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Direct Payments Demonstration Projects: Learning the lessons, six months in

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Summary

This report is one of a series of outputs from the independent evaluation of a programme of projects demonstrating the direct payment of Housing Benefit to social renting tenants across the UK. It highlights the key learning since the programme began early in 2012. In doing so, it explores the experiences of landlords and local authorities across the six Project Areas (Edinburgh, Oxford, Shropshire, Southwark, Torfaen, and Wakefield), highlighting the challenges they have faced. Crucially, it also examines the experiences of tenants, mining qualitative data generated from more than 80 in-depth interviews with tenants in the Project Areas.

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The Authors

Paul Hickman is Professor of Housing and Regeneration at the Centre for Regional Economic and Social Research at Sheffield Hallam University. He is the Project Director for this evaluation of the Direct Payment Demonstration Projects.

Dr Kesia Reeve is a Senior Research Fellow at the Centre for Regional Economic and Social Research at Sheffield Hallam University. She is managing the evaluation and, like Paul Hickman, is involved in all aspects of the research.

Abbreviations and glossary of terms

BACHL	Bron Afon Community Housing Limited
BACS	This is a United Kingdom scheme for the electronic processing of financial transactions, including Direct Debits
BME	Black and Minority Ethnic
CAB	Citizens Advice Bureau
Collection rate	The proportion of overall rental income collected by landlords
CRESR	Centre for Regional Economic and Social Research at Sheffield Hallam University
DD	Direct Debit
DLA	Disability Living Allowance
DP	Direct payment – the payment of Housing Benefit directly to tenants
DPDP	Direct Payment Demonstration Project. The DPDPs, of which there are six, are demonstrating the payment of Housing Benefit directly to social rented sector tenants. The six projects are: Edinburgh; Oxford; Shropshire; Southwark; Torfaen; and Wakefield
DWP	Department for Work and Pensions
HA	Housing association
HB	Housing Benefit
IM	Ipsos MORI
IMD	Index of Multiple Deprivation
JSA	Jobseeker's Allowance
LA	Local authority
Landlord payment	The payment of Housing Benefit directly to landlords
LHA	The Local Housing Allowance is a way of calculating Housing Benefit for tenants in the deregulated private-rented sector that ensures that tenants in similar circumstances in the same area receive the same amount of financial support for their housing costs

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Local stakeholders	Representatives of DPDP organisations working directly on the programme at the Project Area level
LSVT	Large scale voluntary transfer (housing association)
OCHA	Oxford Citizens Housing Association trading as GreenSquare Group
ONS	Office for National Statistics
POCA	Post Office Current Account
Project Area	Direct Payment Demonstration Project Area
RSL	Registered Social Landlord
Safeguarding	The removal of vulnerable tenants from the DPDPs programme
Switchback	The transferal of tenants who have fallen into arrears back to landlord payment from direct payment
Trigger period	The length of time that may elapse before tenants return to landlord payment in demonstration projects. The trigger period varies across the six demonstration projects
UC	Universal Credit
WDH	Wakefield and District Housing
WTC	Working Tax Credit

Summary

In January 2012 the Department for Work and Pensions (DWP) established a programme of Direct Payment Demonstration Projects (DPDPs) to pioneer the direct payment of Housing Benefit (HB) to social rented tenants in six areas. These were: Oxford, Southwark, Shropshire, Torfaen, Wakefield and Edinburgh, which joined the programme in May 2012. Under the present system, HB for social rented tenants is usually paid directly to the landlord. However, from October 2013, the process of rolling out direct payments to all HB recipients will begin as part of the new Universal Credit (UC).

DWP commissioned a research consortium comprising the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University, the Institute of Social Policy at the University of Oxford, and Ipsos MORI (IM), to conduct an evaluation of the DPDPs. The emphasis of the evaluation is on **continued learning** and feedback into UC design. The DPDPs are not being implemented under the same conditions that UC will be delivered and so learning is not directly transferable. However, by tracking progress, processes, experiences and outcomes, it is hoped that important lessons can be learned about the implementation of the housing component of UC.

The evaluation employs a **mixed-methods approach** which comprises the following activities:

- **Tenant surveys:** a **Baseline Survey** of 1,965 tenants in the six Project Areas was conducted in May-July 2012, and a **Follow-up Survey** of 1,800 tenants (including 1,080 who were surveyed for the Baseline) will be carried out in June 2013.
- **Analysis of participating landlord rent accounts and management costs.**
- **Qualitative interviews with tenants**, including: a panel of six tenants in each area who are interviewed face to face in June/July 2012, January and June 2013, and with whom regular telephone contact is maintained; a panel of two tenants in each area who have switched back to landlord payment, interviewed in January and June 2013 and with whom regular telephone contact is maintained; and face-to-face interviews with at least 36 additional tenants across the six Project Areas in June 2013.
- **Qualitative interviews with stakeholders**, including: **telephone interviews with national stakeholders** such as lenders, and people with expertise in money management (conducted between January–June 2012); **focus groups with DWP officers** (in February and July 2013); **interactive feedback events**, bringing together stakeholders from the six Project Areas (held in January and July 2013); and a **local stakeholder panel** comprising approximately six key officers in each Project Area who report on emerging issues through face-to-face interviews in June 2012 and June 2013 and regular telephone and email contact, as well as contact at programme events.

This report was written in February 2013, approximately one year after the Project Areas were announced but only six months after the DPDPs went live (four months in Scotland). Evidence and learning has accrued from the preparatory phase of the DPDPs but evidence regarding impacts and consequences of direct payments, for tenants, landlords and other stakeholders, remains tentative at this stage. The evaluation has not yet reached its most intensive stage and many tenants have been on direct payments for just a few months. Nevertheless, this report provides important early insights into the implementation process and effects of direct payment on landlords and tenants, focusing on identifying key learning.

Key findings

It is one year since the DPDPs programme was launched, and seven months since the first tenants received a direct payment of HB. Project Areas and DWP have designed and implemented a programme that has seen HB paid directly to more than 6,000 tenants, local structures developed to support tenants, methods tried to maintain rent collection rates, and more than 10,000 tenants assessed in preparation for direct payments. There have been challenges along the way and, consistent with the purpose of the DPDPs, significant learning has accrued about implementing a programme of direct payments. Drawing primarily on the qualitative research activities undertaken by the study team, here we present some of the key findings and learning to emerge from the evaluation.

Designing the Direct Payment Demonstration Projects

- With the aim of a collaborative and participant-led programme, the DPDPs' design and implementation process was not preordained by DWP. Many implementation decisions were taken and processes designed collaboratively through a series of design workshops with Project Areas. **Input from Project Areas was invaluable, resulting in a programme of activity more feasible and less likely to face insurmountable challenges than if they had not been integral to the design process.**
- Project Areas were selected six months before the DPDPs went live, a timeframe that did not permit distinct and consecutive design and implementation phases. These phases effectively had to be concertinaed, raising resource and project planning issues as well as challenges with front-line delivery. For example:
 - Design and implementation work placed significant demands on Project Area stakeholders' time. Some expressed the view that the burden would have been eased if DWP had prepared more extensively before bringing them on board.
 - Certain implementation activities had to be prioritised – for example, engaging with tenants and assessing their readiness for direct payment – leaving others trailing. Support mechanisms were not, for example, fully in place by June 2012.
 - Front-line staff were sometimes unable to respond to tenant queries, for example, regarding timescales for transferring onto direct payments. Nor were they always able to communicate sufficient detail to local support agencies so they could accurately advise tenants who independently sought advice from them.
- Reflecting on these issues and the challenges encountered preparing for go live (see below) it became clear that **six months was not long enough to design and prepare for direct payments.**

Preparing for direct payments

- It was not possible to implement the DPDPs without direct contact with tenants. Local authorities needed tenants' bank account details to administer payment of HB and landlords required information from tenants to help them identify those in need of support. This process began three months prior to go live. **Engaging with tenants proved to be a more challenging element of the preparation for direct payments than anticipated.** Despite numerous letters and a variety of personal contact methods (phone calls, home visits, texts), one third of tenants had not engaged when the DPDPs went live. A few months later this figure had reduced substantially suggesting that **a period of six months would have been a more realistic timeframe to engage, assess and process tenants ready for direct payments.** But limited lead-in time is only part of the picture. Other factors which help explain the challenges encountered include:
 - **The non-mandatory nature of the DPDPs (in contrast to the way in which UC will operate) is likely to be contributing to non-engagement.** For example, some tenants had made a conscious decision not to respond to letters to avoid being transferred onto direct payments. And, over time, some Project Areas' written communication became more forceful, implying sanctions and these tactics were effective in prompting some tenants to engage.
 - The limitations of written communication. Most Project Areas initially relied on letters to engage with tenants although all subsequently used various forms of personal communication. Project areas found that using **multiple methods of communication has been important** in terms of responding to tenant preferences and achieving good response rates. There is evidence that **tenants prefer personal communication** and that it is effective for engaging with them. However, very few landlords have the capacity or resources to contact all of their tenants personally.
- In order to assess tenants' readiness for direct payments, a support assessment matrix was devised which gathered information on criteria believed to indicate tenants' readiness for direct payments. On the basis of this information, Project Areas generated scores for their tenants, allowing them to identify those ready for direct payments and those in need of support. Project Areas agreed that **an assessment tool is a useful way of assessing tenants' readiness for direct payments but that the matrix used for the DPDPs was not particularly workable or effective.** More specifically:
 - There was an expectation that landlords and local authority departments would hold much of the data needed to complete the matrix. However, departmental systems were not always compatible, data from other departments not readily accessible, landlord data revealed far less about their tenants than they and DWP had anticipated, and the data that did exist was not always compatible with the requirements of the matrix. Mining individual tenant records was too time-consuming for many landlords (although some did so) and primary data collection – i.e. gathering information directly from tenants – resulted in imperfect information and was dependent upon being able to engage with tenants.
 - Questions remain about whether the criteria used are accurate predictors of financial capability and, therefore, of readiness for direct payments. Tenants who accrued arrears are not always those whom landlords expected to struggle, and many tenants assessed as higher risk have managed well. Landlords with a good working knowledge of their tenants reported that the scores generated did not always match their views of tenants' financial vulnerability. Their view often proved more accurate.

Managing direct payments: tenants' experiences

- **At the start of the DPDPs, tenants participating in the evaluation were mostly unsupportive of direct payments.** The policy was generally viewed as being pointless and an unnecessary burden on people on low incomes. **These views were reflected in tenants' projections about how they would cope:** 31 per cent of Baseline Survey respondents thought they would cope poorly on direct payments and 38 per cent said they would find it difficult to manage their finances. Members of the tenant panel expressed anxiety about receiving their HB directly and the increased risk of rent arrears.
- These concerns and anxieties are not surprising when we consider the **high levels of indebtedness among tenants in the DPDPs.** Existing rent arrears and other debts were common among respondents. For example, 46 per cent of Baseline Survey respondents had rent arrears and/or other debts. Tenants' early concerns and resistance to direct payments may also have reflected lack of trust in DWP/the local authority to effectively administer HB payments, as well as low levels of awareness (now increased) of wider welfare reform. Without this context, direct payments made little sense to most tenants.
- Despite high levels of indebtedness, **many tenants displayed good money management skills and high levels of financial competence.** The majority (88 per cent of survey respondents) have bank accounts and are already using a range of strategies for managing their stretched budgets. This is good news for the roll out of direct payments within UC and perhaps explains why, despite resistance and anxiety, **the majority of tenants in the DPDPs are paying some or all of their rent and members of the tenant panel are generally managing better than they expected.**
- But, **direct payments does pose a risk to tenants** and managing direct payments is not always straightforward, nor directly transferable to a UC context. For example:
 - Data produced by Project Areas and made available by DWP in December 2012 reveals that rent collection rates are lower in all Project Areas than before the DPDPs. Some tenants who have never had rent arrears before (sometimes because their rent has been fully covered by HB and paid to the landlord) are now in arrears.
 - Direct Debit as a method for rental payments is favoured by many landlords but there are questions about how appropriate Direct Debit is for some social housing tenants. A small miscalculation or an administrative error can result (and has done so) in bank charges, leaving tenants with no funds for food and other bill payments. Non-automated methods of payment remain crucial to some tenants' budgeting systems, while for others Direct Debit is a vital component of managing direct payments.
 - Short budgeting cycles (one or two weeks) emerged as an important financial management strategy. Tenants also compartmentalised different income sources, allocating each to a different outgoing. Many were uncomfortable about having all their income in one place or receiving it at the same time and expressed alarm at the prospect of a monthly budgeting cycle. This raises obvious issues for UC which will be delivered in precisely this way.
 - The majority of tenants may have bank accounts but for those who do not, opening an account can be problematic. There is evidence of banks refusing accounts and the requirement for, and expense of obtaining, photo identification is prohibitive for some.

Implementing direct payments: landlord experiences

- The resources associated with preparing for, and delivering, the programme of direct payments – and protecting income – have exceeded everyone’s expectations. **Examples of innovative practice in terms of engaging with tenants, providing support and collecting rent are frequently linked to resource-intensive interventions.** It is unlikely to prove viable to up-scale these interventions when direct payment is rolled out through UC. One method being used by some landlords to maintain good collection rates which may be scalable, and appears to be effective, is SMS messaging (texting).
- Project Areas have taken different approaches to supporting tenants and it is not yet clear how effective support mechanisms have been, but some common experiences and challenges have emerged:
 - The capacity of Project Areas to provide support to tenants is limited, yet local support agencies in many areas are also overstretched, with obvious implications for UC – will local support agencies be able to cope with the additional demand for their services that it will inevitably bring?
 - Evidence indicates that many tenants want support in order to successfully manage direct payments, **yet tenants do not always take up support offered to them.**
 - **Personalised support appears to be the method preferred by tenants** and the form of support they are most likely to engage with.
- **The cooperation and working relationship between local authority HB departments and social landlords has been critical in terms of preparing for, and delivering, the DPDPs.** This working relationship has been established over many years and facilitates a flexible approach on a case-by-case basis. This will be lost once HB is subsumed within UC and delivered centrally by DWP, raising questions about the extent and nature of information-sharing arrangements between DWP and landlords within UC processes.
- All landlords are offering tenants a choice of payment methods (although some are more encouraging of automated methods than others) and highlight **the importance of providing multiple payment options.** This chimes with the views of tenants. However, the transaction costs of non-automated payment methods tend to be far higher than, for example, Direct Debit.
- **The local discretion that DWP has allowed Project Areas has proved essential to some.** It has been utilised to limit arrears, for example, by not strictly adhering to the agreed switchback trigger criteria. This raises questions about implementation and governance of discretionary actions on a larger scale as part of UC processes.
- Non-alignment of benefit payments, which are paid monthly in arrears, and rental payments, which can be paid in advance on a weekly or fortnightly basis, has created complexities for landlords or tenants.

1 Introduction

This report is one of a series of outputs from the independent evaluation of a programme of projects demonstrating the direct payment of Housing Benefit to social renting tenants across the United Kingdom. The evaluation is being undertaken by a research consortium from the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University, the Institute of Social Policy at the University of Oxford, and Ipsos MORI (IM). The evaluation, which began in January 2012 and will conclude in September 2013, is funded by the Department for Work and Pensions (DWP).

In January 2012, DWP established a programme of Direct Payment Demonstration Projects (DPDPs) to pioneer and test the direct payment of Housing Benefit to social rented tenants in five areas (Oxford, Southwark, Shropshire, Torfaen, and Wakefield), with a sixth area (Edinburgh) being added in May 2012. Under the present system, Housing Benefit for tenants living in the social rented sector is usually paid directly to the landlord. However, from October 2013, the process of rolling out direct payments to all Housing Benefit recipients will begin as part of the new Universal Credit (UC). UC is a new integrated benefit for people of working age, comprising a single monthly payment and replacing a range of income-related in-work and out-of-work benefits, including Housing Benefit.

DWP commissioned the research consortium to conduct an evaluation of the DPDPs with an emphasis on **continued learning** and **feedback** into UC design. The DPDPs are testing some key elements of the social sector housing support under UC:

- they are exploring and testing a range of safeguard mechanisms for tenants and landlords;
- they are supporting tenants through the process in different ways; and
- they are engaging with partner agencies and financial institutions, to greater and lesser degrees.

The DPDPs are not being implemented under the same conditions that UC will be delivered and are limited by current regulations. Learning is not, therefore, directly transferable, but by tracking progress, processes, experiences and outcomes in each area, it is hoped that important lessons can nevertheless be learned about the implementation of the housing component of UC. The UC pathfinders, which are located in the North-west of England and which begin to go live in April 2013, will significantly enhance this learning.

Consistent with these aims, this report is concerned with highlighting the key learning since the DPDPs programme began early in 2012. In doing so, it explores the experiences of landlords and local authorities across the six DPDPs, highlighting the challenges they have faced. Crucially, it also examines the experiences of tenants, mining qualitative data generated from more than 80 in-depth interviews with tenants in the DPDPs.

It is important to be clear about the nature, scope and purpose of this report and locate it within the broader context of the programme and the evaluation. First, it is important to remember that it has been produced a little over half way through the active, live phase of the DPDPs programme, with this element of the programme not ending until June 2013. Second, reflecting this, the evaluation itself is little over half way through its life and has not yet reached its most intensive phase, which will occur towards the end of the programme. This will involve: a survey of nearly 1,700 tenants; at least 72 'end of programme' in-depth interviews with tenants; and detailed analysis of the impact of direct payment on landlords'

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rent accounts and cash flows. The material gathered from these activities, and others undertaken by the evaluation team, will be presented in a series of final reports which will be published in 2014. These will present a full and detailed evaluation of the DPDPs programme, unlike this report which, reflecting its timing, can only provide a partial and interim account. Third, quite intentionally, this report is not concerned with assessing impact but instead exploring process issues, highlighting key learning in doing so.

The report is divided into ten chapters, including this one. The second sets the research in context and in doing so highlights the key features of the DPDPs programme and the approach taken to the evaluation. Chapter 3, which is the first of the report's findings chapters, explores the approach to the design of the programme and the delivery frameworks employed by DPDPs. Chapter 4 explores how DPDPs have communicated with their tenants while the following two chapters examine how tenants were selected (and made ready) for direct payment (Chapter 5) and tenants' preparedness for the programme (Chapter 6). The report then moves on to explore the key issues of support for direct payment (Chapter 7), how tenants appear to be managing on direct payment to date (Chapter 8), and rent collection, rent arrears, and the switchback process (Chapter 9). The report concludes by providing a summary of the key issues presented within it. The report has an appendix, which provides brief pen portraits of the six DPDPs.

2 Background

2.1 Introduction

This chapter is concerned with contextualising the Direct Payment Demonstration Projects (DPDPs) programme and this report. It is divided into four sections, including this one. Section 2 provides the policy context to the DPDPs programme, locating it in relation to the suite of measures to reform the benefits system, including the introduction of Universal Credit (UC), while Section 3 describes the DPDPs programme, highlighting its defining features in doing so. The last section outlines the approach taken to the evaluation by the study team, and, in doing so, highlights the data sources that have been drawn on to write this report.

2.2 The policy context

In July 2010, the new coalition government published *21st Century Welfare*¹, a consultation document restating a Budget commitment to reform the benefits system. Government analysis concluded that the existing system was too complex and presented disincentives to move into work. The result, it is argued, has been rising costs of welfare support and persistent welfare dependency. The principles and proposals set out in the consultation paper were detailed further in the White Paper *Universal Credit: welfare that works*² and enshrined in law when the Welfare Reform Act 2012 received Royal Assent in March 2012.

The cornerstone of welfare reform is the introduction of UC, a new integrated benefit for people of working age which will come into effect from October 2013. UC is a single payment, replacing a range of income-related in-work and out-of-work benefits, including Housing Benefit. Most claimants will receive a single monthly payment, simplifying the current system while also, it is hoped, encouraging greater responsibility among claimants to manage their benefits and rent payments.

