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# Direct Payments Demonstration Projects Landlord Learning Document

March 2014

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## Introduction

The registered social landlords (RSLs) and councils involved in the Direct Payment Demonstration Projects have learned a lot about their tenants, staff, culture, systems and practices during the last 18 months. The attached document pulls together the key issues and learning that we collectively agree on and provides area examples.

## Aims of the projects

The original aims of the demonstration projects, set by the Department for Work and Pensions (DWP) were:

- To demonstrate to the social housing sector that with the right design direct payments of housing benefits could be made to tenants with minimal impact on landlord income streams
- To test the effectiveness of budgeting, support and claimant communications strategies

The projects were subsequently extended beyond June 2013 to further inform the design for universal credit in the critical area of 'ensuring the payment of rent' and specifically:

- Alternative payment arrangements (APA)
- Rent arrears trigger
- Personal budgeting support (PBS)

It was also hoped that the extension period would provide the opportunity to understand the additional challenges resulting from the welfare benefit changes made during 2013.

## Executive summary

Welcome to the Direct Payment Demonstration Project Landlord Learning document. This independent report has been compiled collectively by the organisations involved across all six national project areas. This briefing covers the practical issues from a landlord perspective. It draws on our learning to suggest issues that social landlords should consider in their preparations for universal credit and direct payment of housing benefit in particular.

Landlords have purposely adopted different practices in responding to local difference and tenant profiles. For some it has been 'business as usual' while others have tested new systems and practices to respond to the particular challenges that large volumes of direct payments present.

The tenants selected to receive direct payments were broadly representative of the wider population of working age tenants in receipt of housing benefit in each area. They included a cross-section of people both in and out of work, and receiving either full or partial housing benefit. Initial assessments were completed at the outset to identify any support issues and some areas made the decision to safeguard those who were considered especially vulnerable by excluding them from their project. Significantly for those who went onto receive payments this initial assessment was in practice found not to be a good indicator of who would or would not pay their rent. This finding has implications for the proposed triaging of universal credit claimants, linking to the Local Support Services Framework (LSSF) currently in development by DWP.

Whilst there have been different experiences around the six areas, some common themes are apparent:

- Direct payment to tenants would not have worked without the close working relationship that existed between landlords and council revenue and benefits departments, facilitated by timely and appropriate information sharing
- Prompt and meaningful liaison between landlords and the service administering benefits is essential in instances where the tenant does not pay their rent in order to safeguard the tenant and the landlord's income stream
- Managing direct payments (and the impact of welfare reform) is a whole organisation effort so communication and training for internal stakeholders are key to success. We have spent more to collect less: an increase in resources is needed to manage direct payments, especially during transition
- Developing effective communications with customers and maximising contact opportunities (including flexible working) are essential steps to secure payment and identify personal or budgeting support needs
- Handling rent collection and arrears effectively in the world of direct payments often requires the development of new or refined systems that identify and respond to non payment straightaway to protect landlord income
- Ensuring that a wide range of payment methods are available, including flexible use of direct debit dates, is crucial in maximising payment collection opportunities and minimise operating costs
- Low take-up of support interventions provided by or arranged by landlords specifically to assist customers with personal or financial support suggest that tenants find it hard to discuss money. Interventions that initially take a more generic approach to tenancy support appear to be more successful in engaging people.

For further information we would recommend the [Direct Payment Learning Network](#) as a source of further information. This web-based portal has been set up to include the research and evaluation carried out by Sheffield Hallam University's CRESR (Centre for Regional, Economic and Social Research) team, which looks at the issues and experiences of tenants taking part in the Direct Payment Project and their personal thoughts and observations of what it's been like for them to receive their own payments and manage their own finances.

CRESR will report in late Spring 2014 on the payment activity for landlords including payment methods used by customers, timing of payments and any associated arrears actions taken by landlords. It will also include information on the provision of support interventions by landlords.

We are pleased that DWP is reflecting the learning from the demonstration projects and as a result much has changed in the last two years from what was originally proposed, including:

- Recognition that not everybody will be ready or able to manage monthly payments and paying their own rent
- Alternative payment arrangements
- Local support frameworks to provide advice and support

In addition recent press releases and guidance published by DWP points towards the following protection for landlords:

- Decisions about whether tenants should receive direct payment will be made in collaboration with social landlords
- If arrears build up to the equivalent of one month's rent the decision to make direct payment will be reviewed
- If arrears reach two month's rent payments will be switched back to the landlord

We look forward to these statements being developed well ahead of the large scale roll out of universal credit, including facilities for the meaningful sharing of information. Our projects have proved beyond doubt that landlords' ability to protect their income stream, support tenants to make the transition to direct payment and safeguard the most vulnerable all crucially hinge on effective and timely information exchange with the benefit administering authority. This key lesson must not be overlooked. We hope that this briefing will help social landlords and others in their preparations for universal credit. There are no simple answers and no one size fits all.

## Landlord introductions

### **Edinburgh - Dunedin Canmore Housing Association**

Dunedin Canmore Housing own and manage around 5,500 properties in five local authority areas in south east Scotland. For the demonstration project only tenants of working age in Edinburgh were eligible to participate. Of the 1840 tenants identified 998 have been in direct payment at some point since we went live in August 2012. At the end of the project in December 2013, 306 tenants had been switched back and 646 tenants remained in direct payment. 60 tenants who were on direct payment had terminated their tenancy.

We acknowledge the City of Edinburgh Council's, revenues and benefit department's involvement throughout this project and thank them for their support in undertaking this project with us.

Take up rates of support and advice by a range of support providers offered to tenants before, during and after their time on direct payment was low. This was despite CRESR's Baseline Tenant Survey in which 58 per cent of tenants' questioned advised they would need support if housing benefit was paid to them. 82 per cent of the tenants that we spoke to or who completed a questionnaire, at the start of the project, indicated that they had a bank account (or post office card account).

Prior to the project starting, our arrears were 2.7 per cent gross, and were managed by generic housing officers with low level balances, managed by our housing assistants. The same teams managed the case load until March 2013, after which rent collection and arrears management was transferred to a specialist team. Over 96 per cent of rent due has been paid during the project.

The project has highlighted that existing systems, practices and resources were not able to effectively manage the increase in late rent payments that direct payment introduced and our examples show what we have and will be changing.

### **Oxford - Oxford City Council**

Oxford City Council has a total of 7,800 tenants, more than half (54 per cent) - of whom are in receipt of housing benefit. Oxford has 2,000 tenants on the Direct Payments Demonstration Project. 1,600 of these were added in the first phase of the project and the other 400 were added in the second phase. On Census day in March 2011, Oxford's 'usual resident population' was estimated to be 151,900. The city's population grew by 12 per cent over the decade 2001-2011. The population is projected to continue to grow, reaching 161,000 by 2019. Due to the large number of university students, Oxford has a relatively young population turnover is also very high. In 2001, 25 per cent of the population had moved within the last year - the highest rate of any English local authority area. Oxford is an ethnically diverse city, and it is also internationally diverse. In 2011, 28 per cent of Oxford's residents had been born outside the UK, and there were an estimated 4,000 short-term international migrants visiting the city.

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

## **Shropshire - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

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

It is also important to note that these landlords differ markedly in terms of their characteristics and modus operandi. Shropshire Council is relatively small and confined to two county areas with the Wrekin Housing Trust being slightly larger. In stark contrast, Bromford Group and Sanctuary Housing have a regional/national presence and large portfolios, with 26,000 and 97,000 properties respectively. The project introduced housing benefit paid directly for the first time. 2,000 tenants were selected from the organisations listed above, all of which were of working age.

From the initial letters sent to tenants, 73 per cent contacted the local authority or landlord stating that they did not wish to be part of the project, the majority of which had no disabilities or issues that meant that they could be considered for removal from the project under the risk assessment and triaging process. However, following discussions between tenants and their respective landlords, most went on to engage fully in the project.

All of the landlords in the Shropshire project found that residents who engaged at the very beginning and were open to the project have maintained payments with little or no intervention. However, comparatively more residents who came onto the later phases of the Direct Payments Demonstration Project were found to have required numerous levels of support and intervention from either the local authority or their landlord, to help them maintain their tenancies and payments. It is also of note, that among those residents who were initially assessed as requiring no support, there were a number who went into rent arrears as a result of unforeseen personal circumstances. This demonstrates that even among those for whom support is not identified as being required at the initial stage, there is still a risk of non payment, and that landlords may still need to intervene to prevent further arrears escalation.

## **Southwark - London Borough of Southwark and Family Mosaic Housing Association**

Like most inner London boroughs, Southwark has a number of pockets of deprivation and is by some considerable margin the most ethnically mixed of the Demonstration Projects: in 2009, it was estimated by the Office for National Statistics that a third of its population were members of a BME group. Southwark is covered by a number of credit unions, including the London Mutual Credit Union.

The majority (1,474) of tenants participating in the Southwark Demonstration Project are tenants of the London Borough of Southwark: the remaining (525) are tenants of Family Mosaic Housing Association. Southwark has 55,000 social housing tenants of which 39,000 are council tenants, housed in a range of different property types. Family Mosaic have around 24,000 homes for rent and serve more than 45,000 people: they are one of the largest housing providers in London, Essex and the south east, including Southwark where it owns 1,492. Tenants participating in the Demonstration Project are located in a number of small clusters dispersed through the borough.

Of the 1,999 tenants identified, around 65 per cent have been in direct payment at some point since going live in July 2012. 447 tenants have since been switched back and we have 710 tenants who were still in direct payment at the project end. Of those who did not go onto direct payment, 199 (10 per cent) of tenants refused to engage with us at all for the duration of the pilot and a further 135 (7 per cent) did not provide bank details to enable us to pay their benefit direct. Around another 220 (11 per cent) were judged at risk of harm from an unsupported switchover so were referred for support prior to changing to direct payment.

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

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

The Torfaen Demonstration Project was located in the Torfaen County Borough Council area in south east Wales with its key settlements of Pontypool, Cwmbran and Blaenavon. The majority of participants were tenants of Bron Afon Community Housing Limited the remainder were tenants of Charter Housing Association.

Bron Afon is a community owned social enterprise set up specifically to own, manage and improve the homes previously owned by Torfaen County Borough Council. It has 8,002 rented properties, all of which are located in Torfaen. Charter Housing Association owns more than 5,000 properties across four local authority areas in south east Wales, with 330 properties in Torfaen.

