

# Withdrawn

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# **Direct Payment Demonstration Project: Learning and Payment figures – Payment 14**

**December 2013**

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## Introduction

The following document covers the background and feedback from the Direct Payment Demonstration Projects running in six areas across Great Britain covering the first fourteen payments of housing benefit directly to tenants.

The projects are testing different switchback triggers and a range of tenant support processes, and as such comparisons should not be drawn between the performance of individual areas.

The aim of the projects is to produce a wide range of practical learning to help ensure the right support for tenants and landlords is in place, to support the full implementation of Universal Credit.

Direct payment of housing support is an important part of Universal Credit and will allow claimants to take greater control of their monthly budgets and allow a smoother move into employment.

The majority of tenants are expected to manage direct payments of benefits, but the DWP has been clear that protection needs to be in place so landlords can work with tenants early to avoid arrears and that there is a secure backstop to stop tenants falling into unmanageable arrears.

The DWP has now announced – building on the work of the Demonstration Projects – three levels of protection:

- Decisions about whether tenants should receive direct payments will be made in collaboration with social landlords
- If arrears build up to the equivalent of 1 month's rent the decision to make direct payments will be reviewed
- If arrears reach the equivalent of 2 months rent, the claimant will have housing payments switched to the landlord

The Demonstration Projects are continuing to help develop the necessary support and protection needed as claimants move over to Universal Credit.

In particular, they are testing:

- different levels of support social sector tenants may need to move to direct payments of housing benefit, such as advice on managing personal finances and budgeting
- the exemptions that need to be in place for direct payments
- payment switch-backs to landlords if a tenant falls into arrears
- the support to help tenants in arrears to payback their arrears and potentially to return to direct payments
- early intervention switch-backs before arrears reach trigger points

The six projects are:

- Dunedin Canmore Housing Association in Edinburgh, working in association with The City of Edinburgh Council
- Oxford City Council and Oxford Citizens, (part of the) Greensquare Group, Southern England
- Shropshire Unitary County Council and Bromford Group, Sanctuary Housing and The Wrekin Housing Trust, West Midlands
- Southwark Council and Family Mosaic, London
- Torfaen County Borough Council and Bron Afon Community Housing and Charter Housing, Wales
- Wakefield Metropolitan District Council and Wakefield and District Housing, Northern England

## Payment figures

The figures presented here have been drawn from internal Management Information reports designed to monitor key aspects of project performance.

The payment rates have been calculated by comparing total payments received against the total rent charged for the first 14 payment periods in England and Wales' projects and the first 13 payments in Edinburgh.

Across the different areas, levels of payments by tenants on the projects varied from 89% to 97%.

The range of payment levels in part reflects the range of intervention and different switchback triggers being tested.

The total level of rent charged stood at £27,943,948 and the average rent collection rate stood at 94%.

A total of **4,719** tenants are currently paid by direct payment, another 1,647 tenants had been paid by direct payment but have now had the payments switched back to their landlord. 107 tenants have had payments switched forward, so direct payments have been restored after a period of managed payments.

Over the first nine months, levels of payments by tenants on the projects varied from 91% to 97%. The total level of rent charged stood at £19,204,022 and the average rent collection rate stood at 94%.

Full findings from the first four and nine months are available here:

<http://www.dwp.gov.uk/docs/direct-payment-demo-figures.pdf>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/228925/direct-payment-demo-figures-may-2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228925/direct-payment-demo-figures-may-2013.pdf)

**Projects are operating within existing processes and support structures they are not providing a pathfinder for direct payments.**

**The learning they are gathering is being used to influence the final design for Universal Credit in the elements specifically relating to support for both tenants and landlords.**

# Edinburgh - Dunedin Canmore Housing Association in Partnership with City of Edinburgh Council Revenues & Benefits Department

## Background from area / baseline data:

Dunedin Canmore Housing Association has in the region of 5,300 properties spread over 5 Local Authority Areas. Around 4400 of our properties are in Edinburgh. Approximately 1500 of the Edinburgh stock is refurbished Victorian tenement properties located in the Haymarket and Fountainbridge areas of central Edinburgh. The remaining stock has been built since 1990. For the purposes of this project DCH included all working age tenants living within Edinburgh properties. 1842 tenants were eligible to participate.

The tenant survey which concluded in July 2013 identified demographic and other household characteristics which are quite distinct from the other DP Project areas. These are shown below, with the results of the other 5 areas shown in brackets:

- Gender Balance: Male 47% (30%) Female 53% (70%)
- Household Type: Single Person Households 63% (29%)
- Tenants with Health Conditions or Disabilities: 61% (39%)
- Whether or not tenant believes they would need support to manage their affairs if HB is paid to them 58% (44%)
- Economic Activity Long Term Sick or Disabled 46% (30%)
- Literacy or Numeracy Difficulties 19%

Our involvement in the Project has demonstrated that the majority of tenants do take responsibility for paying their rent, although other landlord and service delivery activities had been limited due to the resources required in contacting, providing advice and collection to the DPDP participants.

