

# Implementing Direct Payment of Housing Benefit: *An Evaluation of Circle Housing's HB2U Pilot Project*

May 2016



# **Implementing Direct Payment of Housing Benefit: *An Evaluation of Circle Housing's HB2U Pilot Project***

**Centre for Regional Economic and Social Research  
Sheffield Hallam University**

Stephen Green  
Ian Wilson

May 2016

# Contents

<b>Abbreviations .....</b>	<b>i</b>
<b>Executive Summary .....</b>	<b>ii</b>
<b>1. Introduction and background .....</b>	<b>1</b>
1.1. HB2U project .....	1
1.2. Universal Credit .....	3
<b>2. The triage process .....</b>	<b>5</b>
2.1. The triage process: scenarios .....	5
2.2. The triage process outcomes .....	6
2.3. Triage process activities and resourcing .....	7
2.4. The experiences of income officers .....	9
2.5. Characteristics identified during the triage .....	11
<b>3. Rent collection and arrears .....</b>	<b>14</b>
3.1. Number receiving HB2U payments .....	14
3.2. Rent collection .....	15
3.3. Rent arrears .....	15
3.4. Technical arrears .....	16
<b>4. Payment patterns .....</b>	<b>17</b>
4.1. Percentage of HB2U tenants in arrears .....	17
4.2. Payment patterns .....	18
4.3. Reasons for creating additional or new arrears .....	19
4.4. Income officer views on the tenant experience .....	19
<b>5. Rent collection and arrears over time .....</b>	<b>21</b>
5.1. Build-up of arrears over time .....	21
<b>6. Switch backs and voluntary switch backs .....</b>	<b>23</b>
6.1. Number of switch backs and voluntary switch backs .....	23
6.2. Comparison of rent collection and arrears rates .....	24
6.3. Switch backs repaying arrears accrued on HB2U .....	25
<b>7. The impact of the triage process .....</b>	<b>26</b>

7.1.	Impact of the triage process.....	26
<b>8.</b>	<b>Higher risk characteristics .....</b>	<b>31</b>
8.1.	Relative importance .....	31
8.2.	Analysis of tenant payment patterns: by characteristics .....	32
<b>9.</b>	<b>Payment methods: Direct Debit .....</b>	<b>35</b>
9.1.	Payment methods used by tenants on HB2U.....	35
9.2.	Payment methods for tenants on partial Housing Benefit.....	36
9.3.	Comparing rent collection and arrears rates.....	36
9.4.	Tenant experiences .....	37
<b>10.</b>	<b>Making direct payment work: the tenants' perspective.....</b>	<b>39</b>
10.1.	Tenant views on how they made HB2U work for them.....	39
<b>11.</b>	<b>Actions and contact with HB2U tenants.....</b>	<b>42</b>
11.1.	CHW taking actions or contacting tenants due to arrears .....	42
11.2.	Tenants contacting CHW.....	43
<b>12.</b>	<b>Comparisons against the DPDPs.....</b>	<b>44</b>
12.1.	Comparison between HB2U and the DPDPs on key outcome measures.....	44
<b>13.</b>	<b>Conclusions and key learning .....</b>	<b>46</b>
<b>14.</b>	<b>The evaluation.....</b>	<b>49</b>
14.1.	Data collected during the triage process.....	49
14.2.	Rent account and monitoring data .....	50
14.3.	The Tenant Panel.....	50

# Abbreviations

APA	Alternative Payment Arrangement
CHW	Circle Housing Wherry
CRESR	Centre for Regional Economic and Social Research
DPDP	Direct Payment Demonstration Projects
DWP	Department for Work and Pensions
ESA	Employment Support Allowance
FCHO	First Choice Homes Oldham
HA	housing association
LA	Local Authority
JSA	Job Seekers Allowance
RSRS	Removal of the Spare Room Subsidy
TP	Tenant Panel
UC	Universal Credit

# Executive Summary

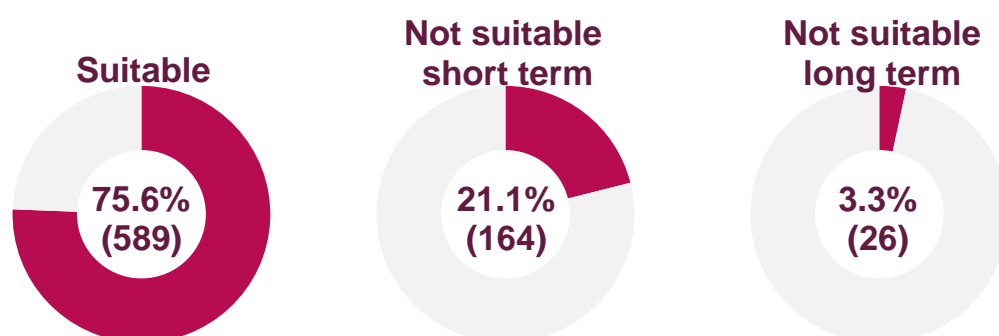
This report provides findings from the evaluation of Circle Housing's HB2U Housing Benefit Direct Payment Pilot project. This was undertaken by Sheffield Hallam University's Centre for Regional Economic and Social Research (CRESR), who were also the authors of the Direct Payment Demonstration Projects (DPDPs) evaluation for the Department for Work and Pensions (DWP).

The HB2U project was created to provide learning for Circle Housing in preparation for the full introduction of Universal Credit (UC), which replaces Housing Benefit with a housing element as part of a combined monthly payment. Section 1.2 provides more detailed information on UC. The HB2U project aimed to prototype the transition of Circle Housing Wherry (CHW) tenants onto direct payment of Housing Benefit by piloting the project with tenants within the Broadland District Council local authority area. The project began in February 2014 and went live with tenants in June 2014.

## Assessing suitability

CHW assessed 779 tenants for their suitability to receive direct payments. This process was referred to as a 'triage'. Of these, 589 tenants (76 per cent) were assessed as being suitable for HB2U (direct payment). Twenty four tenants were assessed as being not suitable. This included 164 tenants (21 per cent) in the short term and 26 tenants (3.3 per cent) in the long term (Figure ES1).

Figure ES1: Triage outcomes



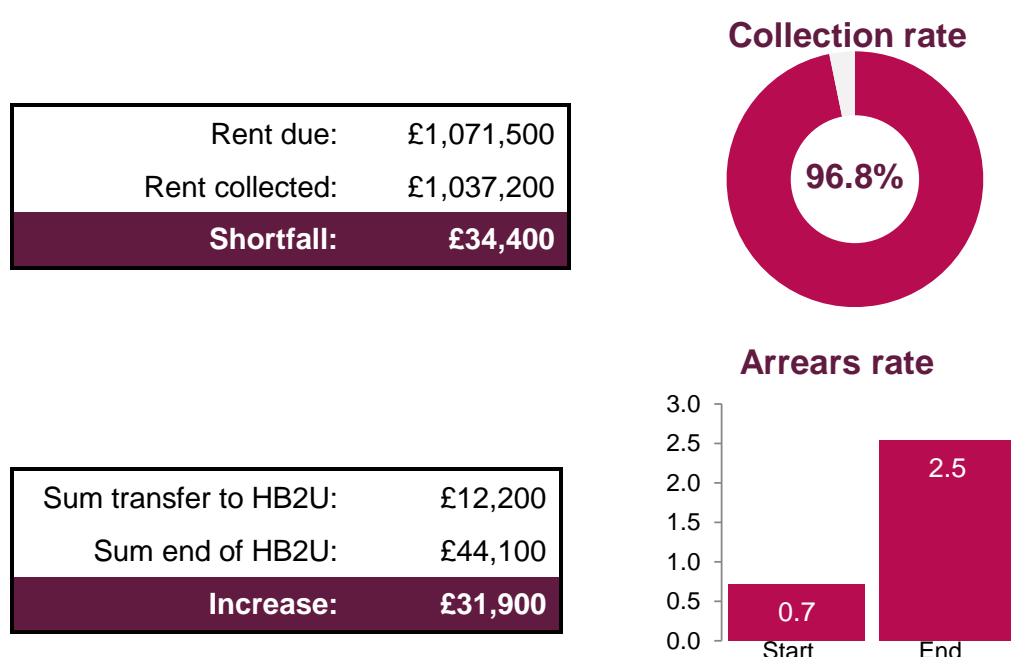
In a live UC environment, it is estimated that **24 per cent of triaged tenants would have been put on Alternative Payment Arrangements (APAs)**. This included 168 tenants who would have been given an APA following their initial assessment and an additional 21 tenants who switched back from direct payment during the course of the project. The actual number of APAs may have been as high as 28 per cent if it had also included: a) tenants had two months' worth of arrears or more at the point of triage (21 tenants); and b) all those who voluntarily elected to switch back from direct payment (12 tenants).

## Rent collection and arrears

**HB2U led to reduced rent collection and increased arrears** for the 349 tenants who received a Housing Benefit payment through HB2U (Figure ES2). In total 96.8 per cent of

rent was collected. This was 4.1 percentage points lower than receipts from similar tenants not on HB2U. Rent arrears increased by 1.8 percentage points to 2.5 per cent. This was 2.1 percentage points more than for similar tenants not on HB2U.

**Figure ES2: Rent collection and arrears**



Rent collection of 96.8 per cent should be treated as a financial 'worst case scenario'. There is a realistic expectation that rent collection results would improve for tenants in the second year and in subsequent years. In addition, a 'live' UC environment will include an automatic two month 'switched back' trigger; this trigger was used discretionarily as part of HB2U. This will cap the maximum value of arrears which can be accrued before a tenant is transferred to a managed landlord payment. There will also be increased rates of repayment of arrears direct to Circle Housing Group, from the DWP, for tenants who reach this level of arrears.

**HB2U increased the proportion of tenants with arrears** - from 21.5 per cent to 37.8 per cent - **and it increased the average value of their arrears** - from £162.66 to £334.40 per tenant in arrears. Section 4.3 provides reasons why arrears were accrued.

## Payment patterns

**The impact of HB2U on arrears was greatest in the first few periods.** Three-quarters of the value of arrears at the end of the project had been accrued in tenants' first three payment periods on HB2U.

## Switch backs

Thirty three tenants (nine per cent) were switched back due to arrears (15 tenants; four per cent) or voluntary asked to be switched (18 tenants; five per cent).

**Tenants who were switched back due to arrears had a significant impact on collection and arrears rates.** They accounted for 30 per cent of the shortfall in rent collected despite being responsible for only three per cent of rent due. This highlights the importance of arrears monitoring and early intervention to reducing the impact of direct payment on arrears.

## Impact of the triage process

A key feature of the HB2U project (and not present in the DPDPs) was the **triage** assessment process - **face-to-face detailed assessment** - undertaken with tenants prior to their transfer to direct payments. The triage process allowed CHW to: gather an up to date profile of their tenants; identify tenants who were unsuitable for direct payment (or required some support before going on); and manage successfully their tenants' transition onto direct payment. Section 2.2 discusses the activities and resourcing involved in completing the triage process.

Evidence from this project suggested that the **triage process led to higher early collection rates** - 92.7 per cent compared to 85.2 per cent - **and lower rates of early switch backs** - 1.1 per cent compared to 6.4 per cent - than those achieved in the DPDPs, which did not include an equivalent tenant assessment process. The evaluation also found that tenants themselves valued the triage process; Section 7.1 discusses this in more detail.

## Higher risk characteristics

While triage was found to be successful, it was **not possible to accurately predict particular groups of tenants who would accrue arrears**. Arrears were often accrued as the result of unpredictable events emerging whilst tenants were on HB2U, such as a change in household circumstances.

**Better collection and arrears rates were achieved by tenants who used Direct Debit to pay their rent** (Figure ES3 and ES4). Direct Debit was also identified as the most important factor in predicting whether a given tenant accrued additional or new arrears. Section 9.4 provides tenant experiences of using Direct Debit.

Figure ES3: Rent collection and arrears for tenants paying by Direct Debit

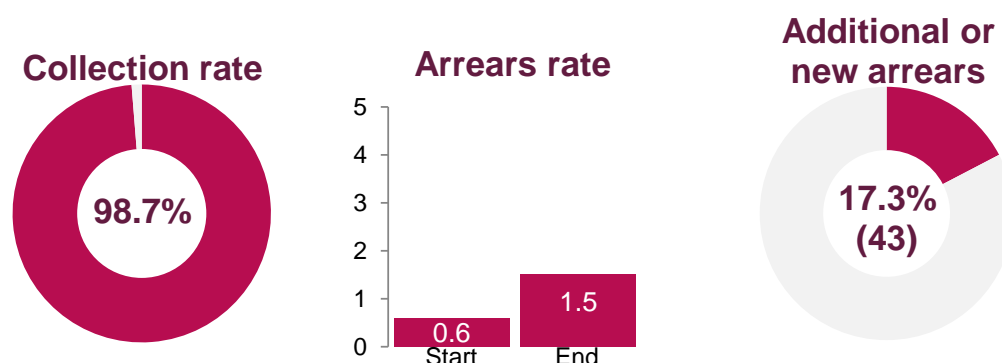
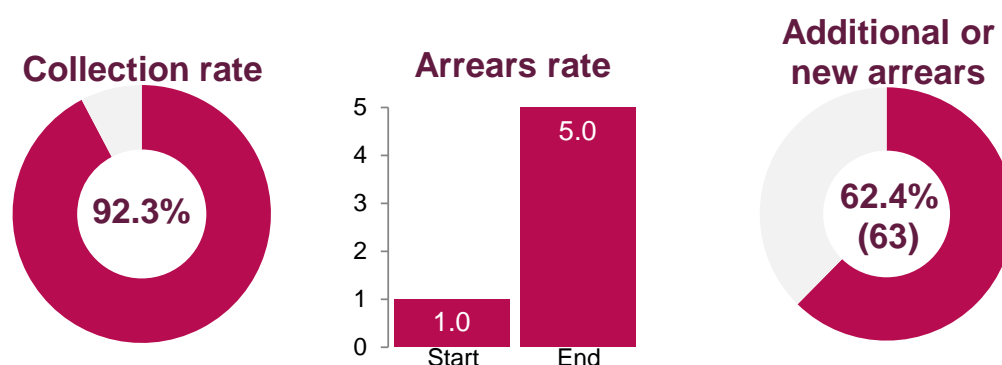


Figure ES4: Rent collection and arrears for tenants paying by other methods





The following factors were identified by the Tenants Panel as being crucial in making HB2U work (Chapter 10):

- having financial acumen
- selecting the most suitable payment method
- and prioritising rent payments.

### **Tenant action and contact**

**HB2U increased actions against tenants due to arrears** (41 per cent increase) **and tenants contacting CHW** (114 per cent increase).

## **What HB2U tells us about UC**

**Within a live UC environment, social landlords will be exposed to:**

- **an increased number of tenants who can accrue arrears**
- **an increase in the maximum value of arrears claimants can accrue in a given month**
- **unpredictability of which tenants will accrue arrears**
- **fluidity in cash flow as tenants move between arrears and credit. increased demand on organisation resources: to complete arrears actions and through increased contact from tenants**
- **a time lag at transition onto UC where it can be reasonably expected for a tenant to pay their rent**
- **however, a detailed triage process with tenants prior to their switch to direct payment could limit this impact.**

# Introduction and background

This report provides findings from the HB2U Housing Benefit Direct Payment Pilot project. In 2014, the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University was commissioned by Circle Housing Wherry (CHW) as an independent organisation to evaluate the impact of HB2U. This included:

- providing validation and support on data collection processes
- producing quarterly briefings of emerging findings from the project
- producing a final evaluation report on project findings.

