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Pensions



Direct Payment Demonstration Projects: 12 months in extended learning report

July 2014

Research Report No 876

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List of abbreviations and glossary of terms

Baseline Survey	This was a household survey that was undertaken at the beginning of the evaluation in order to generate a 'baseline' position for tenants in the Project Areas. It involved 1,965 tenants being interviewed by researchers from Ipsos MORI between May and July 2012.
CRESR	Centre for Regional Economic and Social Research at Sheffield Hallam University.
DD	Direct Debit.
DP	Direct payment: the payment of Housing Benefit directly to tenants.
DPDP	Direct Payment Demonstration Project. The DPDPs, of which there were six, were concerned with demonstrating the payment of Housing Benefit directly to social rented sector tenants. The six projects were: Edinburgh; Oxford; Shropshire; Southwark; Torfaen; and Wakefield.
DWP	Department for Work and Pensions.
HB	Housing Benefit.
IM	Ipsos MORI.
In-scope	Tenants in the Project Areas eligible for DPDP i.e. those of working age and not in temporary accommodation and short-term supported accommodation.
Landlord payment	The payment of Housing Benefit directly to landlords.
Payments	This represents all debits – rent payments and third party payments, such as water bills – to rent accounts.
Project Area	Direct Payment Demonstration Project Area.
RAA	Rent Account Analysis.
Rent arrears	Rent arrears are accrued when rent payments over a given period are less than the rent owed.
Rent payment periods	Rent payment periods are a construct devised by the study team to facilitate its analysis. They comprise four week periods, or a month in the case of Edinburgh, over which landlords would expect tenant rent accounts to balance.

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Rent payment rate	This is the rate of period rent payments to rent owed with the value rent indicating the percentage of debits accounted for by credits in the period.
RSRS	Removal of the Spare Room Subsidy.
Safeguarding	The process by which tenants who were assessed as being unsuitable for direct payment were removed from the DPDP programme.
Stage Two Tenant Survey	This survey was undertaken towards the end of the first year of the programme and involved 1,827 tenants being interviewed by Ipsos MORI, 1,218 of whom had been interviewed as part of the Baseline Survey.
Stakeholder Panel	Panels were set up in each of the Project Areas comprising representatives from all the participating landlords. Their experiences were tracked over the DPDP programme.
Switchback	The transferal of a tenant who had fallen into arrears on direct payment back to landlord payment after a switchback 'trigger point' (see below) had been 'hit'.
Switch-forward	The return to direct payment of a tenant who had been switched back.
Tenant Panel	This comprised 48 tenants from the across the six Project Areas whose experiences were tracked over the course of the DPDP programme.
Trigger point	The length of time that elapsed before tenants returned to landlord payment in the demonstration projects. The trigger period varied across the six demonstration projects.
UC	Universal Credit.
VOA	Valuation Office Agency.

Executive summary

This report, which was written in January 2014, is one of a series of outputs from the independent evaluation of the Direct Payment Demonstration Project (DPDP). It is concerned with highlighting the key findings and learning that emerged from the first 12 months of the programme up to June 2013. It does so particularly with the roll-out of Universal Credit (UC) in mind – because of differences between the programmes, not all the lessons to emerge from the DPDP are directly transferable to UC, but many are. The report draws on three main sources: analysis of tenants' rent accounts; a survey of DPDP tenants; and qualitative work with tenants and officers from the six Project Areas: Edinburgh; Oxford; Shropshire; Southwark; Torfaen; and Wakefield. The report's key findings are:

- Rent payment rates fell following the introduction of direct payment. As a result, rent arrears increased during the programme as did the number of tenants entering into arrears. However, payment patterns were found to improve significantly over time, reducing the impact of direct payment considerably by the end of the first 12 months. Notwithstanding this, much of the arrears accrued in the early stages of the DPDP were not repaid and so total arrears continued to rise, albeit at a slower pace.
- The payment patterns that resulted in rent arrears were far more complex than anticipated, evading simple categorisations of 'payers' and 'non-payers'. If it were this simple the 'bad payers' would quickly be removed from the system through the switchback process, or their characteristics could be examined so they could be targeted for preventative action or safeguarded altogether. But tenants who routinely pay their rent in full and on time can, unexpectedly, miss a payment one month and some of those who struggle when they first go onto direct payment subsequently manage well. It is, therefore, difficult to accurately forecast who will (or will not) manage on direct payment.
- Underpayment was much more common than non-payment. Tenants paying no rent formed a relatively small proportion of all those who accrued arrears. However, non-payment had a greater impact on the total value of arrears than underpayment.
- At the end of the first year of the DPDP, the circumstances and characteristics which make tenants vulnerable to accruing arrears remained unclear. The assessment processes that were trialled to identify those ready for direct payment and those unlikely to manage without support was not effective. In order to target rent collection activity, minimise the financial risk associated with direct payment, and safeguard the most vulnerable tenants, landlords (and Department for Work and Pensions (DWP), in a UC context) need to be able to identify those tenants most at risk of accruing arrears and the factors driving underpayment. This is an area where further learning is needed.
- Designing and initiating the DPDP programme took longer than anticipated, with challenges, problems and issues emerging on a regular basis. Given the scale and scope of UC, it is imperative that its timetable for roll out acknowledges this and that time is factored into it for responding to unforeseen issues.
- Key to the success of the DPDP was the (local) relationship between the Housing Benefit (HB) administrator (local authorities) and social housing landlords. Under UC, the challenge for DWP, which will be responsible for the administration of HB, and landlords will be (as far as is possible) replicating this relationship. One way to help ensure that this happens is through some form of data sharing.

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- Social housing landlords will need to review their IT systems to establish whether they are compatible with UC. The IT systems being used by most Project Area landlords did not have the reporting capabilities necessary to manage direct payment in the most efficient way. In order to be most effective, landlords need to target collection and recovery action and devise strategies and tools for early intervention. This is only possible if system reporting functions can support relevant queries, for example, looking at variable date ranges rather than a fixed cycle period.
- At the end of the first year of the programme, there was some evidence to suggest that direct payment was impacting on the attitudes and behaviour of tenants, although this is a preliminary finding. It was also impacting on the behaviour of landlords who were changing the way they operated, including introducing new ways of working and new roles and responsibilities for their staff; changing their organisational culture, in order to be more commercially oriented; and linked to this, in some cases, reviewing (and rethinking) their overall organisational objectives, goals and ethos.
- For a myriad of reasons, including the reluctance of tenants to take up the support offered to them, most DPDP tenants had not received support or advice to help them prepare for or manage direct payment (support available included budgeting advice, help or advice about opening bank accounts, and debt advice and support, whether from formal services or informally from friends and family). Notwithstanding this, there is some evidence to suggest that support did make a difference to those tenants who received it.
- In addition to arrears, there are other costs associated with direct payment, specifically in relation to its delivery. However, although delivering direct payment was perceived to be considerably more resource intensive than landlord payment, at the end of the first year of the DPDP programme, landlords did not hold robust quantitative data to back up this assertion. Furthermore, it is important to note that cost savings may accrue from many of the direct payment triggered initiatives implemented by landlords, such as rent payment text reminders and improved rent collection and arrears IT systems.

1 Introduction

1.1 About the report

The Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University, in partnership with the University of Oxford and Ipsos MORI (IM), was commissioned by the Department for Work and Pensions (DWP) to monitor and evaluate the Direct Payment Demonstration Project (DPDP). There were six demonstration projects: Edinburgh; Oxford; Shropshire; Southwark; Torfaen; and Wakefield. The first direct payments were made in the English and Welsh Project Areas in June 2012 and in the Scottish Project Area in August 2012. The DPDP ended in February 2014. The primary purpose of the evaluation, which will conclude in the autumn, is to learn lessons, providing feedback into demonstration project implementation and Universal Credit (UC) design.¹

In addition to a series of published reports, the evaluation consortium produced 'learning reports'² for DWP. Their purpose was to rapidly report emerging findings and reflections so that learning points could be fed back into the demonstration projects, and more widely into UC development and design. A more detailed and comprehensive account of learning can be found in the extended learning report, *Direct Payments Demonstration Projects: Learning the lessons, six months in*.³ This highlights the key learning to emerge from the first six months of the programme, in doing so pulling together and expanding on the issues raised in the first three learning reports.

Building on the analysis presented in the six months in extended learning report, this report, which was written in January 2014, provides a summary of the key learning to emerge from the first 12 months of the DPDP, in doing so, on occasions revisiting (and developing) the analysis presented in the six month report, but primarily by presenting new insights. It pays particular attention to highlighting findings likely to be of most interest to stakeholders preparing for the roll out of direct payment as part of UC (social landlords, DWP, tenants) and others potentially affected by it, such as support agencies and lenders.

It draws together findings from different strands of the evaluation:

- **rent account analysis (RAA)**. This entailed analysis of the rent accounts of all those tenants who went onto direct payment during the first 12 months of the DPDP and the rent accounts of a comparator sample. The key findings to emerge from this analysis are presented in the report: *Direct Payment Demonstration Projects: Key findings of the 12 months' Rent Account Analysis exercise*, DWP Research Report No. 879;

¹ For further information about the DPDP programme, see: <http://research.dwp.gov.uk/asd/asd5/rports2013-2014/rrep839.pdf>

² These are available at the DPDP's learning network, which is administered by the Chartered Institute of Housing. More information about the network can be found at: <http://www.cih.org/directpaymentslearningnetwork>.

