



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

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Background

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

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

Policy context

In July 2010, the government published *21st Century Welfare*, a consultation document restating a Budget commitment to reform the benefits system. The principles set out in the

consultation paper were detailed further in the White Paper, *Universal Credit: Welfare that Works*, and enshrined in law when the Welfare Reform Act 2012 received Royal Assent in March 2012. The cornerstone of welfare reform is the introduction of Universal Credit, a new integrated benefit for people of working age which will come into effect from October 2013, with UC pathfinders starting in April 2013. UC is a single payment, replacing a range of income-related in-work and out-of-work benefits, including HB. Claimants will receive a single monthly payment, simplifying the current system while also, it is hoped, encouraging greater responsibility among people to manage their benefits and rent payments. In the social rented sector this represents a significant change for landlords and tenants. Recognising the change for tenants, and the importance of stable income streams for landlords, the Government is designing UC to include support for tenants and safeguards for landlords. The DPDPs programme is one means through which various safeguard and support options are being explored and tested.

The research programme

The main aim of the evaluation is to monitor and evaluate the preparation and delivery of the DPDPs. It comprises: tenant surveys; analysis of landlord rent accounts and management costs; longitudinal qualitative work with tenants and local stakeholders; and one-off qualitative interviews with tenants and stakeholders. This report presents the learning to emerge from fieldwork conducted with tenants, landlords and other stakeholders.

This report was written in February 2013, about a year after the Project Areas were announced but only six months after the DPDPs went live (four months in Scotland). Evidence and learning has accrued from the preparatory phase of the DPDPs, but evidence regarding impacts and consequences of direct payments for tenants, landlords and other stakeholders, remains tentative at this stage. Nevertheless, this report provides important early insights into the implementation process and effects of direct payment on landlords and tenants, focusing on identifying key learning.

Headline findings

Since the DPDPs programme was launched, Project Areas and DWP have designed and implemented a programme that has seen HB paid directly to more than 6,000 tenants, local structures developed to support tenants, methods tried to maintain rent collection rates, and more than 10,000 tenants assessed in preparation for direct payments. There have been challenges along the way and significant learning has accrued about implementing a programme of direct payments.

Designing the Direct Payment Demonstration Projects

With the aim of a collaborative and participant-led programme, the DPDPs' design was not preordained by DWP. Many implementation decisions were taken and processes designed collaboratively through a series of design workshops with Project Areas. Input from Project Areas was invaluable, resulting in a programme of activity more feasible and less likely to face insurmountable challenges than if they had not been integral to the design process.

Project Areas were selected six months before the DPDPs went live, a timeframe that did not permit distinct and consecutive design and implementation phases. This raised resource and project planning issues as well as challenges with front-line delivery. For example:

- Design and implementation work placed significant demands on Project Area stakeholders' time. Some expressed the view

that the burden would have been eased if DWP had prepared more extensively before bringing them on board.

- Certain implementation activities had to be prioritised – e.g. engaging with tenants and assessing their readiness for direct payment – leaving others trailing, e.g. support mechanisms were not, fully in place by June 2012.
- Front-line staff were sometimes unable to respond to tenant queries, e.g. regarding timescales for transferring onto direct payments. Nor were they always able to communicate sufficient detail to local support agencies so they could accurately advise tenants who independently sought advice from them.

Reflecting on the challenges encountered, it became clear that six months was not long enough to design and prepare for direct payments.

Preparing for direct payments

It was not possible to implement the DPDPs without direct contact with tenants. Local authorities (LAs) needed tenants' bank account details to administer payment of HB and landlords required information from tenants to help them identify those in need of support. This process began three months prior to go live, a timescale which, it became apparent, was unrealistic. Engaging with tenants proved to be a more challenging element of the preparation for direct payments than anticipated. Despite numerous letters and a variety of personal contact methods, one third of tenants had not engaged when the DPDPs went live. But limited lead-in time is only part of the picture. Other factors which help explain the challenges encountered include:

- the non-mandatory nature of the DPDPs (in contrast to the way in which UC will operate): some tenants made a conscious decision not to respond to letters to avoid being transferred onto direct payments, and when Project Areas have threatened sanctions this has been effective in prompting increased engagement.
- the limitations of written communication: most Project Areas initially relied on letters to engage with tenants although all subsequently used various forms of personal communication.

There is evidence that tenants prefer personal communication and that it is effective for engaging with them. However, very few landlords have the capacity or resources to contact all of their tenants personally.