As a direct result of our experience we have taken the opportunity to re-organise and re-structure our housing management services. We have established a dedicated debt recovery team, enhanced support provision and introduced revised tenancy engagement practices which are proving to be successful. We have to date managed to stabilise arrears despite the introduction of the Spare Room Subsidy.

Interestingly DCH has identified that a large number of those tenants in receipt of direct payment and taking responsibility for paying their rent each month have also been paying their Spare Room Subsidy despite being paid less Housing Benefit each month.

Tenants on the project and receiving direct payments were 31% more likely to pay the Spare Room Subsidy in full than those tenants not receiving direct payments

### **Tenant feedback:**

We have recently carried out some home visits to tenants who participated in the project and who have been switched back with payments coming directly to the Association again.

(Female 31, single) was supportive of direct payment and said she 'supports the notion of empowering people...it gives them more control'

(Male 55, single) now uses a bank account purely as a result of his participation in the pilot. He also mentioned how he 'enjoyed' direct payment and if 'I hadn't lost my job I would still be on it'.

(Female 32, single mum of 3) 'wasn't always aware how much my rent was or when it was due' the text prompt was good but it didn't always match up with when the money was in my account'.

(Cheryl 32, single mum of 2) "if I was to be paid direct again I would be a lot more tuned in".

### **Lessons Learnt from Switchback and Switchforwards:**

- Our internal systems and established practices need to be reviewed. It is very time consuming identifying those in receipt of DP and who default by small amounts over a number of months.
- 2 month switchback instead of 1 month allows us time to work with and agree repayments with tenant who failed to pay 1 month rent. We have had a reduced number of switchbacks and tenants get back on track with their payments.
- Sometimes difficult to make contact with tenants who have defaulted, making it impossible for us to establish practical arrangements for repayment, leaving us with static balances that we are unable to action against or recover.
- Even in some cases where arrangements to repay missed payments are made, often tenants default after 1 or 2 payments again, making it difficult for us to recover due to the low static balance.
- We have found that a number of those tenants who are switched forward again following repayment or keeping to arrangement often default again once the payment is made to them directly, leading once again to a switchback.
- Variety of reasons for non-payment but not exclusively issue of financial exclusion or vulnerabilities.

### **How the triggers are working against the Areas arrears:**

- The 2 month trigger allows us to work closely with tenants and address any Housing Benefit, Debt Management or Money Advice issues that may require attention.
- Due to our court protocol processes, switching back at the 2 month trigger prevents the tenant from the possibility of facing the prospect of being served with notices for re-possession
- We still have the option of switching back tenants who constantly underpay and accumulate 1 month's rent. This allows early prevention and stops the arrear increasing to 2 months which would be the likely outcome if left unaddressed.
- The above triggers are limiting arrears accruing
- Switchback is a vital safeguard for landlords for those tenants who choose not to pay their rent

### **How are you tackling persistent/regular underpayment with early intervention?**

- Once identified, and where we are able to engage tenants, we are assisting and encouraging them to work with welfare rights and money advice.
- At the first sign of a missed or underpayment our engagement starts. Initially by phone/text and escalating quickly to home visits
- Continued personal and sustained contact still proves to be beneficial, but is very resource intensive
- Using our experience from being involved in the project we have established a simple triage arrangement, engaging a support agency to work with applicants who have been identified as requiring support before we offer accommodation or commence tenancies
- Identifying needs and issues before tenancy commencement is proving to be very successful and applicants are now better prepared and equipped for taking up a tenancy



# **Oxford City Council**

## **Background from area / baseline data:**

Oxford City Council has been working in partnership with GreenSquare Group as part of a project to test direct payments of housing benefit to tenants ahead of changes that form part of Universal Credit.

The project area identified 2,000 tenants of working age 1,600 Oxford City Council tenants and 400 GreenSquare tenants. GreenSquare Group ended its involvement in the project in June 2013 which was the original date for the project to end.

## **Oxford City Council feedback**

From June 2013 Oxford City Council has included an additional 400 of its own tenants in the project.

Oxford City Council has a total of 7,800 tenants, more than half of whom (54%) are in receipt of Housing Benefit. Oxford City Council has decided to roll out Direct Payment to the majority of its working age tenants. The decision to make Housing Benefit payments direct to the claimants as a preferred option for the Council was taken following evidence of the success of the Direct Payments Demonstration Project. The Council is using all of the learning from the project to ensure that this further rollout is successful.