In contrast to the private rented sector, for the social rented sector this represents a significant change. Under the current system, all local authority tenants, and the majority of housing association tenants, have their Housing Benefit paid directly to their landlord. Some tenants – for example, the long-term unemployed – have had little experience of paying their rent. For landlords, the income they receive from Housing Benefit is, therefore, guaranteed. This in turn is often reflected in social landlords' financial agreements with their lenders, who have a degree of assurance regarding continued income levels.

Recognising the change for tenants, and the importance of stable income streams for landlords, the Government is designing UC to include safeguards for landlords (for example, a mechanism for tenants to switchback to payment of benefit to the landlord, or exemption from direct payments for people particularly vulnerable to accruing arrears) and support for claimants. The DPDP is the means through which various safeguard and support options are being explored and tested.

¹ Secretary of State for Work and Pensions (2010) *21st Century Welfare*, Cm7913. July 2010. Available at: www.dwp.gov.uk/docs/21st-century-welfare.pdf

² Secretary of State for Work and Pensions (2010) *Universal Credit: welfare that works*. Cm 7957. November 2010. Available at: webarchive.nationalarchives.gov.uk/+/http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf

2.3 Direct Payment Demonstration Projects Programme

On 14 September 2011 Lord Freud, the Minister for Welfare Reform, announced that six DPDPs would be created to '*test some key elements of social sector housing support under Universal Credit while protecting social landlords' financial position*'. This would involve two significant changes for (the up to 2,000) working-age³ claimants in the participating projects: receiving Housing Benefit payments once every four weeks⁴ (broadly in-line with monthly payments under UC) as opposed to weekly or fortnightly; and paying rent to landlords themselves.

Social housing landlords were invited to take part in the programme, which was to run for a year, and the Department for Work and Pensions (DWP) received over 70 expressions of interests from local authorities and registered housing providers. From these, DWP received 23 applications. A range of criterion was used to select projects including geography: the sample selected (ideally) had to include partnerships from London, the North of England, the South of England, Scotland and Wales. It also had to (ideally) include at least one Large Scale Voluntary Transfer (LSVT) housing association. Five successful partnerships in England and Wales were announced on 19 January 2012 and a sixth – in Scotland – joined the programme in May 2012. The six DPDPs⁵ are:

- Oxford – Oxford City Council and Oxford Citizens Housing Association (OCHA), trading as part of the GreenSquare Housing Group, Southern England.
- Shropshire – Shropshire Council, Bromford Group, Sanctuary Housing and The Wrekin Housing Trust, West Midlands.
- Southwark' – London Borough of Southwark and Family Mosaic, London.
- Torfaen – Torfaen Borough Council, Bron Afon Community Housing and Charter Housing, South-east Wales.
- Wakefield – Wakefield Council and Wakefield and District Housing, Northern England.
- Edinburgh – City of Edinburgh Council and Dunedin Canmore Housing Association, Scotland.

The overall aim of the DPDPs is to highlight key lessons and learning points in terms of the direct payment of Housing Benefit to feed into UC design ahead of its introduction from October 2013. More specifically, the projects are concerned with:

- exploring the effects of direct payment on landlords and tenants;
- examining the effectiveness of the different types of support provided to tenants to help them prepare for and manage direct payments; and

³ In addition to non-working-age tenants, it should also be noted that tenants in temporary and supported accommodation on a short-term basis are also exempt from the programme.

⁴ In the Edinburgh project, Housing Benefit is being paid to tenants monthly.

⁵ Brief profiles of the projects are provided in Appendix A.

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- testing direct payment safeguard mechanisms for landlords. This is achieved by a support assessment process and varying across the projects the length of time (or switchback trigger period) for a return to landlord payment after tenants have fallen into arrears. Three of the projects have an eight-week (or equivalent)⁶ trigger period – Oxford, Torfaen, and Wakefield – Edinburgh has a one-month trigger period, while Southwark and Shropshire have four-week and 12-week triggers respectively.

Working alongside the DWP, the English, Welsh and Scottish projects began work **preparing** for direct payments in their areas. Since January 2012 (May 2012 in Edinburgh), they have undertaken the following key activities:

- **For those landlords not submitting all of their tenants into projects, selecting which of their tenants would participate in projects.** How they did this is explored in Chapter 3.
- **Providing input into the design of the DPDPs programme and, working alongside the DWP, designing the delivery framework in their areas** (see Chapter 3).
- **Engaging with the tenants selected and informing them about the DPDPs programme** (see Chapter 4).
- **Selecting tenants to be included in the different phases of direct payments** (see Chapter 3). Table 2.1 outlines the numbers of tenants transferred onto direct payments in each Project Area since go live, according to the latest information provided by DWP in May 2013 (some of these tenants subsequently switched back to landlord payment). The majority had been transferred onto direct payments by the time the analysis for this report was conducted in February 2013. The process by which Project Areas selected (and supported) tenants – commonly known as the support assessment process – is explored in Chapter 5.
- **Tenants' preparedness for direct payment** (see Chapter 6). Chapter 6 explores tenants' financial preparedness for direct payment and their attitudes towards it, and how these have evolved over time.
- **Making tenants ready for direct payment.** Project Areas have been tasked with providing tenants with support to get them onto direct payment. How they have done this is explored in Chapter 7, which explores the approaches taken to supporting tenants by DPDPs and their partners.
- **Managing on direct payment.** This is explored from the perspective of tenants (see Chapter 8) and the landlord (see Chapter 7).
- **Securing rent payment** (see Chapter 9).
- **Recovering rent arrears** (see Chapter 9).
- **The switchback process**, i.e. the process by which tenants who have fallen into arrears are transferred back to landlord payment from direct payment (see Chapter 9).

⁶ Some claimants may make partial payment(s) and this has been recognised in the way that the triggers are calculated, as is explored in Chapter 9.

Table 2.1 Number of tenants transferred onto direct payments

DPDP	Total number of tenants transferred onto direct payments since go live, according to latest DWP information in May 2013
Edinburgh	1,013
Oxford	1,742
Shropshire	1,060
Southwark	1,179
Torfaen	1,008
Wakefield	1,002

Source: DWP monitoring information.

2.4 The evaluation

The main aim of the research programme is to monitor and evaluate the preparation, delivery and effectiveness of the DPDPs, learning lessons about effective implementation to feed into relevant aspects of UC design and future housing policy and strategy. The evaluation is monitoring the effect of direct payments on tenants, landlords and other stakeholders such as support agencies, lenders, and local authorities.

The evaluation comprises a number of core activities⁷, which are described in detail in the first of the evaluation's dissemination outputs, the report, *Direct Payments Demonstration Projects: Findings from a baseline survey of tenants in five project areas in England and Wales*⁸, i.e.:

- tenant surveys
- analysis of landlord rent accounts and management costs
- longitudinal qualitative work with tenants
- longitudinal qualitative work with stakeholders
- one-off qualitative interviews with external stakeholders
- interactive feedback events with key stakeholders from the DPDPs
- focus group with DWP Relationship Managers

⁷ In addition, the evaluation team were involved in elements of DWP's preparatory work, including the selection of the six DPDPs and the development of the support assessment process.

⁸ The report can be downloaded at: research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep822.pdf

2.4.1 Tenant surveys

A **Tenant Baseline Survey** – designed to generate statistical evidence of the circumstances and attitudes of tenants on Housing Benefit in the DPDPs prior to the start of the Housing Benefit payments being made directly to tenants rather than to their landlords – was conducted in spring/early summer 2012. The key findings to emerge from the survey were presented in the Baseline Survey Report. A **Follow-up Survey**, which will take place at the end of the DPDPs programme, will involve participants in the Tenant Baseline Survey being re-interviewed.⁹ The survey will allow the study team to:

- track changes in attitudes post-implementation;
- assess financial and behavioural effects (including tracking changes in financial capability and money management);
- identify the most effective communication strategies and support to facilitate transition to direct payments; and
- identify the characteristics of tenants who have accrued arrears or whose arrears have increased.

2.4.2 Analysis of landlord rent accounts and management costs

This strand of the work programme involves collating and analysing monthly rent account data and organisational management account data for each participating landlord in order to assess the impact of direct payments on landlord cash flow.

2.4.3 Longitudinal qualitative work with tenants

This strand comprises two principal elements: a **tenant panel** and **switchback panel**. A **tenant panel** has been established, comprising six tenants, in each of the Project Areas. The panel, which is exploring tenants' financial circumstances and behaviours, the ways in which they budget and manage their money, the kinds of help and support required to make the transition to direct payments and the assistance that works best for different groups of people, is a key focus of the evaluation.

The sample from which it was derived was drawn from the Baseline Survey, whose participants were asked if they were prepared to take part in the qualitative activities of the research. Members of the panel were selected to ensure that it was representative of the Baseline Survey sample with regard to a number of key demographic and profile characteristics, including age, gender, household type, and landlord – the panel includes tenants from all the participating landlords in the DPDPs programme.

⁹ Running alongside the Follow-up Survey will be a Top-up Survey of tenants, primarily designed to boost the sample of tenants that have experienced direct payment, thereby facilitating area level analysis – where possible, data from the two surveys will be combined.

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Two other criteria were also used to select members: the panel had to include tenants who were both likely to experience direct payment and those who were unlikely to do so (28 members have experienced direct payment; eight have not). And, it had to include tenants who were deemed by the study team as being high, medium and low risk in terms of their ability to manage on direct payment. This risk classification was derived from an analysis of data garnered from the Baseline Survey, with tenants' responses to a number of money management and debt and arrears questions being modelled to form a composite risk score.

The principal activity undertaken with panel members is in-depth interviewing, with members being interviewed on three occasions: September/October 2012; January/February 2013; and June 2013. The final interviews with tenant panel members will be supplemented by additional in-depth interviews so that, in total, 12 tenants will be interviewed in-depth in each Project Area towards the end of the project. In all, more than 80 interviews have been conducted to date.

Panel members are being contacted between interviews through monthly telephone catch-ups. It is also important to note that some panel members have also been asked to keep budgeting diaries for a short period of time and have been asked to test various budgeting tools and products.

A **switchback panel** has been established, comprising 14 tenants who have been switched back to landlord payment. Panel members were interviewed in February 2013 and will be re-interviewed in May 2013. Data generated from these panels has been mined extensively for this report. In terms of how switch-back interviewees were identified and selected, landlords were asked to give tenants who had switched-back a letter produced by the study team inviting them to participate in the switchback panel, and instructing them to contact the team if they wished to do so. This generated a sample, albeit one that differed markedly in size by area, for each of the DPDPs, from which panel members were selected. As was the case with the tenant panel, the study team sought to select a sample that was as representative as possible in terms of the demographic characteristics of members.

2.4.4 Longitudinal qualitative work with stakeholders

This takes the form of a local stakeholder panel in each area. Like the tenant panel, this involves tracking the experiences of approximately six key stakeholders in each Project Area over time. The panels comprise both front-line and management personnel from Project Areas, covering a range of organisational functions including:

- Housing Benefit;
- debt recovery;
- debt advice and support; and
- financial and strategic management.

Stakeholders are being interviewed face to face twice in two waves (June/July 2012 and June 2013) and contacted regularly for updates by telephone and email. In all, more than 50 in-depth interviews have been conducted with members of the panel, to date, and the data this has generated has been mined extensively for this report.

2.4.5 One-off qualitative interviews with external stakeholders

In addition to the longitudinal qualitative interviewing carried out with panel members, the evaluation team are also conducting a series of one-off in-depth interviews. These are being conducted with representatives from external stakeholder organisations, including lenders and money management support and advice agencies.

2.4.6 Interactive feedback events with key stakeholders from the DPDPs

The evaluation includes two interactive feedback events which are designed to share learning, present emerging findings, highlight challenges and good practice, and to road-test policy recommendations. The first of these events, which was held in Sheffield at the end of January 2013 and attended by 17 front-line staff from the DPDPs, was principally concerned with highlighting the key learning to emerge from the first year of the study. The data generated by it, which also included written submissions from participants, has been drawn on extensively to write this report.

2.4.7 Focus group with DWP Relationship Managers

In order to set the research in context, the study team has also undertaken qualitative research activities with another key stakeholder in the programme: the DWP. In early 2013 a focus group was held in Sheffield with DWP's Relationship Managers for the DPDPs, who will also be interviewed at the end of the programme.

3 Preparing for direct payments

3.1 Introduction

The Direct Payment Demonstration Projects (DPDPs) were scheduled to go live in late June 2012 (August in Scotland), with the first payments of Housing Benefit being made directly to tenants. Project Areas were advised by the evaluation team and the Department for Work and Pensions (DWP) to select 2,000 tenants who were in scope – i.e. of working age and not in temporary accommodation and short-term supported accommodation – and broadly representative of their wider tenant population in that area. As will be explored later in this report, landlords do not hold comprehensive data about tenants, so a fully representative sample could not be selected, but all Project Areas were careful not to skew their sample towards those they thought may manage particularly well, or particularly poorly on direct payments. In some areas, all the tenants of smaller landlords were selected alongside a sample of tenants of the local authority and/or larger landlords.

With the roll out of Universal Credit (UC) scheduled to begin in October 2013 it was important that the DPDPs' timetable was adhered to. Project Areas, therefore, had a period of approximately six months to prepare for go live.

There was much work to be done:

- 2,000 tenants in each area had to be selected to participate, and decisions made about the sampling criteria;
- bank details were needed from each tenant so their Housing Benefit could be paid directly to them;
- there were decisions to be made about how to safeguard vulnerable tenants, and a process developed and implemented to do so;
- common definitions and understandings had to be agreed, e.g. regarding what constitutes rent arrears;
- support structures were needed to help tenants requiring advice, support or assistance before they could transition to direct payments; and
- a host of technical issues had to be resolved, including processes and protocols for the secure transfer of data between participating landlords and changes to IT systems (commissioned by DWP).

In Chapters 4 and 5 we focus on two key elements of the preparatory phase of the DPDPs programme: engaging with tenants; and the support assessment process, designed to safeguard vulnerable tenants (and landlord income) and identify those needing support or assistance in order to receive their Housing Benefit directly. In this chapter we provide a brief overview of the process of designing the DPDPs and the delivery framework.

3.2 Designing the DPDPs programme

With the aim of an inclusive, collaborative, and participant-led programme, the DPDPs' design and implementation process was not pre-ordained by DWP. The DWP Direct Payment team had been provided with a broad delivery framework by Housing Policy colleagues, but many of the implementation decisions were taken, and processes designed collaboratively through a series of design workshops, meetings and tele-conferences with the Project Areas. DWP colleagues working on the design of UC and in the Housing Policy division also remained closely involved, as did colleagues from the Department for Communities and Local Government.

This approach had advantages: the input from Project Area stakeholders was invaluable. Their knowledge and experience – of social housing tenants, organisational practices and processes, available data, local authority Housing Benefit administration, IT and systems capabilities, local services and partnerships – resulted in a programme of activity that was more feasible on the ground and less likely to hit insurmountable problems than if they had not been integral to the design process. Social housing and local authority Housing Benefit administration is not, after all, the traditional domain of DWP and so understanding regarding landlords' administration, organisation and culture was understandably limited. An inclusive approach was, therefore, the only sensible way forward. As one DWP Relationship Manager commented:

'... We didn't understand what their standard business was ... cos it was being done through the vehicle of existing council benefit process it is the LA process ... [it] is revs and bens and housing in the local authority area and so we don't have that expertise ... So we had to think about the process we wanted but we needed their direct input to understand what the practicalities were and how they would manage their 2,000 tenants against the rest of their business and make it work in terms of all the stuff like the IT and all the other things over and above, so we couldn't have done it without them.'

The inclusive approach was not, however, without problems. It was a resource intensive process and Project Area stakeholders reported that it had placed a burden on them in terms of commitment of time. Some also expressed the view that DWP should have prepared more extensively prior to bringing them on board. For example:

'I think they called it agile project management¹⁰ which meant that they ... were deciding it on a Friday and we were doing it on the Monday morning but that might just be a feature for this. It does demonstrate the fact that there was a lot you could have done with organising upfront to make the process a lot easier.'

(Local stakeholder)

Reflecting on the first year of the DPDPs – the six months of preparation and six months of delivery – DWP Relationship Managers agreed that greater advanced preparation would have been preferable in an ideal world. They noted, however, that DWP's limited understanding of social landlords, discussed above, mitigated against this.

¹⁰ Agile project management is an approach to project management which relies on learning occurring iteratively, with it constantly being fed back, or looped, into the implementation process.

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DWP did recognise early that the scale of the task was far greater than anticipated and, in response, recruited more officers to their DPDP team and allocated a Relationship Manager to support each Project Area. This was a vital move, increasing capacity in DWP and support to the local areas, but it could not elongate the preparatory phase. A key learning point drawn from this phase of the programme is that six months was simply not long enough to design and prepare for direct payments. Whether this could have been anticipated is questionable however. The need for longer lead in time only became fully apparent in the latter stages of the design process when a number of factors, unanticipated by DWP and Project Areas, emerged. In particular, the gaps in landlords' knowledge about their tenants (discussed further in Chapter 5) meant that engaging with and assessing tenants' readiness for direct payments was a more complicated and lengthier process than expected.

In order to go live in June 2012, then, the design and implementation phases of the DPDPs were, effectively, concertinaed, to the detriment of the programme, and raised project and resource planning issues. Local stakeholders and DWP officers agreed on this point:

'We've been fed a lot of it piecemeal rather than have, say in February, a plan that said; "this, this and this is going to happen at such and such a time". A lot of the time we've just had a few weeks' notice that the next stage is due rather than an overview at the start, so you can plan other activities around them.'

(Local stakeholder)

'... you were trying to design and implement at the same time. And these workshops – literally we'd have two days of planning; two days of workshops and then we'd literally have the outputs. And then you were going into two days of planning; two days of workshops and the outputs.'

(DWP Relationship Manager)

Certain activities had to be prioritised – for example engaging with and assessing the 12,000 tenants – leaving some trailing. Governance structures were not established, for example, and support structures were not fully in place and most Project Areas reported only being able to turn their attention to this aspect of delivery after go live. DWP officers reported similar views, suggesting that important but lower priority issues (for example, designing and approving monitoring requirements) had to receive less attention, with consequences later in the programme:

'We got loads of stuff out of the workshops, cos it was all being captured. But the difficulty was the time between the end of that workshop, building it into what was the developing process, and then running into the next one meant we'd got all this. It was almost a figurative big pile of stuff building up in the corner of the office and we threw a big sheet over it and said: "forget that till later on". But we never quite really got to it.'

(DWP Relationship Manager)

Problems were also encountered with front-line delivery because design was not fully in place prior to implementation. For example, front-line staff in some areas reported being unable to respond to tenant queries or provide details about implementation such as what and how support will be delivered and the timescale for transferring onto direct payments.

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As one explained:

‘That’s been one of the really frustrating things; this drip feeding of information ... this is all you can tell them [customers] at this point and customers tend not to accept that’s as much as we know ... from a local government point of view it’s not good to say to a customer: “we’re going to do this thing to you but we don’t know yet how we’re going to do that”. So when customers are ringing up going: “there’s no way I can manage my finances, I’m a heroin addict” we can’t say hand on heart: “well you’ll be excluded from the scheme” cos at the moment we just don’t know.’

Nor were stakeholders always able to communicate sufficient detail to support partners so they could accurately advise tenants who independently sought advice from them. In one area, for example, local advice agencies were approached by tenants for advice about direct payments before they themselves had knowledge of the programme.

Despite these challenges, the DPDPs did go live in June/August 2012, when 4,513 tenants across England, Scotland and Wales received their Housing Benefit directly (see Table 2.1). In all six of the projects, tenants were moved onto the programme in phases. The first phase comprised those tenants which had been assessed, with the help of a programme-wide and common support assessment matrix, as being able to move onto the programme immediately. For the English and Welsh projects this took place in June and July 2012, while the first payment in the Scottish Project Area was made on 27 August 2012.