The CRESR team were also the authors of the Direct Payment Demonstration Project (DPDP) evaluation reports.<sup>1</sup>

## 1.1. HB2U project

A central plank of the Government's Welfare Reforms has been the introduction of Universal Credit (UC) (see Section 1.2) whereby a number of working age benefits have been consolidated into one monthly benefit payment, made direct to the claimant. This constitutes a significant change for tenants and landlord's business model. It was believed it would create a change in the risk profile and have an adverse effect on social landlords' rental income management and collection. The DPDPs highlighted some areas of concern for social housing landlords,<sup>1</sup> including the scale of increased rent arrears and the level of investment in technology and resourcing required to support additional payees.

The HB2U project aimed to prototype the transition of Circle Housing tenants within a single local authority (LA), as a proxy for UC, onto direct payment of Housing Benefit. The project initiated in February 2014 and went operationally live with tenants in June 2014. The key objectives of the project were:

- to effectively profile tenants, accurately identifying those unsuitable for direct payment and the various levels of support needs for individual tenants, and successfully manage the transition of those eligible onto direct payment

---

<sup>1</sup>DWP (2014) Direct Payment Demonstration Projects: 12 months in extended learning report; Department for Work and Pensions: London, research report no 876  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/333076/dpdp-12-months-in-extended-learning-report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/333076/dpdp-12-months-in-extended-learning-report.pdf)

- to provide Circle Housing and wider stakeholder groups with a greater understanding of the potential financial impact of direct payment for housing associations (HAs) focussing on rent collection, rent arrears and income management
- to provide Circle Housing and wider stakeholder groups with a greater understanding of tenant behaviours in response to direct payment.

For Circle Housing, HB2U was a key opportunity to prepare the organisation for UC and a wholesale move away from receipt of Housing Benefit from local authority housing benefit departments. While Circle Housing had studied the findings from DWP's DPDPs, senior officers were keen to test direct payments within their organisation and without the direct management of DWP. DWP were not involved in establishing, managing and funding HB2U. However CHW maintained an 'open, honest and frequent dialogue' with DWP officials which allowed them to be responsive to developments in UC, and DWP to draw upon findings and observations from HB2U.

Circle Housing selected CHW to carry out the HB2U programme because:

- it was a well-performing arm of the group
- CHW had close ties with its district council; it was important to work in partnership with the authority to ensure that housing benefit was paid directly to tenants
- its housing stock provided a good mix of urban and rural settings
- CHW had a mixed tenant profile.

To be eligible for HB2U tenants had to be of working age and in receipt of full or partial Housing Benefit. It should be acknowledged that the HB2U project was not a full replication of UC. This is primarily because only Housing Benefit was paid direct to the claimant on a four-weekly basis, and not the other working age benefits which would also be consolidated within a single monthly UC payment.

UC will provide greater complexities on top of the HB2U experience, for example:

- landlords will have to **react to UC claims**; at the time of writing uncertainty prevailed over how much warning landlords would receive that one of their tenant's would move onto UC or how much input they would have in the assessment of suitability
- claimants will not be able to claim UC for seven days, with the first UC payment being received some one month and 14 days later; this may add further **lags before a landlord receives their rent**. Some of this will be 'technical arrears' but these would still affect cash flow and financial reporting
- the **onus will be on the tenant** to update their UC claim for rent changes
- in most cases the **UC payment will include additional 'elements' other than housing costs**. This may provide opportunities: for example, more money in tenant bank accounts from which to take rent payments. However tenants may struggle to separate out their housing cost - 'rent money' - from other benefit payments.

## 1.2. Universal Credit

UC was introduced in April 2013 starting in a small number of sites across England, Scotland and Wales. A gradual rollout has taken place across Great Britain, with all areas set to be included by spring 2016. Roll-out of UC in Broadland District Council, the area in which the HB2U project ran, commenced in December 2015.

The full Universal Credit service remains on track to be delivered nationally for all types of claimants from May 2016, completing in June 2018.

UC incorporates major changes to:

- the mix of benefits and Tax Credits people can receive
- the support offered
- the work-related expectations placed on claimants and the conditions of receiving benefits.

It provides a single system of means-tested support for working age people who are in or out of work and is paid in a single monthly payment. UC replaces:

- income-based JSA
- income-related Employment Support Allowance (ESA)
- Income Support
- Working Tax Credit
- Child Tax Credit
- Housing Benefit.

UC is made up of different amounts, or 'elements'. The housing cost element helps tenants with their eligible rent and service charge costs, replacing Housing Benefit. In the majority of cases this housing element is paid monthly, within the total UC payment, direct to the tenant. The tenants then have responsibility for paying their own rent to their landlord.

Claimants initially claim UC online. An online service allows claimants to use the service at any time, including to access and update information and receive guidance. Other means are provided for claimants who are unable to use the online service.

The claimant is expected to provide appropriate evidence to support their UC claim, including rent and tenancy information. Housing cost claims are made monthly, calculated from weekly rents using the following formula: weekly rent multiplied by 52 and divided by 12. Claimants are expected to inform DWP of any change that will affect their claim, including annual rent increases. The DWP sends social landlords a letter informing them when a tenant makes a UC claim.

Applications are assessed monthly and paid monthly in arrears. The first UC payment is usually received one month and 14 days after the claim is submitted.

A number of safeguards have been put in place to support tenants and help them manage their money. Budgeting supports are offered when a claimant first moves onto UC. A claimant can ask for a UC new claim advance if they are in need and cannot manage until their first monthly payment of UC is received. This is a proportion of the full payment and is recovered over a period of time.

Alternative Payment Arrangements (APAs) are available for claimants who 'genuinely can't manage their monthly [housing cost] payment'. These include having: a managed payment to the landlord, a split payment or a more frequent payment.

The need for an APA may be identified at the onset by the Jobcentre Plus work coach during a Work Search Interview, alongside Personal Budgeting Support or during the claim. APAs can also be triggered by the claimant, their representative, or the landlord advising of a build-up of arrears.

The DWP is also currently piloting the 'trusted partner status' scheme with 30 social landlords. The scheme allows the Housing Association to identify tenants likely to fall into arrears and apply to the DWP for an APA. Because of the 'trusted partner status' of the landlord, the DWP would implement the APA without further investigation. The landlords would then provide the tenant with support to become financially independent, and where appropriate, move the claimant back onto the standard monthly payment as soon as they are able to pay the rent themselves. Details have not been provided about how landlords will gain 'trusted partner status' or the evidence they will need to provide in support of their application as this still has 'pilot' status and will be determined in due course.

A claimant can be considered for one or more APAs based on individual circumstances and characteristics. A UC Agent will act on behalf of the Secretary of State to make a decision whether to award an APA taking into account numerous Tier 1 and Tier 2 factors, for example:

- problems managing to pay bills on time, particularly rent
- inability to manage a monthly budget.

A managed payment to a landlord can be made when:

- the claimant has arrears on their rent for an amount equal to, or more than, two months of their rent
- a claimant has continually underpaid their rent over a period of time, and they have accrued arrears of an amount equal to, or more than, one month's rent.

APAs will be reviewed to take account of any changes in claimant circumstances. Reviews will be set at 3, 6, 9, 12, 15, 18 and 24 month periods.

### ***Wider welfare reform changes***

A number of wider welfare reform changes have already taken place whereby claimants that under-occupy bedrooms will have their Housing Benefit or housing element of UC reduced by:

- 14 per cent of the rent charge for one spare bedroom
- 25 per cent of the rent charge for two or more spare bedrooms.

In addition the summer 2015 Budget announced that rents in the social housing sector in England will be reduced by one per cent for each of the four years from 2016.

## The triage process

A key feature of the HB2U project, not present in the DPDPs, has been the detailed triage process undertaken with tenants at the start of their journey on the project.

During the HB2U triage process income officers assessed and captured considerable amounts of information regarding the tenant's situation and suitability for switching to direct payment. This was within the broad categories of: banking, financial, health, support needs and other lifestyle and personal issues. The assessment took a conversational approach that was in the main customer led. Income Officers assessed tenants against known high risk factors, such as high arrears or health/disability issues. However, tenants were not pigeonholed into 'suitable' or 'unsuitable' groups based solely on certain pre-defined characteristics. For example, if a tenant had six weeks' worth of arrears on their rent account but this was being managed - for example there was evidence that they had kept up with their repayment agreement - then they may have been assessed as suitable for HB2U.

### The evidence highlights:

- the added value of the triage process to assess tenant suitability
- the likelihood that between one in four and one in five tenants would initially be put on APAs
- the average face-to-face interview with a tenant took 26 minutes to complete, with the complete triage process for each tenancy averaging approximately 1 hour and 34 minutes (excluding travel time).

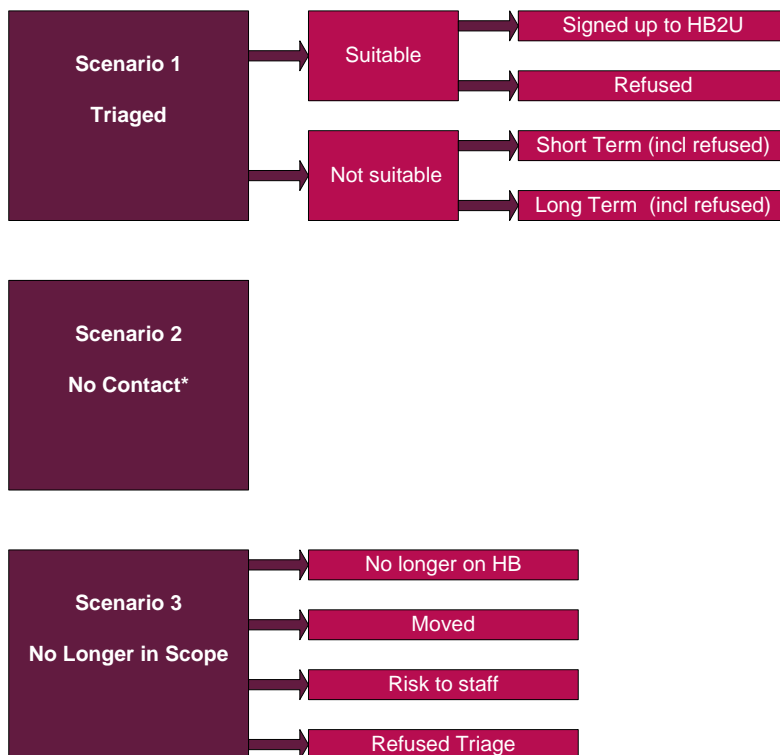
This chapter is structured as follows:

- Section 2.1 provides a summary of triage scenarios
- Section 2.2 details headline triage outcomes
- Section 2.3 describes the activities and resourcing involved
- Section 2.4 details the characteristics of tenants.

### 2.1. The triage process: scenarios

Figure 2.1 summarises triage process scenarios.

**Figure 2.1: Triage process scenarios**



## 2.2. The triage process outcomes

1,305 tenants were contacted as part of the triage process.

Figure 2.2 provides a detailed breakdown of the triage process outcomes. Key points include:

- 779 tenants<sup>2</sup> (60 per cent) had been triaged
- 589 (76 per cent) of the 779 triaged tenants were identified as being suitable for HB2U. 164 tenants (21 per cent of those triaged) were identified as not being suitable in the short term, but possibly ready if they received further support.

One hundred and ninety tenants (24 per cent of triaged tenants) were identified as not being suitable. However in 22 cases this was because the tenant did not have a bank account: no additional 'not suitable' reason was flagged. Assuming these tenants would otherwise have been suitable 22 per cent of triaged tenants would have had an APA following triage in a UC environment.

However, as later analysis on switch backs shows, **tenant circumstances are fluid**: an additional 21 tenants (six per cent of tenants who received HB2U) who were switched back or voluntarily switched back became eligible for APAs during the course of the project for Tier 1 or Tier 2 reasons. **Therefore we can estimate that 24 per cent of tenants (189 tenants) would have been given APAs in a UC environment.**

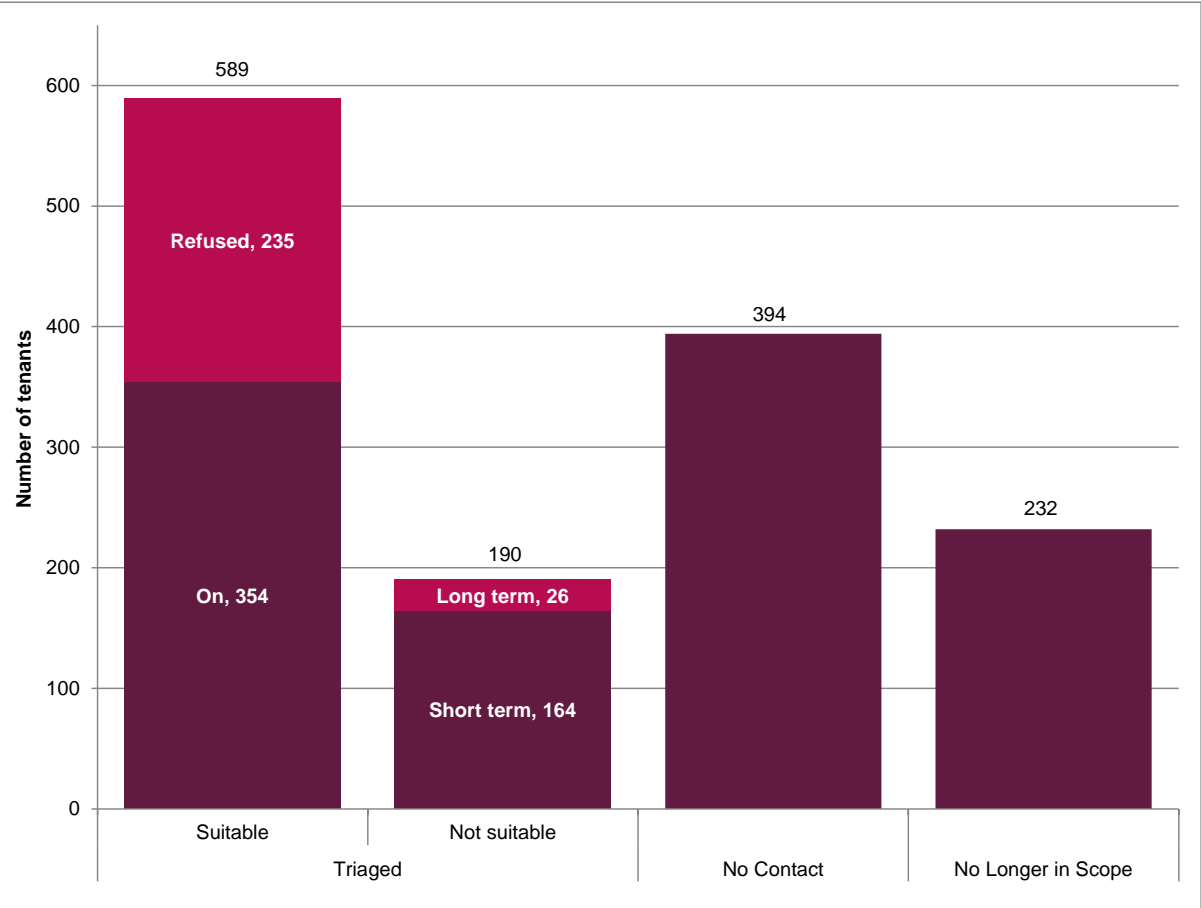
The actual percentage may have been higher depending whether a broader set of assumptions are made. A further six per cent of tenants who went on to HB2U (21

<sup>2</sup> This includes one tenant who did not give permission for their triage or rent account data to be used in the analysis.

tenants) had rent arrears equal to two months' worth of rent or more. In a live UC environment they too may have been given an APA. This would take the total rate of potential APAs to 27 per cent.