³ The report can be downloaded at: <http://research.dwp.gov.uk/asd/asd5/rports2013-2014/rrep839.pdf>

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- **two surveys of tenants.** The first one (the Baseline Survey) was conducted just before the introduction of direct payment and involved 1,628 tenants being interviewed by IM. The second (Stage Two Survey), which was conducted between July and November 2013, involved 1,827 tenants being interviewed, 1,218 of which were interviewed in the Baseline Survey.⁴ The key findings of this survey are presented in *Direct Payment Demonstration Projects: Report from the stage 2 survey of tenants*, DWP Research Report No. 878;
- **qualitative activities.** This encompassed a number of elements including: a longitudinal tenant panel (which comprised 48 tenants whose experiences were tracked through the DPDP programme); a longitudinal stakeholder panel in each of the six Project Areas; focus groups; stakeholder events; and lender interviews.⁵

1.2 Nature and scope of the report

Before highlighting the report's key findings, it is important to note the following:

- quite intentionally and for reasons of accessibility, it summarises the key learning to emerge from the first 12 months of the programme and does not explore issues in depth. It should therefore be read alongside those outputs that do provide this analysis, principally: the aforementioned *Direct Payments Demonstration Projects: Learning the lessons, six months in*; and tenant survey reports;⁶
- linked to this, befitting its status as a learning report, which are intended to be succinct and accessible, it focuses on presenting programme-wide level findings and learning. However, where there are significant differences at the area level, these are highlighted;
- it is important to remember that the DPDP programme still had six months to run after the cut-off point for data collection for this report, i.e. June 2013, with the programme ending in December 2013. The key issues to emerge from the remainder of the programme, and the programme as a whole, will be highlighted in future research outputs, including the 18 months' RAA and 'overarching' final report;

⁴ The survey's key findings are presented in: *Direct Payments Demonstration Projects: Findings from a baseline survey of tenants in five Project Areas in England and Wales*, which can be downloaded at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/193327/rrep822.pdf. The baseline survey only reported the results from the survey of tenants in the English and Welsh Project Areas, because Scotland joined the programme later. The figures presented in this report use data from all six Project Areas and so sometimes differ slightly from those presented in the baseline report.

⁵ Further information about the approach taken to the evaluation can be found in the *Six Months In and 12 Months' RAA reports*.

⁶ In addition to these outputs, other research outputs are also of relevance to this report. These include the bespoke report on underpayment, which will be published later this year (see: *Direct Payment Demonstration Projects: Rent underpayment*, DWP Research Report No. 877); the 18 Months' RAA report, which will be published later this year; and the two reports produced on the back of the second and third tenant surveys, the first of which has been published at the same time as this report (*Direct Payment Demonstration Projects: Report from the stage 2 survey of tenants*, DWP Research Report No. 878).

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- it does not explore in any depth the impact of those welfare reforms introduced in April 2013, such as the Removal of the Spare Room Subsidy (RSRS) on DPDP. This is because it is only concerned with the first 12 months of the DPDP programme, which ended soon after (in June 2013) the introduction of these reforms in April 2013;
- one of the primary objectives of the DPDP programme was to inform UC development. However, because of differences between the programmes, not all the lessons to emerge from the DPDP are directly transferable to UC and in the context of this report, where this is this case this is flagged up. Nevertheless, as will be explored in depth in Chapter 6, there are many similarities between the two programmes not least that direct payment is one of the two key central tenets of UC (the other being the combining of benefit payments into one single payment). Therefore, with the roll-out of UC beginning to gain momentum, the report is timely. And its findings should be of interest and relevance to a wide range of stakeholders including government, regulators of social housing in this country, social housing landlords, lenders, support agencies, and tenants.

1.3 Structure of the report

The report is divided into seven chapters, including this one. Chapter 2 highlights the impact of direct payment on tenants, while Chapter 3 explores the role of advice and support in helping tenants manage direct payment. Chapter 4 considers the impact of direct payment on landlords and other stakeholders. Chapter 5 highlights the costs associated with direct payment and examines its impact on rent arrears and housing management costs. The penultimate section reflects on the transferability of the learning presented in this report for UC, while the last section highlights transferrable learning for key UC stakeholders, specifically: landlords; DWP and the UC Programme team; support providers; lenders; and tenants.

1.4 Key terms used in the report

Some of the language associated with the DPDP programme may seem a little opaque to people not familiar with it⁷, so it is helpful here to provide definitions of some of the key terms used in this report, noting that a list of all the key terms used in the report can be found in the glossary:

- **direct payment:** the payment of Housing Benefit (HB) directly to tenants;
- **landlord payment:** The payment of HB directly to landlords;
- **payments:** This represents all credits – rent payments and third party payments, such as water bills – to rent accounts;
- **rent account analysis (RAA):** The analysis of landlords' rent accounts, as highlighted earlier in Section 1.1;
- **rent arrears:** These are accrued when rent payments over a given rent payment period are less than the rent owed;

⁷ DPDP and UC share some key terms. However, they interpret some of them in (slightly) different ways. It is therefore important to note that this report adopts the DPDP language and definitions.

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- **rent payment periods:** These are a construct devised by the study team to facilitate its RAA. They comprise four-week periods, or a month in the case of Edinburgh, over which landlords would expect tenant rent accounts to balance;
- **rent payment rate:** This is the rate of period rent payments to rent owed with the value rent indicating the percentage of debits accounted for by credits in the period;
- **safeguarding:** This was the process by which tenants who were assessed as being unsuitable for direct payment were removed from the DPDP programme;
- **switchback:** This was the transferral of a tenant, who had fallen into arrears whilst on direct payment, back to landlord payment after a switchback 'trigger point' (see below) had been 'hit';
- **(switchback) trigger point:** This was the length of time that elapsed before tenants returned to landlord payment in demonstration projects. The trigger period varied across the six demonstration projects.

2 The impact of the direct payment of Housing Benefit on tenants

2.1 How have tenants managed on direct payment?

The majority of tenants who were transferred onto direct payment paid some or all of their rent, despite their early concerns and anxieties about coping with the new system. Payment behaviour improved considerably over time, suggesting that once the new system had bedded in and tenants and landlords had acclimatised, the majority of tenants were able to manage direct payment well.

For example:

- the majority (74 per cent) of tenants surveyed at the end of the first 12 months of the Direct Payment Demonstration Project (DPDP) who were still on direct payment reported coping 'fairly' or 'very' well with direct payment⁸;
- tenants' early fears and concerns about receiving their Housing Benefit (HB) directly did not always translate into difficulties managing. Most members of the tenant panel expressed anxiety about the prospect of receiving their HB directly, but soon had workable systems in place to manage their HB and rent payments;
- rent account data shows that by the time tenants had received eight direct payments of HB, their rent payment rates reached parity with a comparator sample of tenants on HB, none of whom were receiving direct payment.

However, direct payment has introduced some risk to tenants, with arrears rising and the number of tenants entering arrears increasing.

For example:

- the tenants who participated in the DPDP (i.e. received direct payment at some point, even if they subsequently switched back) paid 94.3 per cent of the total rent owed over the first 12 months. The comparator sample, none of whom were on direct payment, paid nearly 100 per cent of the total rent owed;
- 61 per cent of tenants who received direct payment had accrued arrears by the end of the first 12 months of the DPDP (including those who switched back during that period) compared with 35 per cent of the comparator sample;

⁸ This question was only asked of those who were receiving direct payment when surveyed and so excludes those who switched back to landlord payment. Switching back could be seen as a proxy indicator of managing poorly on direct payment.

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- as is explored in more depth in Chapter 5, rent account data show that although payment rates improved dramatically over time, total arrears (in value) continued to rise, albeit at a much slower pace. This suggests that once tenants accrued arrears they struggled to repay even if they subsequently managed well on direct payment. In effect, much of the early arrears that accrued became 'standing arrears' that were not repaid;
- of the 30 per cent of direct payment tenants who reported being in arrears when they were surveyed, 64 per cent had not been in arrears before the DPDP. Nearly half (48 per cent) of those who were already in arrears when the DPDP started reported that their arrears had increased (although 30 per cent said their arrears had decreased);
- support for direct payment remained limited at the end of the first 12 months. The panel of 48 tenants whose experiences were tracked over time through qualitative interviews and discussions – most of whom were opposed to direct payment at the outset – did become less resistant, but positive support for the policy remained relatively rare. Similarly, prior to the DPDP, 84 per cent of the 1,600 tenants surveyed reported a preference for landlord payment. This was not a surprise: people tend to prefer the system they know. By the end of the first 12 months the majority of the 1,800 tenants surveyed (58 per cent of those on direct payment and 89 per cent of those on landlord payment) still expressed a preference for landlord payment.⁹

2.2 What helps tenants manage on direct payment?

The following were found to have been important factors in helping tenants to manage direct payment:

- **Good budgeting and money management skills and techniques.** Despite relatively high levels of indebtedness, many of the tenants interviewed and surveyed proved to be careful and organised money managers, already utilising a range of skills and techniques to balance their household budget prior to going onto direct payment. For example, 66 per cent of tenants surveyed across the six Project Areas prior to the start of the DPDP reported being '*organised when it comes to managing my money day to day*' and 71 per cent kept a regular spending limit to help them manage their finances. Qualitative interviews with tenants prior to the introduction of direct payment revealed that short budgeting cycles (two weeks), compartmentalising different income sources, ring fencing income to expenditure (for example, Child Benefit for food and JSA for priority bills), and paying essential bills on the day income was received were common financial management strategies and continued to be so when they moved onto direct payment.

⁹ Twenty-two per cent of tenants on direct payment and five per cent of those on landlord payment expressed 'no opinion' and the remainder (20 per cent and six per cent respectively) expressed a preference for direct payment.

Good financial management skills help tenants manage direct payment

'I was using my [bank] account to pay my bills with my internet and the rent. My Post Office account is solely for the kids' Child Benefit, so it gets paid in there ... That account has always got something in there.'