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

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

- 66 per cent of tenants considered themselves adept at managing their finances with 63 per cent operating weekly spending limits
- 95 per cent didn't have any savings to fall back on
- 74 per cent expressed a preference for face to face communication
- 25 per cent of tenants said they were suffering from some form of stress or anxiety with another 13 per cent indicating a mental illness

The initial group of tenants received their first payment in July 2012 with the final group of participants in phase one of the project joining in January 2013. The second phase began in July 2013 and from August Bron Afon included all its new tenants who were of working age and in receipt of housing benefit in the project.

The CRESR baseline survey found that 31 per cent of tenants thought they would cope poorly with direct payment and 36 per cent felt they would need significant long term support. This reflects our practical experience during the project which concluded with 666 tenants from Bron Afon and Charter Housing

being on direct payment and another 343 (34 per cent) having been switched back to landlord payments, primarily because they had consistently underpaid.

### **Wakefield and District Housing**

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

The Wakefield district includes adjacent towns, Pontefract and Knottingley, which are located in the east of the district and were chosen for the project. The Wakefield district has a relatively high IMD ranking of 67 and both Knottingley and Pontefract have experienced economic decline in recent years.

WDH has a range of different property types in the project area and the participating tenant population is broadly representative of WDH's customer base as a whole. In terms of the management of its housing stock in these areas, WDH has a neighbourhood service access point situated in Pontefract and the area has its own dedicated estate management team.

Over the duration of the project 1,082 tenants received direct payment of housing benefit; these were split across five phases from June 2012. Payments were made directly into bank accounts on a four weekly cycle. Support and advice was given, to make sure tenants were aware of their options to make payments and timescales for this.

During the project 385 tenants reverted back to having rent paid to WDH. At the close of the project in November 2013, 576 tenants were still receiving housing benefit into their bank accounts.

WDH has retained close ties with Wakefield Council, as partners in delivering the Demonstration Project.

## Landlord Learning

### Issue description – strategic preparation for universal credit

Learning - Preparing board members / councillors, stakeholders and tenants for the introduction of universal credit. All areas have found an increase in cases and arrears levels. All are spending more to collect less.

#### **Experiences – Dunedin Canmore Housing Association**

Regular updates and briefings are provided to our board and other stakeholders. A programme of communicating to tenants will be developed once the migration programme is known. Staffing and transactional cost have increased to manage the increase in tenants paying and the time involved in managing and contacting non/part payers.

#### **Experiences – Oxford City Council**

We have a universal credit programme which the Direct Payments Demonstration Project, the local authority led pilot and any other related projects all sit under. Members and senior managers get highlight reports on progress of the programme. Local advice agencies and stakeholders are also kept informed. We have held focus groups with tenants however engagement has been in low numbers. To ensure we are reaching out to everyone, we also put articles in the local press and the resident's magazine.

#### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

Regular updates and meetings were organised and attended within the four organisations and with strategic partners, to enable robust planning and communication strategies to be developed, to mitigate risks and maximise learning. Shared learning around the four organisations was key to enable support for residents and minimise loss of income for landlords.

Training and awareness of welfare reform for colleagues across all levels of our organisations was delivered to ensure that the business responded appropriately in terms of resource planning, financial planning and customer service delivery. From board members to frontline colleagues, we have communicated project progress, learning outcomes and financial reporting to help shape and inform our approach to wider welfare reforms.

#### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

A project team and board were established at the appropriate level for governance with regular briefings to members/senior management in the council and chief executive and group finance director in Family Mosaic. Strategic questions were such as: monthly tenancy? Pro - gets people onto the universal credit timescale; con – it's a big change for most organisations and universal credit won't be paid on the same date. Early adoption of DP? Pro - longest timescale to manage tenants' behaviour in direct payment; con - increased collection costs and initial reduced collection ahead of the actual need to implement due to universal credit transition.

### **Experiences – Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

The effort that goes into preparing tenants for changes needs to be replicated amongst internal stakeholders. Landlords will find themselves having to consider and make substantial changes in policy and working practice so effective internal communication is key. At a strategic level there is likely to be an increased focus on the risk to the business that universal credit presents - managing these risks in an efficient and well planned manner will be essential and lenders and shareholders will have greater confidence in an organisation that puts project management structures in place to oversee the major changes that direct payments introduces. Communication with these stakeholders needs to be maintained throughout the period of change.

### **Experiences – Wakefield and District Housing**

We provide regular briefings to members of WDH's Board and others within the governance structure, as well as through all parts of the business, and specifically for front line employees. Additional information sessions are run for partners and other agencies to enable them to better understand the impact of the changes to the way payments will be made.

### **Issue description – review your structure and resources**

Learning – Identify how many of your working age tenants may be affected by direct payment. Consider your structure and level of resources. Are they sufficient to manage the increase in the volume of cases you predict for your organisation? We make no recommendation about generic or specialist teams but within the project areas specialist teams have been favoured. Where income management is a specialist function the sharing of knowledge and information about tenants between teams is important. Flexible working, including 'out of hours' contact has been successful.

A remaining consideration is the management of change within organisations which, if not properly managed can have significant emotional impact on employees. Look at the role of the whole organisation in income management and using other contact opportunities to address debt issues.

All areas have found significant increases in cases, resources and arrears levels.

### **Experiences – Dunedin Canmore Housing Association**

Our out of hour's team increased contact and collection rates amongst those on direct payment. The additional hours also assisted the team to better manage all arrears cases. Non payers did not expect association staff to be working beyond 5pm in the evening or on Saturday mornings.

As a result of the project we have created a specialist debt recovery team with additional resources to focus on rent collection and arrears management. This was a big move away from our previous working practices.

Some staff were distressed and found it hard having conversations with tenants who were facing difficult times and severe hardship as a result of welfare reform changes.

### **Experiences – Oxford City Council**

When the project started all cases were dealt with by one officer. We have changed this practice and all the rent officers manage direct payment cases on their patch. This move replicates our business as usual and it's working better for us than when we had one officer dealing with all the direct payment cases.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

Each of the four Shropshire organisations has dealt with resourcing to suit their business requirements and the number of customers they had registered into the project. The number of customers ranged from circa 60 cases at Wrekin Housing Trust, to 400 at Bromford Group, 200 at Sanctuary Housing with the remaining majority being Shropshire Towns and Rural Housing customers.

In the main we have maintained 'business as usual' which for us means existing resource levels in respect of arrears management activity via specialist office-based arrears teams. However, increased resources have been used to boost site-based interventions such as home visits for support and arrears cases. There has been a significant investment in this additional work, but we were all committed to maximising the opportunities for learning from the Direct Payment Demonstration Project, and were keen to see what support was required. Alongside this we were keen to explore how we, as landlords, could support our customers to manage their own rent payments, using the intelligence gathered to inform our service delivery plans for when universal credit goes live.

### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

Southwark Council are proposing increased staffing levels via a restructure of their income team with some trainees and a fairer distribution of workloads. Upgrade of IT systems are to be introduced (Northgate Task Manager) and refresher training to be provided on managing universal credit clients for all income staff. Paperless direct debit is now another payment option we can offer. Old fashioned rent cards could be withdrawn in favour of a payment swipe card.

Family Mosaic: on direct payment one income officer managed 525 tenants - a smaller patch than the norm of 750 for Family Mosaic and 900 for Southwark Council. Income officers managed a mix of direct payment and 'business as usual' (BAU) tenants. An outbound call team was productive focusing on low level arrears. Family Mosaic is currently carrying out analysis of time on BAU tasks versus direct payment. Also key to Family Mosaic was effective use of technology (Northgate, text messaging and effective manipulation of data) to enhance proactive work, telephony to provide management information to assess productivity and other aspects of job which are a barrier to better productivity and help to inform level of resource potentially needed.

### **Experiences – Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

A high level question for landlords to consider here is what is the acceptable balance between cost of collection/recovery/support resource input and the amount and flow of income they need to generate in order to achieve their business goals?

At Bron Afon we quickly established that our IT systems can't cope with the multiplicity of payment arrangements, methods and frequencies that will be the norm under universal credit so we developed intensive manual workarounds to suit.

Indeed the whole project was resource hungry. Contact rates with tenants doubled and personal visits increased four fold during the process of transition to direct payment.

Most of our tenants pay rent using their Allpay card in their local shop, but we still saw 2,000 more direct debit and credit union transactions, all at a cost.

Towards the end of our project we had a team co-ordinator, two recovery officers and three PBS/support officers working with the 900 tenants in the project. Recovery officer caseloads were initially half the size of those outside the project but this levelled out as lessons were learnt and we improved our processes.

So we have learned a lot and have got on and made some big changes in response. We have used texts extensively to remind people that housing benefit is in their account and their rent is due (e.g. a batch of 80 reminder texts cost us £18 and resulted in £2,600 being paid). We have invested in an IT system that interrogates past payment patterns to identify cases which need most attention. We are marrying this up with our in-house designed Customer Relation Management (CRM) system so all our customer contact records are in one place. We have made it a corporate priority for everyone at Bron Afon to 'support tenants to pay their rent' and we are reshaping our services to significantly strengthen our capacity to provide tenancy support and mainstream aspects of what have up to now been externally funded skills and work programmes; all within existing resources and all putting the learning from our demonstration project into practice.

### **Experiences – Wakefield and District Housing**

Realigned resources to create a specialist Debt Team and more support provision through the Financial Inclusion Team and Cash Wise project (funded by the Big Lottery),

Introducing mobile working within the business has given improved access to 'real time' information and enabled more time to be spent with tenants, providing necessary support and assistance in managing their rent payments and resolving other financial issues.

### **Issue description - cashflow and arrears**

Learning - The expected payment cycle for universal credit (monthly, in arrears on the anniversary of the tenants claim) and the likely lag/delay in receiving payments for housing costs to the landlord will increase arrears - even if only for a relatively short period. This can only be overcome by payment being made in advance.

When planning for the transition to universal credit and how this will affect your organisation also remember that for a period of probably some years tenants will be receiving benefits under two separate payment processes (new claims being paid housing costs within universal credit and existing tenants who claim housing benefit).

### **Experiences – Dunedin Canmore Housing Association**

On direct payment the percentage of tenants making payments late in the following month ranged from 67 per cent to 81 per cent each month. These figures included those paying by direct debit. This range was affected by the number of days in the month and when tenants received the payment from housing

benefit. Typically 80 per cent of money due was received by the end of the first week of the following month, leaving us with 20 per cent to chase as an arrear.