On Census day in March 2011, Oxford's 'usual resident population' was estimated to be 151,900. The city's population grew by 12% over the decade 2001-2011. The population is projected to continue to grow, reaching 161,000 by 2019. Due to the large number of university students, Oxford has a relatively young population and turnover is also very high. In 2001, 25% of the population had moved within the last year - the highest rate of any English local authority area. Oxford is an ethnically diverse city and it is also internationally diverse. In 2011, 28% of Oxford's residents had been born outside the UK, and there were an estimated 4,000 short-term international migrants visiting the city.

Oxford as a city is relatively prosperous and has enjoyed economic growth in recent years. However, it is a city of contrasts, with 12 of its 85 areas among the 20% most deprived areas in England. This is reflected in its IMD ranking of 122. It has comparatively high house prices and affordability is an issue, with a high average weekly income to house price ratio of 14.5. Oxford has a large number of banks and is well served by credit unions, the biggest of which is Oxford Credit Union.

## **Project feedback**

The Direct Payments Demonstration Project has produced a lot of valuable learning for us. The learning from this project has been instrumental in our decision making for the rollout of direct payments of housing benefit to all our working age tenants.

It's also through the learning from this project that we have introduced some new procedure in our rent collection and tenant support provision. .

Credit for the project's success is down to a joined up approach and partnership working between the departments, namely Customer Services, Housing Benefits,

Rents, Housing Management Information Technology Support Services departments as well as our local advice agencies and tenants.

It has also required robust project management, control and monitoring. The project in itself has been an on-going learning exercise. It has brought us a better understanding of our tenants.

As a direct result from our participation on this project, we have come up with some innovative ideas across our service areas and have amended some of our procedures.

This is all helpful in preparing our organisation, staff and tenants in readiness for Universal Credit. Our tenants have done tremendously well bearing in mind some have been affected by the Under Occupancy Reduction (removal of the Spare Room Subsidy) "size criteria" and the Benefit Cap, which were both introduced after the project had already started.

### ***Mazviita Appleton – Project Manager- Direct Payments***

## **Lesson Learned from the Projects around the Switchbacks and Switch forwards**

The following figures represent the Key Performance Indicators for Income Collection.

1. Current Arrears Percentage (AP) is 2.79% compared to 2.47% at the end of the previous year - this figure represents the percentage of outstanding rent arrears against the predicted annual rent debit.
2. The rent percentage collected for the year currently stands at **93.53%**; the monthly target is **94.65%**. This figure is calculated as the rent collected as a percentage of the rent collectable this includes the current year rent roll and outstanding rent arrears at previous year end. The target has been calculated with profiling of expected payments for the current year.
3. Rent Collection – the team has collected **97.82%** of rent without taking into account previous rent arrears, i.e. of the rent debit of £22,475,292.50 the total collected is £21,809,195.99, and the collection rate also includes total void loss to date of £181,038.42.
4. The predicted rent roll for 2013/14 is £44,122,708.00; therefore, the Rents Team has collected 48.68% against a predicted 49.75%.

We are using the 8 Weeks Trigger for switchbacks. We saw a high volume of switchbacks earlier on in the project. To date, we have processed 389 switchbacks due to rent arrears, 95 of these are no longer live account for various reasons including stopped claiming Housing Benefit, moved and mutual exchanges. Of the 95 accounts no longer live, 14 have been switched forward following some intervention and support to help them manage their rent arrears. We have 294 live switchback accounts; no tenants have been evicted as a result of being on the Demonstration Project.

The high number of switchbacks was mainly caused by two factors: using the 15% Trigger (switchback triggered when a tenant owed 15% of their rent either over a period of time or in one go) and the assessment criteria we used at the start of the project to select tenants on to the project. From the learning and experience of being on the project, we stopped using the selection criteria that contributed to an increase

in the switchbacks and subsequently saw a decrease in the number of switchbacks. The 15% trigger has been replaced by an intervention, prevention and support process. This process is triggered whenever there has been an underpayment of rent of any amount or any percentage of the rent amount. Where underpayment has occurred, it triggers the Rent Officers to contact the tenant to discuss any issues they may be having. Since using the intervention process, we have seen a significant decrease in the number of switchbacks. Through the intervention, it's emerging that failure to pay rent does not mean unnecessary expenditure on the tenant's part. We have examples of tenants' genuine short-term demands, such as funeral costs. We do however deal with each case on its own merit

## **How triggers are working against the areas arrears**

The number of switchbacks over the last six months has averaged at 3 tenants per month. In the first six months 377 tenants were switched back and none were switched forward in that period. The month that had the highest number of switchbacks had 104 and the least had 5. When we stopped using the 15% switchback trigger we saw a significant reduction in the number of switchbacks.

