

Direct Payments Demonstration Projects: Findings from a baseline survey of tenants in five project areas in England and Wales

By Peter Kemp, Paul Hickman, Kesia Reeve, Ben Collins, Stephen Finlay and David Robinson

Background

This is a summary of the findings from a baseline survey report from the independent evaluation of Direct Payment Demonstration Projects (DPDPs), which is a programme of six projects across Great Britain demonstrating the payment of Housing Benefit directly to social rented sector tenants. This report presents the findings from a survey of 1,639 tenants which was conducted in May and June 2012 in the five English and Welsh project areas: 'Oxford', 'Southwark', 'Shropshire', 'Torfaen' and 'Wakefield'. The survey in the sixth project area, 'Edinburgh', was conducted later, as implementation activity there started later than the other areas. Therefore, the data from Edinburgh was not available for inclusion at the time of writing this report. The survey provides a **baseline position** prior to DPDPs going 'live', with regard to issues such as: tenants' awareness of, and attitudes towards, direct payments; their financial history, circumstances and capability; and their **perception** on how the programme is likely to impact on them.

Policy context

In July 2010, the new coalition government published *21st Century Welfare*, a consultation document restating a Budget commitment to reform the benefits system. The principles and proposals 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' (UC), 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 Housing Benefit. Claimants will receive a single monthly payment, simplifying the current system whilst 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 both landlords and tenants as currently, in the majority of cases, Housing Benefit is paid directly to landlords. Recognising the change for tenants, and the importance of stable income streams for landlords, the Government is designing UC to include support for tenants (including assistance with budgeting and money management) and safeguards for landlords (for example, a mechanism for 'switching back' the payment of Housing Benefit to the landlord, or exemption from direct payments for people particularly vulnerable to accruing arrears). The DPDPs programme, which was announced by Lord Freud on September 14, 2011, is one through which various safeguard and support options are being explored and tested.

The research programme

The main aim of the research programme is to monitor and evaluate the preparation and delivery of the DPDPs, learning lessons about effective implementation to feed into relevant aspects of UC design and future housing policy and strategy. The evaluation 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 'external' stakeholders. This report presents the findings from the first of two tenant surveys: a baseline survey of tenants.

A quota sampling method was employed to select the sample for the baseline survey. This involved the generation of sampling points around postcode sector to enable practical blocks of work to be allocated to interviewers, with quota targets set to reflect the profile of the selected tenants in terms of landlord type, age and household. It is important to note that the purposive nature of both the area selection, and tenants within them, means the survey has not been designed to, and will not present, a representative picture of social rented tenants nationally or for the areas covered in the study.

Headline findings

The transition to direct payments

Slightly less than half (46 per cent) of respondents reported they knew 'a fair amount' or 'a great deal' about the DPDP, while 54 per cent reported knowing 'little' or 'nothing'. Also, 54 per cent of respondents reported knowing 'little' or 'nothing' about how Housing Benefit worked more generally. It is relevant to note here that project areas' communication strategies were still on-going when tenants were surveyed and some may only have received the first communication.

When asked how 'well' they would manage the shift to direct payments, more than half (54 per cent) thought they would 'cope' 'well' but 31 per cent thought they would 'cope' 'poorly'. Almost four in ten said it would be 'difficult' to 'manage their finances' if Housing Benefit was paid directly to them. In addition, respondents were much more pessimistic about how they thought **other people** would 'cope' with direct payments than they were about how they personally would 'cope'.

About a quarter of all respondents reported that they would need support if Housing Benefit were to be paid directly to them. Of those who reported a

need for support, 43 per cent said they would need 'a great deal' of support and just under half thought they would need support for the long-term. When asked how they would like to be informed about support, respondents expressed a clear preference for face-to-face communication: 70 per cent wanted to be informed in this way.

Rent affordability and rent arrears

Sixty-four per cent of respondents reported they were on full Housing Benefit (i.e. they reported that their Housing Benefit covered all of their rent) while 36 per cent reported they were on partial Housing Benefit and, therefore, making a contribution to their rent. More than half (56 per cent) of respondents on partial Housing Benefit reported that it that it was 'easy', and 27 per cent that it was 'difficult', to afford their rent.

Despite the growth in the use of bank accounts and automated methods of money transfer in society as a whole, the most common method by which respondents on partial Housing Benefit normally paid their rent was cash (35 per cent paid in this way), followed by a rent payment card (27 per cent). In total, only a fifth of tenants normally used a fully automated method – direct debit or standing order – to pay their rent.

Twenty-two per cent of all respondents were not up to date with their rent. This is about double that found in a recent survey of private tenants in receipt of the Local Housing Allowance (LHA) in 19 case study areas in Britain.¹ Tenants renting from housing associations reported significantly higher incidence of arrears than those renting from local authorities (25 per cent compared with 18 per cent). The most commonly mentioned reason for rent arrears was a drop in income – due to redundancy, sickness or disability, relationship breakdown or other reasons – which accounted, in total, for 29 per cent of cases of arrears. The next most commonly cited reason, mentioned by 22 per cent of tenants in arrears, was problems with the administration of Housing Benefit.

