

Safe As Houses?

Independent Social Research Commission - October 2016

A Council led coalition of local social housing providers and tenant representative organisations will commission independent social research into the early impacts of changes to the arrangements for payment of housing cost support for social housing tenants as Universal Credit (UC) rolls out across Southwark.

Final report expected to be published by June 2017

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1. Purpose and aims of the report

This report will look at the early impacts of Universal Credit (UC) rollout for rent payment behaviours amongst social housing tenants in Southwark who have claimed or transition to UC. Their experiences will be measured against a similar group of tenants who have claimed support under legacy arrangements. It will also consider the impacts of UC on those placed in temporary accommodation.

The key questions we wish to explore are:

1.a. How is the early roll-out of Universal Credit (UC) affecting rent payment behaviours among residents in social housing tenants in the London borough of Southwark?

- evaluate the impact of changes to how housing cost support is claimed, calculated and paid social housing tenants under UC – looking specifically at whether rent payment behaviours among these groups are changing
- identify obstacles to positive behaviour change, particularly where the absence of such change may make it more difficult for social housing tenants to cope with the new arrangements
- where obstacles are identified develop proposals / recommendations on how these might be addressed

1.b. How are identified changes in behaviour – or the absence of behaviour change – affecting the tenancies of those social housing tenants who are receiving housing cost support under the new arrangements?

- evaluate the effectiveness of arrangements for making payments to social landlords and the associated safeguards for rental payments
- evaluate the effectiveness of communication with social housing tenants intended to increase their readiness for new arrangements and enhance their ability to cope
- evaluate the accessibility and effectiveness of the forms of support available to help individuals identified as needing support to budget effectively and improve their financial independence

It is expected that the research and report will build on learning from a range of previous test and trial activity carried out in Southwark as part of UC roll-out preparation and formal evaluation of that activity. A separate strand of the report will focus on temporary accommodation by asking:

1.c. How is the early roll-out of Universal Credit (UC) affecting rent payment behaviours among residents in temporary accommodation?

- evaluate the impact of changes to how housing cost support is claimed, calculated and paid for temporary accommodation residents under UC – looking specifically at whether, or how, changes are increasing arrears or making charges in respect of temporary accommodation harder to pay for those placed in TA, and harder to collect by the local authority, compared with those receiving support under legacy arrangements

2. Scope of research and timetable

The report will be based on evidence about households affected by the early roll-out of Universal Credit “full service” in parts of the London Borough of Southwark, gathered through an appropriate mix of quantitative and qualitative methods. Methods to be used will include rent account analysis, focus groups and in-depth interviews.

The first strand of research will focus on the rent payment behaviours of those placed by the Council in temporary accommodation who have claimed UC during May, June and July 2016. This will involve rent account analysis of rent payments up to October 2016 and it is expected that a separate report on this will be completed somewhat earlier than that in respect of the main body of the research. The total population for this strand of the research is not expected to exceed two hundred. The experience of this group will be compared with that of a similarly sized group of those placed in TA and claiming housing cost support under legacy arrangements.

The main body of the research will consider the experience of social housing tenants who claim Universal Credit (UC) “full service” during August, September and October 2016. Current assumptions lead us to expect that the total sample base for this part of the research will be between five hundred and one thousand households. The research will explore those households’ experience three to four months after their first claim for UC. In particular, it will assess whether, or how, those tenants’ behaviours in respect of rent payments have changed under the new arrangements, during that period and how they are coping. The experience of this group will be compared with that of a control group formed of working age social housing tenants with similar characteristics, living in nearby parts of Southwark where UC full service is not yet available and who have made a new claim for housing benefit during the same period. The pace and geographical limits of UC roll-out mean that the total sample base for the control group is expected to be somewhat larger.

The overall timeframe for completion of the report will be eight months. We would expect the rent account analysis and report on temporary accommodation to be completed by December 2016. A presentation and findings workshop would be held in March 2017 after a first phase of fieldwork has been completed in January and February 2017 into the evaluation of social housing tenants’ behaviours. A second phase of fieldwork focusing on the initial findings will then be carried and the final report is to be completed by June 2017.

Whilst this research will be commissioned by Southwark Council we expect to recruit a coalition of partners. This will likely include a neighbouring local authority which is another early roll out site for UC “full service” and which manages a substantial rented housing stock of its own – and up to two other social landlords (housing associations) with a presence in Southwark and some of whose tenants have claimed UC. We envisage that the research will be conducted across the two boroughs with similar volumes of qualitative research carried out in each. Should other non local authority providers of rented social housing join the scheme their participation will be limited to the main body of the research – impacts for rent payment behaviours among social housing tenants.