### **Experiences – Oxford City Council**

There is a need to adjust or balance tenants' rent accounts so that their rent payments are aligned with universal credit. Without that, the accounts will always show as though they are in arrears. Even though it will come to a point in the cycle where the account will balance itself, assuming the rent is paid religiously without any shortfall. Aligning the rent accounts with payments will solve problems for the officers collecting the rent and avoid confusion for the tenant in understanding their rent account.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

Payments were made to residents four weekly in arrears, as per the normal housing benefit cycle and we found that some residents paid this across to their landlord immediately, either via direct debit or a manual payment method, i.e. Swipecard.

However, for some residents, there was a delay in the payment arriving in their bank account and it being paid to landlords as they were using the money for other purposes or had problems with bank accounts being overdrawn etc. Direct debit helped with this in some cases, particularly where customers opened a separate bank account solely for their housing benefit payments, but for others it has taken intervention by landlords for non-payment to get payments made. Clearly where payment was not forthcoming we have instigated usual arrears processes.

We also have a small number of customers using credit union accounts with fees paid by the landlord, but whilst this has worked well as a trial, it may not be a long term option due to the relatively high cost of operating the account at £3.50 per payment paid to the landlord.

### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

Many tenants struggled with understanding the 28 day (four weekly) payment cycle and the difference between four weekly and monthly, leading to underpaying e.g. if weekly rent is £100 the 28 day equivalent is £400 but if this is paid monthly there is a shortfall of £33 every month. Some tenants are using this money as a cheap loan and juggle household expenditure with it and make erratic payments.

### **Experiences - Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

With an increase in the volume of cases in arrears, there will come an increase in the amount of debt. In the Torfaen project area tenants received their housing benefit four weekly, in arrears. In practice whilst the payment was issued by the local authority on a Monday, payment was not received by the tenant until the Wednesday, meaning the tenant is in fact already five weeks in arrears when the payment is received.

There has been a trend where some tenants did not see the urgency to pay the housing benefit and let it sit in their account for up to 10 days before passing this money on to the landlord. This leaves accounts in arrears for a great period of time with a bigger risk of recovery action and this is what prompted us to adopt our 'due date' approach of issuing timely reminders to tenants that housing benefit was in their bank account and getting in touch straight afterwards if our reminder had not promoted a payment.

At Bron Afon in pure cash collected terms we have done much better than we imagined we would at the start. Over the life of our project we collected 98.75 per cent of rent charged to tenants on direct payment leaving £67,000 outstanding. Compared to London and Quadrant's experience in 2004 this is fantastic but we must not forget that in over three in 10 cases switchback kicked in to prevent arrears rising. Our collection rates were much lower at the start too. Yes we were learning and fine tuning our approach but the fact is that lots of tenants struggled with transition and in the end the average debt owed by a tenant in arrears in the project was £77 (or around one week's rent) higher than a neighbour also in arrears but on landlord payment.

At Charter Housing, payment analysis showed an average of 31.02 per cent of tenants pay in the week that their housing benefit is paid. This dipped to just over 10 per cent in November and December 2012. At the highest point it was 48.81 per cent but it typically ran at around the 35 per cent mark. Housing benefit payments are made in week five so they are always carrying at least one week's arrears, even for those who pay as soon as housing benefit is received.

### **Experiences – Wakefield and District Housing**

Tenants have struggled to understand the payment cycle for housing benefit within the project, even those who have been paid in this way for some time. A letter was sent to tenants to explain rent free week, at the end of August 2013, to resolve previous queries. Around a quarter of tenants in the project managed to build up some credit, but not necessarily the equivalent of one month in advance.

### **Issue description – preparing tenants for change**

Learning – Consider how and when you will start to engage with your tenants about the introduction of universal credit and the importance of paying rent. Timing is critical as many tenants will only engage fully when they know it will affect them. Initial low take up or reluctance to become engaged with support does not mean this is not needed. Develop services to assess and help new tenants to manage with changes and mitigate problems.

### **Experiences – Dunedin Canmore Housing Association**

We are waiting on details of the migration timetable from DWP. We may consider increasing the number of tenants on direct payment prior to this while we have the funding for support and advice services. We have identified some tenants who switched back who may have benefited from budgeting advice but who believed prior to going live that they could budget without income and expenditure plans.

### **Experiences – Oxford City Council**

Give a clear breakdown of payment dates and amounts owed. Tenants required this information rather than actual budgeting support and this work, in the initial stages, was successful.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

The Direct Payment Demonstration Project has highlighted that tenants need to take responsibility for their rent payments. Increased contact with customers through the project has reinforced this and made a start with re-educating customers on this and their financial priorities

We are expecting customers to make reasonable decisions regarding expenditure and budgets and move back into the world of work. This is very difficult for some and we have had varying degrees of success. Chaotic life styles are only part of the issue we experienced. A more damaging attitude has proved to be apathy and this unwillingness to participate, engage, plan or change can prove to be resource intensive, and expensive for landlords to manage.

In depth conversations over the telephone resulted in local interventions from several partners including local authorities, housing associations and stakeholders. All of which have had to be on a face to face level to obtain full understanding of the persons situation and to enable confidence to be built.

### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

The timing of this engagement is dependent on the DWP migration timetable. Learning from contact prior to direct payment around under-occupation suggests that tenants are more receptive to advice and support when changes are due to affect them. For that reason advice and support will be aligned to universal credit migration and after national media have publicised the changes in more detail. We will use multiple communication channels including social media.

### **Experiences - Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

Focus on things that people can relate to now rather than concepts and change that appear to be a long way off or that are perceived as being aimed at someone 'other than me'. However the main challenge will be knowing just how and when to prepare tenants for change. From the experience of our strategy to manage other welfare reforms, particularly the bedroom tax, it is clear that for some it is only the point when the final letter arrives announcing a reduction in benefit or when a smaller payment is actually made that the reality of what we have been warning about really hits home. Many struggle to cope with change whilst others may try to ignore it. Both groups will need intense and often face to face support which comes at a cost.

We saw signs through our experience of working with new tenants in the second phase of our project that it is likely to be easier to support people to start off with direct payments as they mean to go on than to change learned behaviour amongst existing tenants. This we feel is an important strategic consideration for any landlord given what we have said earlier about the disconnection that can arise when a welfare policy change seems distant and remote and especially in the case of universal credit where timeframes have been shifting.

### **Experiences – Wakefield and District Housing**

Previous experience has revealed difficulties in engaging with some tenants in preparation for change. This is likely to be made worse when the timetable is uncertain or subject to change. We also identified a number of 'informal' support arrangements, often facilitated by family or friends that enabled tenants to cope with money management.

Some tenants did not disclose adverse financial circumstances in the early stages; this led to housing benefit being taken by other creditors and arrears arising. An effective relationship where the tenant trusts the landlord or another party is crucial to resolve historical debt issues.

## Issue description – how much does it cost?

Learning – All areas have experienced an increase in resources and costs. Consider what costs you will incur in contacting tenants (text, phone, letter, in person etc.) together with the cost of any additional advice and support services you want to provide. Make suitable budgetary provision to cover these.

Because we are structured and work differently no comparisons should be drawn between areas.

### Experiences – Dunedin Canmore Housing Association

In preparation for direct payment, staff worked overtime to manage most of the additional work generated by contacting tenants, discussing direct payment, how and when rent payments would be made. We have estimated that we spent approximately 220 hours a month for three months on this stage of the project. This figure does not include the time that support agencies spent engaging or trying to engage with the 417 tenants which we referred for support at this time. We would anticipate a similar commitment in time to prepare tenants for universal credit, who did not take part in the project, but we would hope to spread this over a longer lead in time.

The structure of our organisation and how we manage rent collection and arrears management has changed, it's not possible to carry out a direct comparison between the time spent before and during direct payment. However we believe that the time on rent collection and arrears management has doubled. Under universal credit it is too early to tell what resources we will need but we would hope that developments to our IT systems will help manage any further increase in volume.

We have been fortunate to secure wider action grant funding to increase provision for tenancy support, welfare benefits advice, money advice, employability and digital inclusion since the project started. This has increased provision by approximately £100,000 since direct payment started. We anticipate that in preparation for universal credit provision for these services will need to increase but this can only happen if we secure funding beyond 2016/17.

### Experiences – Oxford City Council

Overall costs for the collection of rent increased with the Direct Payments Demonstration Project at Oxford City Council. We found it was better value for money to increase staffing through the implementation of direct payments as this limited the increase of rent arrears. Tenants that received more support at the initial stage were able to manage direct payments more effectively.

There was an increase in transactions attributed to more tenants paying by direct debit or payment card. We were able to offset this increase in transactions and actually decrease our costs by procuring a better price and administering direct debits within the organisation.

It was essential to review resources and systems to create efficiencies that were required to change the way we delivered the service. The effective use of systems allowed officers to highlight tenants that required intervention at an early stage.

Oxford City Council saw an increase in demand for support services to engage with tenants that revealed problems previously unknown to the organisations. We were able to use advice agencies more effectively and improve relationships within that sector to provide a support service for our tenants.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

The cost of handling customers within the Direct Payment Demonstration Project has varied between the four partner organisations, with the main cost increase attributed to the additional support interventions to secure income collection. However increased arrears activity was also necessary to secure late or missing payments which increased the staffing costs. Liaising with support agencies and/or the local authority to arrange switchbacks was also resource intensive, with costs associated with that activity.

### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

As a result of Family Mosaic's initial thoughts and learning from the project it is recognised that there will be an increase in resource but it is still too early to estimate how much exactly. We will be planning a phased in approach (having the advantage of a long lead in time, as per the current universal credit transition timetable) in conjunction with continuing our theme of early intervention with the effective use of technology (including use of predictive data), evolving collection strategies, informative reporting and efficient use of communication channels.

We have moved on to a new phone system which is more cost effective and, we are also considering making more effective use of text messaging as opposed to traditional 'chase letters' which attract very high postal rates.

We have produced a cost model based on our learning from the Direct Payments Demonstration Project. It relates to other additional costs such as increases in communication (letters, SMS and telephone calls), potential increase in recovery costs, cashflow and other financial factors such as bad debt provision but these are projected estimates based on our experiences on the Project. This has certainly provided the learning and data for us to focus on and develop strategies to try to minimise these costs under universal credit. For Southwark Council, we have assumed going forward, that continuing improvements will enable us to operate with 5-600 tenants per income officer and that rent collection will improve over levels achieved in the project; even so the cost model shows that with circa 20,000 tenants of working age on housing benefit, additional costs of around £1.2m per annum are likely to be incurred.