Early indications are showing that the intervention process is working better than the 15% trigger we used in the beginning. Early indications have also shown that intervention and prevention has prevented arrears from increasing to a point that will see a tenant switched back. The majority of our tenants who were switched back are repaying the arrears they accrued. The switch forward process has not been as quick, tenants have to clear the accrued arrears first before being switched forward. If a tenant on full Housing Benefit with rent of £100 per week paid no rent for 8 weeks, their arrears would accrue to £800 before they would be switched back and if no early intervention has taken place. The minimum repayment we would accept from a person on benefits is £3.60 per week, it would take that tenant 222 weeks (just over four years) to clear their debt if they miss any payments. We have also found that since switchback, new information about tenant can come to light. If this information had been presented to us at the time the tenant was put on to the project, they probably would not have got on to Direct Payment.

## **How are you tackling persistent/regular underpayment with early Intervention?**

It is essential to discuss the reasons surrounding the underpayment of rent with tenant(s) to understand the issues regarding non-payment. It has helped us find out about other issues the tenants could be having, including: other debt problems, support issues, lack of money management skills, the attractiveness to them of a 'soft loan', ill health and bereavement. There is a need for a culture change which makes paying the rent a priority to the tenant.

At intervention stage, the Rent Officer works with the tenant to understand the underlying issues that may have caused them to under pay or not pay their rent at all. As part of the intervention, Rent Officers will check to see if the tenant is receiving all the benefits they are entitled to, including Housing Benefit. Tenants may be signposted to local Advice Agencies, our internal support service and other services to access any additional support as needed. Rent Officers can also negotiate a repayment agreement on behalf of the Council that is manageable for tenants, taking into account the minimum repayment amount for those in receipt of benefits. Once intervention has been triggered, the tenant's rent account will be monitored on an on-

going basis and contact will be maintained to avoid the risk of the tenant going into further arrears.

Since legislation changes that introduced Spare room subsidy (“size criteria”) and Benefit Cap, the council has made efforts to help people affected by these changes with Discretionary Housing Payments. Despite this tenants are still falling into arrears. However early indications are showing that tenants on Direct Payments are more successful in paying their rent compared to those who are not receiving direct payments.

# **Shropshire Unitary County Council and Bromford Group, Sanctuary Housing and The Wrekin Housing Trust, West Midlands**

## **Combined comments across all four organisations**

### **Background from area / baseline data**

Within Shropshire, participating tenants in the project are dispersed over a large geographical area in a number of towns and villages in the third most rural county in England. The Shropshire properties included in the project are owned by four landlords: Shropshire Council, Bromford Group, Sanctuary and the Wrekin Housing Trust.

It is also important to note that these landlords differ markedly in terms of their characteristics and *modus operandi*. Shropshire Council are relatively small and confined to two county areas, with Wrekin Housing Trust being slightly larger. In stark contrast, Bromford and Sanctuary have a regional/ national presence and large portfolios, with 26,000 and 97,000 properties respectively.

### **Project feedback:**

1,851 were in scope for the project and the landlords found that the 700 residents who engaged at the very beginning and were open to the project have maintained payments with little or no intervention.

However, comparatively 150 more residents who came onto the later phases of the Direct Payments project were found to require numerous levels of support and intervention from either the local authority or Landlords, to help them maintain their tenancies and payments.

It also of note, that for those residents who were initially assessed as requiring no support, there were a number of them who went into rent arrears as the result of unforeseen personal circumstances during the project

This goes to show that even those for whom support is not identified as required, there is still a risk of non payment and the requirement for interventions by landlords to prevent further arrears escalation.

### **Lessons Learnt from Switchback and Switch-forwards:**

In Shropshire DPDP we have operated the 12 week switchback trigger for the initial period of the project. We have also operated the 15% underpayment trigger. Landlords within the Project have had different experiences and made use of the triggers to varying degrees, throughout the phases of the project.

The learning from operating the triggers is that no two tenants think or pay their rent in the same way, and it is not possible for landlords to predict who might have financial difficulties or choose not pay their rent. The initial assessment might identify obvious issues, and enable support interventions to be put into place, but our

experience has been that it is often the people who present with no obvious vulnerabilities or issues that end up in arrears.

The other key overriding issue is that communication with the benefit payer is absolutely essential, alongside the legal data sharing framework needed to facilitate this. Working alongside Shropshire Council through this Project, all landlords have found that working from a position of information in respect of payment dates and amounts, and liaising closely together on potential switchback cases has been beneficial, not only for the landlord income stream but for tenants whom we have been able to actively support and provide interventions for.

Support is essential to many people receiving direct payment. Of the 1,851 tenants on the project around 85%+ of customers required guidance, assistance or support. This support can range from a discussion about finances or budgeting to detailed case work regarding addictions, relationship problems or housing issues. Only 2% required help with opening a bank account where approximately 14% needed assistance managing the account they already had. Around 11% required detailed case work due to drug or alcohol addiction: a figure that continues to fluctuate as people cope (or don't as the case may be) and intervention is developed. Around 1.7% of tenants have consistently failed to respond to offers of support and 142 customers have not responded to any communication through the project. Further issues are identified with tenants who agree to participate in support schemes but drop out half way through or fail to attend arranged interviews.