3. Target audience and deliverables

Findings from evaluation of earlier test and trial activity lead the commissioners and the key audience for this research to expect that *a significant number of social housing tenants will struggle to cope with the changes to arrangements for payment of housing cost support and that overall rent payments among those affected are likely to fall as a result*. It is believed that the fall in rent payments will be particularly pronounced during the period immediately following the change.

For example, evaluation of the *Direct Payment Demonstration Project* (see pp. 3-5 of this paper) that took place in Southwark, and elsewhere, between 2011 and 2013, found that rent payments fell over the life of the project among participating social housing tenants receiving housing cost support, compared with a similar group for whom payment arrangements did not change. The evaluation also found that rent payments among participants in the project fell quite dramatically during the three month period immediately following the change to new payment arrangements.

However, unlike previous research of test and trial activity, this research will be based on social housing tenants’ experience of Universal Credit in its fully fledged form (*UC full service*), as it begins to roll-out in parts of the London Borough of Southwark. One of the desired outcomes from this research is that findings will better enable the key audience – the Council, social landlords and other stakeholders – to assess whether social housing tenants are now better able to cope with changes to how housing cost support is claimed, calculated and paid; and if not to make necessary changes, or influence national policy, in ways that may better enable them to do so. We believe this will help protect the interests of those living in rented social housing and their landlords alike and help ensure a smooth and safe implementation of Universal Credit across our locality.

Similarly we expect that research findings will enable the participating local authorities to reach evidence based decisions about potential changes to local arrangements for placing households in TA where those households require support with housing costs through Universal Credit; and to influence Government decisions on future design and delivery of Universal Credit for this client group whose circumstances and needs appear very different to those of the UC claimant population as a whole.

While the research to be commissioned will be a one-off piece of work, we may, dependant on final report findings and recommendations, retain an option to carry out further research with the same participants, twelve months to eighteen months later. Such a report may prove helpful in gauging how social housing tenants are coping, or adapting their behaviour, following a longer period of “acclimatisation” to the new arrangements. It might also prove helpful in providing evidence about how effective any changes to the local support offer, or to other practise in respect of rent arrears management or tenancy sustainment that may be adopted in light of original report findings, have proven to be.

4. Background and context

4a. Government plans to reform working age welfare

Universal Credit was provided for in the Welfare Reform Act 2012 and was described by the then Government as the biggest change to the UK social security system for more than half a century. Universal Credit aims to reduce poverty, by making work pay, and to help claimants and their families to become more independent.

It also aims to simplify the benefits system by providing a single, monthly, payment based upon the circumstances of the household. Support for housing costs, children and childcare costs are integrated in the new benefit. It also provides additions for disabled people and carers.

Universal Credit was introduced in April 2013 in certain pathfinder areas of north-west England. Since October 2013, Universal Credit has progressively been rolled out to other areas.

A test of the “full service” for Universal Credit was launched in a single postcode area of south London in late 2014, and expanded into a small part of the London Borough of Southwark for the first time from November 2015 before rolling out to a larger area within the borough from the end of February 2016. Government plans for further roll-out of Universal Credit “full service” across GB provide for expansion to the entire borough of Southwark between autumn 2016 and early 2017.

The following benefits will be replaced as Universal Credit rolls out:

- Income-based Jobseeker’s Allowance
- Income-related Employment and Support Allowance
- Income Support
- Working Tax Credit
- Child Tax Credit
- Housing Benefit

The main differences between Universal Credit and the arrangements it will replace are set out below – the changes that this report will focus on, specifically in terms of how social housing tenants living in affected parts of Southwark are coping with them, are highlighted in bold

- Universal Credit is available to people who are in work and on a low income, as well as to those who are out-of-work
- **most people will apply online and manage their claim through an online account**
- Universal Credit will be responsive – as people on low incomes move in and out of work, they will get on-going support
- most claimants on low incomes will still be paid Universal Credit when they first start a new job or increase their part-time hours
- **claimants will receive a single, monthly, household payment, paid into a bank account in the same way as a monthly salary; support with housing costs will usually go direct to the claimant as part of their monthly payment**
- additionally Universal Credit design entails **a number of changes to how housing cost support is calculated and paid** – for example a seven day waiting period – compared with the existing housing benefit scheme.

4b. What are Government plans for Universal Credit roll-out expected to mean for those living in rented social housing in the London Borough of Southwark?

Southwark has a larger proportion of its residents living in rented social housing than any other local authority area in England and Wales. The Council itself is the largest social landlord in the borough and among the biggest social landlords in the south of England.