'I can't go overdrawn [on that account]. You can't have a credit card or anything. So money goes in there; I take it out and you do the bills first; the shopping first ... that's one way I cope with things.'

'I can transfer funds from my bank account to the savings account ... so what I did this week was moved my child benefit money over to my savings account. And then I just draw that out from there knowing I'm not touching my rent.'

- **Choosing the right payment method.** Analysis of rent account data showed that rent payment rates amongst tenants who paid by Direct Debit (DD) were much higher than those using other payment methods. Aligning HB payment with rent payment using DD was a popular strategy used by tenants (and promoted strongly by some landlords) to ensure their rent was paid and any temptation to use the money for other purposes removed. However, DD is not appropriate for all tenants because of the problems associated with its use: specifically bank charges if a payment is 'bounced'. In addition, evidence from the tenant surveys and qualitative interviews suggests that the flexibility of non-automated payment methods, and the increased control these give tenants, is preferred by some. The evidence, therefore, points to the importance of offering a range of payment options.

Choosing the right payment method

Using non-automated methods: retaining control

'I usually use the internet rather than having Direct Debits cos I don't really like setting up Direct Debits cos sometimes the money isn't in the account and then I get charges.'

'I just look on the internet and see it's [HB] in and go and draw it and pay it [rent.]'

'I would still like to be in control cos, if for instance, the Housing Benefit didn't go in – it's supposed to be in for the Monday – but say it didn't go in, then we don't get paid until Tuesday or Wednesday. So it would put our bank account in the red which means £35 [charge]. So that means you've got to pay the 35 quid plus you've got to pay them as well. So I'd rather do it like this then at least I know where we are.'

Using automated methods: 'I don't even notice it'

'Direct Debit all the way ... I just find it easy. I don't have to worry about it. As long as I know to leave the money in there then I know it's dealt with.'

'It [Housing Benefit] goes into that account and it's straight out. It's set up for the Council only ... [direct payment] makes no difference cos I won't see it ... it's separated from me other money.'

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- **Synchronising HB receipt with rent payment** reduced the risk for tenants. Encouraged to do so by their landlord, many tenants paying by DD synchronised their HB and rent payments so they effectively did not ‘see’ their HB. Interestingly, several members of the tenant panel lamented that advice about synchronising payments had not been offered at the outset, expressing the view that had they thought to do this, the arrears they accrued early in the DPDP could have been prevented.
- For some tenants it appears that **support** may have helped them to manage direct payment, although the evidence base on the issue is limited (see Chapter 3).

2.3 What factors have undermined tenants’ capacity to manage on direct payment?

The circumstances under which tenants in the DPDP accrued arrears were extremely varied. There was no common pattern, or ‘main reason’ for arrears. In addition, tenants’ circumstances and capabilities changed over time. The degree of change in the lives of members of the tenants’ panel (changing family circumstances, household structure, employment status, ill health, bereavement, benefit changes), and the effect on their finances and capacity to manage direct payment, was surprising. Much emphasis has been placed on the provision of advice and support to tenants: on improving budgeting skills; helping tenants access appropriate financial products such as opening basic bank accounts and setting up DDs; and offering debt advice (levels of indebtedness are high – 40 per cent of respondents to the Baseline Survey had at least one kind of debt). This certainly helps – poor budgeting skills and existing debts make it more difficult to manage direct payment, but it is only part of the picture. **Other factors found to undermine tenants’ ability to manage direct payment include:**

- **the tool used to select tenants for direct payment:** The tool, and criteria used to assess tenants’ readiness for direct payment was not particularly effective, a finding that has represented key learning to emerge from the DPDP and informed practice going forward into Universal Credit (UC)¹⁰. As a result, people were put onto direct payment who could not manage and who, perhaps, should have been safeguarded. There are a number of reasons for this:
 - reflecting policy thinking of the time, the expectation at the start of the DPDP was that the vast majority of HB recipients would receive direct payment. The criteria and process used to assess tenants’ readiness for direct payment reflected this;
 - there was no clear understanding of the factors which increase/indicate vulnerability to arrears, around which to develop safeguarding criteria. Common sense measures of vulnerability were used (drug and alcohol dependency, history of arrears and such like) but the link between these and vulnerability to arrears were not known, and data were not always available to identify them. This remains an area where more work is needed;

¹⁰ See *Direct Payments Demonstration Projects: Learning the lessons, six months in* (DWP Research Report No. 839) – Publications – GOV.UK for a more detailed discussion of the assessment tool, and problems associated with it.

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- sufficient time was not given to the design and preparatory phase of the DPDP, a point acknowledged by Department for Work and Pensions (DWP) staff on the programme:

‘... 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)

- **unexpected expenses:** 13 per cent of the tenants surveyed who were in arrears reported that unexpected expenses were one of the main reasons they were currently in arrears. It was rare for tenants to have savings or even a small financial buffer to fall back on in the event of an unexpected expense: the Baseline Survey found that only six per cent of tenants in the Project Areas had savings;
- **low income:** 27 per cent of Stage Two survey respondents in arrears reported that ‘low income’ was one of the main contributory factors behind this;
- **confusion about DDs and how they function:** Some tenants did not appreciate that DD (and possibly other systems for rent payment) was not part of the HB/landlord rent system, and that necessary changes have to be actioned by them rather than the local authority or landlord. Some tenants remained under the misapprehension that once a system for making payments had been set up, it was the landlords’ responsibility to collect the rent, rather than their responsibility to pay the rent, and that adjustments to payments would automatically be made. As a stakeholder from one of the Project Areas noted:

‘We’re still getting tenants who are getting into difficulties because they don’t understand Direct Debits and direct payment. When there is any small payment change they haven’t got a clue ... they don’t know what to do. And then they get bank charges. A number of our tenants don’t understand Direct Debits. And when it goes wrong they lose faith in Direct Debits ... the trouble with Direct Debits is that the money just goes in and out, so people never get to understand how direct payment works. So Direct Debits are fine when things are simple, but as soon as there are any changes things can go wrong.’;
- **tenant characteristics:** Analysis of rent account data revealed a series of characteristics that increase the risk of arrears under direct payment. Tenants with relatively high rents (more than £115 per week), non-working tenants and those under the age of 25 were all more likely to accrue arrears, as were single person households.¹¹

When asked to specify the main reasons for being in arrears, a relatively small proportion of survey respondents said they had ‘used the HB to pay off other debts’ (five per cent) or ‘used the HB to pay for something else’ (seven per cent).¹² Clearly these tenants had used their HB for something other than rent payment, otherwise they would not be in arrears, but this suggests that actively prioritising other payments or expenditure is not a key explanation for the increased arrears in the DPDP. This is corroborated by the experiences of the tenant panel. Those who accrued arrears generally did so by ‘borrowing’ small amounts for day-to-

¹¹ The rent account data provided limited tenant profile data so the analysis was limited to certain characteristics. Further analysis will be done by the evaluation team using the tenant survey data, to highlight further characteristics which seem to increase the risk of arrears. The survey asked attitudinal data so it will be possible to ascertain the importance of attitudes on risk of arrears.

¹² Respondents could cite more than one reason.

day expenditure such as food, gas or electricity but then failed to make up the shortfall, or accidentally subsumed some of their Housing Benefit into other income (e.g. miscalculating, erroneously assuming their rent payment had already been taken) and using it for day-to-day items. Others used it for emergencies (taxi to hospital, for example) or unexpected financial 'shocks'. Wilful spending of Housing Benefit, or spending on non-essential items, was not common although some tenants did so (for example, decorating their flat).

2.4 Has direct payment resulted in tenants' changing their behaviour and attitudes in any way?

It is not yet possible to draw firm conclusions about whether the DPDP resulted in changes in the behaviour and attitudes of tenants. Behaviour change is a slow process, and analysis tracking change over time (across the three surveys being conducted during the full 18 months of the DPDP) has not yet been undertaken by the evaluation team. Notwithstanding this, **there is evidence to suggest that direct payment has affected some behaviour change:**

- 27 per cent of respondents to the Stage Two Survey 'agreed' that direct payment had made them better at managing their money (35 per cent disagreed and the remainder neither agreed nor disagreed);¹³
- 40 per cent reported being more interested in how much rent they were charged (33 per cent disagreed);
- 25 per cent reported being more likely to hold down a job (36 per cent disagreed);
- 15 per cent reported that direct payment made them increase the hours they worked.

Data garnered from the tenant panel suggested evidence of change in another respect – **increasingly it appeared that members were viewing their HB as part of their overall income or 'wage'**. Such an outlook may better prepare people for UC, which is intended to replicate a wage (i.e. income is paid in one sum so the claimant must take responsibility for calculating and covering their outgoings from that sum). However, moving away from the notion of ring-fencing, where tenants attempt to reproduce the 'old' system by making a rent payment as soon as their HB is received, has also prompted some to use their HB payment to cover expenses other than rent and subsequently pay their rent from other income sources. The risk of tenants managing their money in this way is that having 'borrowed' from their HB, the tenants may find they are unable to make up the shortfall.

It is important to make one final point on this issue: for those tenants who have synchronised their HB and rent payments, little has changed as they simply do not 'see' their HB. Therefore, DD may be an effective mechanism for safeguarding both landlords and tenants, and it is the payment method which correlates most strongly with high rent payment rates, but it also removes the tenant from the equation, perhaps lessening the potential for behavioural change.

¹³ It is worth noting that 17 per cent reported that direct payment had made them less confident at managing their money.