By this time, key processes and systems were in place. Notwithstanding the issues outlined above, this represented quite an achievement for Project Areas and the DWP implementation team.

3.3 The Delivery Framework

As outlined above, key processes were designed and agreed collaboratively and some, for example, the support assessment process, were enshrined in contractual arrangements between Project Areas and DWP. But Project Areas were given free rein to tailor agreed systems and processes to the local context and to make choices about how best to implement direct payments in their area.

As will be explored in subsequent chapters, locally-tailored processes can be seen in:

- the tone, content and methods of communication with tenants;
- how, when and to whom support is provided;
- the payment methods encouraged; and
- Project Areas assessment of risk in relation to transferring tenants onto direct payments.

For example, in two Project Areas, tenants were informed that their benefit may be suspended if they do not engage, while in the others a decision was taken not to do so. Some landlords are strongly encouraging use of Direct Debits as the best way of protecting landlord income, while others, concerned that Direct Debit may not be appropriate for many of their tenants, are making concerted efforts to offer a range of payment methods. Some landlords are providing relatively intensive in-house support to their tenants (debt advice, making appointments with and accompanying them to banks to open bank accounts and such like), while others are signposting to other agencies and supporting only the highest risk tenants; and some areas have applied the agreed process for switching tenants back to landlord payment (i.e. taking them off direct payments) more rigidly than others.

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Project Areas have also taken different approaches to how they structure and manage their teams. All meet as a project team regularly, although membership and the level of involvement of DWP officers varies, and each Project Area has a designated lead officer. But in some areas the lead officer is a dedicated project manager recruited for the purpose of delivering the DPDPs and in others it is a member of the project team allocated the task of lead contact. In some areas a coherent Project Area approach has been adopted while in others it is a partnership between landlords and other organisations operating quite separately.

From the perspective of the DWP, argued Relationship Managers, allowing DPDPs local discretion represented the best course of action because:

- 1 it was consistent with the Department's aim of maximising learning;
- 2 the Project Areas had volunteered for the programme and allowing them essential local discretion was potentially key to keeping them on board; and
- 3 in reality, time did not allow for a different approach to be adopted, with the only option available to DWP being to utilise an agile approach to project management and delivery.

'You need to understand the context for the whole activity, which is that, because of the time allowed from when the government arrived and decided that Universal Credit was going to be introduced to the point at which it's been mandated that Universal Credit would go live, you couldn't design and deliver and implement using traditional project management methodologies ... So we adopted the agile process which is build, test, understand, go back around, redesign as necessary ... Because of that we've been operating with a broad understanding of key elements of the process but we're actively testing them in the field: the arrears trigger; budgeting support; financial products, to some degree, and other little elements ... So in way I'm a bit of an advocate of the "variety broadens the learning".'

(DWP Relationship Manager)

In addition, Project Areas are operating across varied legal, political, social and geographical contexts. Scotland for example, has distinct homelessness and housing legislation and allocations policies, and court processes for arrears are also different. The introduction of a pre-court protocol means that legal action has to be a last resort. The political culture in some Project Areas is such that suspending Housing Benefit to DPDP tenants who do not engage would receive no support and could not, therefore, be considered as an option. Project Areas also have their own (different) organisational policies and cultures that they must continue to work **within** – evident within Project Areas as well as between them. These factors, and others, all influence local implementation. For example:

- **the financial position of landlords** and the associated imperative to protect income, cash flow and/or level of arrears, while a serious issue for all landlords, may be more pressing for some than others. For example, the conditions of loan agreements may be breached if arrears increase above a certain level; business plans have assumed a certain level of income due to previously guaranteed HB income; and the impact of slightly delayed rent payment on cash flow may be more problematic for smaller associations. Financial considerations have influenced decision making, priorities, attitude to taking actions and the capacity to take risks;

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- **size of landlord:** the smallest landlord has only a few hundred properties in the local authority area while the largest has approximately 40,000. The larger landlords have to think carefully about the scalability of their activities and the financial and resource implications of programme demands and outcomes (increased arrears, provision of support and suchlike). These landlords were more likely to adopt a 'business as usual approach' to certain activities, recognising that to do otherwise would produce results and outcomes that could not be replicated when direct payments is rolled out as part of UC. In contrast, a smaller landlord operating across a tight geographical area explained that: 'the small geographical area enabled home visits and personal contact';
- **tenant profile:** landlords have different services provision from the outset. For example, landlords with a relatively high proportion of vulnerable tenants may already be up-skilled in providing support to these tenants, and have resources and processes in place for doing so; and
- **existing networks and partnerships:** some Project Areas already had well-established partnerships and relationships with local support providers, including arrangements for local agencies to provide support to their tenants. These Project Areas could move directly to establishing processes for supporting DPDP tenants while Project Areas with less developed links faced the task of forging new relationships before processes could be established. In this context, a consistent but inflexible DPDP design would not have been deliverable, although DWP Relationship Managers did reflect that stronger and consistent local partnership and governance structures would have been beneficial (for example, a dedicated project manager in all areas), and expressed regret that the Department had not been more directive on this issue.

'If we look back and say what have we learnt about how this works and what would we have done differently, I think we would have been more directive about them needing to have a coordinator in each of their teams who was responsible for drawing together the whole view, having a collective activity plan, project plan and be that person to draw it together.'

(DWP Relationship Manager)

3.4 Learning points

Preparing for direct payments: key learning

- To be fully effective, detailed design work should be done prior to implementation ...
- ... and sufficient lead-in time allowed. Important issues and implementation processes may remain unaddressed otherwise, with consequences later in the programme.
- Key stakeholders, particularly front-line workers and partner organisations, should be fully briefed on key elements of implementation before changes are communicated to claimants.

4 Tenant engagement

4.1 Introduction

By design, in order to administer direct payment of Housing Benefit, tenants were required to have a bank account capable of receiving a BACS¹¹ payment, and local authorities needed their account details. It was not, therefore, possible to go live without direct contact with tenants. In this chapter we review the process through which Project Areas engaged with tenants during the preparatory phase of the Direct Payment Demonstration Projects (DPDPs).

4.2 Landlord and tenant experiences

All Project Areas used letters as the primary means of engaging with tenants, particularly in the early stages of the DPDP, although the wording, form and number of letters varied by area. The tenant engagement strategy was the subject of a design workshop attended by all Project Areas and the Department for Work and Pensions (DWP), and Project Areas continued to share their practices (including drafts of correspondence and tenant questionnaires) between themselves. A similar process was followed in each area, then, but the specifics were locally determined.

All Project Areas initially sent an 'information only' letter to the 2,000 tenants selected to take part in the DPDP, followed shortly after by a second letter requesting bank details, and a reminder letter a few weeks later. Most Project Areas sent at least one more letter subsequently. Letters were sent by the local authority's Housing Benefit department except in Wakefield where the letter was co-branded with the landlord. All Project Areas, with the exception of Edinburgh, included a Direct Debit form with their second letter. They also used this correspondence to gather information, via a questionnaire, for the purpose of assessing tenants' readiness for direct payments. For (tenant and landlord) safeguarding purposes, all tenants were assessed according to a support assessment matrix originally developed by DWP and refined by the Project Areas to determine whether they could go onto direct payments immediately or would require support before they could do so. This is discussed further in Chapter 5.

As a consequence of the projects running under the current Housing Benefit regulations, Project Areas had no sanctions or incentives to point to in their early written communication. Although tenants were not actively given a choice to opt-out of direct payments, it was not mandatory for them to comply with requests for information and bank details. Non-engagement carried no sanction, and engagement no particular incentive. In contrast, under Universal Credit (UC), like any other benefit, failure to provide the necessary details will result in non-payment of benefit. Non-engagement is, therefore, likely to be less of an issue.

¹¹ This is a scheme for the electronic processing of financial transactions, including Direct Debits.

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Following the first two letters, however, some Project Areas' written communication became more forceful in tone, and implied sanctions. For example, red text was used to indicate urgency and warning, and one Project Area implied that failure to respond could result in disruption to tenants' Housing Benefit. Another informed tenants that they would issue cheques, to be collected from the housing office, to those failing to respond, pointing out that queues would be long, identification required, but that once a cheque was issued, the rent would be due regardless of whether or not it had been collected. Several months after go live, one landlord issued a letter threatening benefit suspension. Others, meanwhile, made a decision not to threaten or imply sanctions.

There is evidence that such tactics were effective in prompting some tenants to engage. For example: the Project Area indicating that they would issue cheques witnessed an increase in tenant responses following this action; and over half the 436 non-engaged tenants in one Project Area responded quickly once they received the letter threatening benefit suspension. Interviews with tenants also suggest that threat of sanction can prompt engagement. One tenant, for example, expressed much anxiety about receiving her Housing Benefit directly and explained that the only reason she responded to the letter was *'because they said they'd stop my benefit if I didn't'* (tenant, female, 45-54, White British, single). The letter had not, in fact said this, but the implicit message had been received just as the Project Area intended.

A small number of tenants in the tenant panel made a conscious decision not to respond to letters, to avoid being transferred onto direct payments. In each case, this represented a strategy to maintain the status quo. All had existing rent arrears, being paid off by arrangement, and had systems in place to ensure they did not fall behind with essential bills and payments. Concerns about disturbing these precariously balanced systems, combined with a perceived risk of accruing further arrears as a result of direct payments, explains why these tenants did not engage. In each case, the tenants' actions were informed by the view that, in financial management terms, it would be disadvantageous to transfer onto direct payments. If non-engagement resulted in sanction – i.e. benefit suspension – their calculation would likely weigh in favour of engagement because it would become financially **advantageous** to do so. In a UC context, then, these tenants are very likely to have engaged, a view also expressed by several local stakeholders, as the following comment illustrates:

*'When UC happens people will go to the end of the world to get in touch with us and give us their bank details because they will want their money.'*¹²

Letters were effective at informing and engaging a proportion of tenants, and have the advantage of being relatively easy to administer and less costly than other forms of communication, such as visits and telephone calls.

The Baseline Survey of tenants, conducted prior to go live found that only nine per cent of the tenants said they knew nothing about the DPDP (45 per cent said they knew 'not very much' and 45 per cent knew 'a great deal' or a 'fair amount') and the vast majority of those who knew something about the DPDP had heard about it by 'letter or leaflet'. Similarly, whether they had responded to the letters or not, all members of the tenant panel recalled having received one or more letters informing them about direct payments.

¹² Quotes that are unreferenced in the remainder of the report are those provided by local stakeholders from the DPDPs, with those from tenants being accompanied with biographical information.

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But written communication only proved effective in engaging a proportion of tenants, despite the efforts of some Project Areas to make their letters stand out, including producing them on coloured paper, sending them in coloured envelopes, and replicating the look of a benefit award letter. After the first few letters, a significant number of tenants remained unengaged and Project Areas supplemented their written communication with other activities. This included telephone calls, SMS messaging (texts), door knocking and an arrangement with the local Jobcentre Plus office to prompt non-engaged DPDP tenants to contact the local authority when they attend an appointment (the system is capable of identifying who they are).

These activities have had variable results. Face-to-face visits, for example, were reported to have been the best (albeit most resource intensive) way to engage tenants in the process in two Project Areas, but a landlord in a third Project Area explained that 'door knocking in particular proved very wasteful'. Another similarly explained that 'home and out of hours visits did not necessarily elicit responses' and two Project Areas reported that telephone contact had been most effective. No immediately obvious reasons have emerged to explain why attempts to visit tenants were more successful in some areas than others, or why telephone contact should work better in some locations.

Just as certain methods were more effective in some areas, they were also more effective for certain **purposes** than for others. For example, one landlord tried SMS messaging to engage with tenants initially and received a disappointing response, but several landlords have found SMS messaging very effective for improving/maintaining rent collection rates by prompting tenants when their rent is due (see Chapter 9). Stakeholders have also found that different methods of communication work for different tenants. As one explained in a written submission to the evaluation team:

'Tenants vary in their reaction to different forms of communication. A tailored approach is required. Phone calls or texts worked for some. Door knocking was best for others. Our gut feeling is that we will need to vary the approach we take with individuals over time so that it remains fresh.'

Responding to tenant preferences, in turn, requires profiling work and also relies on organisations having a range of communication methods at their disposal:

'Profiling is key if only to find out preferred methods of communication.'

'We did not just rely on any one method of contact ... [we] communicated by home visits, letter, telephone (landline/mobile) and SMS messaging.'

The Project Areas have all found, then, that multiple methods of communication have been important, both in terms of responding to tenant preferences and achieving good response rates. Their experiences also suggest that written communication **alone** – even if in multiple forms (letters, leaflets, newsletters) – is not enough. Personal communication, whether face to face or by telephone, is preferred by many tenants, can be more effective at engaging them, and has the distinct advantage that queries can be responded to and misunderstandings and anxieties promptly rectified.

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The degree to which personal communication with tenants would be scalable is questionable, and would certainly vary from organisation to organisation, although the role of landlords and local authorities will be different when direct payment of Housing Benefit is subsumed within UC. But landlords agreed (it was typically landlords rather than Housing Benefit departments that contacted tenants personally) that in this context, personal communication has been key to effectively securing the participation of some tenants in the DPDP. For example:

'Verbally explaining the reason for the project won a lot of people over.'

'Letters are largely ineffective. Talking to tenants, discussing the project and answering concerns was effective.'

'For some tenants it will be necessary to reinforce written communications with verbal and maybe face-to-face contact.'

The experiences of tenants participating in the evaluation corroborate these views. Nearly one quarter surveyed for the Baseline Survey, for example, reported a preference for face-to-face communication and members of the tenant panel emphasised the importance of personal contact. A couple reported not fully understanding, or being anxious, about the first letter they received and not responding as a result. Following personal contact with the landlord they were reassured and better informed. Others expressed disappointment in their landlord/local authority for not contacting them personally. For example:

'I think they should have set up an interview for me; somebody sit there and explain this is what's going to happen. At least I could understand it better than receiving a letter, cos sometimes when you receive those kind of letters you just think they're going to stop it [your benefit] and you start getting worried. But if they call me and say: "we're going to start this programme, can you come for an interview?" ... I think that would be better.'

(Tenant, female, 35-44, African, lone parent)

An important caveat here is that personal communication only works, or works best, if done by those fully cognisant of the issues. Tenants expressed frustration and exasperation at speaking to local authority or landlord staff unable to answer their queries, or who did not seem to understand their situation. Stakeholders also pointed to this as a crucial aspect of tenant communication in their experience:

'Conversations by phone needed to be very detailed and needed to be done by "experts" who had the skills to reassure and encourage and explain the context of welfare reform.'

Despite recognising the value of personal contact, due to capacity and resource limitations, very few participating landlords were able to contact all of their DPDP tenants personally, although some made efforts to do so.

4.3 Tenant engagement: key challenges

Engaging with tenants has proved to be a more challenging element of the preparation for direct payments than anticipated. In the words of one stakeholder: *'it was more difficult than anyone would have expected'*. It has proved to be:

- more difficult;
- more time consuming; and
- more resource intensive than Project Areas and DWP expected.

This is reflected in the numbers of tenants with whom Project Areas have engaged, and the numbers transferred onto direct payments. DWP originally intended for more or less all the tenants selected for participation to have been engaged in the process (i.e. to have had some contact with their landlord or Housing Benefit department) by go live in June 2012 (end of August in Scotland), and all those not safeguarded or needing longer-term support to be on direct payments by August 2012 (end of October in Scotland).

When direct payments went live in England and Wales approximately one third of tenants had not engaged and a further third were still moving through the support assessment process. A couple of months after go live, at least two areas were still attempting to make contact with approximately one quarter of their DPDP tenants. When direct payments went live in Scotland, 82 per cent of tenants had engaged. The higher proportion of tenants initially engaged in Scotland may partly reflect that the Edinburgh DPDP were in contact with their tenants earlier than their counterparts in England and Wales and used methods other than letters to contact them, making telephone calls to all tenants.

By December 2012 approximately 55 per cent of tenants across the six Project Areas were receiving direct payments and at the time of writing (February 2013), three areas had not yet made contact with approximately 10 per cent of their DPDP tenants.

The process of engaging with tenants took significantly longer than anticipated, and this goes some way to explaining why fewer tenants than anticipated were receiving direct payments when the DPDPs went live. Project Areas sent out their first communication at the end of February/early March 2012 (May in Scotland), giving them approximately three months to engage, contact, assess and process tenants ready for the first direct payment in June 2012 (August in Scotland). On reflection, a period of at least six months would have been more realistic: by December 2012 a core of tenants remained unengaged but the figure had reduced substantially. A month before go live, one lead officer explained that: *'we're quite close now to go live and we've got 1,000 people that we need to make some contact with ... I don't think there has been sufficient lead-in time'*. Others expressed similar views:

'The first communication should have been in January ... there should have been a clear six months before the programme started.'

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Limited lead-in time is only part of the picture, however. The learning from the preparatory phase of the DPDPs suggests a number of other explanatory factors, including:

- The limitations of written communication, on which most Project Areas initially relied. As discussed above, letters can be effective but only to a degree. Landlords' experiences more generally suggest that tenants frequently ignore letters, but literacy issues, limited English language proficiency and comprehension can also undermine the effectiveness of written communication.

'Well me and me wife aren't that good readers so we might not have read the full letter.'

(Tenant, male, 55-59, White British, couple without dependants)

'Higher levels of illiteracy in Torfaen could partly explain the lack of response to letters.'

(Local stakeholder)

'I got a letter from [X] Council ... that this direct payment is going to start in July. But I didn't understand anything about it ... I was confused, I don't know what to do ... so I ignored the letter.'

(Tenant, female, 35-44, African, lone parent)

- As discussed previously, some tenants strategically ignored communication so they would not have to participate in the Programme. This was evident in the tenant panel, and Project Areas reported similar views:

'Letters and phone calls were often ignored. We've not done full analysis of why tenants did not respond but have anecdotal evidence that some didn't respond as a means of not participating or delaying the change.'

(Local stakeholder)

'Respondent: they sent me a letter telling me. And it was just like a form that said I had to do my Direct Debit. And then they just sent another one cos I didn't fill it in. It just said I was going to get paid. But then I had to pay the council which I thought was stupid anyway.'

'Interviewer: So after you got the second letter then did you respond?'

'Respondent: No ... (interviewer: can you tell us why?) Cos I think it's stupid, if the council are going to pay me for me to then pay the council back. So I don't really see the point.'

(Tenant, female, 16-24, mixed White and Asian, couple with dependants)

- There is a degree of confusion among tenants about organisational entity. Again, stakeholder views on this were corroborated by the tenant panel. Tenants may believe they have complied with requests to get in touch or provide bank and other details but have in fact done so with a different organisation or for a different purpose. For example:

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'Wakefield Council and WDH [Wakefield and District Housing] do continue to be seen as one entity. This does, at times, lead to confusion about who tenants have spoken to, provided information to, plus some frustrations about contacting the two organisations and our capacity (or not) to share information.'

(Local stakeholder)

'Respondent: To me it was, like, when you go and sign on and get your JSA [Jobseeker's Allowance] you give them the details so they know all of that ... and they fill it out as being sorted.'

'Interviewer: So you didn't think you had to do anything to make this [direct payment] happen?'

'Respondent: Yeah, that's right.'

(Tenant, male, 45-54, Caribbean, single)

- There is limited understanding and awareness of direct payments and wider welfare reform and associated lack of 'buy-in'. Several Project Areas reported a general ignorance among tenants of wider benefit reforms and expressed the view that information and education about these changes would have helped. In their first interview, very few members of the tenant panel were aware of impending changes to the benefit system, although awareness appeared to have grown by the second interview in January 2013.

