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Community Housing Cymru

Monitoring the Impact of Universal Credit on Rent Arrears in Wales



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**Final report
by Opinion Research Services**

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1. Project Overview

Background

- 1.1 Community Housing Cymru (CHC) represents more than 70 not-for-profit housing associations and community mutuals in Wales. These organisations provide around 158,000 affordable homes to around 10% of the Welsh population.
- 1.2 In 2010, the UK coalition Government announced a wide-ranging programme of welfare reform through the Welfare Reform Act 2012. As part of the reforms, the Universal Credit scheme was introduced with the Universal Credit Regulations 2013 coming into force on 29th April 2013; with the national roll out of Universal Credit beginning on 16 February 2015. The roll out of Universal Credit (UC) in Wales begun in April 2017 and all Welsh job centres were operating the full service in December 2018. The migration of legacy claimants began as a pilot in July 2019 and is planned to complete by the end of 2023.
- 1.3 Universal Credit combines six means tested benefits and tax credits including; Income based Jobseeker’s Allowance, Income based Employment and Support Allowance, Income Support, Child Tax Credits, Working Tax Credits and Housing Benefit into one single monthly payment. The benefit is paid in arrears to simulate work payment schedules and includes entitlement to housing costs.
- 1.4 The monitoring of Universal Credit and influencing of the processes and policy is a top priority within CHC’s corporate plan as agreed by their members.

The Commission

- 1.5 Opinion Research Services (ORS) was commissioned by CHC to conduct a piece of research on the impact of the Universal Credit service provided to housing associations and tenants over the course of the roll-out.
- 1.6 Specifically, the purpose of the research was to engage with housing associations (who are also members of CHC) across Wales to:
 - Assess the potential level of rent arrears and costs to housing associations by the implementation of the scheme;
 - Benchmark approaches, and associated costs, to housing management;
 - Identify transferable “processes” to help housing associations better manage changes and reduce future rent arrears;
 - Capture tenants’ views and experiences to inform improvements to the Scheme; and
 - Produce recommendations on how to improve the Universal Credit process.

Methodology and response

Data collection survey

- 1.7 CHC designed, managed and collected data from an online survey it sent out (via email) to its 33 Welsh housing association members about the impact Universal Credit has had on their organisation. The survey has sent out over three waves:

- Wave 1: the survey was available between January 2018 and end of March 2018 (i.e. Winter/Spring 2018)
 - Wave 2: the survey was available between July 2018 and end of September 2018 (i.e. Summer/Autumn 2018)
 - Wave 3: the survey was available between April 2019 and end of May 2019 (i.e. Spring 2019)
- 1.8 The aim was to compare and benchmark data between different organisations and study change in the impact of UC over the three waves.
- 1.9 Wave 1 comprised of responses from 29 Welsh housing associations; 23 in wave 2 and; 24 in wave 3, which were sent securely from CHC to ORS for analysis and reporting.
- 1.10 Caution should be exercised when comparing results across the waves, firstly because different organisations responded to the different surveys and therefore the precise ‘mix’ of housing associations that responded will be different in each set of results. This is important to bear in mind because housing associations differ in many important respects, for example, in terms of numbers of tenants they house; the nature and size of their housing stock; their locations and the type of area they cover (e.g. whether they cover mainly urban or rural areas); and the in-house policies and practices they employ.
- 1.11 Secondly, the picture is complicated by the fact that the UC rollout has been a gradual process, affecting different areas (and therefore different organisations) at different points in time. As such, the context has changed throughout and different organisations will be responding from various perspectives, based on the extent of their experiences of Universal Credit at the time each survey wave was conducted.
- 1.12 Finally, the totals surveyed were small, particularly in Waves 2 and 3; this means that the results may be particularly liable to be influenced in a particular direction by the response (or non-response) of just a few individual organisations.
- 1.13 All of this makes it difficult to state with confidence that the three Waves compare exactly ‘like with like’. For this reason, the report focuses primarily on the Wave 3 results, on the basis that these provide the most up to date available ‘snapshot’ of the impacts of UC (at the time of writing) – and does not directly compare this wave side-by-side with the earlier results. Nonetheless, where a comparison with the earlier waves does provide of a clear trend in terms of the developing impacts of UC, this is drawn out in the body of this report.