A support assessment matrix was devised to gather information on criteria believed to indicate tenants' readiness for direct payments. On the basis of this, Project Areas generated scores for their tenants, allowing them to identify those ready for direct payments and those in need of support. Project Areas agreed that an assessment tool is a useful way of assessing tenants' readiness for direct payments but that the matrix used was not particularly workable or effective. More specifically:

- There was an expectation that landlords and LA departments would hold much of the required data. However, departmental systems were not always compatible, data from other departments not readily accessible, and landlord data revealed far less about their tenants than they and DWP had anticipated. Mining individual tenant records was too time-consuming for many landlords, and gathering information directly from tenants resulted in imperfect data.
- Questions remain about whether the criteria used are accurate predictors of financial capability. Tenants who accrued arrears were not always those whom landlords expected to struggle, and many tenants assessed as higher risk have managed well. Landlords reported that the scores generated did not always match their views of tenants' financial vulnerability.

Managing direct payments: tenants' experiences

At the outset tenants participating in the evaluation were mostly unsupportive of direct payments. The policy was generally viewed as being pointless and an unnecessary burden on people on low incomes. These views were reflected in tenants' projections about how they would cope: 31 per cent of Baseline Survey respondents thought they would cope poorly on direct payments and 38 per cent said they would find it difficult to manage their finances. Members of the tenant panel expressed anxiety about receiving their HB directly and the increased risk of rent arrears.

These concerns and anxieties are not surprising when we consider the levels of indebtedness among tenants in the DPDPs. For example, 46 per cent of Baseline Survey respondents had rent arrears and/or other debts. Tenants' early concerns also reflected lack of trust in DWP/the LA to effectively administer HB payments, as well as low levels of awareness (now increased) of wider welfare reform. Without this context, direct payments made little sense to most tenants.

Despite high levels of indebtedness, many tenants displayed good money management skills and financial competence. The majority (88 per cent of survey respondents) have bank accounts and are already using a range of strategies for managing their stretched budgets. This is good news for the roll out of direct payments within UC and perhaps explains why, despite resistance and anxiety, the majority of tenants in the DPDPs are paying some or all of their rent and members of the tenant panel are generally managing better than they expected.

But direct payment does pose a risk to tenants and managing direct payments is not always directly transferable to a UC context. For example:

- According to data released by DWP in December 2012, rent collection rates are lower in all Project Areas than before the DPDPs. Some tenants who have never had rent arrears before are now in arrears.
- Direct Debit (DD) as a method for rental payments is favoured by many landlords but there are questions about how appropriate DD is for some social housing tenants. A small miscalculation or an administrative error can result in bank charges, leaving tenants with no funds for food and other bill payments. Non-automated methods of payment remain crucial to some tenants' budgeting systems.
- Short budgeting cycles and compartmentalising different income sources emerged as important financial management strategies. Many tenants were uncomfortable about having all their income in one place or receiving it at the same time, and expressed alarm at the prospect of a monthly budgeting cycle. This raises obvious issues for UC which will be delivered in precisely this way.

- Opening a bank account can be problematic. There is evidence of banks refusing accounts and for some, the requirement for, and expense of obtaining, photo identification is prohibitive.
- Evidence indicates that many tenants want support in order to successfully manage direct payments, yet tenants do not always take up support offered to them.
- Personalised support appears to be the method preferred by tenants and the form of support they are most likely to engage with.

Implementing direct payments: landlord experiences

The resources associated with preparing for and delivering the programme of direct payments – and protecting income – have exceeded everyone’s expectations. Examples of innovative practice in terms of engaging with tenants, providing support and collecting rent are frequently linked to resource-intensive interventions. It is unlikely to prove viable to up-scale these interventions when direct payment is rolled out through UC. One method being used by some landlords to maintain good collection rates which may be scalable, and appears to be effective, is SMS messaging (texting).

Project Areas have taken different approaches to supporting tenants and it is not yet clear how effective these have been, but some common experiences and challenges have emerged:

- The capacity of Project Areas to provide support to tenants is limited, yet local support agencies in many areas are also overstretched, with obvious implications for UC – will local support agencies be able to cope with the additional demand for their services that it will inevitably bring?

The cooperation and working relationship between local authority HB departments and social landlords has been critical to delivering the DPDP. This will be lost once HB is subsumed within UC and delivered centrally by DWP, raising questions about the extent and nature of information-sharing arrangements between DWP and landlords within UC processes.

All landlords are offering tenants a choice of payment methods and highlight the importance of providing multiple payment options. This chimes with the views of tenants. However, the transaction costs of non-automated payment methods tend to be far higher than, e.g. DD.

The local discretion that DWP has allowed Project Areas has proved essential to some. It has been utilised to limit arrears, for example, by not strictly adhering to the agreed switchback trigger criteria. This raises questions about implementation and governance of discretionary actions on a larger scale as part of UC processes.

Non-alignment of benefit payments, which are paid monthly in arrears, and rental payments, which can be paid in advance on a weekly or fortnightly basis, has created complexities for landlords or tenants.

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The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 909532 39 7. Research Report 839. May 2013).

You can download the full report free from: <http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

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