About half of all those living in rented social housing in Southwark currently receive support with paying their housing costs through housing benefit – one of the benefits to be replaced by Universal Credit – or about one in five of all households in the locality. Most of those households are not working – but a rapidly growing proportion of households claiming HB in Southwark include at least one adult who is in work.

Currently, most social housing tenants who are receiving housing benefits – including all Council tenants receiving housing benefit – have their housing cost support paid direct to their landlord by the local authority which administers housing benefit.

For council tenants, housing benefit is always paid weekly. Those living in other tenures and claiming housing benefit have their benefit paid four weekly, or monthly, in arrears.

Universal Credit roll-out is expected to imply particularly significant changes for social housing tenants - and above all council tenants - in terms of how their housing cost support is paid and how they will need to budget and manage their household finances in future. Should social housing tenants fail to cope with the changes or adapt their behaviours, there is a significant risk that they will fall into rent arrears, or deeper into rent arrears, as a consequence - in some cases, potentially putting their home in jeopardy.

There is reason to believe that social housing tenants will be among those who are most likely struggle to cope with the changes. This is due to some of the characteristics of social housing tenants compared with similar households who own their own homes or who rent their home privately.

Those living in social housing in all parts of GB are, for a number of reasons, generally more likely to be “excluded” by a range of measures¹ – including economic inactivity, access to a mainstream bank or building society account or financial capability more widely, and access to the internet and digital skills – than those living in other tenure types.

4c. What steps have already been taken to prepare for the impacts of Universal Credit roll-out for social housing tenants in Southwark and what measures have been set in place that take account of that learning

The Council, other social landlords and tenant organisations in Southwark have been aware of the potential challenges presented by Universal Credit for tenants and landlords alike since before the inception of the new scheme. They have all worked closely with Government and the wider social housing sector to prepare for roll-out of the new arrangements through participation in a range of Universal Credit test and trial activity. They have done so in collaboration with the Government department responsible for Universal Credit policy and implementation of the new scheme – the Department for Work and Pensions.

4.c (i) Direct Payment Demonstration Project – or DPDP (2011 – 2013)

Southwark Council and Family Mosaic (a registered provider of social housing with a significant stock of rented, general needs, social housing in London Borough of Southwark) both participated in the DWP sponsored *Direct Payments Demonstration Project* which took place between 2011 and 2013. The project tested an approach under which social housing tenants had their housing cost support paid directly to themselves – rather than having it paid to their landlord - in a way that would replicate Universal Credit payment arrangements as closely as possible at a time when Universal Credit had not yet been introduced anywhere in GB.

A number of other local authorities and social landlords took part in the project at a total of six sites in different parts of Great Britain. The project was evaluated by Centre for Regional and Economic Research (Sheffield Hallam University) and all reports are now publicly available here

<http://www.shu.ac.uk/research/cresr/ourexpertise/direct-payments-evaluation>

That research was commissioned by Department for Work and Pensions and summaries of the aims of the evaluation and the research activities undertaken are set out below

The aims of the evaluation were to:

- evaluate the impact of the demonstration projects on tenants and on a range of stakeholders (including local authorities, other social landlords and lenders)
- test and further develop the trigger points for making payments to landlords and the associated safeguards for landlord income streams
- evaluate the most effective forms of support to help individuals budget effectively and improve their financial independence
- develop a definition of tenants with significant support needs to inform exemptions and safeguard policies and create a methodology for identifying these groups.

¹ John Hills *Ends and means: The future roles for social housing in England*. CASE report 34, 2007

The range of research activities undertaken included:

- interviewing representatives of organisations with an expertise and interest in money management;
- in-depth interviews with key stakeholders within the Demonstration Projects;
- rent account analysis;
- large scale tenant surveys;
- in-depth interviews with tenants;
- product testing and budgeting exercises with tenants.

Southwark Council and Family Mosaic also published their own evaluation of their experience of participation in the project and a copy of that report may be made available on request. A summary of the Council's key learning points from the trial is set out in the table below.

Direct Payment Demonstration Project (DPDP)

The key findings from the national project evaluation were that rent payments among tenants moving to a direct payment arrangement fell steeply during the three months following the change before recovering somewhat. However, the evaluation also found that where tenants remained on direct payment, continuously, for sixteen months, their rent payments for the period as a whole were more than 2% lower than among other tenants in a control group who did not move to a direct payment arrangement. Evaluation was based on cumulative results from across six test sites in different parts of GB. The rent loss for Southwark Council tenants participating in DPDP was much greater than 2%.²

The analysis of rent accounts conducted as part of the national project evaluation³ found

These results point clearly to the need for mitigating action during the transition to direct payment [taking the form of]

- *support to tenants*
- *close monitoring of rent accounts*
- *cautious assessments of tenant's readiness for direct payment*
- *on-going support processes or other interventions*

The analysis concluded that

In many respects the key consequence of the introduction of direct payment [is that it] introduced the potential (or risk) for tenants to underpay rent by a significant amount....Direct payment has not just introduced a degree of risk for landlords but also for tenants many of whom are managing on limited budgets and already have debts and financial commitments they are struggling to meet. The package of support available is important in this context.