## **How triggers are working against the areas arrears**

Because we are operating the 12 week switchback trigger, tenants have to have substantial arrears before we can action the switchback. This makes it difficult for tenants to recover, as 12 weeks arrears is a major debt and has also caused further costs i.e. court fees. However, the 12 weeks has given us time to intervene with tenants before switching them back, and for them to get back on track with our help and support.

For new tenants entering the project, the 12 weeks gave them time to get used to receiving payments, and for first 2 months whilst they may have struggled to get organised and make payments due, they have recovered the position during the 3rd month. This is particularly true for tenants with no specific issues, but simply not used to handling their own housing costs – the majority of these people are now managing their payments well, and did not end up being switched back.

We have experienced less switchbacks within the Shropshire project as compared to the other five areas, because of the longer time period although the knock on effect of this is that when a tenants is switched back the arrears may well be higher than the average within the other project areas. To date only 77 cases have been switched back to landlord through the project.

## **How are you tackling persistent/regular underpayment with early intervention?**

Persistent underpayment is tackled by swift and proactive contact with tenants through a variety of contact channels, i.e. phone, text, letter, email, or visit, following comprehensive communications with the local authority as the benefit payer to establish that a payment has been received by that tenant.

Further working with external partners has enabled us to support tenants, to provide appropriate interventions. All of this cannot be completed without appropriate Data Sharing agreements in place.

Support and interventions consist of identifying underlying issues that tenants may have within the household, to enable appropriate external partners to be able to assist or for an Alternative Payment Arrangement to be put into place to safeguard the housing costs. Only at this point can Personal Budgeting Support then be put into place and be effective.

# London Borough of Southwark Council and Family Mosaic Housing Association

## Background from area / baseline data:

The Demonstration Project has been live since June 2012, with 1474 tenants from the London Borough of Southwark and 525 tenants from Family Mosaic Housing Association selected to participate. Southwark has around 55,000 social housing tenants of whom 39,000 are council tenants, housed in a range of different property types. Family Mosaic owns 20,000 properties for rent across South-east England, including 1,492 in Southwark. Tenants participating in the Demonstration Project are located in a number of small clusters dispersed through the borough.

Like most inner London boroughs, Southwark has a number of pockets of deprivation and is, by some considerable margin, the most ethnically mixed of the Demonstration Projects: 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.

All participating tenants completed a risk assessment questionnaire indicating any vulnerability and debt issues. From the responses we were able to identify those tenants, who were ready to switch straight into direct payment (DP), and those requiring support prior to the switch were referred to agencies or internal welfare/debt advice teams. Take up rates of the support offered before, during and after their time on DP has been low at around 5%; even for those where the landlord payment trigger has operated only 20% have taken up the support offered.

65% of tenants have been on DP at some point since going live in July 2012. As at August 2013, 285 (22%) of tenants who have got into difficulty were switched back to landlord payment, because they did not meet their obligations

7 tenants who were switched back have since gone back onto direct payment, and their progress is being monitored.

## Project feedback:

Analysis shows some tenants' self assessments have proven unreliable – analysis of switchbacks shows 10% with significant additional issues uncovered during the support process.

The 4 week switchback trigger is very resource intensive, leaving only 2 weeks to support tenants - hard to achieve in a project environment and impractical in business as usual. The close working relationship and data sharing between organisations proved vital to arrears trigger operation.

With more tenants switched back than returned to DP, concerns are raised about the number who will successfully manage DP - although we are still learning how best to achieve this. If the UC support process fails, tenants could eventually face eviction with the financial risk falling to the Council to re-house them.



Tenants' lack of engagement remains a big issue, although fuller engagement especially about their financial circumstances has been achieved following switchback.

Family Mosaic remains cautiously optimistic. Key issues are;

- Timeliness of rent collection
- Proactive early intervention
- Effective IT solutions
- Income Officers' commercial awareness / negotiation skills
- Understanding our customers better

- All areas which we identified prior to the Project as key to success. At the time of this report, arrears (including switchbacks) are 1.6% higher than before the Project but 0.8% lower than the peak of 2.4% reached during the summer. The collection rate is now in excess of 100%.

## **Lessons Learnt from Switchback and Switch-forwards:**

### **Key findings for Southwark Project**

- Arrears for Southwark tenants under DP are higher than when payments go to the landlord –7% higher for the council than under existing arrangements; 1.6% Family Mosaic.
- 35% of Southwark project tenants have not received DP for various reasons including not engaging when support was offered.
- 22% of those on DP have been switched back to landlord payment due to non payment of rent.
- There are additional administration costs for the LA, significant investment will be required to upgrade IT systems and re-skill staff to support direct payment.