Profile tables

- 1.14 The tables that appear without commentary below show the un-weighted profiles of the responses from participating Welsh housing associations to the different elements.
- 1.15 As can be seen, the number of UC tenants claimed by organisations responded to the survey has increased wave-by-wave (as is perhaps to be expected, given the nature of the roll-out process). This is in spite of the fact that the number of organisations responding (and the total number of tenants claimed by these) has declined over the course of the three waves.
- 1.16 Any changes therefore have to be interpreted carefully within the context of increasing numbers of tenants claiming UC across Wales.
- 1.17 The table below is intended to provide a summary of the response profile across the three waves, to better illustrate the contextual changes (e.g. the growing numbers and proportions of tenants claiming UC).

Figure 1: Profile of participating HA’s with regards to UC

	Wave 1	Wave 2	Wave 3
No. of participating Housing Associations	29	23	22
No. of overall tenants	125,000 (c. 4,300 average)	101,000 (c. 4,400 average)	84,300 (c. 3,800 average)
No. tenants on housing Benefit Claimants (full or partial)	64,000	44,000 (c. 44% overall)	39,300 (c. 47% overall)
No. of tenants on UC (live or full)	3,500 (c. 3% overall)	6,892 (c. 7% overall)	11,350 (full) (c. 13% overall)
Number with landlord portal	3/29	16/23	22/22

Depth interviews

- ^{1.18} Along with the survey, six case-study interviews with housing association staff: two in October 2017, two in March 2018 and two in October 2018. Most of the interviews lasted for around 1.5 hours and were undertaken by ORS' qualitative research team. Interviewees were assured of complete confidentiality and that they were free to be as open and as honest as they wished insofar as they would not be named in this report. Indeed, names and identifying comments have been removed from the verbatim comments to ensure anonymity.
- ^{1.19} It is also important to note that the following key changes to UC were implemented throughout the course of the research and between different waves, which may have impacted on participants' views:

Removal of 7-day waiting period for first payment (Feb '18);

Those in receipt of HB prior to moving to UC will receive an additional two-weeks of Housing Benefit payment following their UC claim date (April '18); and

Ability to apply for an advanced payment for up to 100% of estimated total monthly UC award (Jan '18).

Structure of the Report

- ^{1.20} This report presents both the quantitative and qualitative responses from the survey. For the sake of continuity and clarity the key charts and qualitative findings are presented together under the relevant sections.
- ^{1.21} Verbatim quotations are used, in indented italics, for their vividness in capturing recurrent or otherwise important points of view. Sequences of quotations in the text are typically from a range of contributors, not several quotations from a single person. As far as possible, by using quotations, we have tried to let the stakeholders speak for themselves.
- ^{1.22} In respect to the qualitative findings, the views expressed might or might not be supported by available evidence; that is, they may or may not be accurate as accounts of the facts. ORS cannot arbitrate on the correctness or otherwise of people's views when reporting them. This should be borne in mind when considering the findings.

Interpretation of the Data

- ^{1.23} The study was not designed to provide a statistically representative set of results for *all* stakeholders. As such, the quantitative results presented here have not been weighted and the report refers to 'respondents' rather than 'stakeholders' when discussing quantitative data.

- ^{1.24} Percentage results should also be interpreted with some caution, given the small size of this group.
- ^{1.25} Where percentages do not sum to 100, this may be due to computer rounding, the exclusion of “don’t know” categories, or multiple answers. Throughout the volume an asterisk (*) denotes any value less than half a per cent.
- ^{1.26} In some cases figures of 2% or below have been excluded from graphs.

Acknowledgements

- ^{1.27} ORS would like to thank Will Atkinson and Selina Moyo at CHC for their help and assistance in developing and managing the project. We would also like to thank the housing associations who took part in the survey and depth interviews, without whose valuable input the research would not have been possible.

2. Executive Summary

- 2.1 The following paragraphs selectively highlight some key findings, but readers are referred to the detailed graphics and qualitative commentary in the main report for the full story.