It may also be appropriate to include an additional 12 tenants who voluntarily switched back without disclosing an explicit justification that aligned to Tier 1 or Tier 2 criteria. If these tenants were included too, the **overall potential number tenants in receipt of an APA at any one time could be expected at around 28 per cent.**

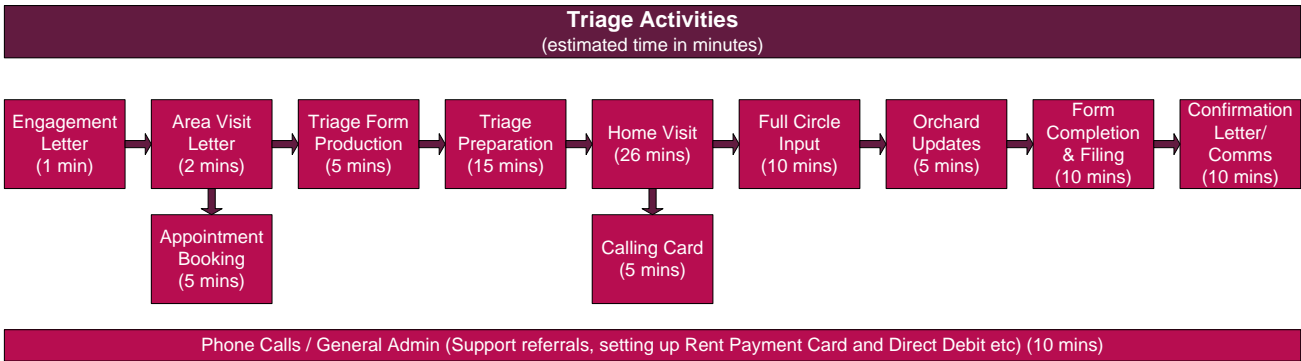
Figure 2.2: Triage process outcomes; to 4 August 2015



2.3. Triage process activities and resourcing

The following process flow shows the activities that were involved as part of completing each triage:

Figure 2.3: Triage process activities





The average time taken to complete the end to end process for a single triage was **approximately 1 hour and 34 minutes**<sup>3</sup>. Each unsuccessful triage attempted that failed to make contact with the tenant took on average 38 minutes as this still required preparation effort.

Analysis of data for completed triage interviews reveals:

- an average of 1.4 attempts were required to make contact with the tenant; two attempts were required for 191 tenants and three or more attempts for 39 tenants
- 94 per cent of triage interviews were by home visit
- on average a triage interview home visit (i.e. the time spent completing the interview with the tenant) took 26 minutes,<sup>4</sup> with the actual time ranging from five minutes to 90 minutes; even if the process pre- and post- home visit could be streamlined this time will be required to gather the necessary level of detail to provide an informed assessment of suitability.

### ***Implementing triage: an Income Officer's account***

#### **Implementing Triage: An Income Officer Case Study**

To further illustrate the activities and resources required for the triage process, the following account provides an example of the three week cycle of work for one officer working 21 hours per week (63 hours in total on a three week cycle).

*The area I am currently working on has 39 properties in scope for the HB2U project.*

***Before week one, customers have already received several communications, the most recent of which was a letter advising which days I would be calling in their area [and] offers a more specific appointment if people want to ring, e-mail or text me. Two customers chose to ring in and make specific appointments. The other properties were cold-called. Sometimes, several customers in a row are at home when I visit, but at other times I spend quite a lot of time writing out calling cards - my record is 18 calling cards - six in a row!***

***[In week one] The process of visiting and completing triages, and leaving calling cards when people are not in, lasts around six days in total (42 hours). Some of this time is spent in the office, returning calls, making new appointments, making cold-calls by telephone, and processing the paperwork for people where I have successfully completed a triage visit.***

***During week two I also receive a batch of 38 letters from my manager to send out for my next phase of HB2U. These need putting in envelopes, along with an HB2U factsheet and sending to the customer. I also look at two or three accounts each week, where customers from previous phases have started to receive the very first HB2U payment.***

***During week three, I make sure all the inputting has been completed on Orchard and Full Circle Reporter. I also had eight appointments for triage visits that I made by cold call telephone contact the week before. Some of this work might have been needed in weeks one or two, depending on when the next HB payment was due, and therefore when we need to get all input and paperwork completed, so***

<sup>3</sup> These times are an indicative average per activity and the overall time does not include travel time appointment booking or calling card.

<sup>4</sup> This does not include either time before or after the triage visit.

*that HB2U can be set up with the local authority. We also write to the tenants who have agreed to go onto HB2U to confirm the changeover date, and the details of how they will pay. If the customer will pay by Direct Debit we also need to set this up on the Allpay web connect system. **The rest of week three is usually spent preparing my next phase of HB2U visits.***

*For this area of 39 properties, 20 triages were completed. **Most successful triage visits last about 25 minutes.***

## **2.4. The experiences of income officers**

As part of the project, three CHW income officers who had been involved in triage took part in a focus group to share their experiences of the process.

### ***Willingness to do HB2U***

Income officers reported that they were surprised that so many of their tenants were willing to sign up for HB2U. Tenants were asked to volunteer for the pilot and income officers explained that tenants could 'make up their own mind' about whether to go on or not. There were two key reasons why take-up was high, according to income officers:

- tenants understood that UC *would* be introduced in the future
- tenants would benefit from additional help and support from CHW that they would be unlikely to receive when UC went live.

One Officer recalled:

***They could see it's beneficial - it was coming, so this was a good way of preparing for it - it would save hassle down the line. Circle would do all the paperwork for them and offer some assistance and guidance.***

However, not all tenants elected to take part in HB2U:

***Some are stuck in their old ways and don't like change. Some people want to wait till the last minute. And others just didn't want the hassle. And there was quite a bit of denial - that UC is never going to happen.***

Also, income officers reported that a small number of tenants elected not to go on to HB2U either because they did not have a bank account or they did not have a phone or internet access. Income officers were able to offer tenants some advice on bank accounts, without actually setting up the account for them, and they reported that several tenants did set up a bank account and then get back in touch to sign up for HB2U.

The income officers reported that their line managers had prepared them well for HB2U. All participants demonstrated a clear understanding of the pilot, and all were positive about the merits of direct payments to tenants. Officers believed that the majority of tenants claiming housing benefit could successfully manage on direct payment, with sufficient guidance and support. They reported that, in practice, the majority of people had been successful at paying their rent on time once they made the switch to HB2U. One officer believed that tenants should be paying their rent themselves regardless of income source:

***I think people's self-esteem has been enhanced, because they now know the rent is their responsibility, regardless of where the money comes from for that.***

### **Experiences of triage**

Income officers were asked about their experience of the triage process - whereby they gather information from tenants and assess their 'readiness' for HB2U. Overall, the officers were very positive about triage and believed that it was an efficient way to gather the 'right' information from the tenant, provide information, answer their questions and make an assessment about whether they should go on to HB2U. One officer reported that it streamlined and enhanced liaison with tenants:

***Some of it is a formalisation of the kind of tenant liaison we would have done. But it's been simplified and streamlined in Triage. The form is good - helps us collect all the info we need.***

Officers also felt that collecting information about tenants' personal financial and health situation was necessary and valid. They reported that tenants had mostly been willing to share this information too.

***I've no problem asking the difficult financial questions. I think that's the kind of information we need to support the tenant and make sure they can pay the rent.***

While triage provided a good way of 'exchanging information' about HB2U, income officers reflected that in some circumstances tenants had not always fully understood everything that they were told. For example, tenants who were previously unfamiliar with direct debits (DD) demonstrated that they had not fully understood their responsibilities for ensuring that the rent is paid.

***Well, we thought they did [understand]. And in a lot of cases they did. But for some, later their direct debit bounced or they didn't realise the housing benefit had gone in and spent some of it. So I think that they hadn't fully understood what they needed to do.***

***So we found things later when problems occurred. But it's difficult to help people sometimes. They don't take offers of help on very easily. Some are a bit embarrassed that they don't know the basics [of the banking system]***

One key aspect to Circle Wherry's HB2U triage process was that income officers made the decision about who should go onto HB2U and who should not. Officers explained that it was important to offer the opportunity to a wide range of tenants, "because when UC comes in everyone is in scope".

Income officers believed that their own 'intuition', knowledge and awareness of their tenants were key to the assessment process, and that meeting with the tenant face-to-face was key to achieving this:

***Being face to face is the most important thing for working out whether someone is going to pay [their rent]. People do occasionally say - 'I'm gonna spend the money if I get it, I can't help it'. That's very difficult to assess whether they should go on.***

In some cases, income officers reached the conclusion that a tenant was not ready for HB2U. They explained that this was done both to protect Circle Wherry's rent collection and in the best interests of the tenant - in effect to provide a 'safeguard'

against rent arrears, debt and risk of eviction. The most common reasons for this determination were:

- financial reasons: for example the tenant had unmanageable debts and/or had little money management skills
- social reasons: for example the tenant had issues associated with drug or alcohol misuse and claimed that they would be unlikely to pay their rent.
- health reasons: for example poor physical or mental health would prevent the tenant from being able to 'cope' with, or 'manage', rent payments themselves.

Income officers reported that it was the last of these - health reasons - that often proved the most difficult to assess. On the one hand, they argued that tenants with disabilities could have relatively high levels of benefit payments and therefore were more likely to be able to manage their rental payments well, and less likely to be experiencing unmanageable debts. On the other hand, they reported that mental health problems could make assessment 'tricky', as people's health could alter rapidly. As one officer said:

*Sometimes the tenant is absolutely OK when you're doing triage - able to cope well. But two months later that's changed. Depression and anxiety has taken over and everyday things, such as paying the rent, becoming too difficult.*

But, income officers also reported that tenants with mental health difficulties had sometimes coped well and tenants who were in good health and without unmanageable debt had sometimes failed to meet their rent payments on time. There remained a level of unpredictability, therefore, even where no obvious difficulties were uncovered by the triage process.

*I've been surprised about how many people have managed. It's hard to say who will manage and who won't. There are some people with learning difficulties who manage fine for instance. People just need to be responsible for themselves.*

## 2.5. Characteristics identified during the triage

Table 2.1 summarises characteristics and issues identified during the triage interview for all 779 triaged tenants. It also shows tenants broken down by whether they were assessed as suitable<sup>5</sup> (589 tenants) or not suitable (190 tenants) for HB2U. Key findings include:

- nearly all tenants (94 per cent) had a bank account: only 44 tenants did not
- existing financial difficulties - such as rent arrears or credit card debt problems - were the most common issues identified that would impact on a tenant's ability to manage direct payment; this was true for 89 tenants (47 per cent) who were assessed as not suitable for HB2U
- 76 triaged tenants (41 per cent) assessed as not suitable for HB2U had existing health conditions - such as depression or mobility conditions - which would have impacted on their ability to manage HB2U

---

<sup>5</sup> Note: data are not presented for one tenant who did not give permission for their triage data to be used in the analysis.

- 196 triaged tenants (25 per cent) were in either full or part-time work; 160 of these tenants (82 per cent) were assessed as suitable for HB2U; contrary to many expectations 36 tenants (19 per cent) in full or part-time work were assessed as not suitable for HB2U
- 329 tenants (42 per cent) were in receipt of ESA, including 228 tenants (39 per cent) who were assessed as suitable for HB2U
- eight per cent of tenants triaged claim JSA, with an equal percentage of tenants deemed suitable and not suitable
- 'single person' and 'lone parent' were the most common household compositions identified during the triage process (34 per cent and 31 per cent respectively); proportionally single person households made up a far smaller percentage of tenants assessed as suitable compared to those assessed as not suitable (30 per cent compared to 47 per cent)
- 82 per cent of suitable tenants (460 tenants) had access to the internet compared to 61 per cent of unsuitable tenants (105 tenants); over three-quarters of suitable tenants (78 per cent; 460 tenants) had access to the internet at home.

**Table 2.1: Characteristics and issues identified during the triage process; to 4 August 2015**

	Suitable		Not suitable		Triaged	
	Number	Per cent	Number	Per cent	Number	Per cent
<b>Banking</b>						
Bank account	582	99	153	81	735	94
Banking with no issues identified	586	99	170	89	756	97
<b>Issues identified<sup>6</sup></b>						
Financial difficulties identified			89	47		
Debt problems			77	41		
Health conditions identified			76	40		
Mental health and substance			64	34		
Other issues identified			11	6		
<b>Economic status</b>						
Claim JSA	49	8	15	8	64	8
Claim ESA (either group)	229	39	101	53	329	42
Income Support	130	22	29	15	159	20
Full or part-time work	160	27	36	19	196	25
<b>Household composition</b>						
Couple	33	6	8	4	41	5
Couple with dependent children	106	18	17	9	123	16
Single person	176	30	90	47	266	34
Lone parent	200	34	41	22	241	31
Other multi person	74	13	34	18	108	14
<b>Internet Access</b>						
Access to internet	481	82	115	61	596	77
Access via smart phone only	100	17	27	14	127	16
Access at home	460	78	105	55	565	73
<i>Base</i>	<i>589</i>		<i>190</i>		<i>779</i>	

Note: with the exception of household composition the groups are not mutually exclusive. For example tenants could be identified as having multiple types of issues which may have impacted on their ability to manage direct payment.

<sup>6</sup> Note issues were only identified if they would have significant impact on a tenant's ability to manage on HB2U.

## Rent collection and arrears

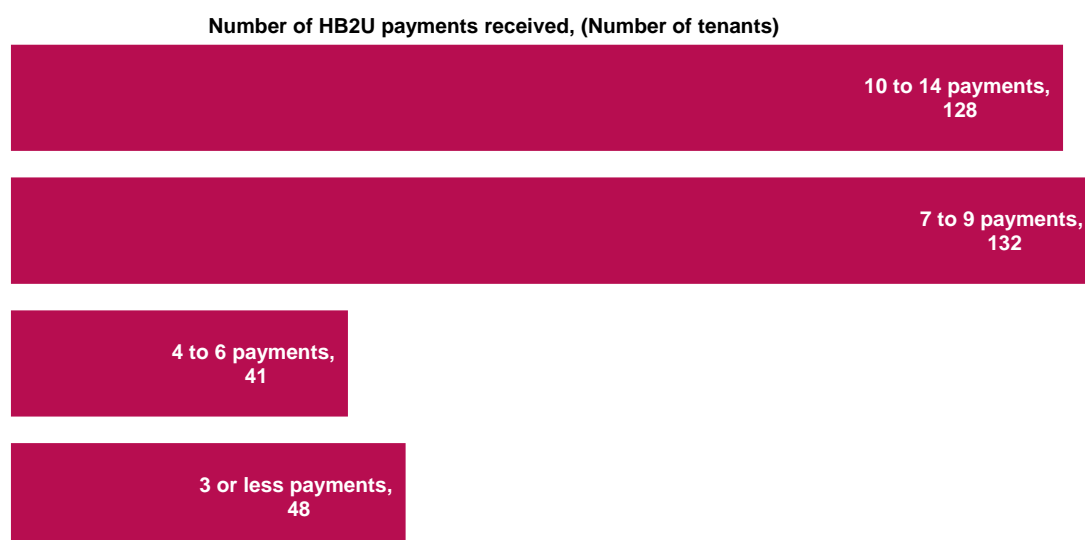
This chapter details the headline rent collection and arrears figures for the HB2U project. Key findings are:

- 96.8 per cent of rent was collected; this was 4.1 percentage points less than the level received from similar tenants under the previous regime
- rent arrears for HB2U tenants increased by 1.8 percentage points, from 0.7 per cent to 2.5 per cent
- technical arrears created in the transition to HB2U totalled £28,000, an average of £80.47 per tenant.