2.5 Do tenants manage better over time?

As is explored in depth in Chapter 5, analysis of rent account data shows that **rent payment rates amongst direct payment tenants improved dramatically over time** after an initial arrears 'spike', suggesting that the transition to direct payment presents particular risks, but that after a period of time tenants manage well. The point made above about complex payment patterns remains, however, and is important to remember. Once tenants' payment patterns appear to have stabilised, there is no guarantee this will continue indefinitely. **Many tenants who manage well for many months, will unexpectedly miss a payment, or will encounter changes in their lives that affect their ability to manage.**

Tenants' experience of direct payment: key learning

The transition to, and early period on, direct payment is critical for tenants. Supporting tenants during this period is likely to be important. Before long, however, most tenants acclimatise to the new system well.

Some tenants assessed as able to manage direct payment clearly could not, and others should have been safeguarded. This points to the importance of developing an effective assessment tool that asks the right questions.

A cohort of tenants are very good money managers, but some still experience problems with direct payment. Budgeting and financial advice is very unlikely to improve these tenants' payment patterns.

Very clear communication to tenants about their responsibilities, and the role of different organisations under the new regime, would be beneficial, particularly in terms of the relationship between landlord, benefit administrator, and financial product provider. Some tenants are under the misapprehension that the landlord, the local authority (DWP under UC) and product provider (whether a bank offering a DD or AllPay offering a prepayment card) are part of the same system. Some tenants believe that once a system for making rent payments has been set up, it is the landlord's responsibility to collect the rent rather than their responsibility to pay the rent and some believe that adjustments (for example, to DDs) will automatically be made.

3 Supporting tenants

3.1 What is support and what does it entail?

In the context of the Direct Payment Demonstration Project (DPDP) programme and the evaluation, support is a catch-all term used to describe two activities: advice and support, although the distinction between them is blurred, with landlords interpreting them in different ways. Advice tended to be provided on a one-off and ad hoc basis, and confined to basic, functional tasks, such as setting up a Direct Debit (DD). Support, on the other hand, tended to be more systematic, was more likely to be continuous and related to 'higher order' tasks such as debt management and budgeting. Project Areas were tasked with providing tenants with support and advice in two contexts: preparing and making them ready for direct payment; and helping to ensure that once on direct payment, they remain so.¹⁴

3.2 What role has support played in helping tenants manage on direct payment?

For most tenants, support did not play a role in helping them to manage on direct payment: the Stage Two Survey found that 80 per cent had not received any. This is in line with data generated from the Baseline Survey, which found that only 24 per cent of tenants thought that they would require support to help them manage on direct payment.

3.3 Of those tenants who have received support, what support did they receive?

In terms of the areas where tenants received support, the most common were: managing rent payments (which was cited by 31 per cent of respondents to the second tenant survey who had received support and who were on direct payment at the time of the survey); household budgeting (23 per cent); using bank accounts (20 per cent); and opening bank accounts (19 per cent).

3.4 Who provided the support?

The Stage Two survey revealed that two-thirds of support was provided by just two providers: the 'local council' (38 per cent) and landlord (29 per cent¹⁵). The next most commonly cited providers were 'other advice service' (11 per cent) and 'family and friends' (nine per cent). Perhaps surprisingly, only four per cent of respondents had received advice from a Citizens Advice Bureau.

¹⁴ For the remainder of the report, the term 'support' encompasses both elements.

¹⁵ Again, these figures relate to respondents who were on direct payment at the time of the survey.

In terms of the nature and form of support provided by providers, qualitative data collected by the evaluation team suggests that landlords tended to offer basic, one-off support, such as providing advice on how to set-up a bank account or a DD, with more complex and comprehensive support being outsourced to specialist, external agencies. However, there is evidence to suggest that this dichotomy became less marked as the DPDP programme progressed as landlords increasingly undertook more complex support tasks.

3.5 What has been the impact of this support?

The most effective way of answering this question would be to explore the payment patterns of tenants in receipt of support via Rent Account Analysis (RAA). However, rent account data provided by landlords does not identify support recipients. Fortunately, other data collected by the team does shed some light on this important issue – the second stage survey data suggests that support had a positive impact, as most tenants who had received it reported that it had helped them to manage on direct payment:

- 69 per cent of the 52 former DPDP tenants¹⁶ (or 36 out of 52) who had been on direct payment and who had received support felt that it had helped them to manage on direct payment better;
- 68 per cent (of the 189) tenants who were still on direct payment agreed with the statement:

‘The advice or support I received helped me to manage my rent payments.’

- 61 per cent of tenants who were still on direct payment agreed with the statement:

‘The advice or support I received helped me to manage my money on a four weekly or monthly basis.’

- 49 per cent of tenants who were still on direct payment agreed with the statement:

‘The advice or support I received helped me to improve my confidence about money management.’

It is also interesting to note that, at the end of the first year of the DPDP programme, support had had a positive impact beyond the DPDP per se: nearly a quarter (22 per cent) of tenants who were still on direct payment agreed with the statement: *‘The advice or support I received helped me to think about moving into paid work’*.

3.6 What has been the experience of Project Areas in terms of support provision?

The detailed account of the experience of Project Areas in terms of support provision presented in the *Six months in* report still held true 12 months into the programme. Specifically:

- landlords found that providing support to tenants was relatively resource intensive and time consuming. This was because of the numbers of tenants who wanted support and the intensity of the support required;

¹⁶ These were tenants who had left the DPDP programme, through the safeguarding or switchback processes, and reverted back to landlord payment.

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- many tenants who requested support did not take it up, which was a source of frustration for Project Area officers. There were a number of reasons for this. These include the form that support took, with 'one-on-one' personalised support having a higher take-up rate than collective approaches, such as workshops, seminars, or surgeries. The time delay between support being commissioned and provided, which resulted in some tenants being unclear about what was being offered to them, appeared to be another contributory factor. One local stakeholder argued that low take-up was also a result of some tenants requesting support as a ruse to delay their entry onto the DPDP programme:

'We've had a high number of non-engagers. Some may have sought advice as a means to delay participating in the project.'

- it is difficult to assess the impact of support interventions. This is because, reported a number of officers, there was a dearth of information about the impact of support provision, particularly if provided externally. And there was frustration amongst officers in the Project Areas that they had little sense of what was working, when, how and why;
- many tenants have very little understanding of banking products and how to bank.

Support: key learning for landlords

- The way support is 'branded' and 'packaged' can prompt increased take-up by tenants: several Project Areas have found that branding support in general terms (for example, as tenancy support), rather than as financial advice (for example, money or debt advice), resulted in higher levels of engagement.
- It is important to maintain a clear distinction between landlords' support function and rent collections. This is because tenants can be reluctant to engage with income officers, assuming their priority will be securing rent/arrears payments, but are willing to engage with a tenancy support officer.
- It is important to map activity in terms of local (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.
- Notwithstanding the difficulties associated with highlighting the impact of externally provided support, landlords should work with external support agencies to ensure that this happens. This is because, in the context of scarce resources, it is imperative that landlords are able to demonstrate (or not) that support does work, in doing so highlighting what works, when, how and why and the value for money provided by different types of intervention.
- Once external support partners have been engaged, it is important to work closely with them on an ongoing basis.
- It is important that support provided to tenants is tailored to their needs and circumstances and that 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 is provided 'collectively', through workshops, seminars, or surgeries. However, while personalised support appears to be the most effective way of engaging tenants it is also the most resource intensive way of providing support.
- Some tenants who, it appears, do require support, may not necessarily want it and may be reluctant to engage.

4 The impact of the direct payment of Housing Benefit on landlords and other local stakeholders

4.1 How have landlords found implementation of direct payment?

In the first 12 months of the Direct Payment Demonstration Project (DPDP), 7,426 tenants received direct payment of Housing Benefit (HB) across the six Project Areas¹⁷. This was no mean feat. It quickly became apparent, during the project set-up phase, that the task of designing and preparing for direct payment was more extensive than anticipated. Landlords did not hold the data about their tenants that the Department for Work and Pensions (DWP) expected them to, and landlords did not know as much about their tenants' circumstances as they thought they did. Gathering basic details and bank account numbers from tenants was a long and arduous task, there were IT issues to resolve, and relationships with local support providers and financial product providers to develop. Meanwhile, programme design was still ongoing. In addition, during this most complicated and resource intensive period of the DPDP some Project Areas had no dedicated project manager (although all had a 'lead officer' and all subsequently appointed a project manager), having taken the view that this would not be necessary.

During this intensive early phase of the project there were frustrations and challenges. Project Area stakeholders were surprised that more design work had not been done prior to selecting the DPDP Project Areas and felt DWP's expectations and timescales were unrealistic. DWP, meanwhile, were surprised that social landlords were not able to draw down more information about their tenants to help with early engagement and assessment.¹⁸ Some mistakes were made (for example, administrative errors) and lessons quickly learnt.

However, by June 2012 (August in the case of Edinburgh¹⁹), when the DPDP was due to 'go live', all Project Areas were ready to make their first direct payment of HB. Fewer tenants were ready to be transferred onto the new system than originally projected and some elements of DPDP preparation had not been given full attention (developing support structures, for example), but the Project Areas and DWP had achieved a great deal in a limited timeframe.

¹⁷ The remaining tenants in scope were not put onto direct payment because they failed to engage (for example, they did not respond to efforts at contact, or did not provide bank details) or were assessed as not being ready for direct payment or needing support before moving to the new system.

¹⁸ See *Direct Payments Demonstration Projects: Learning the lessons, six months in* (DWP Research Report No. 839) – Publications – GOV.UK for a more detail discussion of the challenges encountered during the preparation phase of the DPDP.

¹⁹ Edinburgh joined the DPDP later than other Project Areas.