Rent arrears & cash collection

Quantitative results suggest that UC tenants are in a higher number of arrears than non-UC tenants

- 2.2 Results from the Wave 3 questionnaire suggest that 84% of overall tenants claiming Universal Credit are in arrears. Moreover, the total arrears reported were £4.6 million, with around £1.1 million of this felt to have arisen since the start of these tenants' UC claims.
- 2.3 The average total arrears per UC tenant is around £415 (as of Wave 3). However, when looking only at those tenants currently in arrears, the average amount rises to £556. Indeed, tenants who are not currently claiming UC have lower arrears than those for UC tenants. For example, each housing benefit tenant in arrears owes £219 on average. This is less than half the average amount owed by each UC tenant in arrears (£556).

Depth interview participants felt the impact of UC in rent arrears has not been as great expected so far, but have serious concerns about full migration

- 2.4 Depth interviewees explained that in general, arrears probably increase for tenants who initially transition to UC because they struggle with the five-week waiting period between making a claim and receiving payment and budgeting their money on a monthly schedule, rather than weekly.
- 2.5 However, overall it was felt that UC has not had as negative an impact on arrears as feared, and trends are showing that tenants are able to 'claw back' the money over time. Moreover, participants identified specific changes to improvements to UC which they felt have mitigated some of the risks around arrears, such as: the gradual roll out of UC; the Housing Benefit run on; a reduction in the number of delays in tenants receiving their first UC payment; and the increase in awareness and use of APAs and third party deductions.
- 2.6 Moreover, they explained their housing associations have also made a number of internal changes such as: undertaking more pre-tenancy work to identify tenants who may struggle with UC as early as possible; creating in-house UC support teams specifically for support tenants; and modernising IT systems to better monitor and manage UC claimants.
- 2.7 That said, there was a huge amount of concern for the future, once full migration has taken place. Indeed, participating landlords reasoned that as the number of Universal Credit tenants increase, so will the proportion of 'complex' cases at greater risk of falling into greater levels of rent arrears. In turn, there was concern that this may put sustainable tenancy agendas at risk.

Alternative Payment Arrangements (APAs), Third Party Deductions (TPDs) & Advance Payments

There is some evidence of a shift towards wider use of APAs throughout the Waves

- 2.8 In Wave 3 of the quantitative survey, fifteen out of nineteen respondents (i.e. more than 3 out of 4) said that at least 20% of UC tenants had an APA, compared with only eight out of twenty-two in Wave 2 (i.e. less than half) and sixteen out of twenty-nine (i.e. just over half) in Wave 1.

- 2.9 There were mixed views around APAs among depth interviewees. Whilst it was argued that it can be useful for particularly vulnerable individuals, it was felt that in a reasonable proportion of cases it is not needed, as long as tenants are well supported.

There was uncertainty around the helpfulness of APAs due to complications and issues with the payment system

- 2.10 Twelve out of twenty-one housing associations (i.e. nearly three in five) who took part in the Wave 3 quantitative survey estimated that it typically takes 40 days or more from the application to the payment of an APA. Only four respondents (around one in five) felt that this process typically takes less than 30 days. Indeed, several depth interviewees described waiting long periods of time to receive payments. Moreover, additional issues were also reported, such as administrative errors resulting in underpayments or the money being accidentally paid directly to the tenant; and difficulties with payments going into the bank but housing associations not being notified of which tenant the payment is for.
- 2.11 However, perhaps the biggest issue was around the APA payment cycle, which was criticised for causing difficulties with tracking payments and for systems to be designed around. Specifically, participants explained that the four-weekly APA cycle produces 13 payments a year, which is not aligned with the monthly Universal Credit cycle, which provides 12 payments a year. This, they reported, causes several problems - namely that one of the 13 APA payments will technically be 'missed' and housing associations encounter difficulties with understanding whether this is due to the mismatch in cycles, or because of other reasons such as a change in circumstances or payments being sanctioned.