4.4 Learning points

Tenant engagement: key learning

- The non-mandatory nature of direct payments in the DPDPs is likely to be contributing to non-engagement. In some cases, non-engagement is a strategy to avoid direct payments.
- Engaging with tenants has proved to be a more challenging element of the preparation for direct payments than anticipated. It is more time consuming, more resource intensive, and more difficult than any Project Area expected.
- Under UC, benefit entitlement will be dependent upon engagement and under these circumstances non-engagement is unlikely to be an issue.
- Personal contact can be the most effective way of communicating with tenants – it is more difficult to ignore than written communication, more reassuring, and preferred by many tenants – but is also resource hungry and not scalable for many landlords.
- Written communication needs to be straightforward and communicate simple messages.

5 Assessing tenants' readiness for direct payments: the support assessment process

5.1 Introduction

This chapter examines the process by which tenants' readiness for direct payment was **assessed** and their **support** needs identified by Direct Payment Demonstration Projects (DPDPs) – the so-called 'support assessment process'. It is divided into four sections, including this one. The second explores the mechanics of the process while the third explores landlords' experiences of it, in doing so, highlighting key learning. The last section highlights the key learning to emerge from this element of the DPDPs programme.

5.2 The mechanics of the support assessment process

In order to assess tenants' readiness for direct payment, a **support assessment matrix** was devised. This emerged, after several iterations, through the programme-wide design process which, as noted earlier, Project Areas were actively involved in. It drew on a range of criteria relating to a number of issues that were believed to be related to tenants' suitability for direct payment including previous rent arrears, learning disability and mental health, and drink and drug problems, and allowed DPDPs to generate readiness scores for their tenants. Tenants were classified into three risk groups: low; medium and high. This categorisation was to be used as the basis for deciding **if** tenants were suitable for direct payment and, if they were, **when** they went on.

It was expected that tenants classified into the low risk group who had a bank account would move onto direct payment **immediately**, usually without the need for support to be provided, with those in the medium risk category moving on at a later date, usually after they had received some support. In terms of tenants in the high risk category, while the intention was to move as many as possible of them onto direct payment after they had been provided with support, it was recognised that some would never go onto the programme. This was because they were vulnerable and had issues that meant that they were unable to manage on direct payment – the removal of these tenants from the (in scope) programme was referred to by Project Areas as **safeguarding**. In terms of the data to be used for the matrix, landlords could draw on their **existing** records (i.e. secondary data, in the form of tenant case records and databases), or generate new, primary data, or utilise both sources. There was an expectation, initially, that landlords and local authority departments would hold much of the data needed to complete the assessment on existing systems and databases. To varying degrees, all landlords mined these data sources. However, there was a consensus among officers across all six areas that they were inadequate for the purposes of completing the matrix. This was because they held only very limited information about their tenants, information that was not compatible with, or relevant to, the needs of the matrix and often obsolete:

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'Information held about tenants before the survey was carried out was predicated on a different set of landlord needs, and was, therefore, insufficient to identify support needs relative to money management and debt.'

'It was difficult to assess support effectively as our information was out of date.'

Landlords reported being surprised at how little they knew about their tenants, as one commented: *'The data we hold [about tenants] was shockingly bad and anybody who thinks they are different I would be very surprised ... we were convinced we knew our tenants'*.

There was also frustration that the data-mining process was relatively time consuming and that local authority departments, such as Children's Services, Social Services and Housing, did not share information:

'[We] used existing records. But this was time consuming to go through electronic files that contained a lot of information about some tenants.'

'Information held by the Council is not necessarily held by the Benefits Service or available to it ... colleagues in other services hold information that should be considered – such as children's services, e.g. at risk register, but this information is of a highly-sensitive nature and so is not readily shared.'

'[It has been] difficult to make an accurate assessment as not all information is held in one place ... some support-needs information is held by the Council and some by XX [housing association].'

Not surprisingly, then, an officer in one of those areas that did not undertake a comprehensive primary data collection exercise reported her frustration at having to score tenants without recourse to comprehensive data about them:

'[It is] difficult to accurately "score" the risk of an individual until you fully understand their situation, financial details and attitude to money/responsibility.'

A number of landlords felt that they could not complete the support assessment process solely with redress to their own data and undertook primary data collection exercises. For example, in two areas, tenants were required to complete a short (one page) postal questionnaire survey which was tagged on to a letter requesting tenants to provide their bank details. In another, the utilisation of a face-to-face approach to data collection allowed more issues to be explored with tenants. In terms of the **nature** of the questions explored in the primary data collection exercises, they fell into two broad categories: those concerned specifically with providing profile data concerned with tenants' circumstances and needs that could feed directly into the support assessment matrix, and those concerned with highlighting how tenants thought they would manage with direct payment. Questions that fell into the former category include ones that asked respondents to indicate whether they (or a partner) had: *'learning difficulties that make it difficult to manage my finances; serious difficulties reading and writing, an addiction (e.g. drugs, alcohol or gambling)',* or a *'history of rent arrears/been previously evicted for rent arrears.'*

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In terms of those questions concerned with providing an insight into how tenants thought they would manage with direct payment, one landlord asked its tenants: *'With all the changes to your benefits, do you think you will be able to manage money, e.g. paying your rent?'* It is important to note that the response to this question was not the sole determinant of tenants' readiness for direct payment and the landlord in question used a range of data to determine this. So, tenants in the area could not opt-out of direct payment by replying in the negative to the question and conversely those that responded in the affirmative were not automatically deemed as being suitable for inclusion on the programme.

Tenants were not informed about the assessment process, including the outcome of the assessment in their case, although some were offered advice and support to help them prepare to go onto direct payments at a future time. There were good reasons for this: assessments are not fixed (new information, change of circumstances, and provision of support can change a tenant's status), and very few people are exempted in the long term. Almost all tenants were deemed potentially suitable for direct payments subject to the right help and support, although it was accepted that, in practice, some would never go on the programme because of their needs and/or circumstances.

However, evidence from the tenant panel does suggest that not informing tenants about their 'status' with regard to direct payments can result in anxiety for them. There are a number of tenants participating in the evaluation who, the study team has reason to think, were safeguarded or assessed as needing support before they could receive direct payments. Each month they waited with some trepidation to see whether they would receive a direct payment, unsure whether it was the month they would be transferred onto the programme. They all expressed anxiety about this uncertainty, as did tenants who had been informed that they would be going onto direct payment but not told when this would happen:

'It's funny that you should ask me that because it's been a right performance and it still hasn't been sorted out ... as I told you last time, I gave [xxx] and [xxx] my bank details and I thought it was all sorted ... but then I heard nothing. So I rang them and they said: "leave it with us". But still nothing was done and I was starting to panic. I thought: "I'm going to have to re-organise everything (my finances)" ... but I've actually heard from them and, apparently, I'm going to go on January 23rd, which is a relief, as it's been pretty stressful. And, as I said, it was making me panic ... I just wanted to know what was going on.'

(Tenant, male, 35-44, White British, lone parent)

5.3 Landlords' experience of the support assessment process

There was a consensus among stakeholders that the process by which tenants should be assessed for their suitability for direct payment should be underpinned by a support assessment tool. However, while some landlords found the tool devised – the support assessment matrix – to be useful, there was also a consensus amongst them that it had many limitations and weaknesses. Furthermore, there was a widely-held view that the DPDPs' support assessment process as a whole was not an effective way of assessing tenants' readiness for direct payment or the risk of non-payment of rent. This was because, in addition to reporting that the process was relatively time consuming and resource intensive (as will be explored in more detail below), landlords also reported that the characteristics measured were not necessarily those indicative of financial vulnerability

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(i.e. risk of accruing rent arrears) and the results produced by scoring were not always accurate. As several explained:

'It wasn't the people I expected to fail with direct payment have failed ... I was really shocked ... some of the people who have failed with direct payment you just wouldn't have expected and have no history of rent arrears ... it's not about how vulnerable they are; it's about their financial capability ... it's about us asking them the right questions.'

'There was a mismatch between the scores and what was already known ... there were people who scored [high risk] but who were already known to us as no problem.'

'Risk assessment bore little relation to level of arrears which then accrued ... [I'm] unclear whether the risk assessment was a useful exercise.'

One officer felt that, as a result, the support assessment matrix was not fit for purpose and observed that *'identifying support needs does not adequately identify who may become non payers'*. As the quotes below suggest, local organisational knowledge (i.e. landlords' knowledge of their tenants' needs, circumstances and housing history, garnered through their interactions with them through the landlord/tenant relationship) played an important role in the risk scoring process and in a number of Project Areas it appears that it played a more important role in the support assessment evaluations than the matrix:

'[We] relied heavily on a local knowledge of the tenants being assessed. To get through volume 14 housing officers undertook the task. Not all information was known to be completely accurate.'

'Alongside the risk scoring, we categorise our tenants into high/medium and low risk dependent on local knowledge. Over time this has proved to be more accurate.'

In terms of other **key learning** to emerge from this element of the implementation process, analysis of data garnered from interviews with key stakeholders revealed the following:

- **The support assessment process is time consuming and resource intensive.** Front-line officers in all six DPDPs reported that this was the case for both data collection and analysis:

'[The support assessment process has been] resource intensive. [It is] difficult to engage with some tenants ... Some sort of contact with tenants was essential to get up-to-date information. Again, face to face works best but is resource intensive.'

'The time taken to make contact with those who indicated a support need was much greater than anticipated. Problems around communication ... were also experienced during the support assessment process.'

- **Because of the unsuitability of existing tenant records as a data source for the support assessment evaluation, landlords need to collect primary data.** They may do so in a variety of ways including postal questionnaire surveys, telephone surveys and face-to-face visits. Although primary data collection exercises can be relatively resource intensive and demanding of both landlords' and tenants' time, this does not necessarily have to be the case. For example, as noted earlier, two landlords collected the data they needed by piggy-backing a short (one page) survey onto a mail-out of its tenants concerned with identifying their bank details.

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- **The importance of ensuring that the data landlords hold on tenants is kept as up to date as possible.** As one officer noted: *'tenant's circumstances change, so information needs to be kept up to date, which has implications for resources and systems'*.
- **The importance of partnership working.** Front-line officers in a number of Project Areas highlighted the necessity of landlords and benefit departments working together on the support assessment process. For example, one noted how joint working in her area had facilitated the identification of vulnerable tenants:

'Face-to-face home visits were essential due to rural communities and lack of local outreach facilities ... multi-layer issues are being presented. Close working between LA [local authority], RSL [Registered Social Landlord] and other agencies helped identify vulnerabilities.'

And an officer in another Project Area highlighted joint working as being one of the most important features of its approach to the support assessment process: *'Joint working with Southwark, e.g. joint Advice Days, sharing of knowledge [was important]'*.

- **It is important, that where possible, landlords, agencies, and the Department for Work and Pensions (DWP) (under Universal Credit) share data they hold on tenants.** A number of DPDPs highlighted the importance of doing this:

'[It is] key to work with other agencies [to help gather info for the assessment process.]'

'Sharing information was important but agreements need to exist to enable this.'

'Support needs were self-identified using a questionnaire sent to tenants by [xxx]. Details of those who required support were then forwarded to [xxx's] Financial Inclusion Service. We were not able to have some information sharing/joint working with all of our partner local authorities pre/during Universal Credit as it stands today.'

- **Data garnered from tenants to form the basis of their support assessment evaluations could be problematic in a number of ways.** First, for self-assessment to work it is essential that tenants provide an accurate assessment of their circumstances – a number of officers reported that this was not always the case:

'You need people to engage and be honest about their circumstances for the [survey] process to be effective.'

'Gathering information is dependent on the tenant engaging and being honest.'

'Some tenants do not give correct information when completing the questionnaire.'

Second, assessments of tenants' readiness for direct payment based on self-assessment may not be a good predictor of risk, reported a number of officers. For example, one noted: *'relying on a "self-assessment" by the tenants is not necessarily a good identifier of risk'*. And another noted that tenants often under-estimated their ability to manage on direct payment:

'Many people who thought they wouldn't cope, have managed very well. But people's perceptions of their ability to cope can be low.'

This issue will be explored in this study's final dissemination outputs: its final reports. These reports will examine how those tenants who reported that they thought they would not cope with direct payment prior to the DPDPs programme going live have actually coped (some 31 per cent of tenants reported that they thought that they would not cope).

Third, generating self-assessments through primary data collection (in whatever form) is relatively time consuming and resource intensive – rolling-out this type of approach for UC is, therefore, likely to be a major challenge.

'Even when council and HA [housing association] data is taken into account, we do not hold most of the data needed for the risk assessment process which was why we needed to send out questionnaires. [Is this] scalable for UC?'

- **it is imperative that in any self-assessment process the right questions are asked about the right measures of financial capability.** As one officer noted: a key task is *'making sure we ask the right questions'* and *'identifying the right measures of financial capability'*. As the DPDPs are on-going and will not end until June 2013, it is too early to say with any confidence what these measures and questions might be. However, by the completion of the programme both landlords and the study team should be in a much better position to do so.

5.4 Learning points

The support assessment process: key learning

- There was a consensus among stakeholders that the process by which tenants should be assessed for their suitability for direct payment should be underpinned by a support assessment tool.
- However, while some landlords found the tool devised – the support assessment matrix – to be useful, most felt that it was not fit for purpose and highlighted its weaknesses. Furthermore, there was a widely-held view that the DPDPs' support assessment process as a whole was not an effective way of assessing tenants' readiness for direct payment or the risk of non-payment of rent.
- Local knowledge of tenants' needs, circumstances and housing history, garnered through the landlord/tenant relationship, should ideally play an important role in the risk scoring process. However, under UC it appears that this may not be the case as Job Centre Plus will not have access to this important information source.
- Landlords need to collect primary data. This is because of the unsuitability of existing tenant records as a data source for the support assessment evaluation.
- It is imperative that in any self-assessment data collection exercise landlords ask the right questions about the right measures.
- It is important that the data landlords hold on tenants is kept as up to date as possible.
- It is important that, where data protection legislation allows, landlords, DWP and agencies share the data they hold on tenants.

6 Preparing for direct payments: tenants' circumstances

6.1 Introduction

Prior to the Direct Payment Demonstration Projects (DPDPs), very few participating tenants had experience of receiving their Housing Benefit (HB) directly, although a small number of housing association tenants were doing so. A greater number were responsible for paying some rent or other associated charges to their landlord and others will have done so in the past. This applies to tenants on partial HB, those previously not in receipt of HB and those living in properties with service charges or whose utility bills are charged with their rent. However, many tenants had no experience of receiving their HB or paying their rent. Direct payments, therefore, represented a significant change for many.

6.2 Attitudes to direct payments

At the outset, the tenants participating in the evaluation were not generally supportive of the changes to the way their HB is paid. For example, only seven per cent of those responding to the Baseline Survey prior to go live expressed a preference for direct payments (84 per cent said they would prefer payment to the landlord and a further ten per cent reported having no opinion). Similarly, virtually no-one in the tenant panel positively welcomed the changes, and most were negative in their views. The policy was seen by many as being pointless, placing an unnecessary burden on tenants, and certain to lead to rent arrears and homelessness. When tenants were first interviewed just as the DPDPs went live, the following comments were typical:

'So, the council pay me and then I pay the council? How stupid and pointless is that? I just don't get it ... It's not fair to put this onto people with worries. It makes no sense to me.'

(Tenant, female, 45–54, White British, single)

'It's an idea from somebody that's never had a problem and doesn't understand life and doesn't understand people. There's a lot of people with no money. They're not bad people. And some of them are feckless. Some are just helpless. Some are like me.'

(Tenant, male, 55–59, White British, couple without dependants)

Direct payment of HB was pessimistically viewed by some as a temptation unfairly placed in the path of people on low incomes, which would inevitably result in evictions. For example:

'A lot of people will risk taking the money so I think you'll have quite a number of people down the council saying: "we told you we couldn't do it and you've continuously made us do it and now we're on our bums". So I think that's what's going to happen.'

(Tenant, female, 25–34, White British, lone parent)

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'I think people will have it in their bank and they'll spend it and get into debt and then be homeless.'

(Tenant, female, 35-44, White British, couple without dependants)

'It's going to be a disaster. They [other tenants on direct payment] will be homeless.'

(Tenant, male, 55-59, White British, couple without dependants)

These general perceptions were reflected in tenants' projections of how they thought they would manage on direct payments. More than half (54 per cent) of the tenants surveyed thought they would 'cope' fairly or very well but 31 per cent thought they would cope poorly. In addition, 38 per cent of tenants said it would be difficult to 'manage their finances' if HB were paid directly to them. These results are consistent with the results from a previous study of HB claimant attitudes towards direct payments conducted in 2007¹³.

Reflecting the quotes above, tenants surveyed were more pessimistic about how others would manage than about how they themselves would manage: 65 per cent thought other tenants would cope fairly or very poorly.

Very high levels of anxiety were initially expressed by members of the tenant panel about the prospect of receiving their HB directly. Most were concerned about the impact on their current budgeting strategies, or about misusing their HB and falling into arrears as a result. Drawing on the reported views and experiences of tenants and stakeholders in the Project Areas, we can make some tentative suggestions about why tenants may have felt anxious about, or resistant to, direct payments:

- Support structures were not fully in place for DPDP tenants at the outset. Other aspects of implementation (tenant communication, accumulating information for the support assessment process, IT changes) took priority and Project Areas were only able to turn their attention more fully to developing support provision after 'go live'. Tenants may have felt reassured if support had been more extensively available in the early stages of the DPDP. It is important to note, however, that when offered, tenants did not always take up support.
- As reported in Chapter 4, personal contact appears particularly effective with regard to reassuring tenants and improving their understanding of the changes. However, few landlords had the resources or capacity to contact all tenants personally (although some did). It may be little more than coincidence, but tenant panel members in Edinburgh, where all tenants were telephoned shortly after the communication process began, expressed less anxiety about transferring to direct payments than those in any other Project Area. The number of tenants interviewed is too small to draw any firm conclusions but it is a relationship worth noting, especially when we consider that, according to the Baseline Survey, more tenants in Edinburgh reported having mental health issues than any other Project Area. In total, 61 per cent of respondents in Edinburgh reported having a limiting health condition or disability (compared with 39 per cent across the other five Project Areas). Of these, 24 per cent reported having a mental illness, 29 per cent reported having stress or anxiety and 30 per cent reported having depression (compared with ten per cent, 18 per cent and 21 per cent respectively across the other five Project Areas).

¹³ Irvine, A., Kemp, P. and Nice, K. (2007) *Direct Payment of Housing Benefit: What do claimants think?* Joseph Rowntree Foundation: London.

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- Tenants were largely ignorant of impending welfare reform at the start of the DPDP, and information about the introduction of Universal Credit (UC) was not widely available. One landlord had informed tenants across their stock about welfare reform changes, and another explicitly situated direct payments in the context of UC in written communication to DPDP tenants. But general levels of awareness remained relatively low. Without this context, direct payments made little sense to many tenants. Six months later, awareness has improved and tenants are beginning to see how direct payments fit into this bigger picture (see below). Whether this will result in more positive attitudes toward the changes remains to be seen.
- Members of the panel were not generally confident that the Department for Work and Pensions (DWP)/local authorities would pay the right amount of HB, into the right bank account, at the right time. Lack of trust in the organisations and the administrative process appeared to be fuelling negative views among tenants about direct payments and the likely success of the policy.

There is some evidence of opinions shifting over time, particularly among those tenants who are managing better than anticipated, or who anticipated administrative problems which did not transpire. Among tenant panel members who expressed negative views about direct payments in their first interview, many re-asserted their preference for landlord payment in their second interview but conceded that direct payments has not been as problematic as they had anticipated. We pick this point up in Chapter 8 when we explore how tenants have managed with direct payments.