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This early phase of the DPDP proved the most challenging to local stakeholders. About six months after 'go live', stakeholders in the Project Areas reported being in 'steady state'. Challenges remained and there was work still to be done, but the process of administering direct payment and collecting rent was running relatively smoothly, allowing Project Areas to shift their attention to longer-term activities and challenges. This included working with tenants who had been safeguarded, developing support structures, and restructuring or expanding staff teams to meet the ongoing demands of direct payment. Having learnt lessons from the early phase of the project some Project Areas, for example, restructured rent teams, separated the rent collection function and tenancy support function more clearly, increased capacity in some teams, particularly in income and tenancy support teams, reduced housing officer 'patch' sizes, and employed a DPDP project manager. Once the administrative side of implementation was running smoothly, Project Areas were able to make, and test, these kinds of operational changes to determine those that were most effective locally.

4.2 What have been the key impacts of direct payment on landlords and other local stakeholders?

The key impacts of the introduction of direct payment on landlords and local stakeholders have been:

- **landlord cash flow and income streams** have been affected by the introduction of direct payment which, in turn, may have implications for loan agreements and business plans. This issue is explored in more detail in Chapter 5, which considers the 'costs' associated with direct payment;
- **organisational change**: the introduction of direct payment prompted participating landlords to consider new ways of working. Income teams have been reconfigured, roles have needed to change, new rent collection methods have been developed and trialled (SMS reminders, for example), 'patch' sizes have been reconsidered, and IT systems have been re-evaluated. Direct payment has demanded changes in staff roles and responsibilities, and has altered the expectations placed upon them. Income officers in some areas, for example, are now providing support and advice to tenants where this was previously absent from, or a marginal component, of their job. There is increased attention and scrutiny from Chief Executive Officers (CEOs), Boards of directors, members and councillors because of the potential consequences for landlord income streams – pressure which bears down more directly on staff than was previously the case;
- **cultural change**: landlords are having to reconcile the tension between their traditional social function and the need to adopt a more hard-headed commercial approach in order to protect income streams. As one landlord explained:

'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...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.'

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- *'we are getting to know our tenants in a way we didn't before'* (landlord): When the DPDP programme was launched, there was a widely held view amongst participating landlords that they 'knew' their tenants well. However, it soon became apparent that this was not the case – in order to prepare for and implement direct payment, participating landlords have had to develop relationships with tenants with whom they previously had little contact. They have had to improve their knowledge and understanding of tenants – for example, so they can be adequately supported, their readiness for direct payment assessed, early intervention developed, and effective collection methods employed. This has been a positive, if unintended consequence of direct payment for landlords;
- **additional demands on other organisations and services.** Contact with tenants was found to frequently uncover existing (and often long-standing) issues and difficulties unrelated to direct payment which, once identified, needed to be addressed by other services, including health, social care, and education. However, while not discounting this important resource issue, it is important to remember the 'bigger picture': that is, the needs of vulnerable tenants, a point acknowledged by Lord Freud in a recent speech:

*'Because of the projects, and the increased intervention that followed, the relevant authorities were able to step in and provide the appropriate support. So for some people direct payments have proved a useful mechanism for highlighting where they need support.'*²⁰
- **impact on other aspects of the landlord service.** The resource directed at managing direct payment – and seen as necessary to maintain acceptable rent collection rates – can have consequences for other aspects of the service. If effort and resource is being directed towards direct payment activities and tenants, that can mean it is being directed away from other activities and tenants. This phenomenon was reported by a number of landlords who reported that the DPDP had displaced resources from other activities.

4.3 What factors have facilitated the effective delivery of direct payment?

The following factors emerged as key in the effective management and delivery of direct payment in the DPDP. The question is whether these can be preserved, or replicated in a Universal Credit (UC) context.

- **The relationship between HB departments and landlords.** The cooperation and close working between HB departments and landlords has been crucial for effective implementation in the DPDP. There was frequent contact and communication between landlords and HB departments throughout the programme, and landlords valued the local knowledge and presence of HB staff. As one HB manager explained: *'we are in constant communication about these cases, and we know the landlords, and their issues and their tenants.'* The switchback process (or, more specifically, ensuring people were switched back promptly) sometimes relied upon landlords' relationship with, and access to HB staff. In most cases, HB staff and landlords were able to share claimant data and local stakeholders emphasised that data sharing was key to the smooth running of the DPDP.

²⁰ See: <https://www.gov.uk/government/speeches/transforming-welfare>

The importance of data sharing between landlords and HB departments

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

(Landlord)

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

(Landlord)

- **A dedicated project manager.** Few Project Areas started out with a dedicated project manager, but all ended up with one, which is testament to the value of strong governance structures, particularly in the intensive early implementation phase. In the words of one DWP Relationship Manager, reflecting on the benefits of strong project management, it is important that someone is *'responsible for drawing together the whole view, having a collective activity plan, project plan and be that person to draw it together'*. In terms of the nature of their roles, they engaged in two activities: project management, which involved coordinating the activities of participating landlords, and being the principal conduit between the Project Area and DWP; and implementing and sustaining direct payment activities in their area.
- **Additional resource.** All Project Areas highlighted the importance of allocating additional resource to the programme with all noting that it was relatively resource intensive. Most participating stakeholders emphasised that the effort, focus, and resource associated with the DPDP would be difficult to maintain. However, it is important to note that it was the business of the DPDP to learn how to deliver direct payment, in order that other organisations could do so more readily, easily and effectively. With the right design, and the right systems in place, when direct payment is rolled out it should not require the same level of resource.

4.4 What were the key challenges faced by landlords and other stakeholders?

- **Engaging with tenants.** Much effort went into contacting the 12,000 tenants brought into scope for the DPDP and approximately one-third had still not engaged (i.e. not responded or refused to comply with requests) by the time the DPDP went 'live'. By the seventh direct payment of HB approximately 1,500 had not engaged. Of the 536 tenants surveyed at the end of the first 12 months who had never gone onto direct payment 24 per cent reported not responding to attempts at contact. Evidence from the tenant panel suggests that some non-responders will have been resisting contact as a strategy for maintaining the status quo, seeking to avoid direct payment. Nearly one-quarter (23 per cent) of those surveyed reported never having been contacted, despite the fact that all tenants were sent letters several times. Engaging with tenants presented a real challenge in the DPDP, but is unlikely to be as much of an issue for UC. Direct payment in the DPDP was not mandatory

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and there were no sanctions against those who did not engage. The situation will be very different under UC, as one stakeholder explained:

'... 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.'

- **Assessing tenants' readiness for direct payment.** In order to target rent collection activity, minimise the financial risk associated with direct payment, and safeguard the most vulnerable tenants, landlords (and DWP, in a UC context) need to be able to identify those tenants most at risk of accruing arrears and the factors driving underpayment. However, the precise drivers of risk, and the characteristics associated with underpayment remain unclear; not just in the DPDP, but more widely in the field of debt and money management. The assessment processes trialled in the DPDP to identify those ready for direct payment and those unlikely to manage without support were not wholly effective²¹. Some tenants assessed as 'high risk' have managed well, paying their rent fully, and some assessed as 'low risk' have not. As one stakeholder 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'*. In fact, a key finding from analysis of tenant rent accounts is that payment patterns are highly complex, with tenants evading simple categories of 'good' and 'bad' payers. The evaluation team continues to explore this issue and further analysis from the Stage Two tenant survey and analysis of rent accounts should reveal further insight.
- **It is difficult to accurately forecast who will manage on direct payment and who will struggle.** One key message from analysis of DPDP rent account data is that payment patterns are highly complex and, to a significant extent, evade any simple categorisation of 'payers' and 'non-payers'.²² Instead, the answer often lies in the tenant's personal social circumstances and happenstance; things that are very difficult to predict and record.
- **Securing trust and commitment from tenants.** Support from claimants is not a necessary condition for delivery of direct payment (or UC). However, it does influence engagement, willingness to establish payment methods that help keep arrears low (for example, Direct Debits (DDs)), and willingness to accept support to manage direct payment. There is little support from tenants for the policy, and little confidence that the system will work (i.e. pay the right amount of benefit into the right bank account at the right time). Amongst those who stopped receiving direct payment, 78 per cent reported wanting to leave the programme. It is not surprising, then, that Project Areas struggled to engage switchback tenants in support to help them 'switch-forward' (i.e. return to direct payment). Over half (58 per cent) of the tenants surveyed who were on direct payment expressed a preference for landlord payment, 20 per cent expressed a preference for direct payment and 22 per cent had 'no opinion'. Amongst those not on direct payment (including tenants who received direct payment but switched back) when surveyed, only six per cent expressed a preference for direct payment (89 per cent expressed a preference for landlord payment).

²¹ DWP developed a support assessment tool which was used by Project Areas to determine a tenant's readiness for direct payment. Some Project Areas adapted this tool or used supplementary information and methods to assess tenants.

²² See *Direct Payment Demonstration Projects: Rent underpayment*, DWP Research Report No. 877 for a detailed discussion of tenants' payment patterns.

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- **Effective rent collection and arrears recovery using existing IT systems.** The IT systems being used by most Project Area landlords did not have the reporting capabilities necessary to manage direct payment in the most efficient way. In order to be most effective, landlords need to target collection and recovery action, and devise strategies and tools for early intervention. This is only possible if system reporting functions can support relevant queries (for example, looking at variable date ranges rather than fixed cycle periods) and landlords can begin to unpick tenants' individual payment patterns over time. One landlord, for example, explained that until they made recent changes to their system, hundreds of cases of rent arrears were revealed each month with only a proportion requiring intervention. A housing officer manually sifted the cases to identify those where action was needed. In some Project Areas, identifying tenants to be switched-back was undertaken manually:

'Switchbacks are very laborious. Every month XX [staff member] has to spend three or four days doing this as everything has to be done manually ... it's a real pain.'

- **DWP's limited understanding of how social housing landlords operated at the beginning of the programme.** The social housing sector is very diverse with landlords' operational practices differing markedly. Notwithstanding this, there was consensus amongst stakeholders in the Project Areas that, at the beginning of the programme, DWP's lack of understanding of how social housing landlords operated impacted on the design, development, and implementation of the DPDP. This point was also acknowledged by a Relationship Manager at DWP:

'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 local authority 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.'