### **Experiences – Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

Bron Afon saw a 100 per cent increase in interactions with tenants who were on direct payments between 2011 and 2013. Outbound phone calls rose from 2,300 to 4,240 but the biggest growth was in personal visits which increased from 480 to 1,904. The majority of these took place during the first months of the project, illustrating the investment that will be needed in face to face support when preparing tenants for direct payments. Sustainable high volume communication which did deliver significant value for money was achieved through the use of text messages. Over 16,500 texts were sent during the project to inform tenants that housing benefit had been paid into their nominated bank account and that they should now pay their rent. Reminder texts were also sent to tenants who had not paid by a certain date. Whilst we cannot prove a direct link between this and subsequent payments received, 75 per cent of tenants indicated that reminder texts were a key factor in prompting them to pay their rent.

Transactions also increased as tenants were encouraged to use direct debit. Although this method of payment was not the favoured option for Bron Afon's tenants (Allpay payment cards accounted for 76 per cent) we nevertheless saw an extra 1,220 direct debit transactions plus another 880 through credit union accounts.

For the duration of the project Bron Afon employed a project manager to oversee what was a major business change process. The Direct Payment Demonstration Project team grew as the project evolved, culminating with a payment's co-ordinator, three personal budgeting support officers and two income recovery officers. Income recovery officer (IRO) caseload was initially half that of the core service delivery team but this did level out as lessons were learnt and processes improved. Much of the success of the project can be attributed to alternative working practices, including out of hours outbound calling by IRO's but these need to be factored into budgets if considered by RSLs.

The number of evictions within the direct payment tenant cohort did not increase during the period of the project. This may be attributable to the enhanced levels of tenancy support that was offered to tenants but this comes with considerable investment in time and money. Personal budgeting support was offered to all new tenants; those who had reached a 'tipping point' and all switchback cases. The most impressive results were seen amongst new tenants who jointly accrued approximately one fifth of the level of arrears that similar tenants outside the project built up. Longer term improvement was seen amongst those tenants who had reached the tipping point and switch back. Many of these tenants were already in crisis and support was shown to have reduced the growth in arrears which may have continued without an intervention.

Another key lesson that we have learned is that landlord's IT systems need to be far more sophisticated to understand payment patterns and allow targeted intervention. Investment in commercially available or self-built products is a costly exercise in terms of resource hours and money.

Analysis of the support charter provided, shows that just over 12 per cent of the people who were included on the project, received some sort of support. The average time spent with tenants giving support was three hours. The sample as a whole received more support to pay their rent, than tenants outside the Demonstration Project did.

Figures show that since the introduction of the under-occupation charge, we have seen higher rates of payment for those people included on the project than those outside, so the extra support seems to have worked but has had an impact on resources.

The first 11 months of the project saw an increase in contacts of 219 per cent compared to the same period in the previous year. As a result of the additional work and support that was needed for tenants in the Demonstration Project, the ratio of the accounts was 150:1, compared to 350:1 for tenants in arrears outside it.

Current bad debt provision is 95 per cent for former tenants and three per cent for current tenants; however, in light of the findings in the Project, this is to be reviewed.

### **Experiences - Wakefield and District Housing**

At the start of the project preparing tenants to start paying their own housing costs was time consuming. This included carrying out a review of information held, contacting them to obtain details to enable payment and assessing their ability to cope with the new process. From our learning in the project it is likely that this will still take significant resources when tenants start to claim or transition onto universal credit.

Work to ensure that tenants have access to appropriate banking products and can safeguard the funds to pay their housing costs is valuable in ensuring that they do cope with the changes yet this is a demand on resources. On going costs include the provision of advice and assistance with money management and ensuring that those with the most limited incomes can make the most of their money and/or seek to improve their financial position. This will continue to include help to move into employment or access training and experience towards this outcome.

Early analysis within the project showed that we had three times the level of contact with tenants than had occurred previously and prompting rent payment was an on going task. It may be possible to make some reduction in the level of transactions for those tenants who have a single source of income but we recognise that others may either choose to make weekly / fortnightly payments or need to do so due to having money coming to them from different sources e.g. wages or benefits that are not part of universal credit.

### **Issue description - an increase in transactional charges**

Learning – Review methods of payment/collection and give regard to tenant's choices plus the costs associated with these, which can vary. Additional charges will be incurred if tenant makes multiple payments or payment limits apply.

### **Experiences – Dunedin Canmore Housing Association**

Direct payment increases transactional costs. Overall ours increased by nearly 30 per cent though some of this will be due to growth during the year. At Dunedin Canmore we have found that where our tenants are paying through Paypoint Zones we are incurring up to three transaction charges for one rent payment. This is because the terms the shops have with the collecting agent only allows them to process payments up to £150 in any one transaction.

### **Experiences – Oxford City Council**

We are yet to carry out an analysis of the cost of the rent collection methods we use. At the moment, we accept all methods of payment; however most of our tenants are on direct debit because this was the council's preferred method of payment when we set up the project. Tenants were signing up to direct debit then.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

An increased range of payment methods were adopted across all four organisations, with direct debit encouraged where appropriate to minimise landlord collection costs. This included the extension of

available payment collection days/dates to any day of the week or month, and ensure that housing costs were not left in bank accounts for any longer than necessary.

We also found that customers often paid in multiple transactions which increased the transactional costs and has demonstrated the increased contact activity required from income collection colleagues to obtain payments.

### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

Southwark Council: We have a new paperless direct debit system in place and have withdrawn the old fashioned rent cards to implement payment swipe cards. However these will increase third party commission payments and increase our overall costs of collection. We collect a large amount of cash presently. Jam jar accounts are far too expensive an option to offer and reduce the claimant's actual cash money.

Family Mosaic: We have reviewed how we manage direct debits and due to the increase in costs we have decided to manage these in house, this will give us a beneficial reduction in transaction cost but will allow us to take multiple direct debits from tenants paying their rent from more than once source of income.

### **Experiences - Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

The cost of resourcing is just as significant an issue for landlords as is the potential impact on arrears. Bron Afon and Charter Housing both experienced massive increases in contacts with tenants, both to set up direct payments and to pursue non payment of rent. To mitigate this, landlords should consider providing as many payment methods to tenants as possible - being prescriptive will only put up barriers and reduce income. Methods will need to be flexible to cater for payment by different means and at various frequencies. Some commercial providers may provide subsidised transaction agreements and landlords are recommended to explore these but the evidence is that this, in itself, increases transaction costs. Joining forces with other local landlords may be more cost effective and ease tenant transfer between landlords. Offering tenants online payment facilities (through the landlord's website for example) will reduce communication costs and avoid a large rise in incoming calls. Tied in with rent account balances, these services would drive down transactional costs and improve the information made available to tenants as part of their money management.

Using text messages to remind tenants that the housing benefit has been paid into their account has been a continuous approach used by Bron Afon. With tenants who have non-automated payment means in place (e.g. direct debit, standing orders), sending text messages as a reminder to pay offer landlords value for money. For example in October 2013, 83 reminder text messages were sent at a cost of £18 which was followed by payments totalling £2,653. 10 late payment texts were sent at a cost of £2.22 which was followed by payments totalling £544.

At Charter Housing for the 100 tenants on direct payment in the 12 months leading up to the start of project in July 2012 there were 1147 tenant transactions. Between August 2012 and 2013 this figure increased to 2120, a rise of 84 per cent. This increase in individual transactions of 973 cost Charter an additional £440.67 (average transaction cost being £0.4529p). This does not include the cost of direct debits, only payments such as Allpay, Callpay and telephone payments. Landlords with much bigger volumes will experience similar increased transaction costs.

### **Experiences – Wakefield and District Housing**

WDH had a payment relationship with around 90 per cent of tenants who pay water rates, insurance or other charges. This meant tenants had a good knowledge of how to make payments and a variety of options to enable them to do so.

Issues such as PayPoint limits, restrictions on cash withdrawals and the inclination not to change payment habits (possibly due to balancing budgets when income comes from a variety of sources) resulted in a rise in transactions and subsequent costs for the landlord.

### **Issue description - communicating with tenants**

Learning – No one communication method is best. Multiple communication methods should be used and evolve over time. Tenants respond well to new approaches but these become less effective after time. Text messages can be effective where there is a large volume of cases and can be used as automated reminders. They are also the least expensive form of communication. Phone calls (landline and mobile), letters and in person visits all have their place, but the cost and effectiveness can vary. Where literacy levels are low or language barriers are an issue then alternative forms of contact will be needed. Within projects there were significant levels of contact to prepare tenants for the change to direct payment and it is reasonable to expect this moving to universal credit.

### **Experiences – Dunedin Canmore Housing Association**

Staff in Dunedin Canmore found that tenants were getting used to our telephone numbers. We had a better response rate when we started using work mobile phones to contact difficult to reach tenants. We did find that text messages were very successful and got a bigger response than letters/phone calls. We send text messages to participants reminding them that housing benefit is now in their bank account and payment is due or asking them to check that there are sufficient funds in their bank account to cover a direct debit payment. A large number of tenants have become reliant on those text messages and fail to pay if we don't issue a text message.

### **Experiences – Oxford City Council**

We carried out three focus groups, although no consensus was reached as to the best communication method. Tenants have suggested the use of text messaging.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

All associations followed business as usual, however additional staff were needed due to the increased communication required to obtain payments to rent accounts and monitoring to mitigate arrears rising. The use of out of hours contact i.e. 8am-8pm weekdays and Saturday mornings assisted with this communication.

We also made use of texting alongside traditional telephone calls and visits, and this proved to be successful both on a responsive basis due to non payment, but also for regular, proactive reminders when housing benefit payments were due.

Residents needed to understand they were now being required to take personal responsibility for their rent payments which was a huge culture shift for some. In the initial stages we contacted all tenants via letter which was a different colour from the norm to gain attention and obtain positive responses. We found that with three letters initially sent, we had a response rate of 69.7 per cent.

Communication is key at all levels, all staff have to take responsibility to ensure residents are supported and managers and board members have to fully understand the challenges and give clear and concise direction to enable this to happen.

### **Experiences – London Borough of Southwark and Family Mosaic Housing Association**

Southwark Council: We are considering road shows and open days, we have a mobile bus that circulates around the estates and shopping centres with information and leaflets. We have a system for sending multiple texts and emails, but this will be reliant on us holding the correct contact details on our systems. CAB and Southwark Law Centre help with welfare reform events for all tenants but at a cost to the council and these have been hit and miss.