6.3 Financial circumstances

A key concern reported by tenants regarding direct payments was the associated risk of accruing rent arrears. Such concern is, perhaps, not surprising given levels of indebtedness among DPDP tenants. Nearly half (46 per cent) of tenants surveyed had rent arrears and/or other debts¹⁴ prior to the DPDP. In total, 21 per cent had rent arrears. Exploring the financial circumstances of members of the tenant panel revealed a similar picture – it was common for respondents to have existing rent arrears (being repaid weekly or monthly by arrangement) and to be behind with other payments including Council Tax, loans, catalogues and water rates. Some tenant panel members had accrued arrears following a change of circumstances (moving into work and new household members moving in), suggesting that periods of transition can present risks in this regard.

6.3.1 Money management: attitudes and skills

The financial circumstances of tenants varied, as did their attitudes to money and financial management skills. Some, by their own admission, managed money poorly, failed to prioritise important payments, did not plan ahead, and would readily spend whatever funds they had. However, despite (or because of) indebtedness, the majority were careful budgeters and organised money managers utilising a range of skills and techniques to balance their household budget and ensure essential payments and purchases were made. The Baseline Survey, for example, revealed that 66 per cent of tenants agreed with the statement: *'I am very organised when it comes to managing my money day to day'* and 79 per cent disagreed with the statement: *'I prefer to buy things on credit rather than wait and save up'*.

¹⁴ Debt was defined as being **behind** with a payment for household bills or loans. It does not include loans which are being repaid in accordance with the loan agreement.

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In addition, most (71 per cent) kept a regular spending limit to help them manage their finances. Members of the tenant panel similarly described finely tuned systems for managing their budget, keeping written records of incomings and outgoings, knowing precisely when payments were due and which income stream was allocated to that payment. For example:

'On a Sunday, I'll sit down on an evening and think: "I've got to get this. I've got to get this. That's left me with that. That'll go on that ... if the little 'un needs new school shoes then they won't be this week, they'll have to be next week". That kind of thing.'

(Tenant, female, 25-34, White British, lone parent)

'Part of my illness is fatigue syndrome so I get a bit forgetful. So to keep me on top, so I don't forget things, I started doing this ... I write down each day how much I spend and what the money's for and how much I've got left in the bank.'

(Tenant, female, 45-54, White British, lone parent)

Other common features of tenants' budgeting strategies, all indicating relatively sophisticated money management capabilities, include:

- **Short budgeting cycles are an important financial management strategy for those on low incomes.** Nearly all members of the tenant panel budgeted on a weekly or fortnightly cycle, as did 90 per cent of the survey respondents who operated a spending limit to help them manage their finances. Respondents could spend their income relatively quickly, safe in the knowledge that the cycle could begin again a few days later. This may have implications for UC. Tenants expressed fear and alarm at the prospect of receiving all their benefits monthly, the principal concern being the potential for a larger shortfall towards the end of the month and lengthier periods of time spent with no money. The following comments were typical:

'I wouldn't cope. I'd be four weeks with no money.'

(Tenant, female, 45-54, White British, single)

'If everything was monthly we'd have two good weeks and then be scratching our heads for another two weeks. The way things are at the moment we know come Sunday night if we've spent out ... we know we're going to get money on that Tuesday. So as long as we've got our gas and electric and some food in the house, although physically no funds, we know come Tuesday we're there again.'

(Tenant, female, 35-44, White British, lone parent)

- **Related to the point above, many tenants described a cycle of good weeks and bad weeks** and organised their expenditure accordingly:

'On the one week I get a little amount of money, that week is when I top my fridge and freezer up and the electric and gas. On the big money week, then it is a full big shop and then clothes for the little 'un.'

(Tenant, female, 25-34, White British, lone parent)

'There's good weeks and bad weeks. Some weeks we'll go shopping and when I get more than what I need I don't need to go the following [bad] week.'

(Tenant, female, 35-44, White British, couple without dependants)

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- **Compartmentalising income and allocating specific income to specific outgoings was a common budgeting strategy**, effectively setting a limit for each individual type of expenditure. It was common, for example, for tenants to have some funds in a bank account, some in cash, and some on a pre-pay card. Often, each 'pot' would be allocated for a specific purpose, such as to cover the purchase of food or the payment of bills. Those with multiple sources of income (for example, Jobseeker's Allowance (JSA), Child Benefit, and Disability Living Allowance (DLA) or those whose income comprised benefits and wages) might use all their JSA to pay bills, knowing that the Child Benefit was due a few days later and could be used for day-to-day expenses.

'I've got two accounts. I've got a normal Visa account which all my Direct Debits come out of. And then I have got a savings account which [partner's] DLA money goes in ... I split it up so the Income Support goes into the Direct Debit account ...'

(Tenant, female, 35-44, White British, couple without dependants)

Respondents were generally uncomfortable, then, about having all their income in one place, or receiving it at the same time. This raises some obvious issues for UC which will be received precisely in this way.

- **Just as tenants typically use multiple mechanisms for organising their income, a preference for multi-method payments is also evident, with many respondents combining automated and non-automated methods.** It was very rare for tenants to pay all their bills by Direct Debit, although most used this method for some payments.
- **Promptly making payments as soon as income is received and living on whatever funds are left is common**, effectively prioritising outgoings and ensuring essential bills are paid and purchases made. For example:

'What I tend to do is spend it fast cos otherwise I spend it on rubbish ... I've got to spend it all to know it's gone to the right places ... my shopping has to be done. My electric [money] has to go on. My gas [money] has to go on. Everything's done so I can't run out of anything. I might run out of money – that's not a problem as long as I've got everything I need in this house for my girl and myself, we're fine.'

(Tenant, female, 25-34, White British, lone parent)

Like those responding to the Baseline Survey, many of the tenants interviewed, then, appeared to be competent money managers, with the capability to manage direct payments well. It is important to note, however, that the Baseline Survey also found that many tenants frequently run out of money (55 per cent of those surveyed reported often running out of money by the end of the week or month), and had accrued debts despite good budgeting skills, which potentially represents risk in terms of managing direct payments.

In addition, some respondents expressed concern that they could be tempted to spend or dip into their HB. Most tenants theoretically prioritised their rent, fully understanding that non-payment would result in eviction. When asked what bills or payments they thought were the most important, rent was cited first by most. Despite this, many members of the tenant panel could envisage a situation where they would spend or dip into their HB, typically for bills and other essentials or to cover one-off or unexpected expenses that previously they had covered using loans from door-step lenders or from family members. For example:

'The time will come I'll definitely use the money.'

(Tenant, female, 35-44, African, lone parent)

'Yeh, I think ... I would lapse, I would spend money. I'd think: "we need this, I'll borrow a bit of it and put it back in". And they would end up kicking me out.'

(Tenant, female, 25-34, White British, lone parent)

'It's the temptation to get yourself out of a mire; you're getting out of one mire and in another one.'

(Tenant, female, 55-59, White Welsh, single)

6.3.2 Banking

A bank account is a prerequisite for receiving HB directly¹⁵. The results from the Baseline Survey suggest that the majority of tenants do have a bank account¹⁶, or are easily able to open one. At the time of the interview, 88 per cent of survey respondents had a bank or building society account, either on their own or jointly with their spouse/partner. Some 23 per cent of these (representing 21 per cent of **all** survey respondents) had opened it after hearing about the DPDP. Therefore, it appears that the announcement of the DPDP had prompted a significant minority of tenants to open a bank account. Most members of the tenant panel also had a pre-existing bank account(s), although not all had been actively using it, and several opened a new account (typically a second account) when they heard about direct payments.

However, data garnered as part of the evaluation suggests that opening a bank account can be extremely difficult. This only applies to a minority of claimants in the DPDPs but once UC is introduced the absolute numbers of people needing to open bank accounts may be significant. Support workers emphasised the time and effort spent supporting an individual to open an account, and stakeholders and tenants alike described a range of problems. These include:

- Local banks refusing applications from tenants on the basis that they are blacklisted, or the tenant has insufficient funds going into the account each month, or the bank does not offer a basic account. Stakeholders are firmly of the view that the banks do offer a basic bank account but are using this as an excuse for rejecting applications from people with limited funds and who, therefore, do not make for good business.
- The requirement for photo ID, which some tenants do not have and which is expensive to obtain.
- The process of opening an account – making and keeping appointments, visiting the bank – can be difficult for some people, such as those with chaotic lives, and mental health issues such as anxiety and agoraphobia. A support worker recounted cases of missed appointments, lost forms, and applications which lapsed in the meantime.

¹⁵ One Project Area has issued some cheques but all participating landlords are very reluctant to do so and do not see cheques as a viable method of payment.

¹⁶ It is important to note that the survey did not ask for further details about respondents' bank accounts. It is possible that respondents' bank accounts will not all have been capable of receiving the BACS payment of HB. Project Areas found that some of the bank details provided to them by tenants related to other accounts (including Post Office accounts).

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The following comments by members of the tenant panel illustrate the kinds of problems people are encountering opening bank accounts:

'... but I haven't got that [the right ID]. I don't go on holiday and I don't drive so what's the point in getting a passport? ... so it's £80 or 90 just to [get a passport] plus whatever money they ask for to open a bank account...'

(Tenant, male, 35-44, White British, couple without dependants)

'... but I can't open a bank account cos I don't drive so I haven't got a driving licence ... I don't have a passport so how am I going to open a bank account?'

(Tenant, female, 25-34, White British, lone parent)

'I've tried to get an updated card and I fall under the £500/month category. I'm supposed to have £500/month for several months whereas my Income Support goes like this. I'm always falling under.'

(Tenant, female, 25-34, White British, lone parent)

6.4 Learning points

Tenants' preparedness for direct payments: key learning

- Short budgeting cycles are an important financial management strategy among those on low incomes. The shift from weekly/fortnightly budgeting to monthly budgeting is likely to present a challenge to many claimants. Advice and support to help tenants manage this change is likely to be needed.
- There is work to be done building trust among tenants, some of whom are sceptical that the local authority/DWP will pay their HB on time and to the correct bank account. This has deterred some from setting up Direct Debits and prompted others to cancel them when things have gone wrong.
- There appears to be little support among tenants for direct payments, and a high level of anxiety about the prospect of being paid directly. If tenant buy-in is important, there is work to be done here and a need for more information about the rationale for direct payments and positive messages about the changes. Also support structures need to be in place before claimants go on direct payments in UC.
- The relatively high levels of tenants' indebtedness and anxiety about transferring to direct payments suggests that accessible money and debt advice as well as affordable accessible financial products will be needed to help tenants manage direct payments without incurring further debts.
- Further discussion and negotiation with the banking sector may be needed to ensure access to appropriate, affordable bank accounts for benefit claimants. Consideration must also be given to the hidden costs of banking, via the requirement for ID. This expense is currently prohibitive for many people in receipt of benefits and represents a barrier to accessing financial products.

7 Supporting tenants

7.1 Introduction

This chapter explores the issue of supporting tenants for direct payment. It begins by exploring the approaches taken by the Direct Payment Demonstration Projects (DPDPs) to providing support. It then moves on to reflect on their experiences, highlighting key learning in doing so. The penultimate section of the chapter examines the experiences of tenants, while the last section highlights key learning.

7.2 DPDPs' approaches to supporting tenants

Project Areas have been tasked with providing tenants with support in two contexts: preparing and making them ready for direct payment; and helping to ensure that once on direct payment, they remain so. In practice, reflecting the position of projects in the life-cycle of the DPDPs programme at the time when this research was conducted, most of their attention has focused on the former.

In terms of the sourcing of this support, taking a programme-wide perspective, one-off basic support, such as providing advice on how to set-up a bank account or a Direct Debit or administering a budgeting check, has tended to be provided by Project Area landlords. However, when tenants have identified support needs of a more complex, comprehensive, and on-going nature, the practice has tended to be to refer them to support partners.

'Basic budgeting check is done in-house with referrals to CAB [Citizens Advice Bureau], Money Advice and Step Change as main agencies.'

'Most support was provided by sign-posting to other organisations – e.g. Money Advice Service, CAB.'

There is evidence to suggest that in some areas this dichotomy has, to some extent, been less marked and has become more blurred over time, with landlords increasingly undertaking more complex support needs tasks. For example, a tenant who had switched from direct payment back to landlord payment reported that her landlord was in the process of arranging for her (considerable) debts to be consolidated.

Furthermore, a landlord operating in the same area noted that her organisation was looking to invest more resources into the provision of personal budgeting support:

'The key learning for us is the amount of time we are spending with people ... the big gap in our services is personal budgeting support ... we need to speculate to accumulate to guarantee our income ... we've got a lot at stake ... so I've asked [senior management team] ... to fund support internally.'

And one Project Area appointed a full-time support worker to work specifically with high-risk tenants, who began work in December 2012. Since she started work, an officer from the area reported that this support worker has been working full time on a case load of 25 people and has spent approximately 200 hours working with them, which represents a (higher than normal for the organisation) resource allocation of eight hours per person on average.

7.3 Experience of landlords

There was remarkable similarity in the experiences of landlords with regard to supporting tenants and a number of issues were common to all Project Areas. For example, officers in all six Project Areas reported that arranging and providing support to tenants was relatively resource intensive and time consuming:

'A lot of resource was required to provide the level of support that was needed.'

'When support is provided it is often time consuming and complex.'

Several Project Areas reported that providing support to tenants was resource intensive because of the numbers of tenants who wanted support and the intensity of the support that was required for many, particularly those with wider support needs. In terms of the former issue, one landlord reported that it was the high numbers of tenants requesting support that had resulted in its (and its partners) support services being overwhelmed:

'[There were a] large number of referrals for money and budgeting advice. Use of local money/intensive support advice agencies ... the number of referrals at the start overwhelmed the services.'

In terms of the second issue, officers in a number of areas noted that providing support to vulnerable tenants was time consuming and resource intensive:

'Vulnerable tenants will take a longer period of time to engage and to resolve any issues around money.'

'In-depth debt support is needed by many tenants where basic expenditure exceeds income or there is history of debts and poor money management.'

Interestingly, one officer noted that although engaging with, and providing support to, vulnerable tenants was relatively resource hungry, his organisation's success rate with them was higher than that achieved for tenants with (apparently) less needs:

'[We had a] higher success rate with tenants who had wider support needs (i.e. beyond budgeting, financial products and money advice) ... the assessment/support planning process has proved beneficial but is resource hungry and beyond what has been necessary where HB [Housing Benefit] is paid to the landlord.'

In terms of responding to the demand for support, while all DPDPs have found the task highly challenging, it appears that some areas have managed better than others. In all areas, it appears the ability to respond to the high level of demand for support has, to varying degrees, been adversely affected by a relative lack of internal capacity and the restricted capacity of external agencies to provide support.

A number of landlords reported that they did not have the resource to provide effective support to all the tenants that required it. As a consequence, and as noted earlier, most referred more complex support requests to external agencies. Three factors, which are highlighted by the quotes below, appeared to impact on the capacity of landlords to provide support:

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- the lack of capacity in the workloads of support service staff, many of whom, prior to the DPDPs, were already stretched;
- the expertise and skill sets of support staff, who, it was reported, often did not have the expertise to provide more complex support; and
- the organisational focus on maximising the numbers of tenants on direct payment:

‘Resource available to provide support is limited, particularly because of financial constraints. The Benefits Service does not have the appropriate resource available to provide this type of support.’

‘The skill-set of our staff needs to change so that they can draw out support needs and address them.’

‘Less support was provided than may have been because the focus of the project switched to increasing the number on the project rather than supporting the higher risk customers.’

Officers in a number of areas reported that local external support partners did not have capacity to adequately respond to the referrals they received from Project Areas. For example, one noted that: *‘the lack of other support agencies/lack of capacity to refer onto at a time when advice and support agency budgets are under increasing pressure’* was an important issue in his area.

It is important to make two other points on this subject. First, in one area the problem of organisational capacity was compounded by geography, with some tenants being located some distance from local support agencies. Second, and linked to this point, the coverage and capacity of external support agencies differed across the six Project Areas, with some being relatively well served and others relatively poorly.

In terms of other **learning** to emerge from this element of the implementation process, analysis of data garnered from the stakeholder panel highlighted the following key learning:

- **The importance of mapping local activity in terms of (external) support provision and being clear about who does what.** This issue was highlighted by officers in two areas, one of whom highlighted the problems that could arise, such as confusion and double-handling, if this exercise was not undertaken:

‘Since having a “Money Matters” Advisor in post, she has been engaging with tenants and we have found we are often unaware of involvement that other agencies have with our tenants, which can then lead to “double handling”. Likewise, agencies can be unaware of the help that we offer (benefits, fuel poverty, credit union info etc). There needs to be a much greater awareness (by all parties) as to what each agency can and cannot do. Without that not only has it led to confusion amongst professionals but the tenant is also then stuck in the middle probably just as unaware!’

‘Ensuring that we are aware of other support services in the borough so we can effectively signpost and where possible/relevant arrange joint/partnership working with other housing associations.’

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- **On the back of the above process, it is important to engage with support partners as early as possible in the support process.** Tenants may approach support/advice agencies with queries before/rather than their landlord. Front-line workers, therefore, need to understand the changes so they do not misinform tenants and are prepared for enquiries. Support partners are also very well placed to assist with project delivery – encouraging clients to complete forms, reassuring them and remedying misinterpretations, and providing support to those who need it before they can transfer onto direct payments (or who have switched back). Project Areas with well-established links with support providers have utilised this resource effectively while those with more limited contact or where engagement with support partners failed to happen promptly have encountered problems.
- **Once external support partners have been engaged, it is important to work closely with them on an on-going basis.** As one officer put it: *'Multi-Agency networking is a must – we need to know who is out there, doing what so that we can work smart and not overlap'*. One officer argued that relationships with external support agencies needed to be 'formalised' in order to secure their full engagement:

'[Third sector] organisations have engaged but sometimes it has been difficult to get feedback from them so maybe relationships need to be more formalised? CAB have been supportive. I think it's important that we develop good working relationships with third sector groups so that tenants have as much choice as possible.'

- **As alluded to in the above quote, the importance of providing tailored support and choice to tenants.** A number of Project Areas highlighted the importance of providing support that was tailored to tenants' needs:

'Tailored approach by phone, email, office appointment or home visit depending on needs of tenant [is important]. So is the provision of intensive support for those referred with most need.'

'It's important to tailor support to individuals, profiling is, therefore, crucial ... A range of financial products and payment options needs to be available to find the correct one.'

'Focusing support – using information gained during profiling survey to then target the correct advice [is important] ... different financial products/payment options suited different tenants – important to find the one that works for the individual ... a range of financial products is needed which must be readily available and widely known.'

Inextricably linked to providing a tailored support package was providing tenants with choice in terms of the support on offer. As one officer noted: *'give tenants choice in the support they receive, offering both internal and external services'*.

- **In terms of tenant take-up, personalised support appears to be the most effective way of engaging tenants.** As one officer noted: *'tenants respond well to 1: 1 support by appointment, less so to invitations to open/drop in advice sessions'*. However, personalised support is more resource intensive than collective support and, therefore, may not be easily replicated under Universal Credit (UC).
- **Many tenants have very little understanding of banking products and how to bank. This issue was highlighted by a number of officers.** As one officer noted: *'some people do not understand how Direct Debits work ... financial education is key for some people, e.g., how to use a bank account, how Direct Debits work'*.

- **It is difficult to assess the impact of support interventions.** This is because, reported a number officers, there is a dearth of information about the impact of support provision, particularly if provided externally. And there was a frustration that Project Areas had little sense of what was working, when, how and why. For example, one officer reported that it was frustrating that she was unable *'to assess the quality and effectiveness of support agencies that we have referred to ... how do we, and others, measure and ensure effectiveness?'*
- **Many tenants who request support do not take-up the support offered to them.** In a number of areas there was frustration amongst officers that many of those tenants who requested support did not in practice take it up, with this particularly likely to be the case if the support was provided collectively, through workshops, seminars, or surgeries:

'[We have had a] low engagement rate with [xxx] for money advice, even amongst those who acknowledged their need ... tenants may tell us that they require support but don't always take up the offer of help that follows.'