- **Complex payment patterns make it difficult to develop early interventions or preventative measures.** The payment patterns that resulted in rent arrears during the first 12 months of the DPDP were far more complex than anticipated. Tenants have not fallen neatly into 'good' and 'bad' payers. For example, of the 300 respondents who went onto direct payment but were switched back, only three per cent missed all their rent payments (28 per cent sometimes failed to pay **all** their rent) and only one per cent always underpaid. And reference to rent account data revealed that some tenants who routinely paid their rent in full and on time unexpectedly missed a payment one month, and some of those who struggled when they first went onto direct payment subsequently managed well.

Stakeholder experiences of direct payment: key learning

- Consulting and communicating with tenants proved time consuming and resource intensive under direct payment. However, there may be number of benefits accruing from these activities, not least that they may help landlords to get to know their tenants better.
- Under UC it will be vital that landlords 'know' their tenants and ensuring that they do should be a priority for them.
- Landlords should review the compatibility of their IT systems with UC.
- As is explored in Chapter 7, with the continuing roll out of UC, landlords should review the ways they operate. They need to look at a range of issues including: the roles and responsibilities of their rent collection and arrears recovery officers; how they collect rent; how they recover arrears; 'patch' sizes; and IT systems.
- Under UC, landlords will have to reconcile the tension between their traditional social function and the need to adopt a more hard-headed commercial approach in order to protect income streams.

5 The cost of direct payment

In an effort to assess the impact of direct payment on landlord income streams, the evaluation team analysed the rent accounts of all tenants who received direct payment. A separate report presents detailed findings from the Rent Account Analysis (RAA) of the first 12 months of the Direct Payment Demonstration Project (DPDP), and a follow-up report presenting analysis from the full 18 months of the programme will also be available. This chapter draws heavily on these data.

5.1 What has been the impact of direct payment on arrears?

This analysis reveals that tenants receiving direct payment of Housing Benefit (HB), on average, paid 6.6 per cent less rent per payment period (6.6 pence for every £1 of rent owed) during the 12-month period. If we take the average rent owed by tenants per payment period across the Project Areas (£370), this would amount to £24 less rent received per payment period than if tenants had not been on direct payment.²³

5.2 Has the impact of direct payment on arrears lessened over time?

Yes: the impact of direct payment did lessen significantly over time with their being a pronounced underpayment ‘spike’ at the beginning of the programme. In the first three rent payment periods after being put onto direct payment, tenants paid on average 15.8 per cent less rent per payment period than they would have done if direct payment had not been introduced. By payment periods 4 to 6 this figure had fallen dramatically to 3.2 per cent with it falling again in payment periods 7 to 9 (1.5 per cent). By payment periods 10 to 12 direct payment tenants paid, on average, 1.2 per cent less of their rent per rent payment period than they would have done had their HB been paid direct to the landlord.

Other rent account data also highlights the magnitude of the spike: over half (54 per cent) the total arrears that accrued in the first 12 months of the DPDP accrued in the first rent payment period after tenants received their first direct payment of HB.

However, the sharp reduction in rent payment rates may be attributed to a wider range of factors other than tenant payment behaviour. Although tenants were staggered onto direct payment, the majority transferred to the new system in the first few months of the DPDP. This was a time when direct payment was in its infancy – learning had not yet accrued, and systems and processes were being trialled and tested. Administrative errors occurred, some processes were found to be less than effective (the support assessment process,

²³ The impact of direct payment is assessed using statistical modelling techniques. This technique allows direct payment to be isolated from other factors. It produces a different figure to the overall arrears figure of 5.7 per cent (see 2.1) because the latter includes the influence of switching back to landlord payment and is a straightforward analysis of the rent owed against rent paid, which is then measured against a comparator sample (who paid almost 100 per cent of rent owed).

for example), and support structures were not yet in place. Over time, Project Areas learnt lessons and made changes in responses to these, established programmes of support or developed relationships with support providers, and became more experienced and effective at managing direct payment.

5.3 Do arrears that accrue in the early stages of direct payment get paid back?

In short, no: much of the arrears that accrued in the early stages of direct payment had not been repaid at the end of the first 12 months of the programme, even though tenant payment behaviour improved markedly with time. Although the payment behaviour of many of those tenants who initially failed to pay all their rent improved over time, much of their 'standing arrears' remained. They may have quickly established positive payment behaviour, but they did not repay the arrears already built up: at the end of the first three payment periods the value of arrears was £1.2 million; at the end of the final payment period the value of arrears was £1.6 million – an increase of £0.4 million (33 per cent). Early arrears, therefore, are not repaid and continued to accumulate, albeit at a slower pace. And most tenants who accrued arrears while on direct payment (79 per cent) were still in arrears at the end of the first 12 months of the programme.

5.4 Have arrears accrued because a few people have paid no rent, or because lots of people have underpaid?

Underpayment was much more common than non-payment. Tenants paying no rent formed a relatively small proportion of all those who had accrued arrears – between 27 per cent in the second rent payment period and 13 per cent in the 11th payment period. By payment period 12, non-payers comprised just 16 per cent of the sample of those who had accrued arrears. **However, non-payment had a greater impact on the total value of arrears than underpayment.** Although non-payers accounted for a relatively small proportion of those who accrued arrears, they accounted for between 32 per cent (in rent payment period 1) and 50 per cent (in rent payment period 2) of the total value of arrears. In rent payment period 12, non-payment accounted for 47 per cent of the total value of arrears.

It is worth noting that the amount by which tenants underpaid varied between tenants and over time. The proportion of tenants who underpaid their rent by a relatively large amount (i.e. by 50-100 per cent of the rent due) increased with the introduction of direct payment. In the three payment periods prior to the introduction of direct payment this group accounted for an average of ten per cent of those who accrued arrears.²⁴ For the 12 payment periods

²⁴ Prior to the introduction of direct payment, non-payment could only occur as a result of administrative problems, although significant underpayment would be possible amongst those on partial HB.

following the launch of the DPDP the proportion grew to an average of 41 per cent.²⁵ However, underpaying by a relatively large amount was more prevalent in the early stages of the DPDP, particularly in payment period one. Over time the profile of tenants accruing arrears each period shifted, with a greater proportion underpaying by a smaller amount.²⁶

5.5 In addition to arrears, are there other costs to landlords of implementing direct payment?

Yes: there are additional costs associated with delivering direct payment and there was a consensus amongst landlords that it was more resource intensive than landlord payment. However, it is not possible to quantify them because none of the Project Areas undertook a systematic and comprehensive assessment of these costs or held monitoring data on them. The data secured by the evaluation team on the subject was garnered through in-depth interviews with key local stakeholders.

When exploring this issue it is important to focus not just on costs but also on resource, as many of the additional activities undertaken by landlords did not result in direct, additional costs to them, even though additional resource was employed. Landlords identified a number of areas where the delivery and management of direct payment had resulted in the use of additional resource and increased costs as a result of the increase in the proportion of tenants paying their own rent²⁷:

- **staff time**, which was seen as being the biggest cost. For example, all Project Areas appointed a dedicated DPDP project manager and in most areas this represented additional staffing. And several employed additional housing/tenancy support workers (ranging from 0.5 – 1.75 FTE) when it became clear that capacity in existing teams was not sufficient. However, it is important to note that some of this additional staff time was a result of the administrative demands of the DPDP programme – for example, officers from Project Areas attended numerous programme events and had to provide monitoring information and progress updates on a regular basis, and not a result of the demands of direct payment per se;

²⁵ A series of ‘switchback triggers’ operated in the Project Areas, designed specifically to remove tenants displaying particular payment patterns from remaining in the programme. This included triggers designed to ‘switchback’ high value persistent underpayers, and triggers designed to switchback non-payers after a period of time. This will, therefore, have affected the patterns of underpayment which emerged.

²⁶ Further information about underpayment can be found in the research report, *Rent ‘Underpayment’ in the Direct Payment Demonstration Project*. The underpayers report, which was written after this one, highlights the key issues to emerge from a bespoke piece of research on the issue. It draws on data generated from the following quantitative and qualitative sources: landlord rent accounts; a telephone survey of underpayers; and in-depth interviews with 20 tenants who took part in this survey.

²⁷ It is important to remember that some tenants on HB – those on partial HB or with deduction from their HB – were already paying some of their rent themselves so some of these costs would already have applied.

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- **the cost of upgrading and improving rent collection and recovery IT systems:** A number of landlords purchased new software packages because their existing IT systems were not compatible with direct payment, with a common 'gripe' being that they could not provide the 'live', current data, that direct payment demanded. These packages could be relatively expensive – one landlord, for example, reported spending £50,000 on purchasing one:

'Our biggest challenge is our IT system... we were having to do so many things manually ... so we invested £50,000 in xxx [a rent collection software package]'

- **the cost of communicating with tenants:** There are (non-staff) cost/resource implications for all four of the most commonly used communication methods used by landlords: letter writing; telephoning; face-to-face visits; and SMS texting. A number of landlords used texts to remind tenants to pay their rent and reported that it was an effective way of boosting payment rates:

'SMS messaging in advance reminding tenants about making future payments [has been important] ... it was very effective in early December [2012].'

- **payment transaction costs:** Landlords reported that the increase in the number of HB tenants paying their own rent (rather than it being paid direct to the landlord) increased transaction costs. Although these costs primarily related to Direct Debits (DDs), as this was the preferred payment method for most tenants, in some areas the increase was (in part) a result of the fees charged by pre-payment card providers:

'Our transaction costs have gone up because we have to pay a fee every time a tenant pays their rent using a pre-payment card ... and there's a ceiling of £150 ... I think they pay 40 pence per transaction ... it's costing us a lot of money ... we worked out that it is costing us £440 in additional costs for our tenants.'