Family Mosaic: Arrears collection processes have been amended to include tenant preferences on how they wish to be contacted. We found that some tenants get used to and wait for reminders. We also found that communication methods need to evolve as tenants become used to them and they lose their effectiveness. Implementing automated texting was viewed as low cost and based on feedback from direct payment is being viewed as successful, with the wider use of smart phones we are planning to develop a mobile phone App to allow tenants to make payments on the go and to access our's and DWP services easier.

### **Experiences - Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

The answer is promptly, personally, persistently. The culture of personal responsibility for paying rent also needs to shift to one where the tenant recognises it as a priority, especially when they're given the choice to pay or not. Many have often had difficulty with understanding the payments process and find it hard to acknowledge that historically the local authority has been making their rent payments for them. This perception has been a challenge when trying to engage with tenants. A reluctance to accept that paying rent is the individual's responsibility has been one reason why engagement levels - even when support is being offered - have been low. Many feel if they don't discuss the question of direct payments, the issue will go away.

Many tenants will require support to understand changes and acquire appropriate solutions – and it is clear that traditional letters don't work in all cases. Areas with lower literacy rates will clearly necessitate alternative communication methods. Tenants can struggle to work out the amount of rent they should be paying to their landlord and when.

Many do not recognise that the money credited to their account is in fact their housing benefit payment, which should then be passed on to the landlord. There are cases of it being mistaken for back-dated job seekers allowance payments and consequently being used for things other than their rent payment.

Social media has proved to be very productive when communicating with tenants on a wider scale. Landlords are encouraged to make as much use of these channels as possible and consider using Facebook

for online question and answer sessions on relevant subjects. If these are well marketed, and with subject matter experts on site to respond to questions, large numbers of tenants will be able to share the guidance on offer.

Tenants will also react more favourably to individual storytelling when the landlord is publicising services. Having life examples included in press releases, community magazines etc. ensures that they are well read and relevant to the individual.

Landlords must also remember the importance of communicating changes to involved tenants, staff and Board members. The move into direct payments is as much a cultural change to these groups as it is to tenants. Communications should be planned to ensure this complex subject is understandable and that momentum is maintained. Where a landlord considers that a specialist team is the best way to manage direct payments, the rest of the organisation may be inclined to sit back and feel they have no part to play. This is a dangerous assumption as in the new world of direct payments there is a role for all staff in making sure income streams are maintained.

### **Experiences – Wakefield and District Housing**

Continue to use a variety of methods of communication. Text messaging has been useful and was used to remind direct debit payers to ensure sufficient funds were in their account. Phone contact, especially outside traditional working hours is effective and efficient, as long as the database of contact numbers is kept updated.

### **Issue description – IT's role in managing cases**

Learning – Consider the role of automated processes and self-serve systems in collecting rent and other service charges. Review whether your systems and processes can identify tenants quickly when they fail to pay so that you can engage with them. For many tenants universal credit will be only part of their income and they may receive wages or other benefits at other times during the month. Reporting systems may need to change to effectively monitor business impacts.

### **Experiences – Dunedin Canmore Housing Association**

We will be developing a new IT arrears process. This will need to manage an increase in cases, and expected payment dates. It is likely that automated texts will be used to alert contacts where the volume of cases is expected to be higher. Automated payment systems will be considered to help manage the spike in payments at busy periods and to free up resources.

### **Experiences – Oxford City Council**

There is a strong need to have access to current and accurate information to allow staff to contact tenants at the earliest stage. Using the intervention process, we have seen a reduction in the number of switchbacks as discussions are starting very early on and before arrears mount up.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

Rent account monitoring has not changed as the result of Direct Payment Demonstration Project, although it has highlighted the need for responsive arrears monitoring systems that can adapt to the changing

environment of customer payments and cycles, particularly as universal credit may be paid across at any point in the month. The aim is to reduce abortive arrears-chasing work.

Data sharing is key to assisting with rent account monitoring and supporting residents – knowing that a claimant has a claim in payment gives us a strong position to deal with non payment. Also working closely with the local authority has enabled us to intervene where required without wasting resources and to also put additional support services in place where required for the vulnerable residents.

As a result of data sharing, rent collection and resources have been targeted on the late payers, part payers and non payers. Due to knowing the payment dates, it has also enabled us to provide appropriately timed payment collections which reduce arrears and maximise landlord income streams.

Clearly minimising rent arrears has a positive impact on landlords income, but it also enables residents to manage finances in a proactive way reducing the requirement for PBS intervention and enabling them to sustain their tenancy. For residents with health or support issues, effective management of rent collection minimises potential stress, anxiety for the claimant and the negative impact on their health.

### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

Southwark Council: We are introducing Task Manager module to help identify non payers and improve our recovery rates with proactive technology, as Family Mosaic has this module effectively working (see below). We are also considering restructuring the income team to support universal credit changes. Currently Northgate is very slow and we have to do a manual rent account analysis.

Family Mosaic: Effective use of technology products such as Task Manager and Expected Payments is being used in conjunction with the escalation policies in Northgate to proactively identify the accounts that need to be actioned. Use of SMS messages as reminders/chase prompts has been successful but does need to evolve as tenants get used to this and sometimes ignore messages, or forget to pay if they are not sent. We are developing automated SMS messaging to increase efficiency and save on time and resource. We have carried out a successful pilot of a team focused on low level and static arrears balances and are also considering the use of external predictive data which provides indicators which can highlight if tenants are getting into financial problems, to help inform our collection strategies.

### **Experiences - Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

Data sharing is vital to allow early interventions to take place - unless landlords are aware of a problem, they cannot provide timely support. This also needs internal reporting systems to be effective. Bron Afon adopted a due date approach when it became clear that many tenants who did not have automated payment methods in place (e.g. direct debits) were failing to make prompt rent payments. Although there was no clear link to show that the longer the housing benefit was in the tenant's account, the more likely it was it would be spent on other things; there is clearly an opportunity to do so. Income recovery officers monitor these accounts on a daily basis and take corrective action where an agreement is breached. Without automated IT systems this is resource intensive and could not be sustained if all tenants went onto direct payment. However the outcomes do provide value for money, especially through the use of text message reminders which provide low cost, high volume communication channels which have generated return on investment as previously described.

Providing tenancy support at a 'tipping point' is being evaluated. This is a preventative measure which triggers an intervention when a tenant is looking like they have at least a 50 per cent chance of hitting the switchback arrears level. Emerging learning is that earlier support intervention rather than recovery action will prevent increased arrears and the start of an improved relationship between tenant and landlord.

### **Experiences – Wakefield and District Housing**

An automated telephone payment service has been successfully introduced. A Separate 'flagging' system is used to identify cases within the Demonstration Project and we are working with an IT provider to develop new systems in preparation for change. Some bespoke reports have been produced and used but more significant changes are required for the longer term, to reflect the changes to the way benefits will be paid under universal credit.

### **Issue description - skills for managing rent collection and arrears management**

Learning – High level of customer focussed skills alongside coping with the more difficult decisions due to increased levels of hardship, deprivation and debt.

Focus on improving negotiation skills, managing challenging customers, influencing skill, customer service skills, resilience training and building knowledge about welfare benefits and income maximisation.

Regular updates for employees across organisations about welfare reform generally and likely effects on claimants are beneficial and will help to enable identification of tenants who need additional help and support but may not seek this out.

### **Experiences – Dunedin Canmore Housing Association**

With the introduction of a dedicated Debt Recovery Team we have organised the following training: Lone working, negotiating techniques and skills (focusing on making realistic arrangements), resilience training and positive outcomes training. Two of these have content about looking after ones self. The requirement for support and training should not be underestimated.

### **Experiences – Oxford City Council**

Training needs to be given to add to existing skill levels with a support plan to provide development opportunities for all staff to increase their knowledge of business areas and of dealing with welfare reform. A closer working relationship between the existing support teams and the rent officers is also recommended. Support teams must have access to resources and knowledge of how to support tenants in crisis which traditionally has not been the role of a rent officers.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

We found that whilst our staff were experienced and skilled in dealing with rent arrears, managing cases where a customer receives their own direct payment presented different challenges for non direct debit customers as there was often no pattern to payment receipts, resulting in manual checking of accounts.

Further training and support in negotiating agreements, and developing wider understanding universal credit and overall benefits is needed to ensure they are able to effectively handle incoming and outbound contact with customers.

### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

Southwark Council: Refresher training on managing tenants and arrears collection is given to all income staff. The revenue and benefits department run training sessions which are well attended. New trainees will assist with business hotspots and we are rolling out a leadership and management development programme for all staff. We also refer hardship cases to our in-house sustain and rightfully yours teams to assist tenants to maximise benefits and tackle general lack of understanding and debt problems.

Family Mosaic have sourced and ran negotiation and influencing skills courses for all income officers in addition to ensuring that our customer service skills are of the highest standard, to understand and get know our tenants better, e.g. understand their habits, household composition, holidays, other benefits. Anything that could affect their payment habits - understand this and we will always be able to be more supportive. Welfare reform awareness is also critical to success.

### **Experiences - Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

New skills are clearly needed. In Bron Afon, the specialist knowledge required to manage direct payment accounts has meant that experienced income recovery officers have been taken off non-direct payment cases and work as part of the direct payment team. Agency staff have been used but their temporary nature has proved unreliable, with experience being lost on a regular basis. This has an impact on core delivery and could impact on general arrears recovery. Bron Afon used two traditional income recovery officers but introduced tenancy support officers to offer support for non rent issues, whilst at the same time the recovery officer continued with the enforcement side if the tenant is not engaging.

The caseload for direct payment cases is smaller than core delivery teams but brings with it increased contacts and more complex cases. Staff in this role need to be capable of having difficult conversations with tenants and should be proactive in addressing rent arrears. It is too early to say whether direct payment income recovery officers might burn out but it is good practice to rotate roles in order to build experience and knowledge of the direct payment process. All income rental officers will have to deal with emotional cases – direct payment case studies have proven that and this should not be overlooked.

Landlords will find themselves in a competitive recruitment market chasing skilled support and income recovery officers which may lead to increased internal training costs. Both are key roles and require individuals with good inter-personal skills who can build relationships with difficult clients. Experience has also shown that there can be hostility towards support officers as a number of tenants feel that the only reason behind offering support is so the landlord can evict the tenant.