'Tenants asked for help then failed to engage.'

'Everyone has suffered the same problems with engagement, e.g. low or no turn out to the CAB rent arrears surgeries.'

While there may be a myriad of reasons for this, and it is an issue that will be explored in the study's final report(s), one officer speculated that some tenants may have requested support as a strategy for delaying their participation in the programme: *'We've had a high number of non-engagers. Some may have sought advice as a means to delay participating in the project'*.

However, we have collected no evidence to suggest that this has been the case and this was not a strategy employed by members of the tenant and switchback panels.

- **Some tenants who, it appears, do require support may not necessarily want it and may be reluctant to engage.** As one officer noted: *'not everyone we identify as needing support necessarily wants support'*.

7.4 Tenants' experience

The issue of support has been explored with members of the tenant panel. Of the 28 members who have experienced direct payment, only a small number reported that they had received any support, with this support being very light touch in nature, such as the provision of advice and information over the telephone. Only a small number reported that they had been offered any support. However, it is important to note that many of the panel members were clear that they did not want (or require) support, with the views of one tenant being typical of many we spoke to:

'No, [I don't want support]. It [direct payment] is quite straightforward ... No, I don't need any help or support from them, the only reason I really want to see them is they come and check the smoke alarms or do a gas safety check.'

(Tenant, male, 45-54, White British, single)

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The interviews undertaken with switchback tenants provide further insight into the support needs of tenants, particularly those who are vulnerable. The interviews raised a number of issues:

- One male interviewee, who was aged 45-54, single, and of White-Irish ethnic origin, highlighted the difficulty that people in poor health (like him) and/or who had a disability had accessing local support/advocacy services. He reported that he would only be able to access his local CAB if someone gave him a lift.
- The same tenant faced another challenge managing with direct payment – his relatively poor literacy skills made it difficult for him to manage a bank account: *'It's OK for people who can pick up a statement and read what's there, but I do struggle'*.
- A number of interviewees reported that they were not aware that they could receive support and, as a consequence, had not received any: *'I didn't think we could [get support]. I didn't know who was out there to ask apart from citizen's advice'* (tenant, female, 25-34, White British, couple with dependants). However, most of them reported that they wanted support, which they felt may have resulted in them managing better with direct payment:

'I suppose if a support system was there it could help. If you thought you had somebody you could turn to it would help knowing there was somebody there.'

(Tenant, female, 45-54, White British, couple without dependants)

'I think it would have been nice to have had somebody to discuss it [direct payment] with.'

(Tenant, female, 55-59, White Welsh, single)

- Furthermore, most of the switchback interviewees, many of whom were 'vulnerable', required intensive support, including a female tenant who noted:

'I try but I can't do it [direct payment]. I can't seem to be capable of doing it cos I've been so dependent since [a family bereavement]. I was sheltered there and then I just didn't know how to do anything. So really I was the wrong person to pick for this scheme.'

(Tenant, female, 55-59, White British, single)

A further insight into the support needs of tenants is provided by the Tenant Baseline Survey which included a number of questions on the subject. Its findings raise a number of resource issues for landlords and their partners. First, a sizeable proportion – nearly a quarter of tenants – reported that they would need support. Second, nearly half (49 per cent) of those requiring support reported that they required long-term support. Third, 46 per cent reported they needed a great deal of support. Fourth, 68 per cent of tenants reported that they would like to be informed about support services in person, a view which was shared by most panel members. For panel members, personal contact (face to face or telephone) was the preferred means of communicating changes, and offering and delivering support. Several members expressed disappointment in their landlord/local authority at the lack of personal communication.

It appears, then, that there may be a mismatch between the needs of the many tenants who want support, a sizeable proportion of whom want personalised, intensive, long-term support, and the capacity of the landlords and their partners to respond to this demand. This raises issues for UC – will landlords (and their partners) have the resource to satisfy the support needs of their tenants?

7.5 Learning points

Supporting tenants: key learning

- Arranging and providing support to tenants is very resource intensive and time consuming.
- It is important to map local activity in terms of (external) support provision and being clear about who does what.
- It is important to engage with support partners as early as possible in the support provision process.
- Once external support partners have been engaged, it is important to work closely with them on an on-going basis.
- It is important that support provided to tenants is tailored to their needs and circumstances, and they are offered choice.
- Tenants who request support in practice often do not take it up, with this particularly likely to be the case if the support was provided collectively, through workshops, seminars, or surgeries.
- And some tenants who, it appears, do require support may not necessarily want it and may be reluctant to engage.
- In terms of the take-up of support by tenants, personalised support appears to be the most effective way of engaging tenants. However, this is resource intensive and non-scalable at UC level.

8 Managing direct payments: tenants' experiences

8.1 Introduction

One of the primary objectives of the evaluation is to establish how tenants have managed on direct payment. A comprehensive account of this will be provided in the final reports from the evaluation, which will be produced on completion of the programme and draw on a range of research exercises including:

- the Follow-up Survey of tenants;
- rent account analysis; and
- end-of programme in-depth interviews with tenants.

However, data collected by the study team through the tenant panel does provide an early insight into how tenants are faring, and this is the focus of this chapter.

Six months into the Direct Payment Demonstration Projects (DPDPs), there is evidence that tenants' fears and concerns about receiving their Housing Benefit directly are often not realised. We reported in Chapter 6 that a significant proportion of tenants surveyed and interviewed were sceptical about how they would cope with direct payments, and expressed negative attitudes about the policy. Yet, at the time of writing, most members of the tenant panel who were receiving direct payments had workable systems in place and were up to date with their rent. This chimes with the views of local stakeholders who reported that some tenants who were initially concerned about managing have done so very well.

Of the 28 members of the tenant panel who had experienced direct payments, many had initially been negative or apprehensive about the policy and others (many of them in Edinburgh) had no strong views. By the time of the second interview, some of those who had a negative perception in the first interviews said their experience of direct payments had been better than expected. These tenants had managed better and encountered fewer problems than expected. A couple reported that direct payments had impacted positively on their financial confidence, or expressed the view that it would:

'It [would] just give me independence, I suppose, of how to handle money; me personally.'

(Tenant, male, 45-54, Asian British, single)

'Yeah, I think it's definitely made a huge difference cos before I didn't even know how much my rent was. And now it's not just the little things I'm keeping an eye on, it's big things. So it makes me feel I've got a lot more responsibility. And it's nice to do my in-goings and out-goings but on a bigger scale of how much it would be. So now, when I'm looking for work, I feel a bit more comfortable cos I know exactly how much I'll need to pay. And it doesn't seem such an enormous number. I didn't have a clue before so it has made a huge difference.'

(Tenant, female, 16-24, Pakistani, lone parent)

8.2 Strategies for managing direct payments

When Project Areas went live, the choice of products available to tenants to pay their rent was not extensive. Pre-pay cards, for example, could not be used initially in most Project Areas, nor were Post Office Card Accounts suitable. In one area the accounts available through the credit union had no Direct Debit facility and no new product had been designed. Direct Debit has emerged as a common method through which tenants pay their rent, but many are using non-automated methods. In one Project Area, more tenants are paying their rent in cash than any other method. This has an associated cost implication for landlords, non-automated transactions being more expensive than automated collection methods.

Of the 28 members of the tenant panel who have been on direct payment, 14 pay their rent by Direct Debit and three by Standing Order. Four pay in cash (two of these originally set up a Direct Debit but changed to cash payment following an administrative error with their Housing Benefit), four on the telephone using a debit card, two using a payment card and one transfers the money using internet banking. There is no obvious relationship between tenants' payment method and whether they have accrued rent arrears since being on direct payments.

Within the parameters of the payment methods and banking products available to them, tenant panel members have employed a range of strategies – many in-line with their usual budgeting practices described in Chapter 6, and paralleling those found among private-sector tenants on Local Housing Allowance (LHA) in previous research¹⁷ – to help them manage direct payments. Most commonly this involved separating Housing Benefit from other income entirely, or from income used for day-to-day expenditure; and the use of automated payment methods. A common response among the tenants to news that they were being transferred onto direct payments was to open a new or reactivate an existing bank or credit union account. As one explained:

'Cos that money goes into a different account I'm not going to touch it. I think I'll manage, in general, cos I'm not going to go into that account. That's why I decided to put it in a different account.'

(Tenant, female, 35-44, African, lone parent)

Keeping their Housing Benefit payment separate, they believed, would reduce the risk of spending it, either because of a shortfall elsewhere in their budget or a miscalculation.

Creation of same day 'in and out' Direct Debit payments served a similar function. In some Project Areas Direct Debit was strongly encouraged as a payment method by landlords. This was because it was viewed as being the method most likely to protect the landlords' income streams and relatively cheap to administer compared with, for example, taking payments over the phone or in housing offices. Some tenants set up a Direct Debit because their landlord had suggested they do so or because they were under the impression, from written communication from Project Areas, that this was the only way they could pay.

¹⁷ Beatty, C., Cole, I., Kemp, P., Marshall, B., Powell, R., and Wilson, I. (2012) *Monitoring the impact of changes to the Local Housing Allowance system of housing benefit: Summary of early findings*. DWP Research Report 798. DWP: London.

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But others were very clear that Direct Debit was their preferred option and the best way to protect their own financial circumstances. Central to this strategy was the ability to align Housing Benefit payment with rent payment, so that the funds were with the tenant for the least possible amount of time. In effect, tenants have tried to find ways of replicating, as far as possible, their experience of having Housing Benefit paid directly to the landlord, albeit passing briefly, unseen, past them.

This system was certainly working for some tenants, who felt this was the only way they could cope with being on direct payments. However, it does raise questions about the likelihood of behaviour change as a result of direct payments. The following comment, by one member of the tenant panel, was quite typical:

'The way I see it, the bank account's there – whatever goes in there goes out of there. I don't see that ... it goes into that account and it's straight out. It's set up for the council only ... it [direct payments] will make no difference. No. Cos I won't see it ... it's separated from me other money.'

(Tenant, male, 35-44, White British, couple without dependants)

In addition, the experiences, financial circumstances and money management strategies of other tenants raises questions about whether Direct Debit is the most appropriate payment method for (some) social housing tenants. Concerns about bank charges, should a Direct Debit fail, have been expressed by tenants and by local and national stakeholders interviewed for the evaluation. A small miscalculation by the tenant or minor administrative error can create significant problems, such as bank charges or insufficient funds to buy food or to pay other bills. One tenant explained:

'It [my budget] is down to the penny. If you look at my bank statement it will show 46p credit, or something like that. So a small error – a £5 error, or charge – and I am in real trouble. It's OK if you are working and you've got a thousand or two thousand pounds going into your bank account. There will be enough. But when every penny is catered for, it is down to pennies. A small error and I'm in trouble.'

(Tenant, female, 45-54, White British, single)

Direct Debit, and banking more broadly, has advantages, then, but also potential pitfalls which some tenants were all too aware of. The specifics are not entirely clear, but one tenant panel member described how an unexpected bank charge left insufficient funds in her account for a Council Tax arrears payment. The consequence was a court summons:

'The other day my bill came out and the Council Tax – they take out two payments [by Direct Debit]: my Council Tax and my arrears ... and there wasn't enough for the arrears so I've been summonsed to court in a couple of weeks for Council Tax. But I didn't know until I got a letter from them about coming to court. I realised the money hadn't come out, cos I leave money in there specially ... xxx [a bank] took £10 cos of a fee payment from the month before which is why that money wasn't there for them to take.'

(Tenant, female, 16-24, Caribbean, single)

At least three members of the tenant panel incurred bank charges when their Direct Debit was refused as a result of an administrative error with their Housing Benefit or Jobseeker's Allowance payment (other administrative errors also occurred which resulted in a shortfall

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for other expenditure but not bank charges) and have since cancelled their Direct Debit and paid their rent in cash. As the tenant quoted earlier in this chapter makes clear, tenants on Housing Benefit rarely have excess funds in their account to act as a 'buffer' for even a small, unexpected charge or late incoming payment. A relatively small bank charge can also represent a significant proportion of income for tenants in receipt of benefits. Research about the experiences of LHA claimants found that take-up of Direct Debit was higher amongst those with higher benefit income (for example, those in receipt of disability benefits) than those in receipt of benefits providing minimum income levels¹⁸. It will be interesting to explore further how far this is true also of HB claimants in social housing.

And just as Direct Debit was, for some, a strategy for managing potential risks associated with direct payment, for others the opposite was true. Non-automated payment methods were found to give respondents flexibility critical to managing their budget. This chimes with the reports of some Project Areas which are witnessing tenants paying their rent over the course of the month from different income sources (this has clear implications, of course, for landlord cash flow).

Many tenant panel members combined automated and non-automated methods and paying one or two bills by cash or debit card was common, providing a buffer in the event of an emergency. Some respondents felt they could only manage their budget effectively if they retained a degree of control that automated methods could not provide. One, for example, used a key meter for her electricity and explained that:

'I know it's more expensive but it means I have control. If I don't have any money I cannot use the electricity, or I don't do any washing, but if I paid it monthly I wouldn't have that option'

(Tenant, female, 45-54, White British, single)

Another explained:

'My electric's on a meter. My phone bill is on Direct Debit at the moment because it's a new contract. But usually I would pay over the phone on my card cos I know when I've got the money. And "I'll pay you when I've got it" sort of thing.'

(Tenant, male, 55-59, White British, single)

Among Baseline Survey respondents, the most common method by which those on partial Housing Benefit normally paid their rent was cash (35 per cent paid in this way), followed by a rent payment card (27 per cent). In total, only a fifth of tenants normally used a fully automated method – Direct Debit or Standing Order – to pay their rent. The majority, therefore, took action each payment period in order to ensure that their rent was paid, and most of these reported travelling somewhere (landlord's office, post office, PayPoint outlet) to do so.

As will be explored in the next chapter, among landlords Direct Debit is generally seen as the method of payment most likely to safeguard their income. But stakeholders in the Project Areas also acknowledge the importance of non-automated payment methods to their tenants.

¹⁸ Beatty, C, Cole, I, Kemp, P, Marshall, B, Powell, R, and Wilson, I (2012) *Monitoring the Impact of the Local Housing Allowance system of Housing Benefit: Summary of Early Findings*. DWP Research Report 798. DWP: London.

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This is captured well by one stakeholder, who reported that:

'I think at senior level, and I think probably across the sector, Direct Debits are seen as the be all and end all. But I think what's shown is ... you've got this variety and customers are saying, because they've got a bit of a way of juggling their cash, that [Direct Debit] actually removes that. We're thinking: "great, we don't want them to have any flexibility". But I think in the real world, with Universal Credit as well, we might need to change our attitude a bit; that actually it won't just be what suits us, it'll be what customers want to do at their end.'

8.3 Rent arrears

As noted above, many tenants appear to be managing direct payment of their Housing Benefit, despite, in some cases, the expectation or concern that they would not. But it is a mixed picture, with some struggling. While it is too early to draw any firm conclusions about the impact of direct payment on arrears, and this is an issue that will be addressed in the study's final reports, this chapter provides some early and tentative insights on the issue, in doing so, exploring why and how rent arrears have accrued. It does so with reference from data garnered from the tenant and switchback panels.

Of the 28 members of the tenant panel who went onto direct payments, some had accrued arrears since going onto direct payments¹⁹. At the time of writing in February 2013, one of these had been switched back, one was just about to do so and one was very close to the trigger for switchback in his area and thought it unlikely that he would pay his full rent that month. In two cases, arrears were temporary, caused by administrative errors.

There were no obvious relationships between those who accrued arrears and specific factors such as payment method, history of arrears, the switchback trigger period operating in that Project Area, household size or composition, or age. The sample of tenants who had accrued arrears since going onto direct payments included single people, lone parents (only one of the nine lone parents in the tenant panel had accrued rent arrears) and couples with and couples without children; it included tenants in every age bracket; and using a variety of payment methods.

When selecting a sample for the tenant panel, the evaluation team devised a risk classification based on data from the tenant survey about factors which may be predictors of rent arrears. The classification brought together circumstantial and attitudinal factors to classify tenants into 'low', 'medium' and 'high' risk. Tenants risk classification is not mapping perfectly onto the profile of those who have accrued arrears but it is notable that only one low risk tenant has so far accrued arrears and that was due to an administrative error. The evaluation risk classification is entirely different to the support assessment matrix used by Project Areas but a key difference worth noting is the inclusion within it of attitudinal data to predict vulnerability to arrears. Interviews with specialists in the field of budgeting suggest that attitudes toward money management can be as, if not more, important predictors of debt risk as household characteristics and circumstances. Stakeholders in the Project Areas have expressed similar views. The evaluation Follow-up Survey will be testing this classification further, assessing its merits as a predictor of financial behaviour and, therefore, potential utility for Universal Credit going forward.

¹⁹ Tenants' Housing Benefit (HB) history varied. Some had been on full HB and had not, therefore, previously had experience of making rental payments, while others had previously paid all or part of their rent. Some had previous arrears and others did not.

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Analysis of the circumstances in which members of the tenant and switchback panels accrued arrears, and insights from local stakeholders revealed the following issues:

- There are questions about the adequacy of the existing support assessment matrix/process in effectively safeguarding tenants. One member of the tenant panel for example, was vulnerable, dependent on carers, had previous arrears and mental health issues but was not safeguarded. It is possible that her landlord was unaware of her circumstances, or that the information gathered on the matrix simply did not adequately predict vulnerability in her case. Several other respondents were also very clearly vulnerable and unlikely to manage Housing Benefit and rent payments well.
- Tenants failed to pay their rent for a variety of reasons and spent their Housing Benefit on different things. Most commonly, arrears accrued through miscalculations (particularly where Housing Benefit was integrated with other income or where tenants had very poor budgeting skills), or because tenants 'borrowed' from it to pay other bills, hoping to replenish the fund but not managing to do so. One spent the money decorating her baby's bedroom and another willingly spent two weeks' Housing Benefit money when she discovered that she was not entitled to the Working Tax Credits she was expecting. She explained:

'Last week was a bit of a balls up. I'm having problems with work and benefits at the moment. I'm not working enough hours to be entitled to child care, so I've had to give up working and go back on Income Support, and it's all happened within the last week. It's just doing my head in really. And last week I did go on a bit of a bender and I spent my [two weeks] rent. And I always said that's something I wouldn't do. But it is worrying me now so I am paying it back. I'll be all right. I'll pay it all back. But I could have kicked myself. But last week I just didn't care. I thought I've had to give up my job cos I'm not getting the right benefits. I'm not entitled to Working Tax Credit cos I'm not working enough. And I thought I was. And I thought: "actually thanks very much, I'm going to spend it". But now I've got to pay it back. I will pay it back.'

(Tenant, female, 25-34, White British, lone parent)

- Moving into work and fluctuating income appear to be risk factors.
- Stakeholders report that the tenants who have fallen into arrears are not always those they would have expected to struggle, and tenants who have never had arrears before are falling behind. On this point it is perhaps interesting to note that only one of the tenants interviewed who has been switched back had current or recent rent arrears when they went onto direct payments. It is important to remember, however, that those on full HB for some time would not have had an opportunity to accrue arrears.

8.4 Learning points

Managing direct payments: key learning

- There is evidence that tenants' fears and concerns about receiving their Housing Benefit directly does not always translate into difficulties managing direct payments.
- On the other hand, direct payments do represent a risk to tenants. Rent arrears have accrued, sometimes to people who have never had arrears before (in some cases because they have been on full Housing Benefit, paid directly to the landlord thereby removing the possibility to fall into arrears).
- Analysis of tenants' money management strategies and financial circumstances raises questions about whether Direct Debit is necessarily the most appropriate payment method for (some) social housing tenants. A small miscalculation by the tenant, or a minor administrative error, can create significant problems (bank charges, no money for food or to pay other bills). For some, however, Direct Debit is a vital component of managing direct payments. This points to the importance of offering a range of products and payment methods.
- Further discussion and negotiation with the banking sector may be needed to ensure access to appropriate, affordable bank accounts for benefit claimants.