¹ C. Beatty, I. Cole, P. Kemp, B. Marshall, R. Powell and I. Wilson (2012) *Monitoring the Impact of Changes to the Local Housing Allowance System of Housing Benefit: Summary of Early Findings*, Research Report 798, London: Department for Work and Pensions.

Managing money

The majority of respondents (90 per cent) had at least one bank or building society account and most (81 per cent) used their account for money management. It was common for respondents who used their bank accounts for money management to use direct debits and standing orders to pay household bills (80 per cent did so). Despite the use of bank accounts and of automated payment methods for some bills, cash remained the most common way in which respondents paid for food and other day-to-day items as well as other items of expenditure.

Exploring respondents' attitudes to managing money suggests that most tenants perceive themselves as relatively organised money managers. Two-thirds agreed with the statement 'I am very organised when it comes to managing my money day to day' and 79 per cent disagreed with the statement 'I prefer to buy things on credit rather than wait and save up'. In addition, most respondents (71 per cent) budgeted regularly to help them manage their finances, indicating an organised approach to money management. The most common period for regular spending limits was weekly, followed by fortnightly. Very few had a four-weekly or monthly spending limit.

Many respondents were managing financially and keeping within their budgets. A significant minority, however, were not. For example, 25 per cent of all tenants had run out of money before the end of the week or month 'very often' during the previous year while only 17 per cent had 'never' done so over that period. More than one third indicated that they were not always able to make bill payments on time when they 'disagreed' with the statement 'I am never late at paying my bills'. When asked how 'well' or 'poorly' they were managing financially these days, taking everything into account, 52 per cent of respondents said 'well' and 30 per cent said they were managing 'poorly'.

Savings and debt

Respondents were far more likely to have debts (i.e. be behind with payments) than savings. In total, 40 per cent of the tenants surveyed had at least one kind of debt (excluding rent arrears) and 94 per cent had no savings. With regard to debt, 30 per cent were behind with common household bills (such as water charges and Council Tax) or childcare at the time of the interview; and 22 per cent of respondents were behind on various loans or other types of financial repayments. Women, tenants aged under 44 years, lone parents, and couples with children were among those disproportionately likely to be behind with household bills and other debts. Tenants who had both rent arrears **and** other kinds of debt outnumbered by two to one those who **only** had rent arrears. Thirty-one per cent of respondents reported that deductions were being made from their earnings or benefits to pay back arrears or other debts.

More than one-third (37 per cent) of respondents had sought advice or help about money management, bank accounts or debt problems. The main source of such advice was Citizens Advice Bureaux.

Implications for policy and practice

The findings present an insight into how tenants in the DPDPs **may** cope with direct payments, and, in doing so, puts together a picture of their financial circumstances and capabilities which could affect their ability to effectively manage direct payments. It does not tell us how people, in practice, **will** 'cope', an issue which will be the focus of the evaluation's principal dissemination output – its final report – which will be published at the end of 2013. However, the findings suggest that the introduction of direct payments of Housing Benefit is likely to result in a number of challenges for both tenants **and** landlords, including:

- tenants will face the challenge of having to change the way they manage their money and budget. This is particularly true of those who are on full Housing Benefit, as prior to the DPDPs they were not handing over rent money to their landlord. Under direct payments, tenants will – one way or another – have to personally manage their Housing Benefit payments and pay the rent in full to their landlord. Furthermore, they will also have to adjust to the transition from short budgeting cycles to monthly budgeting cycles under both the DPDPs programme and the UC. Housing Benefit is being paid directly every four weeks in the DPDPs and in most cases UC will be paid monthly to claimants. However, the baseline survey shows that, among respondents that had a regular spending limit, the majority budgeted on a weekly basis and most of the remainder did so fortnightly.
- another money management challenge faced by a substantial minority of tenants will be how they respond to the move away from cash to electronic payment. The introduction of UC will be accompanied by a shift towards electronic payments of benefit and tenants will, therefore, need to have a bank account. Although the baseline survey found that most respondents did have a bank or building society account, most of whom used it for money management, it also found that cash remains a very common feature of the money management practices of Housing Benefit tenants living in social housing in the DPDPs.
- tenants, particularly those having difficulty managing their money, may find it difficult to respond to these challenges and, as a result, there is a risk of an increase in rent arrears. It is important to note that even prior to direct payment, many tenants reported finding it a struggle to get by financially: just over half of them said they ‘often’ ran out of money before the end of the week or month. Furthermore, the vast majority had no financial buffer to tide them over difficult times financially or to pay for unanticipated bills: only six per cent reported that they had savings. It is important to note that tenants themselves are concerned about their ability to ‘cope’ with direct payment: nearly a third reported that they thought they would ‘cope’ ‘poorly’ with it.
- the impact of these challenges may be lessened by the money management and budgeting support provided to tenants by landlords and local agencies. However, this support is likely to be relatively resource intensive. This is because many of the substantial minority of tenants who anticipated that they would need support to help them manage if Housing Benefit was paid directly to them wanted ‘a great deal’ of support over the ‘long-term’, rather than just at the beginning while they adjusted to the new arrangements.
- how landlords ‘resource’ tenants’ preferred vehicle for communicating information about direct payment – the relatively resource intensive, face-to-face communication – may also be an issue.

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The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 909532 02 1. Research Report 822. December 2012).

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

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