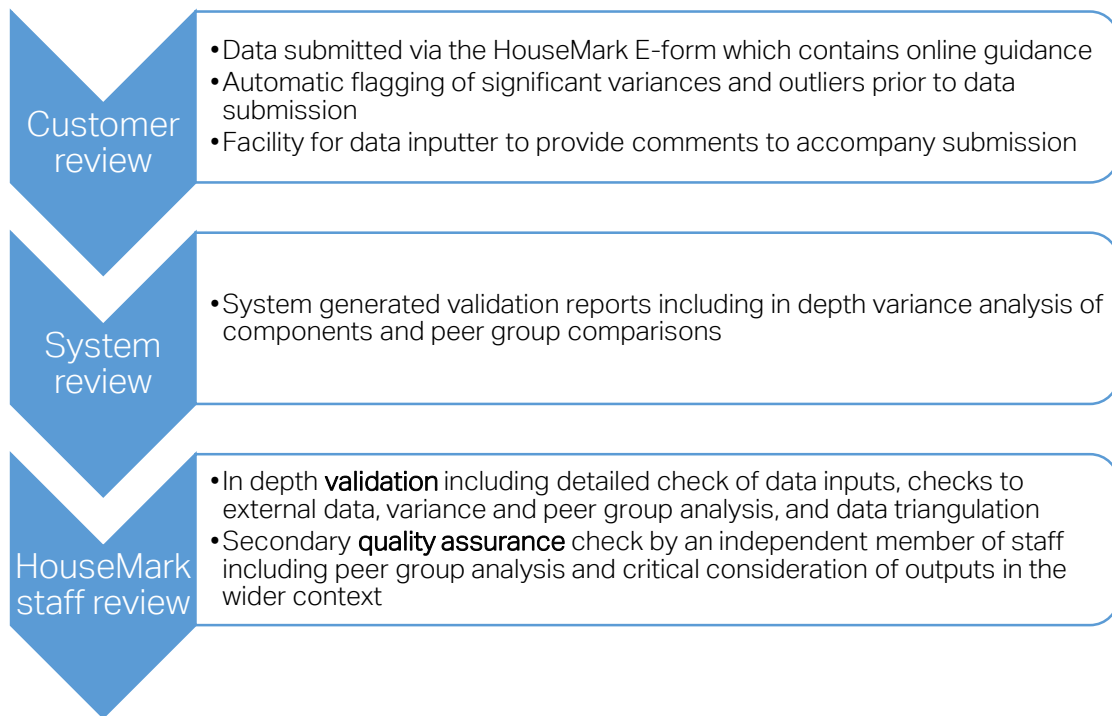
## Unbalanced panel

Our data not only covers many organisations in one year, it also covers many organisations over many years. As in practice not all organisations provide information for every year, our online systems show data provided by all organisations who provided data for the relevant year, even if not all of them provided data for every year of the analysis. This is described as an unbalanced panel. In an analysis of an unbalanced panel, it means that the number and composition of each year’s sample can vary.

## Data validation

The data collected in each submission is subject to a triple-layer validation and quality assurance process to ensure data integrity. This is summarised in the diagram below.





## Predictive analytics

Using benchmarking data going back to 2007/2008 (including the five years covered elsewhere in this report), we have used Tableau predictive analytics to model how managing rent arrears and collection costs and performance levels could move over the next four years.

The data goes forward four years because Tableau recommends to take it to half of your number of years, and we have nine years of backwards data.

The forecasts use an exponential smoothing model (this affords more weight to the more recent data).

Prediction intervals are indicated by the shaded areas (they are 95% confidence intervals). So we can be confident 95% of the time that the real figure falls within the area. Due to the small fluctuations and fairly low number of data points the results should be treated with a degree of caution. The commentary refers to ranges rather than a steadfast result.

These results are estimates based on the data, we're not making any assumptions based on external changes or inflation.

## Appendix C: Welfare Reform Impact Club survey questionnaire

Our survey posed the following questions to members of the Welfare Reform Impact Club<sup>17</sup> in October 2016.

UC arrears data snapshot survey

Q1: Name

Q2: Organisation

Q3: Stock size

Q4: UC tranche

Q5: Number of known UC claimants

Q6: Do you track the arrears level of individual tenants from the point they start claiming UC?

Yes

No

Comments

Q7: Average debt per UC claimant

Q8: Total debt of all UC claimants

Q9: Total debt of non-UC claimants (ie everyone else not claiming UC)

Q10: Case study summaries of where JCPs request ex-partners are removed from tenancy agreements (if this is applicable)

Q11: Please add any comments here

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<sup>17</sup> <https://www.housemark.co.uk/premium-tools/specialist-clubs/welfare-reform-impact>



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