### 3.1. Number receiving HB2U payments

349 tenants received at least one HB2U payment by the end of week commencing 27 July 2015. The number of payments received ranged from one to 14 (Figure 3.1)

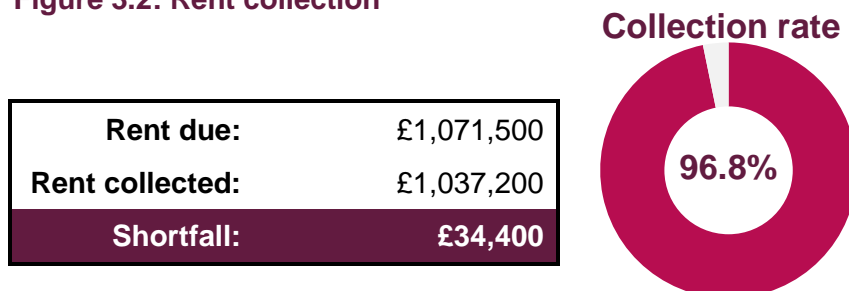
**Figure 3.1: Number of HB2U payments received**



### 3.2. Rent collection

Figure 3.2 shows 96.8 per cent of rent was collected during the HB2U project.

**Figure 3.2: Rent collection**



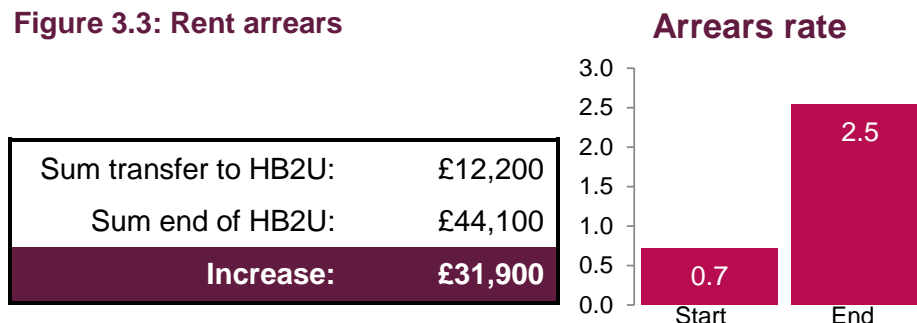
To give a comparison of what might have been expected had tenants not switched onto HB2U the accounts of 204 tenants who were triaged as suitable but refused to move onto HB2U were monitored for a 28 week period. These tenants, who remained on landlord payment for their Housing Benefit, had a rent collection rate of 100.9 per cent.<sup>7</sup> Assuming the rate would have been consistent over a longer period this suggests **HB2U led to a 4.1 percentage point reduction in rent collection.**

### 3.3. Rent arrears

**Excluding overpayments<sup>8</sup> the sum of additional or new arrears on tenant rent accounts during HB2U was £36,200 (3.4 per cent of rent due).** This equates to 2.1 per cent of HB2U tenants' annualised rent roll.

**Rent arrears for HB2U tenants increased by 1.8 percentage points from 0.7 per cent when tenants transferred to HB2U to 2.5 per cent (Figure 3.3).**

**Figure 3.3: Rent arrears**



Rent arrears for the non-HB2U comparator group fell by 0.3 percentage points, from 1.7 per cent to 1.4 per cent. This suggests **HB2U led to a 2.1 percentage point increase in rent arrears<sup>9</sup>.**

<sup>7</sup> Note an adjustment has been made to this collection rate to account for the suitable refused tenants having a higher proportion on full housing benefit.

<sup>8</sup> Where overpayment is viewed over the entire period that a tenant received direct payment, and not individual four week periods. This has been excluded because it represents repayment of arrears built up prior to HB2U payments being received.

<sup>9</sup> Note this does not make adjustments for differences in the time periods covered by the rent data



### 3.4. Technical arrears

The movement to direct payment introduces **a time lag in when tenants could reasonably be expected to pay their rent**. Looking at - or comparing change in - the overall rent account position might be misleading since an additional week's rent will have been charged to the rent account before the tenant had time to pay their rent. For the purposes of this project this amount has been described as **technical arrears** rather than **actual arrears due to direct payment**.

One week's rent for the 349 tenants who received a direct payment was £32,900; an average of £94.28 per tenant. However payments were received in this week making the **reported value of technical arrears to be £28,000, an average of £80.47 per tenant**. This amount has been excluded from our analysis.

In a live UC environment, similar technical arrears are likely to occur in the first year in which tenant's transition to UC. However, it is difficult to predict the true impact. Actions to encourage tenants to build up, for example, a week's worth of credit on their rent account would help to mitigate any impact of such technical arrears.

## Payment patterns

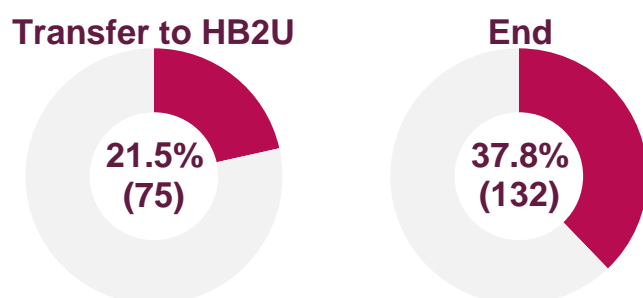
This chapter focuses on tenant payment patterns on HB2U. The key points to emerge were:

- HB2U increased the proportion of tenants in arrears by 16.3 percentage points: from 21.5 per cent to 37.8 per cent
- only 31 per cent of tenants maintained their exact rent charges while on HB2U
- 38 per cent of HB2U tenants did not pay all of their rent, including 30.4 per cent who built up additional or new arrears
- the average level of underpayment (16 per cent of rent) was significantly less than the level of overpayment (4 per cent of rent).

### 4.1. Percentage of HB2U tenants in arrears

At the point of transfer to HB2U, 21.5 per cent of tenants (75) were in arrears on their rent accounts (Figure 4.1). By the end of the reporting period (4 August 2015) this had **increased by 16.3 percentage points to 37.8 per cent** (132 tenants).

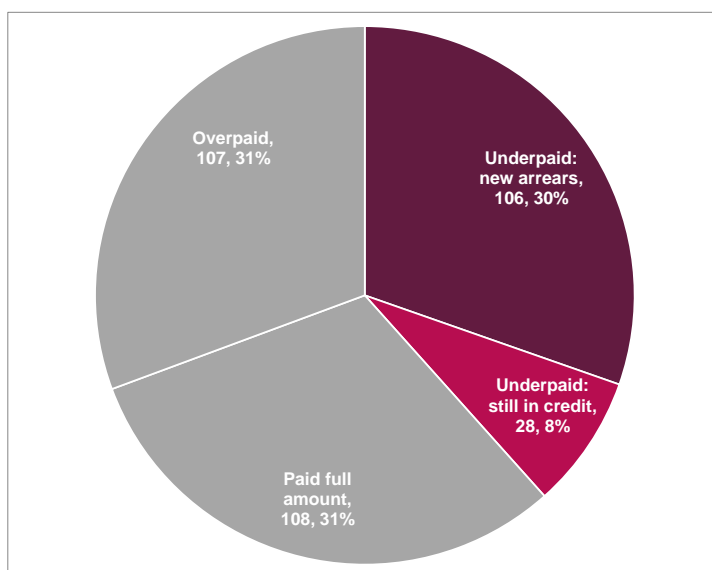
Figure 4.1: Percentage of HB2U tenants in arrears



## 4.2. Payment patterns

Figure 4.2 shows tenants payment patterns while they were on HB2U.

**Figure 4.2: HB2U tenant payment patterns**



Thirty eight per cent of HB2U tenants did not pay all of their rent due while on the project. On average they underpaid by 16 per cent of their rent due, so for every £1 of rent due they paid 84 pence.

However, in some cases underpayment could be explained by tenants running down previously accrued credit. Discounting these cases:

- **106 tenants (30.4 per cent) underpaid their rent on HB2U and built up additional or new arrears;** for 72.6 per cent of these tenants (77 tenants) their rent accounts had not been in arrears at the outset
- on average they **did not pay 19 pence of every £1 of rent due**
- the value of new arrears was 3.4 per cent of all rent due by HB2U tenants.<sup>10</sup>

One hundred and seven tenants (30.7 per cent) overpaid their rent on HB2U. On average this overpayment was by four per cent of their rent due, so for every £1 of rent due they paid £1.04. Therefore, the value of overpayment was much smaller than the value of underpayment noted above. Of the 107 tenants that overpaid:

- 36.4 per cent (39 tenants) were in arrears at baseline and were likely to have a repayment arrangement in place
- 9.3 per cent (10 tenants) had a zero balance on their rent account
- 54.2 per cent (58 tenants) were already in credit.

One hundred and eight tenants (30.9 per cent) paid the full amount of rent due. This raises an important issue for landlords, with only 31 per cent of tenants maintaining their exact rent charges while on HB2U cash flow will fluctuate as rent accounts move between arrears and credit.

<sup>10</sup> Or 11.4 per cent of rent due by tenants who had accrued additional or new arrears.

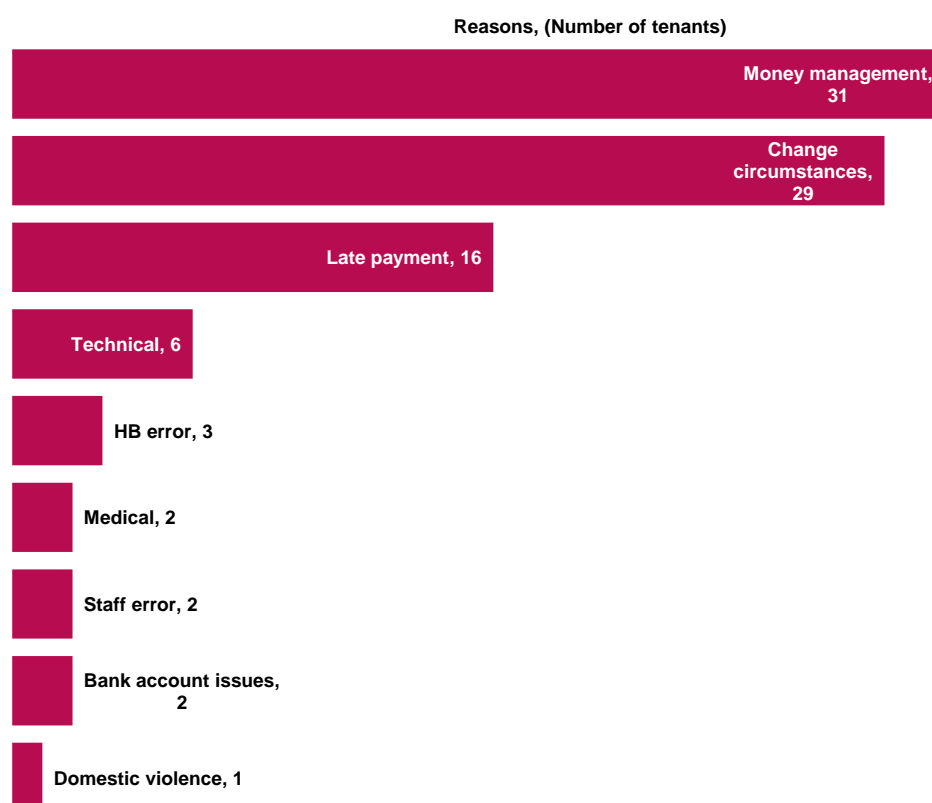
### 4.3. Reasons for creating additional or new arrears

Figure 4.3 shows the main reasons for creating additional or new arrears on rent accounts for 92 tenants for whom a cause could be identified.

Two-thirds of tenants fell into two categories:

- **money management** (31 tenants; 34 per cent); evidence from the DPDPs suggests that in practice the problem was often very low income, rather than poor budgeting skills
- **change in circumstances** (29 tenants; 32 per cent); it is important that the communication channels are open between the tenant, DWP and CHW so that potential issues created by a change in circumstances - such as suffering a health condition, job loss or a household member leaving the household - can be identified and support can be put in place to smooth this crucial period of transition.

**Figure 4.3: Reasons for accruing additional or new arrears**



### 4.4. Income officer views on the tenant experience

Income officers were asked about why tenants failed to pay and how they dealt with underpayment. Officers reported that tenants failed to pay for a range of reasons:

- they simply forgot
- a direct debit 'bounced' and they were unaware that had happened
- the tenant was confused about the rent amount and when it was due - this was particularly common in cases where the tenant was receiving partial housing benefit

- they had spent a proportion of the housing benefit payment on things other than rent - either in 'everyday' expenditure (groceries, for example) or because of a one-off and unexpected event.

Officers also believed that tenants had been more likely to underpay rent around Christmas time. However, because Christmas coincided with many people's introduction to HB2U and because some people received their HB late once during this period, officers accepted that it was difficult to directly associate underpayment with Christmas.

Income officers reported that the majority of tenants who had gone into rent arrears had managed to recover from this well:

***In most cases, tenants can make it up later in the month when they get some money from elsewhere - another benefit or some wages - or they sort it out the following month.***

However, where larger arrears had mounted up, income officers had been able to sort out a repayment plan with tenant. In only a few cases - where the tenant failed to respond and engage with the income officer, Circle Wherry had to take legal action.

## Rent collection and arrears over time

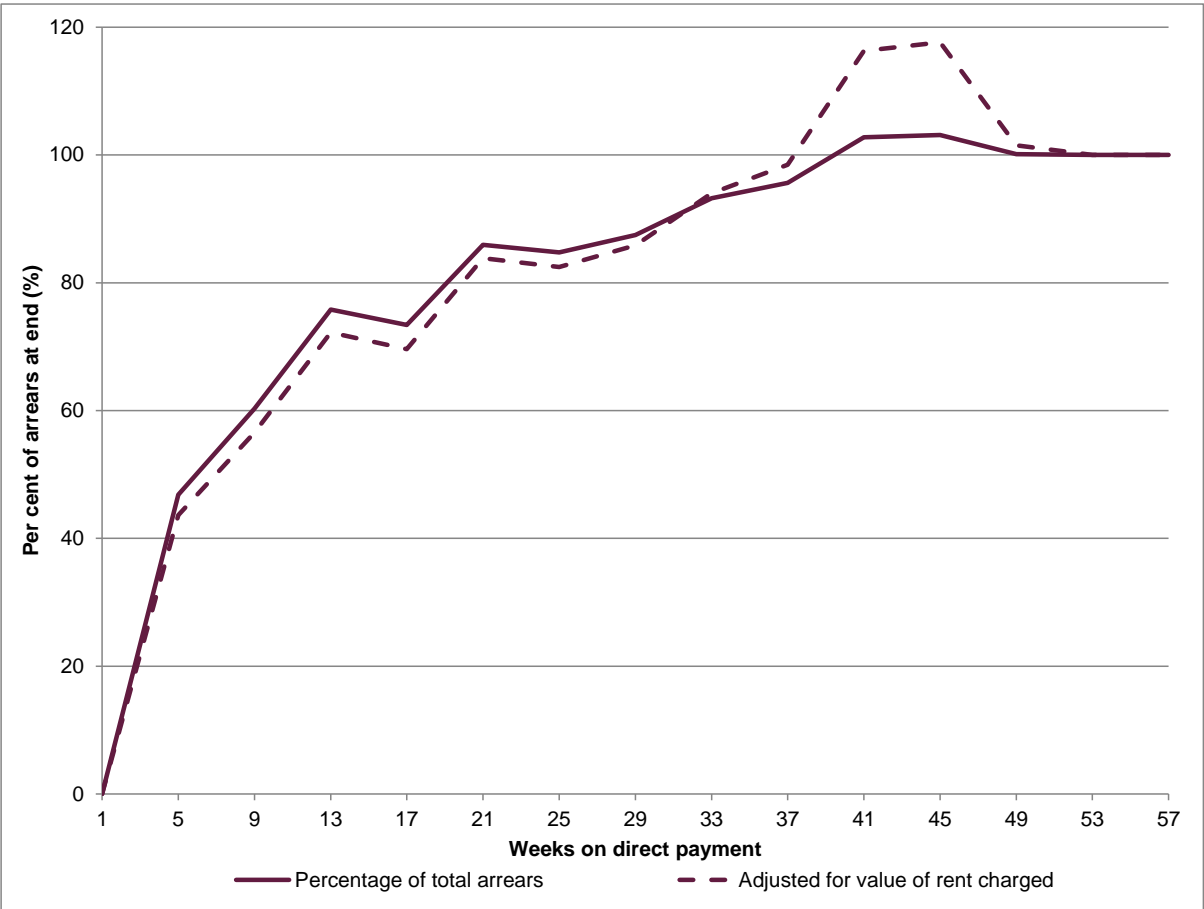
A key finding from the evaluation of the DPDPs was that the impact of direct payment was at its greatest in the first three payment periods (13 weeks). This chapter shows that a similar trend was also evident for HB2U tenants. However, in the latter period of the project there was evidence that arrears were beginning to be repaid.