9 Managing direct payment – landlord approaches to rent collection, rent arrears and switchbacks

9.1 Introduction

A key concern among landlords about the shift to direct payments is the impact it will have on their income streams and financial viability, through non-payment of rent. The proportion of tenants on Housing Benefit (HB) (and, so, the proportion of income usually received directly) varies from landlord to landlord but some of the Direct Payment Demonstration Project (DPDP) landlords reported that HB represented more than 60 per cent of their income, income that was, until direct payments, guaranteed. Therefore, securing rent is critical while at the same time safeguarding those tenants whose arrears accrue, through ‘switching them back’ to landlord payment while simultaneously providing support to help people manage (see Chapter 7).

This chapter examines these important issues. It is divided into five sections, including this one. Sections 2 and 3 examine Project Areas’ approaches to rent collection and rent arrears, respectively, while Section 4 explores landlords’ experiences of the switchback process²⁰. The penultimate section highlights a number of overarching issues and challenges for landlords/local authorities in terms of rent collection/arrears and switchbacks. The chapter concludes by highlighting the key learning to emerge from these elements of the DPDPs programme.

9.2 Approaches to rent collection

The first, and most important, observation to make about the way landlords have gone about securing their rental income is that it has not been a case of ‘business as usual’. They have approached the DPDPs programme very differently to their mainstream business, in doing so implementing a range of processes for maintaining or improving collection rate and thinking creatively about how they operate:

‘We’re not just looking at the resource but how we use that resource intelligently. We try different things ... we’ve restructured our collections team so we’ve got, hived off, two or three from our collection team to make outbound calls only, rather than doing the specialised income collection role from start to finish. So we’ve reduced their workload ... we’ve used a variety of things and we’ve got recorded expected payments on top of our housing database, where if somebody misses a payment by one day it gets flagged up automatically. It’s maximising your tools, really, and it’ll be interesting to see what the steady state looks like.’

²⁰ Although the issues of rent collection, rent arrears and switchbacks are treated separately in this chapter in discrete sections, in practice and, as will become evident as it progresses, the processes are inextricably linked.

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The most obvious marker that direct payment is not 'business as usual' for landlords in terms of rent collection is that they are devoting considerably more resources to the task: *'it's been a huge resource drain chasing tenants'*.

This additional resource is taking a number of forms. For example, in a couple of Project Areas participating landlords have recruited an additional staff member (project management and front-line) to help deliver the DPDP. And one had reduced the size of the patch of Income Officers, although apparently with little impact on their workloads:

'[Rent collection has been] more resource intensive despite smaller patch size than normal.'

'Income Officer (IO) patch size has been reduced from 750-1,000 down to 500 tenants/IO ... the initial patch size was only reduced to 750 and wasn't enough.'

Most landlords, however, have managed to resource the implementation of rent collection and other project-specific activities such as tenant engagement, the support assessment process and rent arrears recovery, using existing staff. Despite the significant time and effort required, Project Areas have managed these additional demands, typically by redirecting staff efforts onto DPDP activity (although one released capacity by addressing inefficiencies in the service).

There is some evidence, however, that while the DPDP has benefited, there may be implications for other service areas/tenants (including tenancy sustainment and rent collection for non-direct payment tenants) and, while costs may appear relatively low for the DPDPs, these may be offset by costs accrued elsewhere. At least one landlord, for example, has seen a relationship between rent officers targeting their efforts towards the DPDP and an increase in rent arrears among other tenants.

One landlord is actively stopping all additional rent collection activity as an evaluation exercise to see what impact this has on arrears – the outcome of this will be highlighted in the final report. Others see this as, simply, new ways of working and that landlords will have to adapt to a new landscape. For them, business as usual was never an option.

The additional resource devoted to direct payment has allowed landlords to work more intensively with tenants. This is reflected in the proactive approach that they have taken to rent collection, which has involved them:

- maintaining regular contact with tenants, in doing so, prompting them to make payments;
- identifying any support needs; and
- tackling any issues with non/underpayment before they escalate:

'Use of ... tools and communication methods to reactively chase arrears as well as proactively prevent arrears, e.g. SMS messaging in advance reminding tenants about making future payments [has been important] ... it was very effective early December ... earlier intervention is key especially in changing habits, teaching new responsibilities, such as remembering to pay rent and dealing with issues causing arrears.'

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'It is important to intervene at an early stage to put the correct support in place to prevent arrears that become too high for the tenant to see any benefit of repaying.'

In the context of rent collection, landlords have employed a range of techniques to maintain contact with tenants. As highlighted in the first of the quotes above, one way they have done so is through SMS texting, which was seen as an effective (and value-for-money) way of prompting payment:

'Using text messages has been useful to remind tenants that payment is due.'

'We use different tools like SMS messages and our arrears at the start of the project started to tip up. And then prior to Christmas we had a bit of a dip in our arrears. And that was only because I think we sent a whole heap of SMS messages at the beginning of December reminding people that they're going to get this money on the 17th and they've got to pay it. I think that worked.'

However, one officer was concerned about the impact that text reminders, along with reminder phone-calls, were having on tenants' money management behaviour: *'tenants are becoming reliant on text reminders and phone calls'*.

It appears that intensive, proactive work by Project Areas does increase rent collection rates, **but** there are questions about how sustainable and scalable this is. Many stakeholders questioned the scalability of their efforts:

'The adverse impact we have seen on systems, resources and arrears levels is likely to be further magnified over the period of transition to UC and, in the meantime, by the effect of other Welfare Reforms such as the bedroom tax.'

'The level of contact that we have needed and applied is likely to be unsustainable even though we have tried to absorb this into "business as usual" processes.'

Data from Project Areas about levels of arrears does need to be viewed in this context: without the additional efforts reported by most landlords, arrears would likely be higher. If such efforts cannot be scaled or sustained, thought must be given to other processes/regulation/interventions to help maintain acceptable levels of arrears.

In terms of other learning, it is important to note that the close working between local authorities' HB departments and landlords has been crucial for effective implementation, particular in relation to the sharing of information about tenants:

'Sharing of payment and claim data has ensured we can work with our tenants in a supportive way (when circumstances change for example) but also ensured that tenants do not "play us off" against the LA [local authority]. Armed with the facts we can support the "can't pay" and proceed with action against the "won't pay".'

'On-going information sharing on suspensions and cancellations of tenants' HB is very useful. So data sharing is key to the future success of direct payments.'

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Again, there is a question about how (or whether) this will/can be replicated once DWP administer HB as the housing component of UC. Data collected by the evaluation team since the last learning report reinforces the importance of the relationship between HB departments and landlords. Respondents in a number of Project Areas highlighted its importance and the necessity of regular and on-going communication between the two parties: *'if I swivel round in my chair I can see the rents team ... with them and with [housing association] we are in constant communication about these cases. And we know the landlords, and their issues and their tenants'*.

Officers in a number of Project Areas highlighted the importance of providing tenants with a range of payment methods that were tailored to their needs and circumstances. For example, one noted that it was imperative that: *'multiple payment methods are available to suit all, in any area'*. In a similar vein, another observed:

'Payment options need to be flexible to enable tenants to pay at various frequencies according to income received, e.g. wages, Working Tax Credit, Child Benefit and HB all at different times within the "month"... [xxx] offers a wide range of payment options – DDs on various days and dates, Pay Point, post office payment, internet, telephone etc.'

Not providing tenants with options was seen as being problematic: *'lack of choice is a problem ... so is the lack of financial products/payment options, and for us, a lack of flexibility in our Direct Debit offer'*.

Notwithstanding this point, as noted in the preceding chapter, most landlords' preferred payment method was Direct Debit. There was consensus among officers we interviewed that, in most instances, it was the most appropriate payment method for both landlord and tenant: *'it's the best way. It's easy for tenants and easy for us to keep track of what's coming in, rather than things coming in over time'*.

Not unexpectedly, given their understandable desire to protect their rental income, landlords were keen on aligning the timing of benefit payment receipt with rent payment, so that, in effect, monies went in and out on the same day without tenants seeing it or being tempted to spend it. As is explored elsewhere in this report, this was also the preferred approach to Direct Debit of many members of the tenant panel. However, while acknowledging landlords' apparent preference for tenants to pay their rent by Direct Debit, a number of stakeholders highlighted the importance of non-automated payment methods to their tenants, as noted earlier.

9.3 Rent arrears

In line with the guidance provided by the DWP, most landlords **reported** that they had adopted a 'business as usual' approach in terms of rent arrears recovery, with usual protocols and procedures being followed:

'It's been business as usual ... Tenants were subject to quick and rigorous arrears action with the offer of support and advice.'

However, **in practice**, it appears that for many this has not been the case, with some treating direct payment tenants who fall into arrears differently to those not on the programme. They worked more actively with them, providing them with more support, with rent collection and support activities running alongside enforcement activity.

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It is important to note that the enthusiasm with which landlords sought to recoup arrears varied. However, this could not be attributed to membership of the direct payment programme. Instead, differences in approach were a reflection of organisation type, with housing associations tending to be more proactive at rent enforcement than local authorities, and the local socio-economic, political and legal context. For example, the Edinburgh-based housing association reported that the legislative framework in Scotland did not allow it to consider legal action when its tenants, who were on a one-month switchback period, got into arrears:

‘Scotland has distinct homeless and housing legislation ... our court process for arrears is different. The introduction of the pre-court protocol means legal action is a last resort. The one-month switchback limits arrears accruing and, therefore, legal action is not a route we can consider. Some tenants will be withholding their rent knowing that we have limited options for recovery of a month’s rent.’

In one respect, landlords’ approach to rent arrears was not business as usual – they have devoted more resources to recouping arrears. This was (principally) because they had to spend more time on monitoring rent accounts and had to have more contact with tenants:

‘[Rent arrears recovery is] more resource intensive ... monitoring arrears is more difficult and more contact is needed to get payments in ... Arrears monitoring needed more resources and more contact.’

‘We have had to put more resource into checking accounts and taking action – our income team resource inside the DP [Direct Payments] is currently two or three times larger than we require for a similar caseload outside the DP.’

9.4 Switchbacks

As noted earlier, one of the primary objectives of the DPDPs was to test out the appropriateness of a range of switchback periods. At the time of writing, all of the Project Areas had switched-back tenants, with the numbers differing markedly across the areas. The highest number (209) of switchbacks have taken place in Oxford, and the fewest (18) in Shropshire²¹.

²¹ According to the latest available figures (dating from December 2012 and January 2013 depending on the Project Area), the number of tenants that had been switched back in each of the DPDPs were: Edinburgh (130); Oxford (209); Shropshire (18); Southwark (85); Torfaen (120) and Wakefield (189).

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In terms of the criteria to be used for determining when tenants were to be switched-back and how arrears was to be measured and defined, there was a programme-wide agreement²² that it would happen when:

- *‘Trigger 1 – the Tenant’s Rent arrears arising during the Demonstration Project period equal the amount of (a month/4/8/12 weeks’) rent for that Tenant*
- *Trigger 2 – the Tenant has not paid any Rent for (a month/4/8/12 weeks) during the Demonstration Project Period*
- *Trigger 3 – the Tenant has underpaid her/his Rent by 15 per cent or more in each of the periods of 4 weeks in the preceding 12 weeks, falling within the Demonstration Project period*
- *Trigger 4 – the Tenant has underpaid her/his Rent by 15 per cent or more in the preceding period of 12 weeks, falling within the Demonstration Project period.’*

(Written submission provided by a DWP Relationship Manager)

However, in practice, it appears that a disproportionately large number of tenants have switched back on the fourth criteria and there was a consensus among landlords that it was relatively easy for a tenant to be switched back in this manner.

‘Majority of the switchbacks have resulted from the 15 per cent over 12 weeks trigger as this is very easily hit.’

‘There is no pattern to non-payment ... No real pattern to reasons for non-payment although typically it is the 15 per cent trigger has been invoked.’

As a result, a number of landlords reported that they did not automatically switch-back tenants that had hit this trigger. This highlights an important point in terms of landlords’ approaches to switchbacks: while some appeared to follow the agreed protocols to the letter and very mechanistically – *‘we are adhering to DWP’s Switchback criteria’* – others adopted a more flexible approach and appeared to see the criteria more as loose guidelines. And, as has been the case with other elements of direct payment implementation, landlords were very much prepared to use local discretion.

A good example of this being applied in practice is the approach taken by landlords to safe-guarding – i.e. the removal of tenants from direct payment because they could not, or were not, able to manage being on direct payment. Safe-guarding occurred to protect both the landlord and tenant.

While tenants on direct payment have been safeguarded in all areas, the practice, which some landlords refer to as ‘discretionary reversion’, appears to have been more prevalent in some areas, where landlords highlighted its importance.

‘Some agreement for discretionary reversions to safeguard individuals or the landlord [is important] – but will there be scope for these in future?’

²² The approach taken in Southwark was slightly different as any underpayment in two periods could trigger a switchback.

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'We've been a bit savvy, I suppose, about the way we've done our switchbacks. We've only had one formal switchback. But what we have done though, through the trigger point of the non-payment ... we've then got into discussion with the customer. We've identified vulnerability and safeguarded people out which has, by default, enabled us to switch them. But we felt that this was a responsible thing to do. Arguably we could have left that person to dig themselves a massive hole at xx weeks. Or we could say when they miss the first or second payment, let's have these conversations. There's clearly other issues going on here. Could be anything from a recent bereavement. Could be anything. So we've had quite a significant number of safeguarded ones where, as soon as we've applied the safeguard through the local authority, they've switched the payments back so they've got back into a steady state. On the basis that, if things did change, if it was a temporary situation, might be an illness or whatever, then we could switch them forward or whatever it is.'

Landlords are working with switchback tenants with the aim that some may **switch-forward** and return to direct payment. However, a number of officers noted that this process was proving challenging because of the reluctance of some tenants to engage, as a ruse, they argued, to ensure that they did not go back on to direct payment²³:

'There's no incentive for tenants to engage with support if they think they will go back to direct payment and don't want to deal with their HB payment.'

'There is little incentive for tenants to avoid "switchback" or to move back into direct payment – many were happy to be taken off the project and had no wish to participate again.'

Furthermore, a number of stakeholders reported the view that some tenants had intentionally not paid their rent as they did not want to be on direct payment:

'Most of them are anxious not to go back onto DPs. So I wonder if that's the reason for not paying?'

'The message to tenants needs to be that it [switch-backing] is a last resort, or part of possession proceedings as some may see it as a "get out".'

'Some people seemed to not pay deliberately in order to get switched back to landlord payment.'

However, again it is important to note that this did not appear to be the case for members of the tenant and switchbacks panels and, to date, we have found no evidence to support this assertion. The issue will be explored in future research activities undertaken by the team including (at least) 72 'end of programme' in-depth interviews with tenants.

²³ To date, we have not found evidence to corroborate this assertion and none of our tenant panel members and switchback interviewees appeared to have employed this strategy.

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All of the Project Areas reported that, as was the case with rent collection and rent arrears recovery, the switch-back process was relatively resource intensive. This was because establishing the appropriate intervention for switchback tenants, whose circumstances and needs varied greatly, was time consuming, as was the process of identifying and monitoring potential switchback tenants:

'Switchbacks are very time consuming and the level of intervention is still not clear as our switchback reasons have been varied, and the outcome has been different. Only three out of 65 have been put back onto direct payment after switchback although some will be ... steered to using the credit union Jam Jar account.'

'The process for identifying and monitoring these [switch-backs] is time consuming and timescales are tight for making contacts/receiving payment.'

'Despite efforts to automate our process and have default flags within our system, this has largely been a manual checking process to initially identify cases.'

The resource intensive nature of the switch-back process had prompted a number of stakeholders to question how the process would work under UC:

'How will this [the switchback process] work under UC?'

'[There is] concern about how this will work under UC – we want an early trigger (for non-payment and for repeated underpayment) with direct deductions towards arrears as a further safeguard/disincentive. But questions remain over how DWP plans to resource the support that will be necessary if tenants are to revert back to DP.'

'We have concern about how switchback will operate in future.'

In terms of other key learning to emerge from this element of the DPDPs programme, the research has highlighted the importance of:

- **ensuring that the switchback process is as simple and rapid as possible.** As one officer noted: *'It [the switchback process] needs to be a very simple automated process else switchbacks will be missed and arrears will not be capped'*.
- **partnership working.** Stakeholders in all six Project Areas highlighted the importance of effective partnership working between landlords, HB departments, and partner support agencies, particularly in relation to data sharing and the provision of support for switchback tenants. For example, participants in the interactive feedback event highlighted the following factors, all of which were important (and valued) features of their approach to the switchback process:

'Good dialogue between partners to ensure reasons for switchback were clear and appropriate.'

'On-going discussions and working with XX Council have been effective but, again, concern about future changes and relationship/dialogue with DWP.'

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'[A] spread-sheet was developed and a process embedded between xx [local authority] and XX [housing association], giving clear procedures and timescales ... XX [housing association] identify potential switchbacks and decisions made by Council. Any cases that are unclear are discussed by telephone.'

- **providing (tailored) support for tenants.** A number of stakeholders highlighted the importance of providing support to tenants who had switched back:

'Once switched back to landlord payment direct, support must be in place to address issues presented [debts etc.]'

'We are now focusing tenancy support at the switchback cases and will be visiting those who could go back to DP – assessing reasons for non-payment and addressing them.'

9.5 Overarching issues and challenges

A number of overarching issues and challenges emerged for landlords and local authorities in terms of their approach to rent collection, rent arrears and switchbacks:

- **The challenge of managing complexity**

Stakeholders in all six Project Areas highlighted the complexity that was often associated with the rent collection, rent arrears and switchback task. For example, a number highlighted how the non-alignment of benefit payments, which were paid monthly or four-weekly in arrears, and rental payments, which could be paid in advance on a weekly or fortnightly basis, created complexity for both landlord and tenant:

'Four weekly HB in arrears doesn't fit in with weekly rent charges, which causes problems calculating arrears figures.'

'Legacy rent accounting systems and recovery processes are designed around contractual obligations to pay rent weekly in advance, and the shift to four-weekly direct payment (with the frequent lag in rent payment which follows) makes arrears monitoring and recovery more difficult, and more attempts at contact are required.'

It appeared that, for some landlords, the scope to manage this complexity through the greater use of in-house IT systems was limited because they were, to some extent, not compatible with data demands of direct payment:

'We had insufficient time to identify cases, contact/work with tenants and monitor payments prior to cut off. IT systems are currently unable to identify switchbacks due to being on a different payment cycle.'

Reflecting on the inadequacies of the IT system in his organisation, a stakeholder noted that it needed to introduce a new one:

'New rent recovery processes and IT systems are needed that capture and utilise relevant tenant insight data, cope with a multitude of different payment arrangements and flex their approach based on changing risk profiles, and enable the whole organisation to play a part in income collection.'

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As the quote above highlights, there was also a sense among many stakeholders that their organisations would have to change their approach to rent collection and arrears in other ways, and there was a general sense that landlords would need to do things differently in the future. For example, as one landlord noted in relation to rent arrears: *'different approaches [are needed] to rent arrears ... including an amended existing escalation process to try different approaches, e.g. introduced face-to-face intervention earlier in the collection process'*. Another highlighted the importance of introducing new payment options that were tailored to the individual needs of tenants: *'new payment options are needed that are tailored to individual need and circumstance'*.

And a number of stakeholders noted that the role of officers was likely to change with more being involved in rent collection activities with the dichotomy between the activities of rent collection and estate/neighbourhood-based staff becoming more blurred. And there was a view that more staff time would be spent collecting rent with officers spending more time on the 'ground' in estates.