(Lead Officer, housing association);

However, it is important to note that there are cost savings in the medium and long-term associated with the introduction of some of the activities above. For example, a consequence of more communication between landlords and tenants is likely to be better payment rates. Also, a number of landlords reported that text reminders had improved their collection rates. And the landlord that had introduced a new £50,000 IT system reported that it would result in fewer staff hours being spent identifying tenants in arrears and a much more effective IT system: *'that [£50,000] sounds a lot of money but it provides data on weekly basis, which is a big improvement on our old system which provided it monthly'*.

5.6 What is the total cost of direct payment?

Because we do not know the cost of delivering direct payment it is impossible to answer this question. However, even if it were possible to generate a figure, one would have to treat it with a degree of caution, particularly in the context of the development of UC. This is because in three respects the UC context is very different to the one for DPDP, with obvious (and conflicting) resource implications:

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- first, DPDP landlords devoted considerable resources to managing and supporting tenants on direct payment. However, they report that it would be difficult to devote the same level of resource when UC is rolled out in full, although it is important to note that DPDP, with its emphasis on testing and learning, is a very different model to UC, which may not require the same level of resource:

'We had to make DP work and thrown loads of resources at it ... but we won't be able to do this under UC and we will have to spend less resource ... so I'm not sure what any costings for DPDP tells you about UC.'

(Project Lead, Housing Association);

- second, a number of project area officers reported that management costs could be higher under UC than under the DPDP. This was because they felt that greater resource would have to be devoted to rent collection and rent arrears recovery as some tenants would struggle to manage when all their benefit was combined into one, UC payment (DPDP is concerned only with the housing element). However, it is important to remember that tenants are accustomed to handling the rest of their welfare payments themselves;
- third, in the DPDP relatively senior members of staff were heavily involved in managing and delivering the programme and had taken a more 'hands-on' approach than they would normally do, with consequences for the costs associated with delivering direct payment. However, these relatively expensive staff are unlikely to fulfil the same role when UC is fully rolled-out:

'Our costs for direct payment are not realistic ... and it's been more expensive that it will be under UC ... you won't get senior staff like me working on it or xxx in xxx. It will be more junior staff. And that will push the cost down ... and we won't have the resource to do all the face-to-face visits we are currently doing.'

(Project Lead)

The cost of direct payment: key learning for landlords

- The first few rent payments following a tenant's first direct payment of HB are critical. It is during this period that most arrears accrue and some tenants whose rent accounts were up to date when the DPDP went live, fell into arrears in these early payment periods. The capacity of tenants to manage direct payment will not fully explain this 'arrears spike' – administrative problems, underdeveloped support structures and landlord implementation issues will also have contributed – but analysis of payment patterns shows that tenants struggle more in this early phase, managing much better over time.
- Preventing the build-up of early arrears is crucial because analysis shows that tenants struggle to repay once arrears have accrued. Landlords therefore need to be particularly proactive in terms of rent collection when tenants first go onto direct payment.
- Notwithstanding this, it is important that they recognise in their cash flow projections and business plans that their income is likely to fall when tenants first go onto UC.
- It is important that landlords pay particular attention to recovering 'early arrears' and ensuring that these arrears do not become the 'standing' arrears for tenants.
- Landlords should target resources on minimising non-payment as it results in greater arrears (by value) than underpayment.
- Investing in initiatives designed to improve the management and delivery of direct payment, such as new IT systems and software packages, and SMS text reminders, are likely to result in cost savings in the medium to long term as direct payment is scaled up under UC. And this is also likely to be a consequence of better landlord/tenant communication, and landlords working more intensively with their tenants, who under UC, they must get to know better.
- Furthermore, without investment, some landlords may find it a challenge to manage the resource implications of direct payment under UC as they have to deal with more rent payment transactions and more tenants in arrears. And for these landlords investment will not be purely about securing cost efficiencies but also about ensuring that they provide an effective service under UC.
- Landlords should put in place systems to measure the cost and impact of their initiatives to help them manage direct payment as this will allow them to highlight the value for money they provide, thereby facilitating optimal resource allocation. And linked to this, it is important that they undertake value for money assessments of the support they provide, whether directly or indirectly through external agencies, such as Citizens Advice Bureaux.
- Landlords' payment transaction costs will increase under UC, with the fees they pay to pre-payment card providers increasing. They should therefore consider entering into negotiations with providers about their fees, ideally doing so 'collectively' as this will give them more bargaining power.

6 How transferable are these findings to a Universal Credit context?

The Direct Payment Demonstration Project (DPDP) has provided important information and lessons about the impact of direct payment. The purpose of generating learning is so that direct payment can be rolled out successfully as part of Universal Credit (UC). Before considering the implications of the findings summarised in this report – for landlords, for tenants, for other stakeholders and for the development of UC (see Chapter 7) – it is useful to reflect, therefore, on how transferable these findings are to a UC context. In answer to this question, the following differences need to be considered.

- UC has a far longer lead in time than the DPDP and learning has now accrued. The purpose of the DPDP was to test direct payment ahead of roll-out as part of UC. Direct payment in the DPDP was introduced without the benefit of learning, while direct payment as part of UC will be introduced having considered a body of evidence and learning over a significant period of time.
- Support structures were not well developed when the direct payment went live in the DPDP. Few tenants had, therefore, received advice or support before going onto direct payment in the early months of the DPDP. The value of support, the nature of support required, and the impact of support on rent payment rates remains unclear, but the absence of adequate support could help explain the ‘spike’ in arrears during DPDP tenants’ transition onto direct payment. The value of support has been considered further as part of UC policy development, a Personal Budgeting Support process developed which is being tested in the UC Pathfinders, and a Local Support Services Framework developed, setting out an approach to build local partnerships to support people moving onto UC. More effective support processes at the outset might help mitigate risk during a tenants’ transition onto direct payment.
- Some of the budgeting strategies employed by tenants, which helped them manage direct payment, will need to be revised under UC. Receiving Housing Benefit (HB) directly but separately from other income sources is very different to receiving it as part of a single monthly benefit payment. Ring-fencing income to expenditure (the ‘jam jar’ approach), juggling payments and income through the month (for example, ‘borrowing’ from the HB for food but repaying the following week with the Child Benefit) and operating short budgeting cycles will be more difficult under UC. Tenants will need to develop new financial management and budgeting strategies, or find ways to replicate current systems under UC (for example, opening several bank accounts or using internet banking to move money around). On the other hand, some tenants may find budgeting easier once their income from benefits is rolled into one monthly payment.
- The process for assessing tenants’ readiness for direct payment under UC will be different to that employed by the DPDP. Some tenants who were put onto direct payment in the DPDP, and who subsequently did not manage, are likely to be safeguarded under UC.

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- In the DPDP, administration of HB remained the responsibility of local authorities and data sharing between them and landlords is commonplace. Under UC the responsibility for administering HB (or the housing component of UC) will pass to the Department for Work and Pensions (DWP). The close relationship between landlords and HB staff, their local presence and knowledge, and the sharing of information about claimants proved key to effective implementation of the DPDP. It is not clear what the consequences of this change will be.
- In the DPDP, Project Areas were testing different switchback ‘triggers’ – one month, four weeks, eight weeks and 12 weeks. Some also employed additional triggers to capture persistent underpayers. Switchback triggers affect the amount of arrears that can accrue. Under UC the switchback trigger will be two months.²⁸
- In the DPDP, landlords took the lead in engaging with tenants, assessing their readiness for direct payment, identifying support needs, collecting bank details and so on. This placed considerable pressure on landlords in the early phases of implementation. Under UC, the role of landlords in these processes is limited and the responsibility will fall to DWP.
- Direct payment was not mandatory in the DPDP, although tenants were not given a choice to ‘opt out’. In practice, a tenant could avoid direct payment by refusing to respond to requests for bank details. Under UC, a tenant’s benefit claim will not be processed and UC will not be paid if they do not engage. Engagement may be easier and less resource intensive under UC. However, little is known about the characteristics of non-engagers in the DPDP so it is possible that their participation in the DPDP would have altered the results (for example, if they are particularly good money managers the overall impact on arrears may have been less, or if they are particularly vulnerable it may have been more).

The context in which direct payment was implemented in the DPDP, and some of the systems and processes employed, will be different when direct payment is rolled out as part of UC. The lessons to emerge from the DPDP are crucially important, but the ‘results’ – the ease or difficulty with which the programme was implemented, the arrears that accrued and the patterns of underpayment – will not be identical.

²⁸ See *The Government Response to the Communities and Local Government Select Committee Report: Implementation of Welfare Reform by Local Authorities*. Presented to Parliament by the Secretary of State for Communities and Local Government by Command of Her Majesty. June 2013. Cm 8635. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228845/8635.pdf

7 Key lessons to emerge from the DPDP for Universal Credit

7.1 Introduction

As part of the presentation of the key research findings to emerge from the first 12 months of the Direct Payment Demonstration Project (DPDP) programme, the preceding sections have paid particular attention to highlighting learning for landlords. Building on this, and with the focus on the roll out of Universal Credit (UC), this section pulls together all the key learning to emerge from the programme, in doing so highlighting learning for the following groups:

- social housing landlords;
- the Department for Work and Pensions (DWP) and the UC programme team; and
- ‘other’ stakeholders, specifically support agencies, lenders and tenants.