### 5.1. Build-up of arrears over time

Figure 5.1 charts the build-up of arrears onto tenants' rent accounts while they were on HB2U. It highlights the importance of a tenant's first few HB2U payments. **Three-quarters of the value of arrears at the end of the project had been accrued in tenants' first 13 weeks on HB2U.** This was broadly similar to the DPDP experience where just under two-thirds of arrears were accrued in the first three four-weekly rent periods on direct payment.

There was one crucial difference between HB2U and the DPDPs: the **overall level of arrears was reducing in the later periods.** It is important to caveat this finding because only 59 tenants had received more than 10 HB2U payments. However, the implication is that in the longer-term the impact of HB2U may reduce to bring arrears closer to baseline levels.

Figure 5.1: Build-up of rent arrears; to 4 August 2015



## Switch backs and voluntary switch backs

A switch back mechanism was adopted whereby tenants who had fallen into arrears and were unable to manage their HB2U were transferred back to landlord payment. In UC, landlords will be able to request an APA when a tenant has arrears equal to or greater than two months' worth of rent. The approach taken on the HB2U project was slightly different as tenants were allowed to remain on HB2U with greater arrears if these were judged to be under control. Also some tenants were switched back before accruing two months' worth of arrears if they were unable to manage on HB2U. For some of these latter tenants an APA may have been appropriate for Tier 2 reasons. In addition, because participation in the project was not compulsory, tenants were allowed to switch back to landlord payment voluntarily.

### This chapter:

- shows 33 tenants (nine per cent of HB2U tenants) switched back either due to arrears or voluntarily switch backed
- demonstrates the significant impact Tenants who were switched back due to arrears had on collection and arrears rates: they accounted for 30 per cent of the shortfall in rent collected despite being responsible for only three per cent of rent due
- shows that since switching back the value of their collective arrears had fallen by 24.3 per cent; however most agreements would be in place for more than a 12 months
- provides tenant experiences of being switched back.

### 6.1. Number of switch backs and voluntary switch backs

50 tenants stopped receiving HB2U during the project, of which:

- 15 tenants (four per cent of HB2U tenants) were switched back due to arrears; this was on course to be lower than the 18 months of the DPDPs when 20 per cent of tenants were switched back
- 18 tenants (five per cent of HB2U tenants) asked to be switched back (voluntary switch backs); six of these cases would have been eligible for an APA (four tenants had arrears equal to more than eight weeks' rent and two were eligible due to domestic violence and mental health issues respectively).



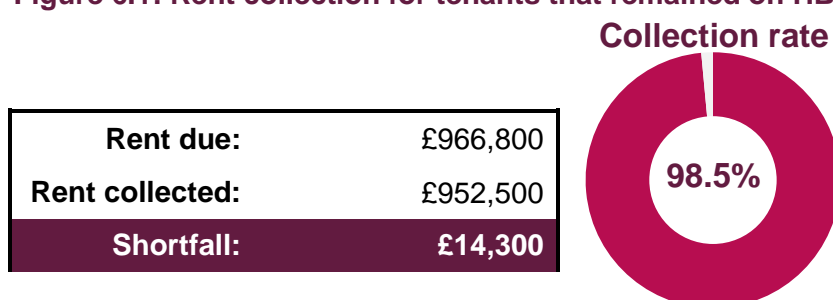
In addition to those who switched back 17 tenants stopped receiving HB2U for the following reasons:

- eight had moved
- eight had stopped receiving Housing Benefit
- one had deceased.

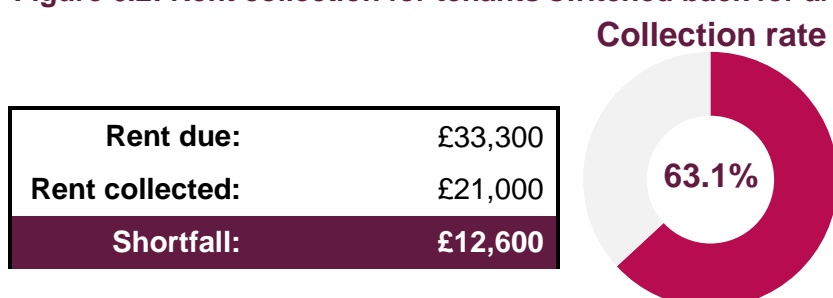
## 6.2. Comparison of rent collection and arrears rates

This section compares rent collection and arrears rates for tenants still on HB2U on 4 August 2015 against the 33 tenants who requested to be switched back or were switched back due to arrears (Figures 6.1-6.3). The data for tenants who were no longer on HB2U cover only the period that they were on the project.

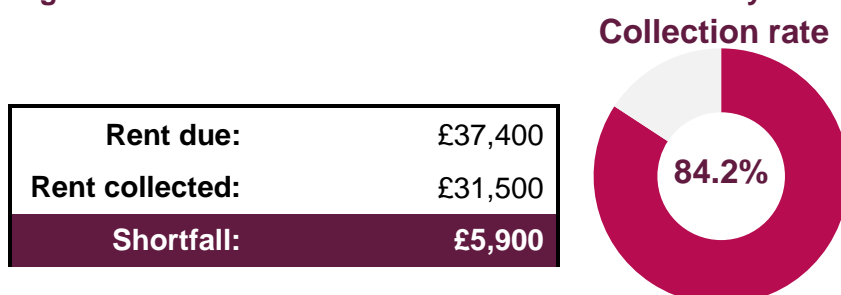
**Figure 6.1: Rent collection for tenants that remained on HB2U**



**Figure 6.2: Rent collection for tenants switched back for arrears**



**Figure 6.3: Rent collection for tenants who voluntarily switched back**



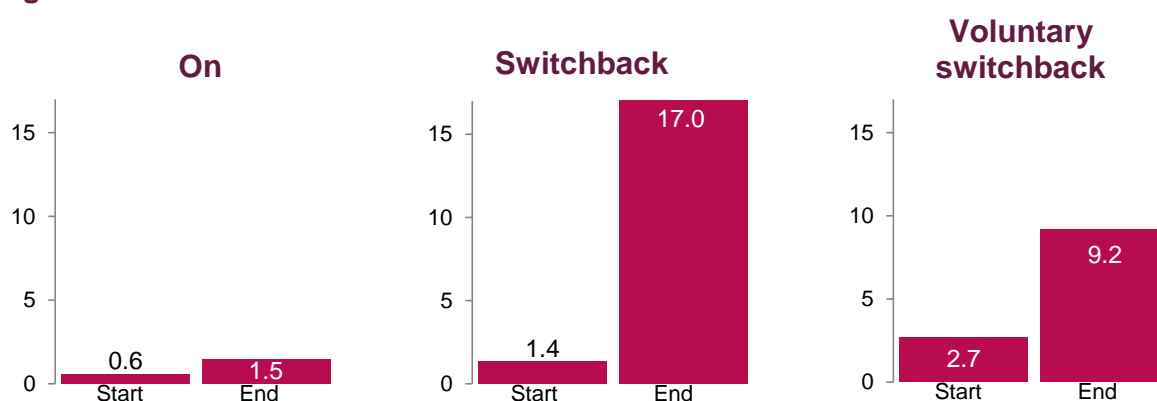
The lower collection rates for tenants who were switched back either due to arrears or at their own request cannot be explained by these tenants drawing down existing credit on their rent accounts. For instance, tenants who **switched back due to arrears accumulated £11,600 worth of arrears** onto their rent account, equivalent to 35.0 per cent of rent due. In comparison **tenants on HB2U built up £17,000 in additional arrears**, equivalent to 1.8 per cent of rent due. Tenants who switched

back voluntarily **accumulated £6,100 worth of arrears** onto their rent account. In a UC environment consideration should be given to whether an APA is appropriate based on more than whether a tenant has two months' worth of arrears or more as significant amounts of arrears will be accrued in the process. Landlords need to be aware of:

- tenants who consistently built up arrears over a sustained period - a secondary reason for managed payments within the UC environment is if a claimant has continually underpaid their rent over a period of time, and they have accrued arrears of an amount equal to more than one month's rent
- wider symptoms, or circumstances, which may mean a tenants is unable to cope with a monthly payment: such as Tier 2 criteria for an APA.

A similar pattern emerges when comparing arrears rates (Figure 6.4).

**Figure 6.4: Arrears rates for tenants who remained on HB2U/switched back**



### 6.3. Switch backs repaying arrears accrued on HB2U

Repayment agreements were setup with tenants who had switched back with arrears.

Of the 15 tenants switched back due to arrears:

- 12 had an agreement in place at the end of the HB2U project; two had already repaid their arrears
- the value of their arrears had fallen by 24.3 per cent from £12,600 to £9,600
- five tenants (one-third) had accrued additional arrears since being switched back
- the average agreement amount was £9.39 per week; nine of the 12 remaining agreements were for £10 or less per week
- the average length of remaining agreements was 110 weeks; only two agreements were for less than one year.

## The impact of the triage process

This chapter explores the impact of the detailed triage process undertaken with all tenants at the beginning of their journey on the HB2U project. The evidence highlights:

- that the HB2U triage process contributed to higher early collection rates (92.7 per cent compared to 85.2 per cent) and lower rates of early switch backs (1.1 per cent compared to 6.4 per cent) than those achieved in the DPDPs, which did not include an equivalent detailed process
- the value tenants attached to the opportunity to discuss, in person, their suitability and how to manage on direct payment, including how payment methods such as Direct Debit should be managed.

### 7.1. Impact of the triage process

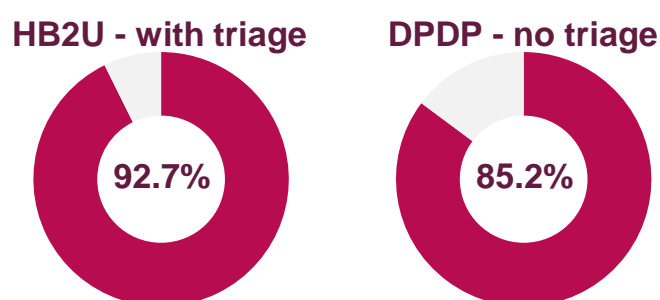
It is not possible to entirely isolate and quantify the impact of the more comprehensive triage process undertaken on the HB2U project. However, evidence has emerged from the project which adds significant weight to the argument that it led to more positive outcomes.

The DPDPs undertook a 'lighter touch' assessment of tenants before transferring them onto direct payment. As a result a comparison of early collection and switch back rates for HB2U tenants against those in the DPDPs can provide insight on the difference the triage process made. The comparison presented below shows how a more developed **triage process can lead to higher early collection rates and lower rates of early switch backs**.

#### *Higher initial collection rates than those achieved in the DPDPs*

**Higher collection rates over the first three periods were reported by HB2U - which included a detailed triage process** - compared to the DPDPs - which did not include a detailed triage process:

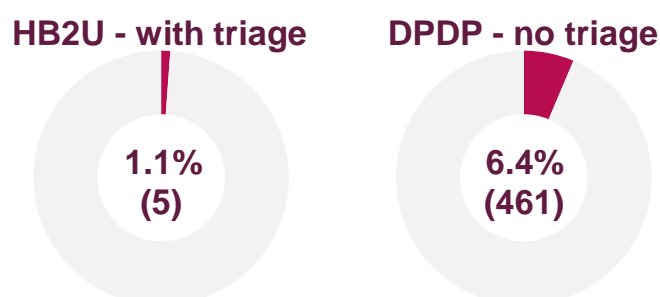
Figure 7.1: Three period collection rates for HB2U and DPDP



***Lower levels of switch backs than those recorded in the DPDPs***

**Lower switch back rates over the first three periods were reported by HB2U - which included a detailed triage process - compared to the DPDPs - which did not include a detailed triage process:**

Figure 7.2 Three period switch back rates for HB2U and DPDPs



***Positive views from the Tenant Panel***

The Tenant Panel (TP) - of 15 tenants covering a multitude of circumstances (see Chapter 14 for more information) - explored tenant perceptions and experiences of HB2U and the triage process. Tenants were unanimously positive about the HB2U triage meeting with an income officer. This was a common response:

***It was all straightforward. [The Income Officer] took her time over it and explained how the scheme would work. I was pleased that she came and saw me about it. Better than just a letter in the post saying, 'you're on it'.***

***Shaping tenant perceptions of direct payment***

Evidence from the TP suggested that the triage process was important to the way in which tenants formed an opinion and an approach to direct payments. In general, tenants had positive views of direct payment, which was in stark contrast to the findings from the DPDPs (DWP, 2013).<sup>11</sup>

Tenants were asked about their initial thoughts about direct payment. Several tenants who were receiving partial Housing Benefit (and therefore already paying a

<sup>11</sup> DWP (2013) [Direct Payments Demonstration Projects: Learning the lessons, six months in](#). Research Report No 839. London: Department for Work and Pensions.

proportion of rent directly to CHW) thought that it was a positive development. As one participant said:

***As long as the timings work out ok, I just pay the full rent on a particular day. Some of it comes from benefit; some of it comes from our wages. As long as we get the benefit before the rent's due it shouldn't be a problem.***

***We've worked for years and always paid the rent ourselves. My husband goes down to the bank to pay the rent, and anyway, we've been doing that recently anyway 'cause we've been paying the bedroom tax.***

Some of those tenants who received full Housing Benefit were also very pragmatic about the change to direct payment, and it was apparent that the triage conversation had a direct impact on this. Tenants understood that the changes would eventually be introduced for everyone renting social housing, and were therefore positive about taking part in a small-scale trial in which they would receive some help and assistance.

***I may as well do it now. It's coming soon anyway for everyone, so I thought why not do it now.***

Those who had stable and well-organised finances felt indifferent to direct payment and thought that the money would 'come in' and 'go out' without too much fuss, after discussing HB2U with an income officer directly.