- **Reconciling the tension between the social and commercial functions of landlords**

When initiating new ways of working, landlords will have to reconcile the tension between the traditional social function of landlords and the need to adopt a more hard headed commercial approach in order to protect income streams. The former might direct landlords toward providing tenants with multiple choices about how to pay their rent, but can lead to greater transaction costs to collect and process rent (and keep down arrears). Requiring tenants to pay via Direct Debit, which was perceived by landlords to be a relatively inexpensive and effective payment method, might go against the grain of the social responsibilities of landlords, but could serve to maximise income and limit transaction costs. To what extent will direct payments force a change of culture in the sector?

'Landlords are going to have to have a good look in the mirror ... we're going to have a good think about the way we operate ... we may be forced into a particular role ... we may be forced to act more commercially ... there may be lots more court cases ... and we may have to tell tenants: "you either pay up or you go" ... we don't want to do this but this is something that we are having to give a lot of thought to.'

- **Maximising learning versus safeguarding landlord and tenant**

There is a tension between the desire to give those tenants experiencing difficulty with direct payment the greatest possible opportunity to come to terms with it, and the need to safeguard them and landlord income. A number of landlords reported that they only reluctantly switched back tenants in arrears and only did so as a last resort as they wanted to give them opportunity to learn:

'We gave the maximum amount of time possible to allow payment to be made before switching back.'

'We didn't switchback any unnecessarily. We still worked with tenants to get them back on track and switched back only when we felt there was no other option.'

'[It is] in the best interest to switch back as early as we can to reduce arrears. But you need to balance it with enough time for tenants to learn new responsibilities. Switching back too early teaches them nothing.'

However, delaying switchback could have an adverse effect both on the tenants and the level of arrears.

9.6 Learning points

Landlord approaches to rent collection, rent arrears and switchbacks: key learning

- Landlords have not taken a business as usual approach to rent collection. Instead, they have approached the DPDP programme very differently to their mainstream business, in doing so implementing a range of processes for maintaining or improving collection rates.
- Rent collection under direct payment is relatively resource intensive.
- It appears that intensive, proactive work by Project Areas does increase rent collection rates, but there are questions about how sustainable and scalable this is because of the resource implications of working in this way.
- Landlords' preferred payment method is Direct Debit. There was consensus among officers we interviewed that, in most instances, it was the most appropriate payment method for both landlord and tenant. However, Direct Debit may not be appropriate for some tenants and it is important to provide claimants with a range of payment methods that are tailored to their needs and circumstances.
- Not unexpectedly, given their understandable desire to protect their rental income, many landlords were keen on aligning the timing of benefit payment receipt with rent payment, so that, in effect, monies went in and out on the same day without tenants seeing it or being tempted to spend it. While protecting both the landlord and tenant, this approach, which also appeared popular with many tenants we spoke to, limits the scope for changed behaviour among tenants as it results in HB monies effectively being invisible to them.
- Most landlords **reported** that they had adopted a business as usual approach to rent arrears recovery, with usual protocols and procedure being followed. However, **in practice**, it appears that for many this has not been the case, with some treating direct payment tenants who fall into arrears differently to those not on the programme. They worked more actively with them, providing them with more support, with rent collection and support activities running alongside enforcement activity.
- Like rent collection and recovery, the switchback process is relatively resource intensive.
- It is important that the switchback process is as simple, flexible and rapid as possible, with tailored support being provided to those tenants who switchback.
- When initiating new ways of working for direct payment, landlords will have to reconcile the tension between the traditional social function of landlords and the need to adopt a more hard-headed commercial approach in order to protect income streams.

10 Conclusion

It is one year since the Direct Payment Demonstration Projects (DPDPs) programme was launched, and seven months since the first tenants received a direct payment of Housing Benefit. Project Areas and the Department for Work and Pensions (DWP) have designed and implemented a programme that has seen Housing Benefit paid directly to more than 6,000 tenants, local structures developed to support tenants who need it, methods tested to maintain rent collection rates, and more than 10,000 tenants assessed in preparation for direct payments.

The focus of the Project Areas has been on learning by tracking progress, processes, experiences and outcomes in each area, so that important lessons could be learned about the implementation of the housing component of Universal Credit (UC). As the programme and evaluation is on-going, it is too early to talk with certainty about what these lessons might be and the overall effects of the projects.²⁴ However, qualitative data collected by the study team to date, through tenant and stakeholder panels, provide interesting early insight into these issues and raise important implications for policymakers as we move towards the introduction of UC and the roll out of direct payment of Housing Benefit as part of this reform.

So what do we know at this stage of the programme? First, and perhaps most importantly, the majority of those tenants transferred onto direct payments are paying some or all of their rent despite their concerns and anxieties about their ability to manage. There is evidence of good money management skills and high levels of financial competence among tenants which has, undoubtedly, helped, and this is certainly good news for the roll out of direct payments within UC.

But we also know that direct payments pose a risk, both to tenants and landlords. The majority of tenants may be making rental payments, but, as highlighted in DWP's December 2012 press release²⁵, despite the efforts and resources invested, collection rates are lower in all Project Areas than before the DPDPs went live. And more of the rent that is paid arrives in instalments through the month (i.e. late), rather than on time in one sum as it did when Housing Benefit was paid by the local authority direct to the landlord. Landlord income and cash flow has, therefore, reduced. A small percentage rise in arrears represents significant funds for landlords.

Landlords recognise that new ways of working will be needed to respond to this changed environment, but this can raise tensions between their traditional role and responsibilities – the social function they have historically served – and the more commercial approach demanded by direct payments if they are to maintain financial viability. Discussions about **if** and **how** these tensions can be reconciled are happening in participating organisations.

²⁴ A comprehensive evaluation of the DPDPs programme will be provided in the study team's final written outputs.

²⁵ On 17 December 2012, the 'early findings of Direct Payment Demonstration Projects' were published by the DWP on its website: www.dwp.gov.uk/newsroom/press-releases/2012/dec-2012/dwp135-12.shtml. In doing so, it highlighted collection rates across the six DPDPs.

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And there are risks for tenants, too. Tenants who have never had rent arrears before – or who have not had the opportunity to accrue arrears because their rent has been fully covered by Housing Benefit and paid directly to their landlord – are now in debt. Others are further in arrears, and others are facing enforcement actions such as possession proceedings. Many tenants are already struggling with debt and juggling small and precariously balanced budgets. At present, the evidence suggests that tenants are not generally supportive of the policy and the anticipated behaviour change that, it is hoped, will flow from direct payments is not yet emerging. Direct payments were generally perceived by tenants interviewed as being a potential threat to effective financial management, not an opportunity for financial independence. Of course it is early days, and we will be in a far better position to judge the effect of direct payments on tenant behaviour when more time has elapsed and when we have results from the Follow-up Survey of tenants.

The preference of many landlords for tenants to pay their rent by Direct Debit may reduce the chance of behaviour change, particularly when Direct Debits are aligned with payments of Housing Benefit so tenants literally do not see their rent money. There is also evidence that Direct Debit – while preferred by some tenants – is not always appropriate for those on low incomes. A small miscalculation or administrative error can result, and has resulted, in bank charges which leave tenants without funds for food and other essential bills. At present, many tenants are choosing to pay their rent using non-automated methods and landlords are offering tenants a choice of payment method.

This has been a programme with a strong element of local design and delivery, with implementation tailored to local circumstances and organisational cultures and policies. Despite divergent approaches and varied local contexts (and, indeed varied outcomes in terms of rent collection rates, numbers of tenants transferred onto direct payment, engaged with, supported, switched back, and so on), there are strong, consistent messages and lessons emerging from the Project Areas, which will be of interest to policymakers and local practitioners.

In particular, the resources associated with preparing for, and delivering, the programme of direct payments – and protecting income – have exceeded everyone's expectations. Examples of innovative practice in terms of engaging with tenants, providing support and collecting rent are frequently linked to resource-intensive interventions. It is unlikely to prove viable to up-scale these interventions when direct payment is rolled out through UC, raising questions about the extent to which the outcomes and results achieved in the Project Areas are transferable to a UC context. If such efforts cannot be up-scaled or sustained, thought needs to be given to other processes, regulations or interventions that can help maintain acceptable rent collection rates. It is important to note, however, that the role landlords and local agencies are playing in the DPDPs is different to the role they are likely to have when Housing Benefit becomes part of UC.

Another surprise has been the paucity of information landlords held on tenants, and the difficulties in engaging with some of them. This has had implications for the numbers transferred onto direct payments and landlords' capacity to adequately risk assess their tenants in order to make judgements about their readiness to be paid directly.

A number of factors have proved critical in terms of preparing for, and delivering, the DPDPs. The importance of cooperative working between the local authority Housing Benefit team and social landlords to making direct payments work is one example. This working relationship is built on interpersonal links and working relations established over many years, which facilitate a flexible approach on a case-by-case basis. The local knowledge

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that landlords and Housing Benefit officers have of tenants/claimants in their area has also proved invaluable. For example, landlords emphasised the value of local Housing Benefit officers understanding the issues and characteristics of their particular tenants. And it was often landlords' personal knowledge about, and contact with, tenants that allowed them to make accurate assessments of their readiness for direct payments and support needs. These links, understanding, and the local administrative presence will be broken when UC is introduced, so thought needs to be given to how a similar relationship between benefit administration, landlord, and support providers can be replicated under the new system, and local knowledge accrued. Project Area stakeholders agree that some kind of local presence or point of contact will be essential.

The DPDP also allows landlords a degree of flexibility and local discretion in implementation that has proved essential to some. It has been utilised to limit arrears, for example, by not strictly adhering to the agreed switchback trigger criteria, the full impact, and effectiveness of discretionary actions in relation to switchbacks is not yet clear but if discretion proves essential there are questions about implementation and governance of such an approach on a larger scale as part of UC processes.

Finally, some important issues remain unclear although DWP, Project Areas and the evaluation team continue to grapple with them. In particular, the drivers of risk, and the interventions effective at mitigating these risks, remain unclear. At present there are no clear patterns with regard to who manages direct payments well and who doesn't (although, again, the Follow-up Survey of tenants and analysis of rent accounts will shed some light on this issue). Tenants who have accrued arrears are not always those whom landlords expected to struggle, and many tenants assessed as higher risk have managed very well. We need to understand better the indicators of financial vulnerability, and pinpoint those factors and interventions that have minimised risks for tenants, whether it be a particular payment method, form of support or something else.

In terms of the delivery of support, questions also remain about the capacity of local agencies to deliver the support tenants need to make the transition to, and manage, direct payments. The scale of the task is not, at present, entirely clear and the capacity of support services is uneven across the country, but the capacity of the support sector, particularly voluntary agencies, is reducing as a result of wider budget cuts. Capacity may need building to ensure a successful migration process. In addition, in some areas there are limited links between housing and support services. These links will need developing further so that housing and support become more integrated.

And, of course, (what one local stakeholder described as) the spectre of wider welfare reform also looms large. Many of the Project Areas' tenants are affected by the removal of the spare room subsidy, for example, and so the picture could change rapidly once these and other reform measures come into effect. Project Area tenants describe tight, fully-stretched budgets with little disposable income, raising questions about how, and from where, tenants will find the shortfall if they are unable or unwilling to move, and whether increased rent arrears will result.

Appendix A

Profiles of the demonstration projects

Drawing on data garnered from a range of quantitative and qualitative data sources that will be collected as the study progresses, the study's final reports will provide in-depth and detailed profiles of the Project Areas. However, it is helpful here to highlight some of their defining features.

A1.1 Oxford

Geographically, the Oxford Direct Payment Demonstration Project (DPDP) is centred on the city of Oxford but also encompasses a number of smaller settlements close to it including Witney and Carterton. Most (1,600) of the tenants put forward to take part in the project in the area are tenants of Oxford City Council: the other participating landlord, Oxford Citizens Housing Association (OCHA), which is part of the Greensquare Group, has contributed 400.

Oxford City Council has 7,800 tenants, more than half (54 per cent) of which are in receipt of Housing Benefit. OCHA provides homes and services to over 3,000 households in six local authority areas. In April 2008 it came together with Westlea Housing and Oakus Estates to form the GreenSquare Group. The housing stock of both Oxford City Council and OCHA is predominantly of traditional construction.

Tenants in the DPDP in the city of Oxford itself are not located in a contiguous, discrete area within it. Instead, they are pepper-potted across it. In terms of the defining characteristics of the city, it is relatively prosperous and has enjoyed economic growth in recent years. This is reflected in its relatively low Index of Multiple Deprivation (IMD) ranking of 122 (out of 326 local authority areas).

It has comparatively high house prices and affordability is an issue in the city: it has a high average weekly income to house price ratio of 14.5. Befitting a city of its size and economic importance, Oxford has a large number of banks and is also well served by credit unions, the biggest of which is Oxford Credit Union.

The city has a number of other noteworthy features. For example, it has a relatively young population: it has proportionally more residents aged between 20 and 29 than in the region it is located in (South-East) and England as a whole. And it also has a sizeable Black and Minority Ethnic (BME) population, estimated by the Office for National Statistics (ONS) to account for more than a quarter of the city's population in 2009.

A1.2 Shropshire

Of all the Project Areas, Shropshire may be described as being the most disparate. There are two reasons for this. First, in stark contrast to the Edinburgh, Wakefield and Oxford projects, its participating tenants are dispersed over a large geographical area in a number of towns and villages in the third most rural county in England. Tenants are located as far afield as Oswestry, close to the Welsh border, and Bridgnorth, only ten miles from the western gateway to the West Midlands conurbation, Wolverhampton.

Second, the Shropshire project may be described as being relatively disparate in terms of the ownership of the stock included in the programme in the area. As noted earlier, it is owned by four landlords: Shropshire Council, which (in its application) submitted 1,166 of its tenants into the programme; Bromford Group (562); Sanctuary (378); and the Wrekin Housing Trust (156).

It is also important to note that these landlords differ markedly in terms of their characteristics and modus operandi. Shropshire Council and The Wrekin Housing Trust are relatively small landlords, with 4,238 and 11,073 tenants respectively, with their activities confined to comparatively small geographical areas. In stark contrast, Bromford and Sanctuary have a regional/national presence and large portfolios, especially in the case of Sanctuary, which has 79,000 properties (Bromford has 26,440).

In terms of the characteristics of the housing stock in the programme, it is largely of traditional build. Like with all the Project Areas, the tenants chosen to take part in the study were selected to be representative of the tenant populations of the participating landlords.

Not unexpectedly, given its status as one of the most rural counties in England, access to services, including banks and credit unions, is an issue in many parts of the county. Reflecting this, a number of parts of the county rank relatively highly on the 'barriers to housing and services' (IMD) deprivation domain. Notwithstanding this, Shropshire has a relatively low IMD ranking of 180. Shropshire has a number of credit unions, including the Just Credit Union who were identified as a partner in Shropshire's submission, although their geographical coverage is limited.

A1.3 Southwark

The majority (1,474) of the tenants participating in the Southwark DPDP are tenants of the London Borough of Southwark: the remaining 525 are tenants of Family Mosaic Housing Association. Southwark has 55,000 social housing tenants of whom 39,000 are council tenants, housed in a range of different property types. Family Mosaic own 20,000 properties for rent in numerous local authority districts in South-East England, including Southwark where it owns 1,492. Tenants participating in the DPDP are located in a number of small clusters dispersed throughout the borough.

Like most inner London boroughs, Southwark has a number of pockets of deprivation and the borough ranks 25th on the IMD index. It is by some considerable margin the most ethnically mixed of the DPDPs: in 2009, it was estimated by the ONS that a third of its population were members of a BME group. Southwark is covered by a number of credit unions, including the London Mutual Credit Union, which (according to Southwark's application) has close links with Family Mosaic.

A1.4 Torfaen

The Torfaen DPDP is located in the Torfaen County Borough Council area in South-East Wales. The key settlements in the area are Pontypool, Cwmbran and Blaenavon. The majority (more than 80 per cent) of the 1,837 tenants that comprise the project in the area are tenants of Bron Afon Community Housing Limited (BACHL). All other participating tenants are tenants of Charter Housing Association.

BACHL is a community-based (and owned) social enterprise set up specifically to own, manage and improve the homes previously owned by Torfaen County Borough Council. It has 8,028 (rented) properties, all of which are located in the Torfaen district. Charter Housing Association owns more than 4,500 properties across four local authority areas in South-East Wales, with 330 properties in Torfaen.

The district of Torfaen has suffered economic decline in recent years and is relatively deprived. It has a relatively high proportion (27 per cent) of households with an income of less than £15,000. The area also has a relatively high proportion (16.6 per cent) of households with one or more residents with a disability or long-term illness. Landlords' own records show that both groups are disproportionately represented among tenants living in social housing in the borough.

Tenants in the Torfaen DPDP are dispersed in clusters across the Torfaen district and are not located in one contiguous, discrete area. Two of the three settlements where DPDP tenants are located – Pontypool and Cwmbran – are well served by banks. However, the last remaining bank in Blaenavon closed in May this year. The district is also home to a credit union: the Gateway Credit Union, which was identified in the proposal submitted by the Torfaen partnership.

A1.5 Wakefield

Wakefield and District Housing (WDH) is a large-scale voluntary transfer which was formed in 2005. WDH has retained close ties with its predecessor and the other partner in the Wakefield DPDP: Wakefield Council. WDH has more than 31,000 units across the Wakefield district of West Yorkshire. Most of its stock, which has relatively recently been modernised as part of the Decent Homes programme, is of traditional construction.

In contrast to all of the other projects, and Shropshire in particular, the DPDP in Wakefield is located in a spatially concentrated and contiguous geographical area: the adjacent towns of Pontefract and Knottingley, which are located in the east of the district. Wakefield district has a relatively high IMD ranking of 67 and, in line with many other parts of it, both Knottingley and Pontefract have experienced economic decline in recent years.

Reflecting their status as relatively large settlements, both towns have banks, with Pontefract being particularly well served. Pontefract and Knottingley are served by a credit union, the White Rose Credit Union, although it is based some eight miles from them in Wakefield.

WDH has a range of different property types in the area and the participating tenant population is broadly representative of WDH's customer base as a whole. In terms of the management of its housing stock in these areas, WDH has a service action point (i.e. 'neighbourhood office') in Pontefract – Knottingley does not have one – and each area has its own area/estate manager.

A1.6 Edinburgh

All of the tenants in the Edinburgh DPDP, which is a partnership between Dunedin Canmore Housing Association and the City of Edinburgh Council, are tenants of the former. Dunedin Canmore is a Scottish based housing association providing homes and related services in Edinburgh and surrounding areas. The association emerged out of the merger of two organisations in 2005. These two organisations were small, community-based housing associations. Since the merger, Dunedin Canmore has grown gradually and now has 5,300 properties. The majority are located in Edinburgh, but the association also has properties in West, Mid and East Lothian and in Fife. About 1,500 of this stock base is refurbished Victorian tenement properties located in the Haymarket and Fountain Bridge areas of Edinburgh. All other stock is new build. All of Dunedin Canmore's 1,842 eligible tenants in Edinburgh are included in the DPDP.

Edinburgh is a city of 490,000 people with a working age population of 345,000. In total, 92 per cent of the population described themselves as 'White British' in 2009/10. The city is relatively prosperous, the average gross disposable household income exceeding the equivalent for most other cities in the United Kingdom, including Bristol, Leeds, Manchester, Sheffield, Birmingham and Liverpool. The unemployment rate in Edinburgh is also relatively low compared to other UK cities, standing at six per cent in 2009/10. In total, 15 per cent of the local housing stock is social housing (nine per cent City of Edinburgh council and six per cent housing association or cooperative). Average house prices are relatively high and outstrip the average in other major UK cities. Despite its relative prosperity, there are some very deprived areas within the city.

Edinburgh is the second largest financial centre in the UK after London, and many banking organisations have offices in the city. Edinburgh is also home to a number of local financial organisations, including credit unions. Largest among these is Capital Credit Union, which has over 16,000 members, an asset base of over £16m and is the 5th largest credit union operating in the UK.