7.2 Lessons for Social Housing Landlords

- **Start preparing for the introduction of UC as early as possible.** Learning from the DPDP has shown that implementing direct payment has taken longer, and has been more complex, than had been envisaged when the programme was conceived. In particular, making ready IT systems and communicating effectively the changes to tenants are elements that require a long lead-in period.
- **It is difficult to accurately forecast who will manage on Direct Payments (DP) and who will struggle.** One key message from analysis of DPDP rent account data is that payment patterns are highly complex and, to a significant extent, evade any simple categorisation of ‘payers’ and ‘non-payers’. Similarly, landlords reported that they were often surprised by who struggled on direct payment. Instead, the answer often lies in the tenant’s personal social circumstances and happenstance, things that are very difficult to predict and record.
- **The importance of ‘knowing’ your tenants.** There was a consensus amongst the DPDPs that it is imperative under direct payment that landlords hold up-to-date and robust information about their tenants, relating to a number of issues, including their contact details, key demographic attributes, and housing and payment ‘history’. For the many landlords that do not, resource will have to be allocated to collecting data on their tenants. While there are, of course, a number of ways that they can do this, including undertaking one-off surveys and visiting tenants in their homes, it is imperative that landlords’ records are updated on a continuous basis. This is because, as noted earlier, many tenants lead very complex and ‘fluid’ lives, with their circumstances (and telephone numbers!) changing regularly. Furthermore, this is a complex issue with an ethical dimension. What sort of information should the landlord hold on the tenant? Should this go beyond information to determine the right to tenancy? Landlords need to think carefully about what it is they should know about their tenants by considering: i) exactly what their role is as a landlord, and ii) how much they need to ‘know’ (and should know) about their tenants’ financial circumstances.

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- **The importance of making support available to tenants.** Although the evidence base on the impact of support is limited, there is some evidence that it does make a difference. Landlords need to consider a range of issues including:
 - What type of support is required? The way support is provided is important and affects take-up rates and its impact on tenants. 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. However, while personalised support appears to be the most effective way of engaging tenants it is also the most resource intensive way of providing support.
 - Do different people require different types of support and advice?
 - Who is best placed to deliver support and advice? And should it be delivered by a support agency? Landlords may not be best placed to provide some forms of support and advice and should look to work with key local support agencies, in line with guidance in the Local Strategic Support Framework for UC, and they may seek to form local support partnerships.
 - When is the support required? While it is important that support is offered to tenants wherever they are on the direct payment journey, it appears that it is particularly important to offer it as tenants transition from landlord payment.
- **The first few rent payments following a tenant's first direct payment of HB are critical.** It is during this period that most arrears accrue and some tenants whose rent accounts were up to date when the DPDP went 'live' fell into arrears in these early payment periods. Therefore, preventing the build-up of early arrears is crucial because analysis shows that tenants struggle to repay once arrears have accrued. Landlords therefore need to be particularly proactive in terms of rent collection when tenants first go onto direct payment. And it is important that they pay particular attention to recovering 'early arrears' and ensuring that these arrears do not become 'standing' arrears. Finally, landlords should target resources on minimising non-payment as it results in greater arrears (by value) than underpayment.
- **Delivering direct payment is more resource intensive than landlord payment and landlords will need to allocate additional resource to rent collection and arrears recovery.** And they will also need to consider (and implement) new and better ways of working, such as using text rent payment reminders, employing rent collection staff in different ways, and upgrading IT systems. Some of these initiatives will have a cost. However, it is important to remember that their introduction is likely to result in cost savings in the medium and long term.
- **Landlords should review the suitability for UC of their IT systems.** Many will need to invest heavily in this area. This is because without investment, many will struggle to manage the resource implications of direct payment under UC as they deal with more rent payment transactions, and more tenants in arrears. For these landlords, investment in IT will not be purely about securing cost efficiencies, but also about ensuring that they provide an effective service under UC. However, improving IT systems is not a straightforward task. Firstly, 'off the shelf' IT packages are not yet available for landlords. While some of the Project Areas have made strides in developing their own systems, these are not easily transferable between organisations for a variety of practical and business reasons. Secondly, landlords need to direct adequate resources to IT projects, particularly ensuring that project leaders have the requisite knowledge and understanding of IT requirements.

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- **Landlords need to become better at assessing the impact of their interventions.** Specifically, they need to be better at measuring the cost and impact of their initiatives to help them manage the implications of direct payment. This will allow them to highlight the value for money they provide, thereby facilitating optimal resource allocation. And linked to this, it is important that they undertake impact and value for money assessments of the support they provide, whether directly, or indirectly through external agencies, such as Citizens Advice Bureaux.
- **Landlords need to review the way they operate.** They need to look at a range of issues including: the roles and responsibilities officers; how they collect rent; how they recover arrears; 'patch' sizes; and IT systems. And they will need to be prepared to adapt. Furthermore, they will also need to reconcile the tension between their traditional social function and the need to adopt a more hard-headed commercial approach in order to protect income streams.

7.3 Lessons for the DWP and the Universal Credit programme team

For many tenants, direct payment can (and does) work. However, for some it does not as evidenced by the increase in arrears on the DPDP programme.

Tenants do not fall into neat categories of 'good' and 'bad' payers. If it were this simple, the 'bad' payers would quickly be removed from the system through the switchback process, or their characteristics could be examined so they could be targeted for preventative action or safeguarded altogether. However, payment patterns are far more complex than that. Tenants who pay their rent fully, and on time, can miss a payment one month and some of those who struggle when they first go onto direct payment subsequently manage well. These complex payment patterns reflect their complex lives.

The circumstances and characteristics which make tenants vulnerable to accruing arrears remain unclear. The assessment processes that have been trialled under the DPDP to identify those ready for direct payment and those unlikely to manage without support have not been effective. In order to target rent collection activity, minimise the financial risk associated with direct payment, and safeguard the most vulnerable tenants, DWP needs to be able to identify those tenants most at risk of accruing arrears and the factors driving underpayment. This is an area where further learning is needed. Whatever the outcome of this learning, it is imperative that the assessment and selection process devised is robust, transparent, and asks the 'right' questions.

There is some, limited, evidence to suggest that direct payment can change the attitudes and behaviour of tenants, although this is a preliminary and tentative finding, and more will be done by the study team on this issue for the final report.

However, the scope for broader behavioural change for some tenants paying by Direct Debit (DD) may be limited. Many tenants using DD synchronised their benefit and rent payments. While this behaviour is entirely positive, and an ingenious way of ensuring that HB monies are protected, it limits the scope for broader behavioural change. This is because tenants simply do not 'see' their benefit. Therefore, whilst DDs may be an effective mechanism for safeguarding both landlords and tenants, and it is the payment method which correlates most strongly with high rent payment rates, to a large degree it also removes the tenant from the equation, and lessens the potential for broader behavioural change.

- **Designing and initiating the DPDP programme took much longer than anticipated, with challenges, problems and issues emerging on a regular basis.** Given the scale and scope of UC, it is imperative that its timetable for roll out acknowledges this and that time is factored into it to allow for the 'unexpected'.
- **Key to the success of the DPDP was the relationship between the HB administrator (local authorities) and social housing landlords.** Under UC, the challenge for DWP, who will be responsible for the administration of HB, and landlords will be (as far as is possible) replicating this relationship. One way to help ensure that this happens is through some form of data sharing.
- **While considerable progress has already been made in this area, DWP needs to gain a better understanding of how social housing landlords operate and the issues they face.** It also needs to recognise that they are entering a period of great uncertainty and change, principally triggered by UC, leading them to review (and potentially revise) their operating practices, organisational structures and culture, and ethos, as they grapple with the conflict between their social and commercial functions.
- **In both quantitative and qualitative terms, the banking offer to tenants needs to be improved.** There needs to be **more and better products**, with products being better suited to the needs of tenants. DWP needs to work closely with the banking sector to ensure that this happens.

7.4 Lessons for support agencies, lenders and tenants

7.4.1 Support agencies

The roll out of UC is likely to see an increase in demand for the services provided by support agencies.

In the context of scarce resources, support agencies need to be better at demonstrating the impact of their work and the value for money it provides. As part of this process, they need to work much more closely with landlords.

7.4.2 Lenders

The impact of direct payment on arrears has not been as great as was feared when the policy was first announced.

Based on the experience of the DPDP, when UC is rolled out the arrears rates of social housing landlords are likely to increase, with higher rates becoming the norm and the rent arrears 'bar' rising. However, most landlords will adapt to these changes and will continue to operate successfully and, as the DPDP landlords did, they will put in place a raft of measures to protect their income.

As noted earlier, social housing landlords are entering a period of uncertainty and many will transform the way they work. This process will undoubtedly (and understandably) be accompanied by some teething problems, which lenders need to be sympathetic to.

7.4.3 Tenants

The DPDPs have shown that the first two months of receiving direct payment is the time when tenants are most likely to get into rent payment difficulties. Therefore, tenants need to start planning for UC as early as possible. This should involve them:

- finding out more about UC and what it entails, information which should be readily available from their landlord;
- securing good money management advice and support if they feel they need to. In terms of establishing how to secure this support, again, tenants may consider contacting their landlord in the first instance. However, the Citizens Advice Bureau also holds this information and can provide support in its own right. Tenants specifically seeking budgetary advice and budgeting tools and with access to the internet, may find the budgeting website run by the Money Advice Service²⁹ helpful.

When moving onto UC, tenants should think very carefully about the payment method they use and synchronising their HB and rent payments.

Tenants should also be mindful that landlords do not have a role in UC in terms of the administration of HB and do not make decisions about welfare benefits. Their responsibility is to collect rent from their tenants. However, landlords are concerned with the welfare of their tenants and may be able to offer advice and support regarding UC.

Where tenants do experience payment difficulties, it is advisable to contact the landlord as soon as possible. There will be many ways in which the landlord can assist.

²⁹ See: <https://www.moneyadviceservice.org.uk>

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