Several tenants thought that direct payment was a positive step because it would help people to understand the value of their housing:

***If you don't pay your own rent, how do you know what it's worth? Some people think, 'oh I get my housing for free'. Well it isn't free. You're just getting some help to pay for it.***

However, there were several tenants who were happy to go along with HB2U, but did not see any merits in it (compared with payment direct to the landlord). One tenant commented:

***I can't see the point. It's just another thing to have to worry about. It comes in [to my bank account] and goes straight out. Seems like a waste of time to me.***

Several other tenants shared the view that while they would manage well on HB2U, direct payment could be problematic for some:

***There are people who would just spend it rather than paying the rent. You know, if you're on drugs or drink then it's gonna be tempting. And some people are just daft with money. Stick to the way it was I say.***

#### *Triage's significance to successful outcomes for tenants*

While not everyone had positive views about HB2U, it was clear that the triage process shaped positive views of direct payment by providing information and support, and allaying fears. In addition, tenants reported that the triage process itself had been carried out effectively and was helpful to them. Tenants made a number of key points about it:

- having a face-to-face meeting with an income officer was considered to be important. This was important for establishing trust in the new scheme, being able to receive information and ask questions. Several tenants said that they

would not have been prepared to go on HB2U had it not been for that face-to-face contact

- the triage meeting had prepared tenants well for HB2U. Tenants' understood the operation of the scheme, why CHW were doing it and the principles behind the change
- tenants welcomed the level of financial detail that was asked of them. None found it to be intrusive and all agreed that it was information that their landlord should legitimately hold about them. Several believed that it was a responsible thing for CHW to do, so that tenants with difficulties would continue to have Housing Benefit paid directly to the landlord.

*Yeah it was reassuring that Circle were finding out a bit more about me before changing things... No I had no problem giving them personal information. They're a social landlord, not some big greedy company.*

In the final interviews with the TP, tenants reflected back over eight months and generally agreed that HB2U had been described well by the Income Officer and had 'panned out' as they expected. However, several tenants did reflect that the triage process could be improved in several aspects:

- there remained some misunderstandings around whether tenants should be paying their rent in arrears or in advance. Those who were paying in arrears did not consider themselves to be 'in arrears', but did report that CHW would prefer them to 'get in front', which was extremely problematic for some tenants:

*I think Wherry would like that, but where on earth am I going to find four hundred and fifty quid? Every last penny is for something. There's nothing left over.*

- income officers were often unfamiliar with the way that tenants manage their money; how they manage different incomes coming in at different times; and how they 'jam-jar' certain benefit payments for certain expenditure. This often stymied conversations about how best to pay the rent
- related to this, several tenants stated that Direct Debit was 'pushed hard' at triage meetings and was CHW's preferred payment method. Several tenants suggested that income officers were not always aware of the difficulties encountered with Direct Debit (and of tenants' reticence). It was also clear that some tenants who had set up a Direct Debit did not fully understand what it was or how it worked.

#### *Alternatives to triage by face-to-face meeting*

During the last interview, tenants were asked for their views of alternatives to triage by home visit and a face-to-face conversation with an income officer. The interviewer proposed that triage could be carried out in other ways, such as a phone call, a letter and self-administered questionnaire or by an online questionnaire, and asked tenants to comment on these scenarios.

Overwhelmingly, the TP affirmed that face-to-face contact was the most suitable form of contact when being introduced to HB2U.

*I could ask questions and make sure I'd got everything sorted out - when to pay, how to pay, how much to pay, when I'd get the money.*

*It just gives you more confidence in it actually sitting down with someone. It was a pretty big deal for me. I don't think I'd have wanted to do it were it not for talking to [the housing officer].*

*If they'd just sent a letter, I'd probably have ignored it.*

Tenants, therefore, shared good reasons why a face-to-face meeting was 'the gold standard'. Tenants were asked what they would have regarded as adequate. Many agreed that a telephone call would have been appropriate, and would have provided enough opportunity for reassurance about HB2U. However, tenants with specific difficulties, such as mental health issues (including anxiety) and financial difficulties believed that a face-to-face meeting was extremely important and other methods were likely to result in poor understanding of HB2U and the potential for late and missed rent payments:

*Because of my [mental illness] I ignore letters and I don't feel comfortable on the phone to people I don't know. The [housing officer] made an appointment to come and see me. I was a bit nervous about it, but once she was here and I knew what it was about, I could relax and I could tell she was there to make sure I was OK on the new payment.*

# Higher risk characteristics

This chapter identifies higher - or lower - risk characteristics that were associated with accruing additional or new arrears. The analysis focuses on the experience of tenants on HB2U rather than characteristics which were important in assessing suitability for HB2U (see Section 2.4 for information about these characteristics).

The key findings to emerge were:

- it was not possible to accurately predict who will accrue arrears. Arrears often occurred as the result of unanticipated events emerging whilst tenants were on HB2U such as a change in household circumstances
- tenants who paid by Direct Debit achieved better collection and arrears rates. Direct Debit was also identified as the most important factor in predicting whether a given tenant accrued additional or new arrears.

## 8.1. Relative importance

Statistical modelling was used to isolate the effect of given characteristics and to assess their relative importance. Key points to note include:

- approximately three-quarters of variation was unexplained. This indicates that the likelihood of a given tenant accruing **additional or new arrears was largely the result of other, often unpredictable, factors**
- paying by **Direct Debit was by far the most important characteristic** identified. Tenants who paid by Direct Debit were over ten times **less likely** to have accrued **additional or new arrears** compared to equivalent tenants who used other payment methods; this is discussed in greater depth in Chapter 9
- other factors that were identified had a smaller effect on the likelihood of accruing additional or new arrears; these included:
  - tenants with arrears on their account prior to transferring to HB2U were more likely to accrue additional or new arrears.
  - tenants on partial Housing Benefit were statistically less likely to accrue additional or new arrears compared to those on full Housing Benefit, after controlling for other factors, notably if they had paid by Direct Debit.
  - the longer tenants had received HB2U the less likely they were to have accrued additional or new arrears.



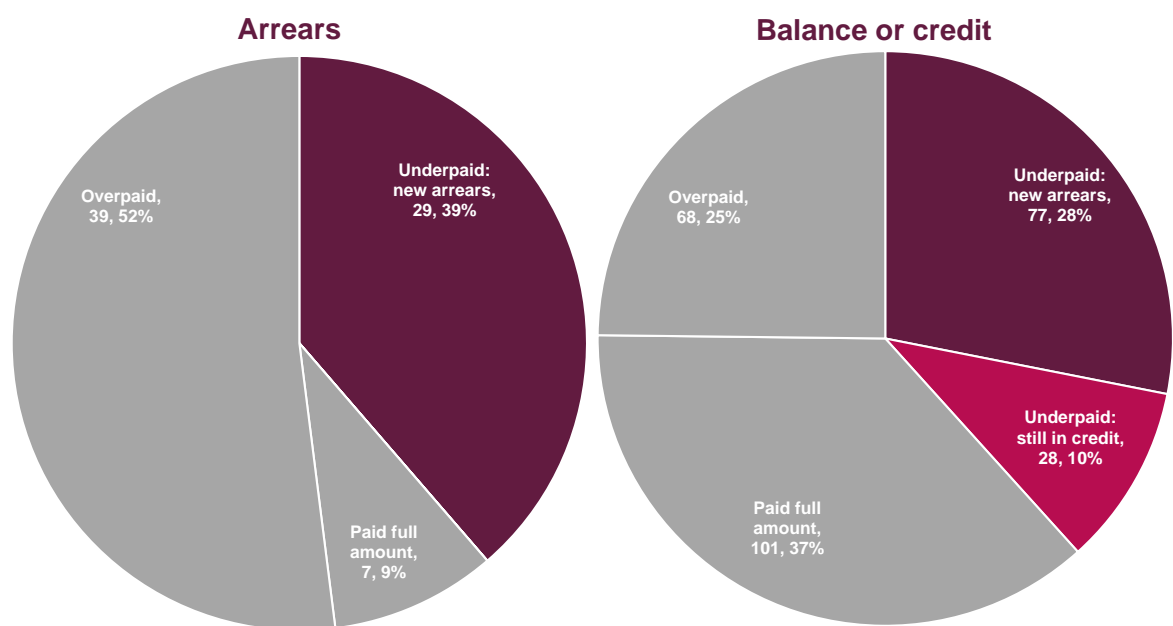
## 8.2. Analysis of tenant payment patterns: by characteristics

Section 8.1 above used statistical modelling to isolate the influence of given characteristics on the likelihood of creating additional or new arrears, whilst holding other factors, for example comparing tenants on full Housing Benefit who paid by Direct Debit against tenants on partial Housing Benefit who paid by Direct Debit. This section does not make this distinction and instead looks at the overall payment patterns of tenants with given characteristics.

### *Rent account position*

Figure 8.1 shows payment patterns by tenants' rent account position before they moved onto direct payment.

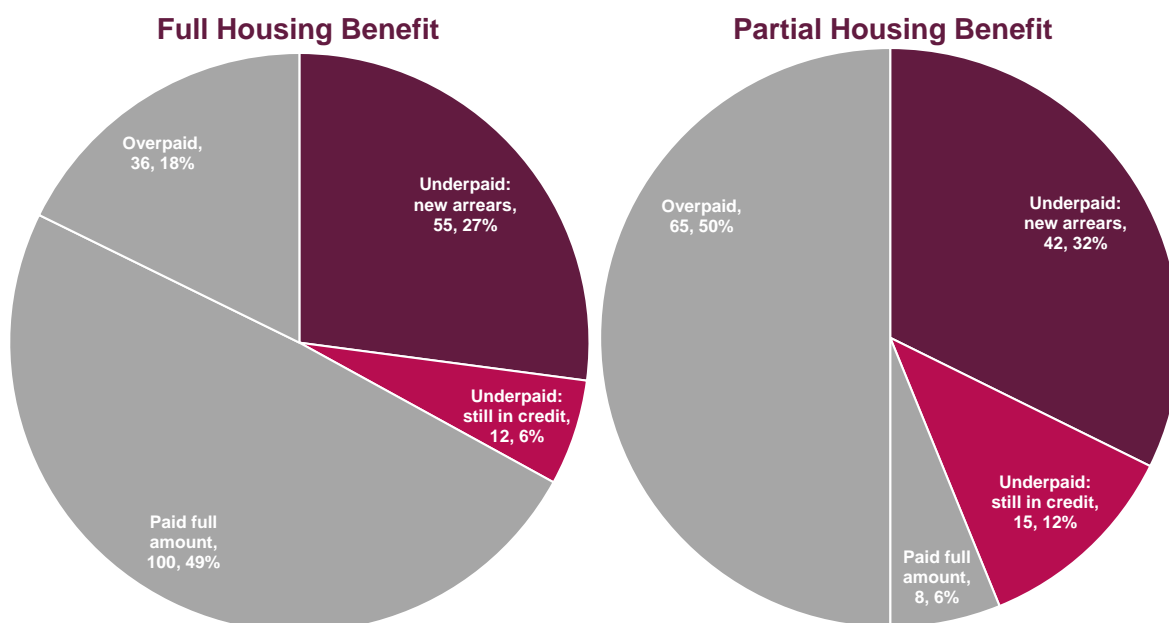
**Figure 8.1: Arrears and balance or credit payment patterns**



### *Full and partial Housing Benefit*

Figure 8.2 shows payment patterns by whether the tenant was on full or partial Housing Benefit.

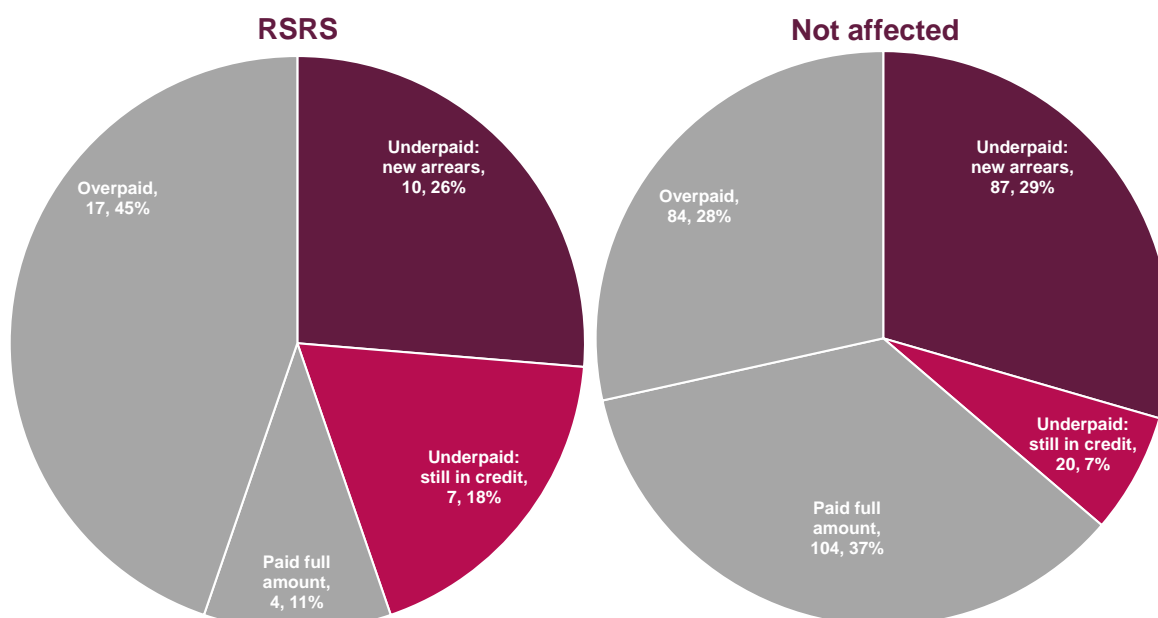
**Figure 8.2: Full and partial Housing Benefit payment patterns**



### ***Affected by the RSRS***

Figure 8.3 shows payment patterns by whether the tenant had been affected by the RSRS.

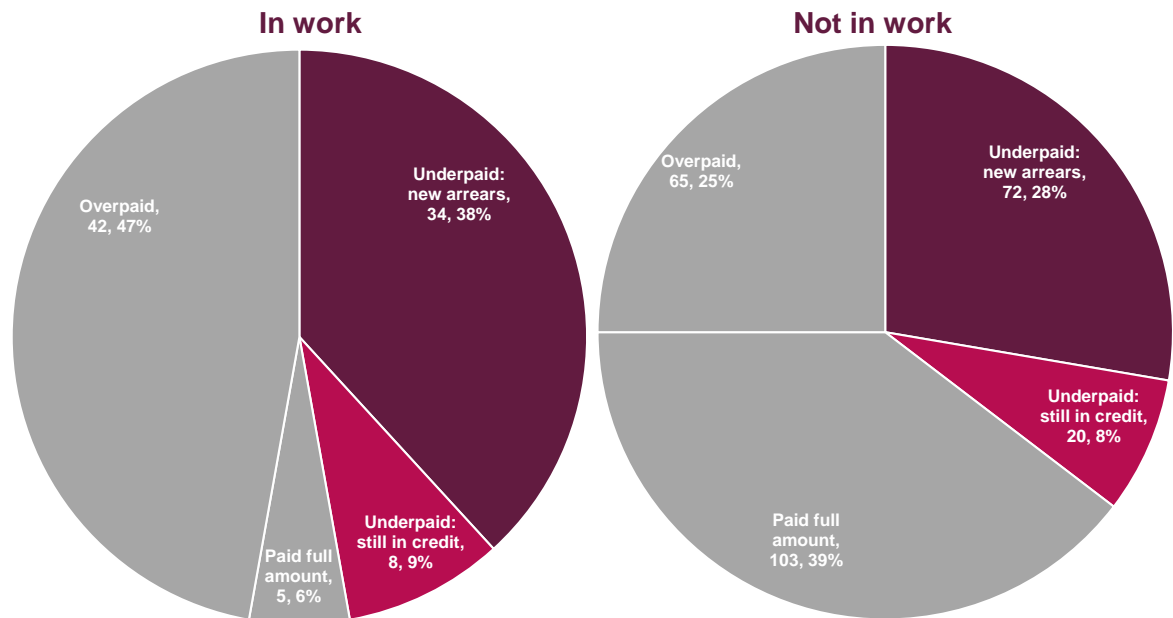
**Figure 8.3: Affected by RSRS payment patterns**



### *In full or part-time work*

Figure 8.4 shows payment patterns by whether the tenant was in full or part-time work.