Learning more about tenants is vital, with face to face engagement and one to one support delivering results. This is resource intensive and not sustainable for the council, although starting work now to understand tenants will put landlords in a better position prior to the roll out of UC. The concern for the Council is there may not be a viable business case to support this work.

Data sharing arrangements under UC remain undecided, and concerns remain that without data sharing, direct payment will not operate successfully, putting increased burden and risk onto landlords. The Demonstration Project has proven that the existing close relationship with landlord and local authority (= benefit provider) has supported the successful operation of direct payment enabling the landlord to manage the risk of non payment better.

### **How triggers are working against the areas arrears**

During the project extension period and since the last press release, Southwark reduced its switchback trigger to 4 weeks to limit the possibility of arrears increasing

by switching tenants back to landlord payment at the earlier opportunity. However it is proving very difficult to make effective interventions in that timescale.

Although Southwark Council and Family Mosaic are running the project jointly, there are significant differences in standard operating procedures, IT, resource and the extent of automation. Both organisations are running the project under the existing HB scheme where differing rules apply as to payment periods and with differing degrees of operational flexibility. Southwark Council are looking to automate more of their processes but this comes at a cost.

Learning from the direct payment project and wider welfare reform impacts, and anticipation of the transition to UC, has prompted Southwark Council to review its income collection arrangements.

We remain concerned about how the arrears trigger will operate under UC and how the notification of switchback to landlord payment / forward to tenant payment will be managed. We believe automated data links between landlord and DWP will mitigate the risk against increasing debt.

## **How are you tackling persistent/regular underpayment with early intervention?**

Take up rates of support and advice by a range of providers offered to tenants before, during and after their time on direct payment has been low at around 5%.

During the extension period of the project, both Southwark Council and Family Mosaic are assessing the impact of early intervention support. This support is offered by Tenancy Sustainment Officers (TSO) who intervenes when a payment has been missed, and before the tenant is switched back. The TSO offers support and investigates whether there are other underlying issues that the landlord is unaware of. In one example, tenants were found to have more debt than had previously been stated, and in some instances the TSO intervention has resulted in additional arrears payments being made.

Family Mosaic have found that despite it being too early to fully assess the impact of TSO interventions, they have experienced some excellent results - from assisting with a domestic violence situation, to supporting a tenant into making a payment who had found a job subsequent to going onto direct payment. They are also reviewing on-going support provided by the TSO for those currently being switched back onto direct payment.

One key finding is there is no obvious single risk factor affecting rent payment performance, and we have little evidence as yet of which support interventions work best.

# **Torfaen (Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council)**

## **Background from area / baseline data:**

The Torfaen Demonstration Project is located in the Torfaen County Borough Council area in south-east Wales with its key settlements of Pontypool, Cwmbran and Blaenavon. The majority of tenants participating are tenants of Bron Afon Community Housing Limited (BACHL). The remainder are tenants of Charter Housing Association.

BACHL is a community owned social enterprise set up specifically to own, manage and improve the homes previously owned by Torfaen County Borough Council. It has 8,002 rented properties, all of which are located in Torfaen. Charter Housing Association owns more than 5000 properties across four local authority areas in South-east Wales, with 330 properties in Torfaen.

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 and 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 amongst their tenants.

CRESR's Baseline Tenant Survey found that 83% of households selected for the project were workless and 62% considered they had a disability or long term limiting illness. CRESR found that:

- 66% of tenants considered themselves adept at managing their finances with 63% operating weekly spending limits
- 31% thought they would cope poorly with direct payment and 36% felt they would need significant long term support
- 95% didn't have any savings to fall back on
- 74% expressed a preference for face to face communication
- 25% of tenants said they were suffering from some form of stress or anxiety with another 13% indicating a mental illness

The initial group of tenants received their first payment in July 2012 with the final group of participants in phase 1 of the project joining in January 2013. The 2<sup>nd</sup> phase began in July 13 and since August Bron Afon has included all its new tenants of working age in the project.

Currently there are 1065 tenants in the project and around 90% rent from Bron Afon. 754 tenants are being paid directly including 35 who have been switched forward. 304 tenants have been switched back to landlord payment due in almost 90% of cases to persistent under payment of rent.

## **Project feedback:**

Rent collection rates have continued to improve after a challenging period at the start of the project. DP nevertheless has increased indebtedness – in the six months from April to September 2013, the average monthly arrears figure for Bron Afon tenants on direct payments was £91 higher than those outside the project.