As the lessons from the Direct Payment Demonstration Project suggest arrears will rise, the recovery route is likely to be accelerated and court cases increase. Staff must have the skills to accurately and comprehensively record the steps they have taken to provide evidence to a court that sufficient support has been offered to avoid eviction.

Help desk staff may not be skilled enough to interrogate direct payment rent accounts as payment cycles are different to the norm. Front line resources will need to be aware of direct payment issues as it is this group who are most likely to come into contact with tenants.

Bron Afon is reviewing its service delivery model and a generic team is not looking to be the best option. Best practice and peer learning indicates specialist teams focusing on money advice and income recovery are becoming the preferred option.

### **Experiences – Wakefield and District Housing**

Employees felt a training session facilitated by the Samaritans was beneficial. The impact of welfare reform changes and other pressures on claimants is regularly highlighted and discussed within briefings, to enable identification of those tenants who need extra help with debt related or other problems.

### **Issue description – the balance between providing support and taking a ‘commercial’ approach**

Learning – Review existing provision, identify duplication with other providers and look at developing new support to fill gaps and needs. Consider whether you will provide this in house/for your own tenants only, by agreement with other providers or through links to LSSF partners, once known. Remain supportive of tenants yet balance this with collection of rent and minimising debt. Develop services to assess and help applicants/new tenants to manage with changes and mitigate problems they may face under the welfare reforms. A more holistic approach to support works.

Helping tenants in to work will help them avoid benefit cuts.

Consider which department/staff across the organisation have contact with tenants. If approached do they have/need the skills and knowledge to provide this advice and support or do they know who to refer the tenant onto?

### **Experiences – Dunedin Canmore Housing Association**

At applicant interview stage we work closely with applicants about their ability to sustain a tenancy. Where issues are identified, applicants are referred to a support agency. The support worker works with the applicant to ensure that support and advice is provided and that any issues are addressed prior to the start of the tenancy.

We are fortunate to have access to in house support and advice services for existing tenants who need advice and assistance with benefits or money advice.

The arrangements for LSSF, in Scotland, are unclear at this time.

### **Experiences – Oxford City Council**

Knowledge about tenants is crucial. Within the project some tenants had had minimal contact prior to this change but engagement identified an increased level of support needs.

Tenants are assessed at sign up to determine their ability to sustain direct payments and highlight vulnerabilities. Depending on the outcome of this assessment, they either receive direct payment or go onto a support programme to then go onto direct payment.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

As the result of taking part in the Direct Payment Demonstration Project, we now have more in-depth knowledge of our customers with stronger emphasis on pre-tenancy work to identify the risks, issues and support needs of our customers to enable them to manage their rent payments and sustain tenancies.

The Direct Payment Demonstration Project has also highlighted the need for local support services to be in place, and for strong partnerships to be built.

We now need to develop a cohesive support framework that is flexible enough to cater for each person's needs. The resources used during the Demonstration Project are not scalable to universal credit. There are numerous services and organisations providing support and each provide this via a range of subjects, venues and channels. Only when we clearly know what the next person does, can we truly do joined up working and effectively signpost

Extensive assessments were required for residents/claimants as part of the claim process, the result being that it is important to get it right at the beginning.

Data sharing is required by all parties to facilitate comprehensive conversations when required to enable correct APA's to be put in place, rent arrears to be monitored and switchback payment requests to be made.

With these processes in place positive impacts can be obtained as resources can and will be targeted at the right claimants. Rent arrears will be contained as appropriate personal support, PBS or APA's will be put in place correctly.

This could also then link into the Local Support Services Framework, where local support services within regions can be developed to support specific local needs.

We found we were ideally placed to deliver support based on flexible working to achieve better outcomes for individuals and families, increasing independence, and reducing demand on the welfare system. In Shropshire we have now started to develop a cohesive support framework that is flexible enough to cater for each person's needs but works in partnership with each other.

The case for working in partnership to support claimants is twofold. In the first place, it reduces complexity whilst improving the quality of service and outcomes to individuals and families. The evidence is that joint working stands a better chance of successfully equipping people to be independent and self-supporting in the long run. Secondly, joint local working reduces duplication, inefficiency, conflicting interventions that negate each other, bureaucratic overheads and transaction costs.

## **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

Southwark Council: We expect more referrals to support agencies; new tenants may be required to attend budget/money advice clinics; existing tenants with issues may also be invited to attend clinics where there is evidence of arrears. It would be helpful if DWP ran nationwide campaigns to increase tenants' knowledge via TVs, local newspaper, text messaging and radio as knowledge of the issues remains very patchy. The tenancy support officer has increased engagement with tenants and understands their problems like unknown debt or relationship issues and in some cases makes agreements to pay where it's been difficult for income officers. This has raised issues of assumptions and inaccuracies in the initial self assessment by the tenant, because some tenants lie about their situation to get the cash directly.

Referrals have been made to Sustain and Rightfully Yours (internal council) teams as well as CAB and Southwark Law Centre. It is key to ensure that all income officers are fully acquainted and multi skilled with universal credit/welfare reform information/updates/options in order to ensure that they can advise immediately and support vulnerable tenants.

Family Mosaic: Currently a pre sign-up affordability assessment is carried out to ensure that relevant financial data is captured. This is used to ensure not only that welfare reform changes are considered but that a risk assessment is also carried out to determine (income v expenditure carried out) whether the tenant can sustain their tenancy and/or whether a referral to a welfare or debt advisor is needed to maximise income, or to the employment team to improve the tenants' marketability/help them to seek employment. (We provide a range of opportunities for our customers such as training, employment and access to learning so they can improve their prospects, find new opportunities and move on). The importance of tenants paying their rent on time when universal direct is implemented is also addressed at this point, while we also emphasise the importance of early engagement by the tenant when any financial difficulty is encountered.

We have also signed up to the Experian/Big Issue Rental Exchange initiative to increase tenants' credit ratings, to enable them to access to a wider range of more affordable mainstream services and to help them become more financially independent.

Early indications show positive results from the use of tenant support officers. We have recognised the need to understand our tenants better, e.g. their household composition, habits, holidays, other income. If a tenant has complex needs or support, referrals are made to our internal welfare rights/debt advice team. The expectation is that the trial currently underway of making early referrals (pre switchback) to and offering on going support (post switchback) through our tenancy support officer will alleviate any such distress.

It is key to ensure that all income officers are fully acquainted with universal credit/welfare reform information/updates/options in order to ensure that they can advise immediately and support tenants who become distressed themselves.

We also hope to be involved with the LSSF partnerships within our key boroughs. In-house advice and referral process currently in place. The current direct payment initiative of early referral to a tenancy support officer will hopefully inform strategy also. We view partnership working as key.

## **Experiences - Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

The message here is that whilst the impact of direct payment may challenge landlords' values and purpose it can also be a strong reminder of their importance.

A holistic approach to support gains the best results - there is normally more than just a money advice support need behind the reason why a tenant is in debt. Contact also identified numerous issues with tenants that had not previously been highlighted.

There is a clear reluctance or indifference amongst tenants to engage with their landlord or take up external support services, even when the tenant has initially indicated they see the benefits support could bring. Landlords will need to be more proactive in trying to encourage tenants to take up offers of help. Charter Housing identified that contact identified numerous issues with tenants that had not previously been highlighted.

We have also found that many tenants do not know that extensive support services are available to them and landlords should consider improved marketing of their services. This applies to internal and external support services (such as CAB).

Our experience is that far more resources have been applied to providing support to tenants than any other area. Originally called personal budgeting support officers, they have now changed their job title to tenancy support officers as tenants are reluctant to engage with anyone talking about their money - even if this is badged as a free support service.

The provision of support must all be weighed up with the return on investment and landlords should try to be smarter in the way they deliver and evaluate services. This is important if considering a commercial approach or outsourcing to third party agencies.

Bron Afon provided intense tenancy support for all new tenants (i.e. new housing benefit claimants) as part of the personal budgeting support trials. The lessons from this will be reported on in due course but early indications are that all new tenants engage with the process and feel that this is a worthwhile service. This pre-tenancy stage includes a financial assessment and signposting to suitable money advice services, including CAB. This has to be a timely referral and landlords might want to consider setting up formal service level agreements if this return on investment can be justified.

Building a relationship with the tenant at this early stage is proving to be a vital means of ensuring on-going dialogue, and is especially important when problems arise and support is being offered. Landlords may also be tempted to introduce new pre-tenancy conditions (for example, one week's rent at sign up) and they should consider marketing conditions through their communication channels, especially the internet. What hasn't been tested, however, and remains something of an unknown is how tenants would have managed without extensive support provided throughout the project. This reflects the risks of adopting a more commercial approach that does not return value for money.

## **Experiences – Wakefield and District Housing**

We are focussing on support in a non-judgemental way including helping tenants access training and seek employment, build financial capability and address lifestyle and health issues.

Lack of savings or other funds to fall back on led to some tenants using their housing benefit in times of emergency or crisis. Proactive work can be done to encourage savings or to help tenants to access other sources of funding.

## **Issue description – how tenants choose to pay**

Learning – A range of payment methods will cater for the varied needs of tenants, who may choose multiple methods and frequencies according to their specific circumstances. Experiences have included a lack of trust and understanding about direct debits amongst tenants and, also a fear of incurring charges.

### **Experiences – Dunedin Canmore Housing Association**

We identified the payment methods our tenants prefer to use as follows: 44 per cent Allpay, 27 per cent direct debit, 25 per cent debit card and four per cent BACS. The majority of our tenants still prefer to work with cash. For landlord's direct debits are cheaper and easier to manage when the payment is made, though less so when a payment bounces and the tenant incurs bank charges.

### **Experiences – Oxford City Council**

Tenants chose the amount that they felt able to sustain; 79 per cent of tenants on direct payment used direct debits, 58 per cent paying the full amount and the remainder using different methods.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

We experienced varying levels of direct debits take-up, the majority are paid with no problems although when they have failed it is often due to a reduction in housing benefit paid in to the tenant's account.

It is evident that residents make payment via multiple methods depending on how household income is received. From many, income is received throughout the month from various sources. A consequence of them taking responsibility for their rent under the direct payment process and universal credit moving forward is they can, and do choose to budget in a different way that is right for them and their life styles. For many of the universal credit claimants this will continue to happen. Flexible direct debit payments dates are a key to helping to reduce transactional costs and to fit into residents budgeting strategies.

All of the landlords within the Shropshire Direct Payment Demonstration Project have adapted their payment methods and practices to best meet the needs of customers receiving their own payments.