**Figure 8.4: In-work payment patterns**



## Payment methods: Direct Debit

The previous chapter identified Direct Debit as a key characteristic in reducing the likelihood that a tenant accrued additional or new arrears. This finding was consistent with evidence from the DPDPs.

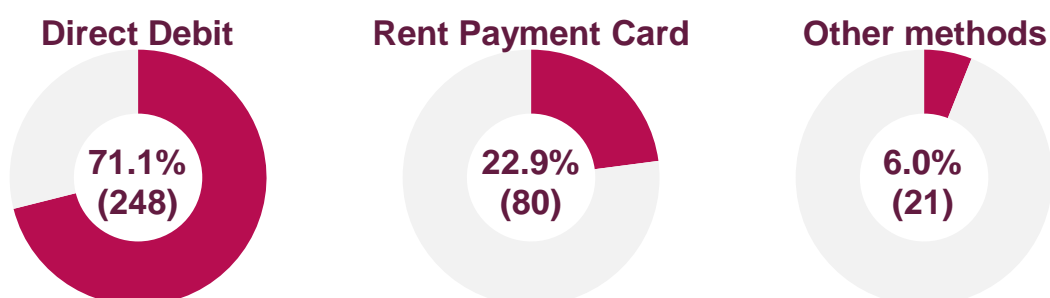
This chapter focuses on the issue of payment methods in more detail. Key findings include:

- Direct Debit was the most popular payment method (71.1 per cent of all HB2U tenants)
- tenants who used Direct Debit achieved better collection rates (98.7 per cent) than tenants who paid by other methods (92.3 per cent)
- only 17.3 per cent of tenants who paid by Direct Debit created new or additional arrears, whilst 62.4 per cent of tenants who paid by other methods created new or additional arrears
- for many tenants Direct Debit was the easiest way to pay their rent and a method they used to pay other bills
- however not all tenants understood or wanted to use Direct Debit because it was not the method that 'suited them best'.

### 9.1. Payment methods used by tenants on HB2U

Direct Debit was the most popular payment method (Figure 9.1).

Figure 9.1: Payment methods



Most tenants (289; 83 per cent) paid by the same method while on HB2U. This included 235 tenants who always paid their HB2U by Direct Debit.

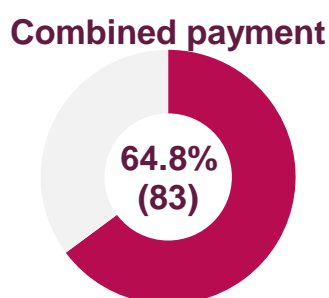
However, 60 tenants (17 per cent) changed their method for paying their HB2U during the course of project.

The number who stopped paying by Direct Debit (34 tenants) was larger than the number who started paying by Direct Debit (13 tenants). Given paying by Direct Debit reduced the likelihood of accruing additional or new arrears, valuable insight may be gained by investigating why these 34 tenants stopped using this payment method.

## 9.2. Payment methods for tenants on partial Housing Benefit

Just under two-thirds of tenants on partial Housing Benefit combined their HB2U payment with the shortfall amount (Figure 9.2). This included 55 tenants (43 per cent) who combined their payments into one Direct Debit. Combining payments into one Direct Debit has an advantage of reducing management and administration costs. However at the same time it potentially increases the risk of a failed payment because it will rely on the claimant having an amount in their bank account which is greater than their UC housing cost element.

Figure 9.2: Combining payments



Twenty-two tenants (17 per cent of tenants on partial Housing Benefit) chose to pay their HB2U by a different method than that used for their shortfall component.

## 9.3. Comparing rent collection and arrears rates

The following figures illustrate how rent collection and arrears rates and the percentage of tenants accruing additional or new arrears were **better amongst tenants that paid by Direct Debit** compared to those who paid by other means.

Figure 9.3: Rent collection and arrears for tenants paying by Direct Debit

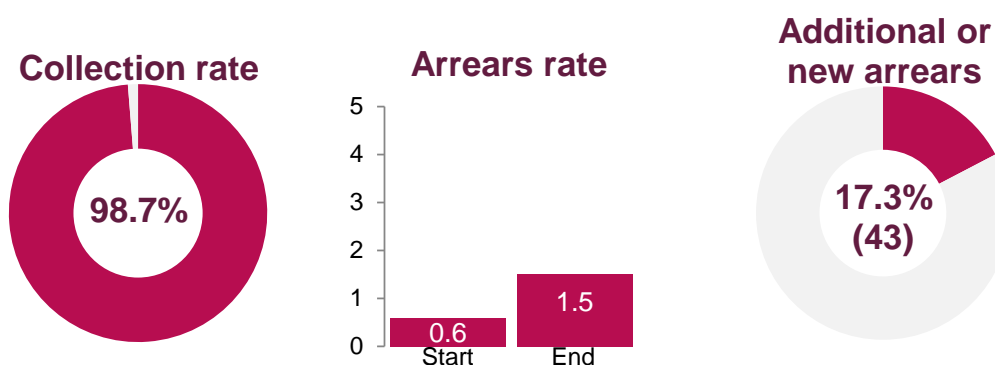
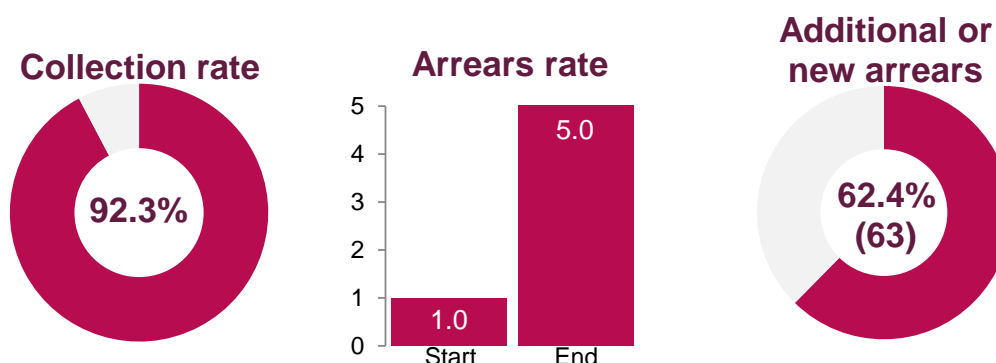


Figure 9.4: Rent collection and arrears for tenants paying by other methods



#### 9.4. Tenant experiences

The Tenant Panel explored the issue of different payment methods. Issues concerning 'automated' payments - most notably Direct Debit - were a particular focus of these discussions during the last round of interviews.

Direct Debit was used as a rent payment method by around half of the panel and some managed well and reported that it was their preferred payment method. As one tenant stated:

*I pay all my bills that way [by Direct Debit], it's just easier. Taken care of without needing to sit down one morning and go through everything.*

In all cases, Direct Debits were set up to pay the rent to CHW on the same day that Broadland District Council paid in the Housing Benefit. In general, this had worked well, with the exception of one month (December 2014) when the Housing Benefit payment from Broadland District Council was several days late. One participant commented on the impact this had:

*I got charged about eight pounds something 'cause they tried to take the Direct Debit but the money wasn't there. I could have claimed it back 'cause it wasn't my fault, but I never got round to it. [did it alter how you felt about HB2U?...] I'd put it down to teething problems 'cause it was early on - the second payment I think. Since then it's been fine, so I'm not worried about it happening again. And if it did, I'd definitely try and claim back the charge.*

Several tenants set up Direct Debit because of the advice to do so from their Income Officer. In these cases, it was far more likely for the tenant to be unfamiliar with Direct Debit (or have a poor understanding of it) and less likely that they would regard Direct Debit (and rent payment) as their responsibility. For example, one tenant was confused about what HB2U really was:

*All that seems to have happened is that I've got this Direct Debit now, so someone's still paying the rent for me.*

Some tenants elected not to use Direct Debit, and instead pay the rent in other, 'non-automated' ways. This was done using a variety of methods:

- at the post office with a card

- over the phone with a debit card
- via online banking.

Tenants had many good reasons for using these methods. Most commonly, it was a form of payment they had been using for a long time and it suited them and their particular money management strategies. It also gave them 'control' over their rental payments, as these tenants attested:

***I want to be in charge. I want to make sure the money is there. I normally pay my rent over the phone anyway. No reason to change that.***

***I worry that the Housing Benefit doesn't get to me in time. What if that happened and the Direct Debit bounced? I think its thirty pounds or something. I can't afford that.***

Tenants who were successful on HB2U described complex and effective budgeting methods. A major part of such strategies was being in control of payments and keeping a very close watch on incomings and outgoings.

***I can look and see that the [Housing Benefit] goes in, and then I can pay it straight away. If anything goes wrong with the Direct Debit it's me who's getting penalised.***

***[Wherry] were keen for me to do a Direct Debit. But I want to have a choice. If were all meant to be more responsible for this and that, you've got to let us pay how we like. ... If you're asking me which is the best way to pay, it the way that suits me best.***

A main argument against the 'non-automated' payment methods was a danger that tenants would forget to pay their rent. When this was put to them, tenants often stated that they would never forget; because their budgeting and bill paying was very routine and deliberate *and/or* because they stated that paying the rent was their first priority.

However, several people did see this as a potential problem. One tenant said that forgetting was a big concern for her because of some mild mental health issues she faced. She stated that on several occasions, she had only remembered to pay after CHW had contacted her by phone to remind her. However, she remained reluctant to pay her rent by Direct Debit as she 'didn't trust it' following poor experiences in the past (not related to HB2U). Another tenant offered some advice:

***We think that getting a text message to say that the Housing Benefit had been paid would be really helpful. It would mean we knew exactly when we had to pay it without having to get in touch with the bank.***

One interesting finding from the Tenant Panel was that some tenants are using multiple payment methods (mostly successfully). In particular, those who were receiving partial Housing Benefit often paid 'their' element at one time (and per calendar month) and their HB2U payment at a different time. In some instances, the HB2U element of the rent was paid by Direct Debit and the remainder was paid directly over the phone. While this may seem difficult to manage (and illogical to some), tenants in this situation were contented with it. One key reason (which is common in many strategies) is that the tenant was maintaining the status quo - i.e. that the Housing Benefit element is, in virtual terms, paid directly to CHW - it comes straight in and goes straight out without the tenant having access to it, and therefore replicated the previous system.

## Making direct payment work: the tenants' perspective

This chapter provides insight from the Tenant Panel on how tenants made HB2U work for them. Key ingredients of success included:

- having financial acumen
- selecting the most suitable payment method
- prioritising rent payments.

### 10.1. Tenant views on how they made HB2U work for them

While it was not possible for the Tenant Panel to specifically look at tenants' characteristics and how this would affect their rent payment record, it was interesting to understand what factors were critical to making HB2U successful for individuals, and some common themes emerged. For those who were successful on HB2U (i.e. they had paid their rent in full for the duration they had been on HB2U +/- 8 months), there were three clear criteria for success:

- **having financial acumen:** tenants stated that being skilled in managing their household finances carefully was the most important ingredient for success. Successful tenants elaborated on their budgeting strategies and methods which often involved:
  - checking bank accounts (at least) once a day
  - using a spreadsheet/ledger for expenditure (because some payments often took several days to 'clear' bank accounts and appear on statements)
  - paying everyday bills (utilities, rent) as a first priority, and then using the remainder for groceries and other 'out of pocket' type expenditure
  - 'jam-jarring' by using particular incomes for particular bills, (something that will be more difficult under UC when most benefit income will be received at the same time in a single payment)
  - having experience of managing finances on a four-weekly or monthly basis. Transition to HB2U was relatively straightforward for tenants who were used to managing their household finances on a four weekly or monthly basis, and critically, had a history of receiving income four weekly or monthly rather than weekly or fortnightly
  - being (relatively) free from financial stress. Those that were successful had relatively low levels of concern about financial matters. Although tenants



were living on modest incomes and having to *"be careful with what we spend"*, financial matters were not posing a significant problem for them.

Moreover, interviews with tenants revealed that their expenditure was modest; they seek out bargains wherever possible and habitually make sacrifices. The latter often involved skipping meals, not eating and drinking out, not putting the central heating on in cold weather and often managing without hot water.

- **selecting the most suitable payment method:** successful tenants used a variety of rent payment methods, and analysis of the Tenant Panel data cannot determine the most efficient payment method. However, it was clear that the 'best' payment method was the one that suited the tenant most; that they understood clearly; were comfortable with and were able to manage
- **prioritising rent payments:** successful tenants were keen to stress that paying the rent was a high priority, and they clearly linked non-payment and arrears to the danger of losing their property. This was an observation made particularly by tenants with children: *"keeping a roof over my kids' heads is the most important thing"*.

So, while many tenants found the transition to HB2U relatively straightforward, the Tenant Panel highlighted some of the problems that people encountered. Some common factors emerged:

- **problems with Direct Debits:** at the start of the HB2U project, it was assumed that Direct Debit would be the easiest method of payment for people and would limit the risks of non-payment. As a result, many tenants set up Direct Debit as their payment method. However, problems stemmed from inexperience with Direct Debit and a misunderstanding of how it operated and, indeed, who was responsible for it. Several tenants regarded Direct Debit as being *"none of their business"* or *"out of their control"*; instead they saw Direct Debit as the responsibility of either CHW, Broadland District Council or their bank. As a result, they failed to monitor whether or not the Direct Debit had been paid successfully. Where problems had occurred preventing the bank from authorising the Direct Debit, or the Direct Debit had not been set up correctly (meaning the rent was not paid), tenants failed to realise. For those who did not budget studiously, they overspent and were unable to cover the rent. The issues associated with Direct Debit are also explored in Section 9.4
- **poor financial observance:** some tenants reported that they were poor at managing their finances. It was common for this group to report that they did not precisely know how much their rent was, or have a fair idea of their income and expenditure. For example, one tenant reported that they were unaware that a payment into their accounts was Housing Benefit, believing it to be an increase in their Child Tax Credit. This happened two months in a row, and therefore two whole months of rent arrears were accrued. The tenant subsequently made the next two rent payments on time. He agreed a repayment plan, but only after CHW took steps to begin legal action to recover rent. For a couple of tenants, poor health had an impact that made it difficult for them to fully engage with HB2U and take over responsibility for rent payment
- **adjusting to four-weekly income/payments:** some tenants were adept at managing their finances on short cycles - weekly or fortnightly - because that is how they receive their income. However, some struggled to adjust to the four-weekly budgeting strategies that HB2U demanded; switching to four-weekly 'HB income' and four-weekly payments was seen as a challenge. Several panel members who were receiving full Housing Benefit had overcome this challenge by synchronising their rent payments with receipt of HB2U, effectively creating a

'straight in, straight out' transaction. However, those on partial Housing Benefit reported that it was very difficult to manage rental payments when one source of rent (HB2U) was four-weekly and the other source (wages) was weekly. Confusion over this issue appeared to be the main reason for underpayments in several cases.