Collection costs are higher – contact rates in the Bron Afon DP tenant group are 150% higher than outside and 219% up for Charter; this has to be resourced

Effective data sharing with the local HB team remains key to success – arrears and contact needs would increase significantly without it

In September 2013, 28.7% of tenants had been switched back to payment to landlord, supporting baseline studies by Policis and CRESR which indicated 31% of tenants considered they would cope poorly with the direct payments. We are pleased that DWP is reflecting this learning in a more pragmatic approach to UC payment arrangements.

Step change is needed in collection and payment culture – existing IT systems have proven to be barriers & new tenancies provide opportunities to address this.

Tenants find it difficult to have conversations about their finances and have been less willing to open their doors to our money advisors than support workers – it is likely then that people who need help will answer “no” when asked by the online personal budgeting assessment triage proposed under UC if they need money advice or signposting

## **Lessons Learnt from Switchback and Switch-forwards:**

Since April 2013 the number of switchback cases has increased to 1 in 3.

Most switchbacks have been triggered by persistent underpayment. Interestingly the underpayment has sometimes been the result of tenants not realising that they need to pay extra when their housing benefit entitlement is reduced (e.g. through benefit overpayment deductions, suspension, sanctions or non-dependent deductions). In these cases tenants believe that the amount of housing benefit they have received is the amount they need to pay across to their landlord so they do not take action to make up the shortfall. This indicates a need for more effective ways of advising tenants of changes in their benefit entitlement and what they need to do as a result. It also illustrates for some the disconnection there is with the reality of their rent payment responsibilities.

Whilst many tenants have heard of terms like Credit Unions or Direct Debits there is less understanding of how they work. There have for example been instances of people setting up direct debits but then in practice not grasping that they need to maintain sufficient credit in their bank account to cover the payments due. Again the lesson here is one of better communication but also about the importance of payment methods being tailored to individual need rather than limited by landlord preference.

The number and proportion of cases switching forward remains low at just 35 of the 754 tenants currently on direct payment. This is not surprising given the baseline study undertaken by CRESR at the start of the demonstration projects found that the preference for most tenants was to have their housing benefit paid straight to their landlord. There is in reality little incentive for tenants who have been switched back during the project to switch forward.

Whilst numbers are low there is some evidence that tenants who do engage and accept support to switch forward feel enabled to manage direct payments with more confidence and may be less likely to default again as a result. The role of tenancy support workers is proving key here building trust through an approach that is about

being “here to help” with the diverse range of issues that can affect the lives of individual tenants rather than one that is simply about money.

### **How the triggers are working against the Area’s arrears:**

The majority of switchback cases continue to be triggered by the 15% shortfall in payment over the 12 weeks threshold. For example of 297 cases switched back by Bron Afon 89% were instances of persistent underpayments. The fact that nearly 30% of cases have been switched back is clearly helping to mitigate the overall level of arrears but our experience so far of switch forwards suggests the potential for turning these switchback cases around within the remaining period of the project is very limited.

### **How are you tackling persistent/regular underpayment with early intervention’?**

From October 2013 tenancy support will be offered to tenants who are shown to be under paying when they reach a ‘tipping point’ equivalent to a balance in excess of four weeks arrears. This is a preventative measure that is intended to prevent a tenant reaching the 8 week switchback trigger point we are testing. It is too early to tell what the results will be.

Typically housing management IT systems have been designed to manage defaults and weekly rent account balances. They are not easily configured to manage the multiplicity of payment arrangements, methods and frequencies that is likely to be the norm under Universal Credit. In the demonstration project our experience is that resource intensive manual intervention is the norm and the necessity that is enabling us to keep on top of case management. Both Bron Afon and Charter Housing are consequently investing in new systems that intelligently interrogate previous payment patterns and identify cases for intervention based on the level of risk they pose as both existing and potential debtors.

### **Area payment/arrears: (DWP will release up to Payment 14 Data)**

Collection rates since the start of the project up to and including July 2013 indicate that arrears stand at 2.7% of the cumulative rent charged, compared to 5.4% in the period to March 2013.

# Wakefield and District Housing

## Background from area / baseline data:

Wakefield and District Housing (WDH) is a Large Scale Voluntary Transfer which was formed in 2005. WDH has retained close ties with Wakefield Council, its partner in the Demonstration Project.

The population of the Wakefield district is around 325,000 and approx. 60,000 people live in the 31,000 homes owned by WDH across the district. The majority of these properties are of traditional construction and have been improved to bring them up to the Wakefield Standard, which exceeds the Decent Homes standard required by Government.

Wakefield is located in a spatially concentrated geographical area; the adjacent towns of Pontefract and Knottingley, which are located in the east of the district, were chosen for the project. 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.

WDH has a range of different property types in the project 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 neighbourhood Service Access Point office situated in Pontefract and the area has its own dedicated Estate Management team.