Examples of this are the setting up of new direct debit frequencies, i.e. any day of the week or month, and also a special four weekly collection to accommodate the four weekly payment received by the tenant under the project.

Alongside this, we have also seen an increase in the use of payment cards to make manual payments, particularly where a customer has multiple income streams and only receives partial housing benefit. They are often balancing their finances week to week, and this will continue into universal credit, where although their benefit payment will be calendar monthly, other income will remain at it's current frequency. For this reason we are anticipating a significant increase in collection costs.

The other key finding is that data sharing with the local authority as the benefit payer has been absolutely essential in allowing us to align payment methods and frequencies to the benefit cycle, where appropriate. This has allowed us to protect the landlord income stream as far as possible.

### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

Southwark Council: Tenants get confused with direct debit, debit cards and direct payments. A large portion of our tenants pay by cash and we want to reduce this by withdrawing old fashioned rent cards. We have had some fraudulent payments by touchtone phone and we have implemented a Stop module to stop these transactions and refer them to the more secure internet payments.

Family Mosaic: We believe we already have very flexible methods of payment. Experience on direct payment to date shows 41 per cent of tenants paying via direct debit and 20 per cent paying via telephone so we are currently looking at 'recurring payment' functionality via direct/credit card. As mentioned earlier, we are also looking to develop an app to enable tenants to pay 'on the go' and also to facilitate easier communication between us and DWP.

### **Experiences - Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

Locally, we have found that direct debits are not always the best payment option, particularly if claims are cancelled or suspended. Whilst in other project areas they have proven more successful, our learning is that a wide range of financial products are needed to suit tenant needs. Mistrust of direct debits stems from fears that they can be called for before the housing benefit was paid in. This extends to concerns of benefit payments being suspended or cancelled, resulting in possible bank charges of a 'bounced' direct debit. Locally, the Direct Payment Demonstration Project has seen that the vast majority of tenants with credit union accounts experience very few problems with their payments. This 'jam jar' concept provides a degree of financial management many will depend upon. Some commercial organisations offer more flexible direct debit systems which are able to better cope with different frequencies and methods of rent payments. So a 'Martini' approach to collection methods is needed! Anytime, any place, anywhere.

### **Experiences – Wakefield and District Housing**

We offered any day and frequency direct debits. Around 50 per cent of tenants in the project have used these to pay all or part of their weekly charges. Many make multiple payments within a period, which results in increased costs. Payment limits apply to PayPoint, which also increases these costs.

## **Issue description – data sharing for switchbacks and switch forwards**

Learning – For Direct Payment Demonstration Project, the effective operation of switchbacks and switchforwards was dependent on the data sharing processes and good relationships between landlords and local authorities. Universal Credit needs to find a way to replicate the local authority and landlord relationship.

Internal processes/rent account systems need to be in place to monitor arrears that reach the trigger level.

### **Experiences – Dunedin Canmore Housing Association**

Data sharing and a close working relationship between City of Edinburgh Council, revenues and benefits and Dunedin Canmore Housing Association has ensured that switchbacks happened in a timely way during the project.

During the first year of the project we used a one month switchback, but there was often insufficient time to engage with tenants before the cut of date for the next payment. A two month switchback allows more time to work with tenants where they engage although the one month switchback is useful for those who are identified as vulnerable or who are consistently underpaying.

Robust arrangements need to be developed which allow discussions and the transfer of information between landlords and DWP so decisions can be actioned quickly and efficiently to protect tenants and landlords.

Dunedin Canmore Housing Association need to develop systems to identify frequent part payers as these are difficult to track over a number of months.

### **Experiences – Oxford City Council**

Our rent officers have access to the housing benefit system and vice versa. Having this in place has been invaluable and speeds up the process of identifying the tenant's housing benefit status before chasing any missed rent payments. Without this in place our system to ensure the rent officers can check if a tenant is on universal credit or if their payment has been suspended will certainly delay the recovery process as well as cause distress on the tenants.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

Data sharing within the Direct Payment Demonstration Project has been essential to minimise rent arrears and enable switchback requests to be handled quickly and efficiently. This has been good for customers to prevent arrears escalating and putting their home at risk, and good for landlords as it protects the income stream. Any switchback activity within universal credit must be streamlined and efficient, to protect customer and landlord interests.

Working with residents after switchback is essential if they are not to fail again in the future. Establishing the issues and the support required and who is best placed to provide that support is also essential. Partnership working is the key.

We have found that residents tend to live their lives in the here and now and the future is something that they worry about and take action with when it happens.

No two tenants think or pay their rent in the same way, and it is not possible for landlords to predict who might have financial difficulties or choose not to pay their rent. The initial assessment might identify obvious issues, and enable support interventions to be put into place, but our experience has been that it is often the people who present with no obvious vulnerabilities or issues that end up in arrears.

The other key overriding issue is that communication with the benefit payer is absolutely essential, alongside the legal data sharing framework needed to facilitate this.

Working alongside Shropshire Council through this project, all landlords have found that working from a position of information in respect of payment dates and amounts, and liaising closely together on potential switchback cases has been beneficial, not only for the landlord income stream but for tenants whom we have been able to actively support and provide interventions for.

However, the 12 weeks has given us time to intervene with tenants before switching them back, and for them to get back on track with our help and support.

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

We have experienced less switchbacks within the Shropshire project as compared to national, because of the longer time period although the knock on effect of this is that when a customer is switched back the arrears may well be higher than the national average within the other project areas.

#### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

Timescales for switchback are very tight between identifying the arrear and the need to set tenant to landlord payment so a detailed process was agreed between Family Mosaic/London Borough of Southwark Housing/Benefits. There is insufficient time for a standard service level agreement approach with reasonable timescale which means a good relationship and ability to share data is vital; reconciliation reports of payments made etc. need to be part of the process, and standard pro-formas for switchback/forward need to log the reason. A single point of contact in each organisation was identified to resolve issues. Family Mosaic are able to produce prioritised reports of arrears position whereas London Borough of Southwark have used manual processes which are very time-consuming and may result in missed cases. You need to bear in mind the case where tenants pay regularly but late – how will you deal with this?

Data sharing is also critical for initial validation of rent being charged by the landlord during the claim process for universal credit.

#### **Experiences - Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

The management of the Direct Payment Demonstration Project has been based on effective and timely data sharing with the local authority. Without this tenant debt would have increased as would the risks posed to the landlord's business. If considering a movement onto direct payments in advance of universal credit, landlords might wish to consider the potential for restrictions that universal credit will impose. Landlord's own IT rent accounting systems will need to be assessed to ensure they are capable of identifying trigger points on the road to switchback and that they can react to multiple cases of switch back to switch forwards and so on. Most switchbacks have been triggered by persistent underpayment. Interestingly the underpayment has sometimes been the result of tenants not realising that they need to

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

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

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

Whilst numbers are low there is some evidence that tenants who do engage and accept support to switch forward feel enabled to manage direct payments with more confidence and may be less likely to default again as a result. The role of tenancy support workers is proving key here building trust through an approach that is about being 'here to help' with the diverse range of issues that can affect the lives of individual tenants rather than one that is simply about money.

### **Experiences – Wakefield and District Housing**

Timescales for identifying missed payments, then chasing these up, allowing time for payment to be made or submitting 'switchback' requests to the local authority are very tight. This leaves little scope for effective working to support tenants through periods of difficulty. Any longer delays in processing switchbacks would have significant impact for landlords.

### **Issue description – the effect of sanctions and suspensions**

Learning – Emerging learning that non payment may be linked to the effect of suspensions, sanctions and fluctuating incomes affect tenant's ability to pay their rent.

### **Experiences – Dunedin Canmore Housing Association**

33 interviews carried out with switchback tenants found that 12 had a suspension to their benefit which affected their ability to pay their rent. The effect of sanctions and suspensions on tenants' income, their ability to pay rent, and on landlords income, under universal credit is worrying.

Effective communication and data sharing arrangements would allow landlords to provide advice and support to tenants affected by sanctions and suspensions.

### **Experiences – Oxford City Council**

We are finding that reasons for none or partial payment of rent are varied. They range from family crisis, lack of money management skills, changes to benefits, paying other debts to just spending the money. We deal with each case on its own merit and do not put a blanket reason as to why this may have happened.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

Experience has shown that many factors can affect a tenant's ability to pay their rent, which have included sanctions and housing benefit processing delays - however, it is also true that one of the main factors is the prioritisation of other debts and expenditure before rent payments are made. Fluctuating mobile phone bills by direct debit, as well as continuous payment authorities held by high cost, short term lenders mean that funds can be withdrawn from bank accounts by others, meaning that the rent direct debit is then unpaid due to lack of funds.

### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

Family Mosaic have certainly experienced an increase in sanctions and other suspensions but has also seen an increase in the delay by local authorities in either getting claim back in payment or at times cancelled. This does lead to an increase in arrears as tenants are 'not able' to contribute to their rental obligation. This is an increasing risk as social landlords need to comply currently to the Rent Arrears Pre-Action Court Protocol which does not allow us to escalate if there is an housing benefit query. There has been no update from the Judiciary how this Pre-Action Protocol will change in the future. Issue in this area if there is no data sharing protocols in place.

### **Experiences - Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

There is a risk of harm to already vulnerable people that results from sanctions and unreasonably high claw back rates – and the risk of more people becoming vulnerable as a result too.

Our ability to intervene early and support tenants before a crisis was hugely dependent on an effective partnership with the Council's housing benefit team and replicating this must for us be a foundation of universal credit system design. We say this because given our Direct Payment Demonstration Project experience we have big concerns about the link between mental health and debt. In the project baseline survey undertaken by CRESR one in four tenants in Torfaen said they were suffering from stress or mental anxiety; sadly it is perhaps not surprising then that people with mental health issues and families with complex needs figure large in the group of tenants in Torfaen switched back to landlord payment. Landlords will consequently need to know when there is a suspension or sanction so they can provide early intervention. As the Claimant Commitment introduces more stringent sanctions, landlords will need to assess their ability - and capacity - to support tenants to meet their obligations.

### **Experiences – Wakefield and District Housing**

Clarity is needed that WDH and Wakefield Council are two separate businesses and that, within the project, the landlord is not aware of housing benefit amounts paid or suspensions/reviews. There were numerous examples of tenants who have been 'sanctioned' then using housing benefit for living expenses as well as for emergencies/crisis events, likely due to lack of savings.