- **insufficient income/financial instability:** it was apparent from interviews with several tenants that a lack of income (or at least an imbalance between income and outgoings) was responsible for difficulties encountered with HB2U, or posed a threat to future rent payments. This was commonly the case for tenants whose household income fluctuated, or was being cut in some way. In such circumstances, tenants were highly exposed to financial shocks that could prevent them paying the rent. For example, two tenants' Housing Benefit had decreased due to the Removal of the Spare Room Subsidy (RSRS), commonly called the Bedroom Tax, and another tenant feared that the disability payments she received for her daughter would end at her next birthday, which would leave her with a significant shortfall in her household budget. As she explained:

***We're barely getting by at the moment. If I lose that, I don't know what to do. Can't think of anything else to cut.***

While it was apparent that tenants who were in arrears had mismanaged HB2U in some way, either by misunderstanding the process, failing to take responsibility for the process, and in a few cases struggling to cope for health reasons, there were no instances (reported) of Housing Benefit being deliberately used to pay off other debts, nor were there any (reported) incidents of tenants using Housing Benefit for one-off luxury purchases (a new LED TV is a common refrain - but there was no evidence of it in this sample).

# Actions and contact with HB2U tenants

The analysis developed above has concentrated on the impact of HB2U on tenants' rent accounts. This chapter considers numbers of arrears actions against HB2U tenants and the number of times participants had contacted CHW. In both cases data are compared for the 12 months prior to receiving direct payment against the first 28 weeks on HB2U.

Data were available on 259 tenants, with the evidence suggesting that HB2U increased both types of activities - CHW taking actions or contacting tenants due to arrears and tenants contacting CHW - alongside the negative impact on rent collection and arrears highlighted above.

## 11.1. CHW taking actions or contacting tenants due to arrears

In the 12 months prior to tenants moving onto HB2U 138 of the 259 tenants (53 per cent) had received 450 separate arrears actions or had been contacted about their arrears. In the first 28 weeks on HB2U: 115 tenants (44 per cent) had received 342 separate arrears actions or had been contacted about their arrears.

This represents an **increase from 34.5 to 48.9 in the average number of times CHW had taken actions or contacted tenants due to arrears per four week period**: an additional 14.3 occurrences per four week period.

Assuming this would be replicated within a UC environment it will have a significant impact on landlord operations.

As a consequence Circle Housing should consider reviewing some of the triggers and methods of contacting tenants. This may include:

- providing intensive monitoring and support around the point of transition onto UC, when the majority of arrears have been shown to accrue
- using less resource intensive means of contacting tenants with low level arrears, such as text message and email reminders
- changing the arrears levels or timings when policies kick in; accepting that low level arrears in a given month may be related to fluctuating payment patterns of tenants over time which are likely to be met with a credit next month.

However, this needs to be offset against the increased risk of not maintaining the status quo.

## 11.2. Tenants contacting CHW

126 of 259 HB2U tenants (49 per cent) contacted CHW a total number of 389 times in the 12 months prior to switching onto direct payment. These levels had already been surpassed during HB2U tenants' first 28 weeks on HB2U; 136 HB2U tenants (53 per cent) had contact CHW a total number of 449 times.

This represents a **doubling**, from 29.8 to 64.1, **in the average number of times tenants have contact CHW per four week period**: an additional 34.3 contacts per four week period.

In a UC environment it is likely that this trend will continue. Landlords will be contacted by tenants who they previously had very little contact and will have more contact with those who are already in regular contact. Much of this contact will be important to achieve successful collection rates and to identify change in circumstances that may impact on a tenant's ability to manage on direct payment. However, systems may need to be adapted to filter some types of contact to less resource intensive means, for example payment to automated payment systems.

## Comparisons against the DPDPs

This chapter provides a comparison between HB2U and the DPDPs on key outcome measures.

In general the learning gained from both DPDP and HB2U were very similar. However, the HB2U experience has been more successful on the outcomes considered. The HB2U project's use of a detailed triage process to assess tenants' suitability for HB2U - and including discussions on how to manage the process and payments - has been cited as a key reason why it achieved better outcomes.

### 12.1. Comparison between HB2U and the DPDPs on key outcome measures

Table 12.1 details key results from the DPDPs and provides comparison with the HB2U project.

**Table 12.1: Comparison of key results**

DPDPs	HB2U
Rent collection rate for first 4 weeks	
68 per cent (aggregate)	87 per cent
Rent collection rate for first 12 weeks	
85 per cent	93 per cent
Percentage of new and additional arrears accrued in first 4 weeks	
47 per cent	47 per cent
Percentage of new and additional arrears accrued in first 12 weeks	
63 per cent	76 per cent
Rent collection rate	
94.7 per cent	96.8 per cent
Change rent arrears	
3.4 percentage points (2.3 per cent to 5.7 per cent)	1.8 percentage points (0.7 per cent to 2.5 per cent)
Percentage underpaying	
65 per cent	38 per cent
Percentage accruing new or additional arrears	
62 per cent	30 per cent
Value of new and additional arrears as a proportion of rent due	
5.3 per cent	3.4 per cent
Rent collection rate ignoring first 12 weeks	
97.7 per cent	99.0 per cent
Tenants switched back due to arrears	
20 per cent	4 per cent
Tenants switched back due to arrears in first 12 weeks	
6 per cent	1 per cent

## Conclusions and key learning

The HB2U project aimed to prototype the transition of Circle Housing tenants within a single LA (Broadland District Council), as a proxy for UC, onto direct payment of Housing Benefit. The project initiated in February 2014 and went operationally live with tenants in June 2014. The key objectives of the project were:

- to effectively profile tenants, accurately identifying those unsuitable for direct payment and the various levels of support needs for individual tenants, and successfully manage the transition of those eligible onto direct payment
- to provide Circle Housing and wider stakeholder groups with a greater understanding of the potential financial impact of direct payment for housing associations (HAs) focussing on rent collection, rent arrears and income management
- to provide Circle Housing and wider stakeholder groups with a greater understanding of tenant behaviours in response to direct payment.

The key findings of the evaluation provide important learning for social housing landlords and the DWP as UC becomes rolled out more widely. In particular:

**Landlords need to make financial provision for reduced rental income as a result of UC.** HB2U led to reduced rent collection and increase arrears. In total 96.8 per cent of rent was collected from tenants who received a Housing Benefit payment through HB2U. This was 4.1 percentage points lower than receipts from similar tenants not on HB2U. Rent arrears increased by 1.8 percentage points to 2.5 per cent. This was 2.1 percentage points more than for similar tenants not on HB2U. The exact scale and distribution of this financial provision will be varying based on UC rollout timelines and the arrears recovery process to be implemented by DWP.

**A thorough tenant management process for the first three months following transition to UC could reduce likelihood of immediate and future arrears.** Both HB2U and the DPDPs found that the impact of direct payment was greatest over the first few payment periods. Three-quarters of the value of arrears at the end of the project had been accrued in tenants' first three payments on HB2U. After this period collection rates returned to level near those experienced with landlord payment.

**DWP should provide opportunities for social landlords to complete a triage process in advance of a tenant moving to direct payment under UC.** The detailed triage process operated in the HB2U was found to have a positive effect on tenants' transition onto direct payment. Evidence suggested that the triage process led to higher early collection rates - 92.7 per cent compared to 85.2 per cent - and lower rates of early switch backs - 1.1 per cent compared to 6.4 per cent - than those achieved in the DPDPs, which did not include an equivalent detailed process.

Tenants also provided strong testimonials about the value of the face to face triage process for:

- providing understanding about the new system
- assessing their suitability for direct payment
- explaining and setting up payment methods
- setting out the expectations that will be placed on the tenant and CHW.

Our recommendation would be for DWP to serve a notice period (suggested three months) before a tenant moves onto UC, or 'protecting' the housing element of a UC payment by paying directly to the landlord for the first three months to allow a form of triage to be completed. This could fall within the remit of the Trusted Provider Status.

**Landlords should promote the use of Direct Debit as a preferred payment method in conditions where the tenant has knowledge or experience of this method.** Tenants who paid using Direct Debit had a much higher rent collection rate (98.7 per cent) than other payment methods (92.3 per cent). Qualitative insight found that most negative issues with Direct Debit resulted from a lack of understanding. If a tenant has no knowledge of, or willingness to understand, Direct Debit this payment method is not advisable. Direct Debit payment failure can have a major impact on arrears, and subsequent recovery, if the full four-weekly amount (monthly amount in UC) fails and cannot be recovered.

**Landlords will need to increase their resourcing of customer support for contact with tenants, both inbound and outbound.** HB2U increased actions against tenants due to arrears (41 per cent increase) and tenants contacting CHW (114 per cent increase). Using the findings from HB2U as an indicator, it can be assumed with a high degree of certainty that inbound and outbound contact levels between landlords and their tenants will increase substantially as a result of UC.

**Landlords should update their rent charge statements and communications to include calculations converting weekly charges into a monthly amount.** Current rent statements and communications refer to weekly rent charges. In UC, many tenants will begin to pay rent monthly and therefore a conversion of the weekly charge to a monthly amount will ensure accidental underpayment is limited. Communication should also re-iterate to tenants that the onus is on them to update their UC claim with any changes, including annual rent increases.

**Landlords will need to review a number of policies and procedures to align with the technical and practical process changes aligned to UC.** Amongst these are:

- **technical Arrears (lag) at transition onto UC** – As detailed in Section 3.4, most tenants will accrue an additional one week's arrears in Year 1 of transition to UC. To negate this, landlords may consider amending policy to actively enforce advance payments of rent
- **accumulated arrears at transition onto UC** – In some cases tenants will not receive their first UC payment for 14 days plus one calendar month, potentially accruing six weeks' rent arrears. For many landlords, including CHW, this would trigger a number of arrears actions. However in reality the tenant (particularly non-working) will have very limited access to income during this period. Amending arrears procedures for tenants during transition may reduce the number of ineffectual actions taken by staff.



**Finally investment in IT systems which allow live account monitoring is vital to minimising arrears.** HB2U has highlighted that the greater time differential between a missed payment and initiating contact with the tenant, the greater the risk that the money will have been spent. Live account monitoring is an imperative whilst technology that forecasts tenants payment trends and alerts failed payments would provide further benefit.

### **In summary**

**Within a live UC environment, social landlords will be exposed to:**

- **an increased number of tenants who can accrue arrears**
- **an increase in the maximum value of arrears claimants can accrue in a given month**
- **unpredictability of which tenants will accrue arrears**
- **fluidity in cash flow as tenants move between arrears and credit. increased demand on organisation resources: to complete arrears actions and through increased contact from tenants**
- **a time lag at transition onto UC where it can be reasonably expected for a tenant to pay their rent**
- **however, a detailed triage process with tenants prior to their switch to direct payment could limit this impact.**

## The evaluation

CRESR at Sheffield Hallam University was commissioned by CHW as an independent organisation to:

- provide validation and support on data collection processes
- produce quarterly briefings of emerging findings from the project
- produce a final evaluation report on project findings.

This final report has been produced in partnership between CRESR and CHW to respond to the key objectives of the HB2U project, including presenting key findings to emerge and making recommendations to the Circle Housing Group. The report has drawn on three main data sources:

- data collected during the triage process
- rent account data and monitoring data
- qualitative data from the Tenant Panel.

### 14.1. Data collected during the triage process

During the triage process, income officers assessed and captured considerable amounts of information regarding a tenant's situation and their suitability for switching to direct payment. This was within the broad categories of banking, financial, health, support needs and other lifestyle and personal issues. The assessment took a conversational approach, so whilst each topic was covered there was no scripting of questions. The information garnered from these conversations was entered onto a survey database. It is important to note that some factual information was gathered in a consistent manner across all tenants who are profiled. However, other information - such as that on the tenant's situation - was only recorded if an issue was raised during the triage which might have impacted on their ability to cope with direct payment. So, for example, a tenant may have a loan with a payday lender but unless it was raised as a factor likely to impact on their ability to cope with direct payment it would not be recorded.

This information was used to:

- provide headline statistics on the number of tenants who were suitable or not suitable; and the percentage who would be given an APA
- compare the characteristics of suitable and not suitable tenants
- calculate the time resource required to complete the triage process.

## 14.2. Rent account and monitoring data

Detailed rent account and monitoring data were collected for all 349 tenants who went onto HB2U. This information was compiled at the individual tenant level and was central to the assessment of the impact of HB2U. The information collected included:

- four-weekly rent account balances; from these rent due and rent paid in every four week period was calculated
- payment method at start, 28 weeks and end of project
- a flag for full or partial Housing Benefit at start and end of project
- information on payment methods used by partial Housing Benefit claimants
- highest amount of arrears in the previous year
- a flag for joint tenancy
- a flag for affected by RSRS
- a flag for affected by benefit cap
- off reason, for example arrears or moved
- weekly rent; including rent increase
- arrears action in previous year and in first 28 weeks
- contact from tenant in the previous year and in the first 28 weeks
- assessed reasons for underpaying and overpaying rent
- week first underpaid on HB2U
- detail about agreements in place
- repayments made by switch backs.

The rent information was recorded from the week they went onto HB2U up until the week after their final HB2U payment in July or when the tenant came off the project; this included switch back, voluntary switch back, moved out of scope, stopped receiving Housing Benefit and deceased.

In addition rent account information was collated for 204 tenants who were assessed as being suitable for HB2U during the triage process but who refused to go onto the project. These tenants provided the best counterfactual to HB2U tenants: best prediction of how their rent account would have changed if they had not gone onto HB2U. The rent information for comparator tenants was collected for 28 weeks starting from their first Housing Benefit payment after 15 September 2014.

## 14.3. The Tenant Panel

To gain more nuanced insights from tenants about their involvement in HB2U, CRESR set up a panel of 15 tenants and carried out in-depth interviews with them at various times throughout the project. Tenants were asked by CHW Officers whether they would be interested in taking part, and CRESR subsequently sought their permission and consent. Tenants were first interviewed face-to-face in November 2014 and February 2015, depending on when they started on HB2U. They were contacted by phone on two occasions for a quick catch-up, and then interviewed in person for a final time in September 2015. Tenants received a small incentive payment to thank them for devoting time to the research project.

The principal purpose of the Tenant Panel was to explore the experiences of tenants over time and to provide in-depth understandings of the impact of direct payments and the ways in which tenants manage this change.

The interviews covered:

- respondent circumstances and background  
awareness of HB2U/direct payment and views on communication methods
- views of HB2U/direct payment
- preparation for and experience of direct payment
- experience of HB2U/direct payment
- current financial situation, money management and budgeting behaviour.

In addition to interviews with tenants, CRESR also undertook in-depth interviews with CHW senior managers and income officers who had been involved in the triage process.

*Implementing direct payment of Housing Benefit: an evaluation of Circle Housing's HB2U pilot project*

GREEN, Stephen <<http://orcid.org/0000-0002-7813-0564>> and WILSON, Ian <<http://orcid.org/0000-0001-8813-3382>>

Available from the Sheffield Hallam University Research Archive (SHURA) at:

<http://shura.shu.ac.uk/27046/>

## Copyright and re-use policy

Please visit <http://shura.shu.ac.uk/27046/> and <http://shura.shu.ac.uk/information.html> for further details about copyright and re-use permissions.