Over 1,000 tenants have received direct payment of Housing Benefit; these have been split across five phases since June 2012. Payments are made directly into bank accounts on a four weekly cycle. Support and advice has been given to ensure that tenants are aware of their options to make payment and timescales for this.

Around two thirds of tenants in direct payment in April 2013 were under-occupying their homes, resulting in a reduction in the amount of Housing Benefit they received. Wakefield Council and WDH worked in collaboration prior to this time to ensure that tenants understood the changes that were to take place and the choices they may need to make to manage these. The average weekly reduction for WDH tenants affected by under occupation is approximately £14

## Project feedback:

672 tenants received payment of Housing Benefit direct into their bank accounts at the end of July 2013 (payment 14); the total number of cases in payment had reduced over each of the previous four cycles, from 773 to 642, then increased with the inclusion of 47 tenants who had returned to direct payment having repaid rent arrears that had accrued earlier in the project.

At this point 335 tenants had a reduction in their Housing Benefit due to under-occupying their homes, with Discretionary Housing Payment (DHP) awards to these tenants totalling £11, 378.

In an attempt to replicate future working processes that may apply when Universal Credit is in payment WDH has not been advised of the individual entitlement of each

tenant although a listing of cases in payment is provided by Wakefield Council every four weeks. Additional work has occurred during periods when Housing Benefit claims are being reassessed, or have ended, and if tenants have not advised WDH or made necessary payment.

Particular issues have arisen around Direct Debits failing when there are insufficient funds available following a change in entitlement or Housing Benefit being suspended. Prompting payments and chasing up defaults continues to be time consuming and can also be a cause of frustration to the tenant.

Some tenants have continued to cope well and around 25% of accounts are in credit at the end of the week that they receive Housing Benefit although this reduces quickly over the four week period. It compares with almost 50% of all WDH tenants who have a credit on their account at a similar time.

It has remained an issue for tenants to understand the cycle of payments, particularly when 'rent free weeks' have occurred. However these weeks (four in each calendar year) when no rent is charged provide an opportunity for tenants to catch up on missed payments and there is clear evidence to show this occurring.

### **Lessons Learnt from Switchback and Switch-forwards:**

It remains that over 90% of the 306 cases that have been switched back to payment to landlord have been due to the percentage underpayment trigger.

These cases are monitored and action taken in line with usual processes, which will usually result in a repayment agreement leading to arrears being cleared. However many tenants have been unwilling to go back into direct payment, holding a view that it was the cause of their arrears originally. This may be linked, in some cases, to a general lack of understanding about the payment cycles, including the variations that occur due to rent free weeks, as well as a perceived lack of control if the funds for housing costs have been allocated against other debts or bills such as bank charges, utility costs or loans.

### **How the triggers are working against the Areas arrears:**

WDH have continued to apply the percentage underpayment trigger, which applies to the total rent charged each period and not only the amount received in Housing Benefit.

In the latter part of the project there have been very few cases where payment has reverted to the landlord due to eight weeks' non payment or eight weeks' rent owing. The 'eight weeks non payment' trigger was mostly applicable in the early periods of payment as later default of a full four weeks charge would result in the 'percentage underpayment' trigger applying.

Where the tenants benefit has been under review or suspended it has been necessary to make a judgement and await resolution of this rather than apply for switchback. Some tenants may receive a payment covering several weeks and then catch up their default but this does not always occur and so arrears can arise as a result.

## **How are you tackling persistent/regular underpayment with early intervention?**

The timeframe for intervention where a tenant has defaulted on the whole of the four weekly payments (or a substantial part of this) is relatively short, leaving little scope for effective debt support to be applied prior to the cut off time for notifying the local authority to revert payment to landlord.

It has been expected that the tenant will make payment to WDH within three days of receiving funds into their account and after this contact is made – either by telephone, text or visit – to seek payment or understand the reasons for default. Where the tenant is in receipt of full Housing Benefit and cannot make significant payment quickly, which is often the case due to the low level of income; the local authority must be notified quickly to ensure that future payments are direct to the landlord.

We have worked with a number of tenants who have continued to pass over the whole of the amount of Housing Benefit but not made up any shortfall due to reductions for under occupation or other charges due. WDH has a payment relationship with most of its tenants due to collection of water charges.

Referrals for support with debts and budgeting, reducing outgoings or to receive additional assistance such as DHP have been made. Additionally, advice around seeking employment or increasing working hours is a focus where this is appropriate and WDH tenants can access the support of Community Employment Advisors for this.

## **Area payment/arrears :( DWP will release up to Payment 14 Data)**

The arrears arising whilst tenants are receiving direct payment total £241,159 (7%). We continue to closely monitor all accounts where payment is not made as expected or outstanding debt is not reducing in addition to ensuring the repayment of arrears when tenants move out of direct payment.