The Council's own evaluation also identified a potential failure among those tenants transitioning to UC to engage with the offer of support as a very high risk in terms of both impact and likelihood. Take up of the prototypes of support offered to tenants participating in the DPDP and identified as needing support was very low.

² LBS & Family Mosaic *Southwark DPDP – testing direct payment of HB – summary of learning from the project* March 2014

³ DWP, *Direct Payment Demonstration Projects: key findings for 18 months Rent Account Analysis*, Dec 2014

4.c. (ii) National and local response to learning from Direct Payment Demonstration Project (DPDP)

The Department for Work and Pension response to DPDP findings was two-fold. First, it announced new arrangements for what had been termed “switch-backs” during the life of the project (when tenants participating in the test and falling into arrears were “switched back” to an arrangement where their housing benefit was paid to their landlord) and how the *alternative payment arrangements* for UC, provided for in the Welfare Reform Act, were to be given practical effect.

DWP Minister for Welfare Reform made the following announcement about additional safeguards for social housing tenants and their landlords in a speech to an audience of social landlord representatives in June 2013

The key to making direct payments work will be our ongoing collaboration with you.

So your views about your tenants’ ability to cope with direct payments will be central to the decision on who to pay the rent to and we will work closely with you when we are assessing someone’s capabilities before they are moved onto Universal Credit.

If we collectively determine that someone will not be able to manage with direct payments – for instance, because of alcohol or drug dependency or learning difficulties – then we will keep them on managed payments direct to the landlord.

Even with this safety net in place, I know you have concerns about what happens to you if your tenant falls into arrears.

Even though the findings from the demonstration projects have so far been positive, I don’t intend to understate the risks.

We have therefore taken the decision that once the arrears reach the equivalent of two months rent, we will switch to managed payments to the landlord.

So this is a guarantee to you that, if you inform us that two months of arrears have built up, we will move the claimant to managed payments

Speech by Lord Freud, DWP Minister for Welfare Reform, Chartered Institute of Housing Conference, Manchester, 27th June 2013

More detailed guidance was published shortly thereafter and the latest version of that guidance may be found here.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418485/personal-budgeting-support-guidance.pdf

The second part of the Department’s response was based on increased recognition that some claimants would require support as they made the transition to new arrangements under UC. Support was expected to take two forms. First, *personal budgeting support* that would help claimants to manage household budgets effectively under new arrangements, ensure they had a suitable transactional bank account into which their UC would be paid, and that they were able to make use of services such as direct debit to pay priority bills – especially housing costs. Second, *digital support*, to ensure that claimants (and partners) were able to register for Universal Credit and set up their on-line household account and manage that account effectively – reporting changes in circumstances and recording work-search activity.

The formal response took the form of the *Local Support Service Framework* published in 2013 (local support has since been rebranded as *Universal Support* and there has been a shift in emphasis towards the *personal budgeting support* that some claimants are expected to need). A copy of the latest version of that document may be found below

<https://www.gov.uk/government/publications/universal-credit-local-support-services-update-and-trialling-plan>

4.c. (iii) Universal Support Delivered Locally – test and trial (2014-15)

In December 2013 the DWP announced that it would test and trial the delivery of *Universal Support* at a number of locations across the country. Southwark Council, together with Councils in neighbouring boroughs (Lambeth and Lewisham), jointly expressed an interest in participating in those trials and was selected to take part.

Full details of the test and trial activity and what it was intended to achieve may be found below

<https://www.gov.uk/government/publications/universal-support-delivered-locally-information-for-local-authorities/universal-support-delivered-locally-information-for-local-authorities>

The Learning and Work Institute (formerly *Centre for Economic and Social Inclusion*) were commissioned to evaluate the test and trial activity. The final evaluation report is expected to be published shortly. The three local authorities participating in south London – including Southwark Council - published their own assessment of the USDL tests and trials in their own area in 2015. A copy of that report is available on request.

Because Universal Support full service began to roll-out in parts of Southwark before that formal evaluation had been published, the Council developed its own *Universal Support Framework – Pathways To Support*. The framework set out the types of support that would be available to Southwark residents transitioning to Universal Credit and how those requiring support were expected to be identified and sign-posted or referred to the support available. A copy of the latest draft of the framework document may be made available on request.