We have concerns around 'zero' hours contracts and the capacity and ability of tenants to be able to budget plan effectively, alongside the effective transmission of 'real time' information to inform universal credit claims.

### **Issue description – customer profiling: knowledge to target services**

Learning – Better knowledge about customers enables more effective identification of need. Information needs to be up to date and relevant; self assessment of tenant support needs should be underpinned by evidence from other sources. Are IT systems suitable to support this?

When planning information gathering exercises it is essential to ensure that specific questions are phrased so that responses collect the information being sought – e.g. having access to the internet does not mean it is in day to day use.

Many tenants change their mobile numbers or have multiple numbers. If using texts or contacting tenants by phone, consider systems and practices to capture the mobile number they are using and refresh the details on your system.

#### **Experiences – Dunedin Canmore Housing Association**

We are gathering data from tenant profiling visits on tablets and the information collected is loaded automatically onto our systems. In time this will allow reporting and trend analysis and the information will be used to target future advice campaigns. Mobile and landline numbers are checked every time there is contact with tenants.

#### **Experiences – Oxford City Council**

We are developing systems to allow access to information about tenants and a programme to update this so that it remains accurate.

#### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

Careful assessment of a customer's needs and preferences is essential to enable the tenancy to run smoothly. For landlords, it's about giving clear responsibilities to the customer, with a range of options to suit their needs and then providing support or signposting to support.

Landlords need to have a better understanding of their residents that is clear, residents will tell you what they think you want to hear and you have to have skilled staff in place to be able to assist and establish the outcome required. Databases have to be kept up to date and all staff have to take responsibility for checking data and recording correctly.

#### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

Family Mosaic: Have signed up to the Big Issue/Experian Rental Exchange initiative. We are also considering the use of external predictive data, which provides indicators which can highlight if tenants are getting into financial problems to help inform our collection strategies. Our systems capture tenants' numbers when they contact us and numbers are updated automatically between our contact centre CRM and housing database.

Both organisations have learnt not to make assumptions on tenants' payment behaviour. Information is kept in several database(s) and there is a need to explore, update and integrate these, as we need to have access to current and accurate information to allow staff to contact and support/signpost vulnerable tenants at the earliest stage.

### **Experiences - Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

Good enough/fewer and better are important principles here – people don't want us intruding into the depths of their personal finances and we don't want piles of data that we cannot readily use or keep up to date and is costly to gather and process. It is also clear that landlords do not know as much about their tenants as they think. This especially applies to those tenants who have historically been 'good payers' and who have attracted little recovery attention. It does not equate that a 'good payer' will continue in this mould when they move onto direct payments. Neither does it mean that a tenant who the landlord considers 'low risk' to the implications of direct payments will pay their rent on time. For this reason customer insight data on such tenants can be lacking. Whilst 90 per cent of Bron Afon tenants had a bank account, only 12 per cent of those used it for their rent payments. Landlords must clearly be careful interpreting customer information. This is repeated when assessing a tenant's ability to manage their finances online. Simply asking whether someone has 'access to the internet' does not mean they are capable of utilising online tools and only far more accurate questions will reveal the true picture. In essence the information gathered must be sufficient to measure risk to the tenant and the organisation.

### **Experiences – Wakefield and District Housing**

We are introducing CRM enhancements and will, at specified intervals in the future, run 'campaigns' to capture missing information alongside updating that which is already held from activities such as periodic tenancy visits and other interactions.

Assessing who would manage and who would default was not straightforward and many other factors impacted.

### **Issue description – uptake of banking products**

Learning – Largely there has not been an appetite from tenants on Direct Payment Demonstration Project to consider alternative banking products. Consideration should be given to the cost/benefit of supporting/promoting jam jar account. Many tenants have bank accounts, but not all accounts are transactional and therefore suitable for payment of rent to the landlord. If the account is overdrawn, the benefit payment may be 'swallowed-up' by overdrafts on the account.

### **Experiences – Dunedin Canmore Housing Association**

206 tenants were identified at the start of the project as wanting help to open a bank account. 61 were known to have opened an account as a result. In most cases this involved helping tenants identify what ID they would need to open an account and which banks and types of accounts would be suitable for individuals. We worked with Barclays during the project and a small number of tenants opened an account with them.

### **Experiences – Oxford City Council**

We explored various banking products that may be suitable for people on low income, for example ones that offers jam jar accounts and also that are transnational. There are many products on the market as well as credit unions. Our findings were that these products were already available in our area and uptake of them was low. Some of the products were expensive while credit unions were free, but they required individuals to save money with them in order to bank with them. In Oxford the credit union does not offer transactional bank accounts. Some of the financial companies we spoke to offered to suspend their bank charges for a period of time until the individual became an established customer, however they would re-instate the charges at a later date. We decided not to invest in any banking products as we felt their future was not sustainable as our tenants could incur additional costs.

Tenants were supported to open bank accounts with any high street bank of their choice. There were no issues with opening a basic transactional bank account as long as the individual had the required documentation, however gaining the required documentation, in some cases, was a problem. Some tenants needed support to gather the required documentation and in other cases they needed support to apply for some identification. In some cases tenants did not engage and missed appointments. This was time consuming, however where it was a straight forward case, with the tenant having all their documentation in place and willing to engage, the process was easy and short. A closer working relationship between support teams and the rent officers is recommended as support teams have access to resources and knowledge of how to support tenants in crisis, which traditionally has not been the role of a rent officer.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

All four landlords found high levels of 'banked' customers, and relatively few without access to a bank account. Where there were banking issues, there were various reasons for this including overdrafts or lack of functionality for making automated payments.

Many customers still prefer to deal in cash to ensure they can manage a limited budget, and interestingly the interest in credit union accounts was very low.

### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

Both organisations found that the majority of tenants have a bank account. There was little or no interest in credit union/jam jar accounts - this was evidenced by the complete lack of take up even though they were offered at no cost to the tenant during the project. Some tenants have opened a second account where another account is overdrawn. Despite this, it is our experience that there has been 'poor' advice/PR made/given by DWP or from the banking sector about alternative banking products.

### **Experiences - Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

Few of our tenants are un-banked – the issue is more fundamental: are banking products what people need or savings/safety net products? Whilst landlords should consider offering a wide range of payment methods, tenants have been found to be very reluctant to change to new banking products. Many already have unsuitable bank accounts which charge high transaction costs and this is where effective money advice and support will help landlords ensure tenants do not pay unnecessary banking charges. Tenants

have expressed concerns that moving accounts may cause delays in receiving their benefits from the local authority (or DWP under universal credit) which in turn would disrupt their already fragile finances.

Bron Afon also found that in a pre-project survey, 90 per cent of the 1,685 tenants interviewed stated that they had a bank account. However of these, only 12 per cent used it to pay their rent. If considering undertaking a tenant profiling exercise, enquiring as to the state of the individual bank account is recommended as if it is already overdrawn, payment of housing benefit could easily be swallowed up in clearing debt and possible bank charges.

Credit unions are competing with more visible providers, and landlords may wish to consider joint marketing of more suitable products to tenants. Locally the vast majority of tenants on direct payment with credit union accounts have experienced very few problems with their payments but there has been very little uptake on opening an account, possibly due to the fact that there is an expected savings element and many tenants who would benefit from such a managed account have no spare income to commit to saving.

### **Experiences – Wakefield and District Housing**

A small number of tenants used credit union jam jar accounts. These did not have capacity to fail as the account holder agrees that the full amount of housing benefit being paid is passed over to the landlord. There is a cost attached to these, which was met for the period of the project, and tenants may be disinclined to pay this extra cost when personal budgets are stretched.

### **Issue description – weekly or monthly rent charges**

Learning – Review weekly tenancies versus monthly tenancies and the timing of rent free weeks. Landlords may wish to consider whether they will require tenants to build up a credit on their account so that rent is paid in advance as per the tenancy agreement, or how they will manage and account for late payments within their systems and the advice they give to tenants who pay 'late'.

Within the Direct Payment Demonstration Project tenants and employees have found it difficult to understand/interpret rent statements as payments are often received 'late' into accounts. Landlords need to understand/discuss with their tenants when tenants will receive their benefit, to inform the arrears classification.

### **Experiences – Dunedin Canmore Housing Association**

Dunedin Canmore currently has a monthly debit. We need to establish a rent payment culture and part of this will include discussions with tenants and bringing their payments in line with their tenancy over time.

Late payments create additional cases to manage using existing arrears management systems and if late payment is accepted it can be difficult to read rent accounts after time as there is often an arrear on the account.

### **Experiences – Oxford City Council**

WE considered the options and intend to remain with weekly tenancies. We do not have 'rent free weeks'.

### **Experiences - Shropshire Council, Bromford Group, Sanctuary Housing, Shropshire Towns and Rural Housing and Wrekin Housing Trust**

We have a mix of weekly and monthly tenancies across the four organisations, and no consistency around the decision to retain weekly charging or to move to a monthly rent debit. There are debates still on going around the best way forward, and with the DWP draft regulations stating that weekly rents will be calculated on a 52 week multiplier, there is a reasoned argument for moving to monthly debits to ensure that the current value of the annual rent charge is covered in full.

### **Experiences - London Borough of Southwark and Family Mosaic Housing Association**

Southwark Council are possibly considering moving to monthly rent payments to align with universal credit monthly payments.

Family Mosaic is currently reviewing the implications of moving from weekly to monthly rent charge. Recognised advantages include consistent reporting and, align to universal credit and salary monthly payments. We do not operate rent free weeks.

### **Experiences - Bron Afon Community Housing, Charter Housing and Torfaen County Borough Council**

Moving from standardised approaches based on enforcing rent accounting periods, to managing personalised payment arrangements is essential. New tenants at Bron Afon are being asked to provide one week's rent at sign up and the emerging trends are that none have refused a tenancy on this basis and after three months arrears are half that of existing tenants. The vast majority of tenants who have been referred for money advice have been unable to commit income to savings. Creditors are highly unlikely to accept reduced payments if tenants disclose savings schemes as has been borne out in Bron Afon's project work with CAB. Credit union loans often include a small savings element in their repayment plans and may be attractive to tenants. Bron Afon has found that its due date approach (described earlier in this document) to late payments minimises missed payments but is resource intensive if not supported by automated IT systems and reports.

### **Experiences – Wakefield and District Housing**

We operate weekly tenancies and four 'rent free' weeks each year are promoted as an opportunity for those tenants in arrears to catch up on missed payments. We have made no decision to change this at this stage.