There has been an increase in the use of TPDs

- 2.12 The total number of TPDs reported by the nineteen Wave 3 organisations was 864. A similar number of housing associations (eighteen) reported only 280 in Wave 2 in the autumn (a rate of around 5% across all UC claimants at these organisations), implying that there has been an increase in the use of TPDs since last autumn – both in numerical terms (i.e. as the number of tenants in receipt of UC has increased), but also as a proportion of all UC claimants.
- 2.13 Half said that all of their claimants' TPDs were set at the 20% default level. Overall, across the organisations that were able to provide details, 63% of TPDs were at the default level in Wave 3 – compared with 73% in Wave 2.

Advance payments were criticised among depth interviewees

- 2.14 Advance payments were described as a 'sticking plaster' which are only a short-term solution. It was also claimed that some struggle to pay the money back (especially single tenants who do not receive much money from benefits and those on zero-hour contracts), or simply spend the money rather than using it to pay rent. Indeed, local job centres were criticised for not adequately explaining to tenants that the advance payment is a loan, which will need to be paid back. In order to make advance repayments more manageable for tenants, it was suggested that repayment plans should be agreed on a case-by-case basis, depending on individual circumstances.

Impact of Universal Credit on Tenants

Vulnerable individuals and how they will cope with the reality of Universal Credit has not been adequately taken account of

- 2.15 The main issues and impacts faced by tenants as a result of the transition to Universal Credit were reported by depth interview participants as:

The monthly payment cycle, which was argued does not reflect many social housing tenants' situations. Indeed, it was explained that many UC tenants who are working are on zero-hour contracts, in lowly-paid jobs and/or are paid weekly. Moreover, it was also highlighted that social housing often comprises of a higher number of vulnerable tenants who are not able to go into employment. It was thus reasoned that tenants struggle to budget their money on this cycle;

Difficulties and barriers with making a claim due to issues with mental health, literacy/numeracy/digital skills and lack of access to the internet;

The five-week waiting period, which was described as too long and causing further financial hardship;

Some vulnerable tenants are losing rights and protection linked to their previous claims – including people being refused Universal Credit based on 'Right to Reside' grounds; and

The UC system not backdating, leaving tenants out of pocket.

- ^{2.16} However, a few positive or hopeful comments were made in relation Universal Credit and its impact on tenants, especially around empowering them to take more responsibility and gain more independence with their finances. It was also thought that the system does incentivise people to get back into work and that many tenants are coping well with the transition – something that has arguably not been widely publicised.

Support Provided to Tenants

Nearly all housing associations are providing an in-house financial inclusion service for UC tenants – although the numbers of people using these services varies

- ^{2.17} In response the impacts and issues facing tenants, Welsh housing associations have seemingly put a lot of effort, time and resourcing into creating and improving in-house support for their tenants and mitigate risks caused by UC. Indeed, twenty out of twenty-two respondents reported that their organisation provides an in-house financial inclusion service for tenants. However, the proportions of UC tenants that were said to be accessing organisations' in-house financial inclusion services varied considerably, from virtually all tenants claiming UC, to fewer than one-in-twenty (4%), although the average was just over one-in-three (36%).

However, fewer are providing an in-house digital inclusion service

- ^{2.18} On the other hand, only nine out of twenty-two respondents reported that their organisation provides an in-house digital inclusion service for tenants.

Housing associations have also made fundamental changes to its culture and structure

- ^{2.19} Other ways in which housing associations are trying to better support their tenants were reported as:
- Replacing generic housing teams with specialist housing teams, which have included the creation of financial inclusion, digital inclusion and welfare teams;
 - Re-allocating resources so that more staff are available to help tenants who are struggling with the transition;
 - Focussing on building relationships with tenants via personal, two-way communication so that landlords identify support needs, potential risk factors or change in circumstances more quickly and easily; and
 - Working to empower tenants to help themselves.

Tenants are also signposted to external services, although job centres are not always helpful

- 2.20 Housing associations have also been working with external organisations and agencies to help support tenants, such as: working with local Citizen’s Advice Bureaux; signposting tenants to Council Hubs; and running awareness campaigns with other organisations and engaging with local communities to ensure that prospective tenants have a better understanding of how Universal Credit may affect them.
- 2.21 However, local job centres were criticised for not communicating with tenants sufficiently, nor offered them the appropriate support.

Impact of Universal Credit on Housing Associations

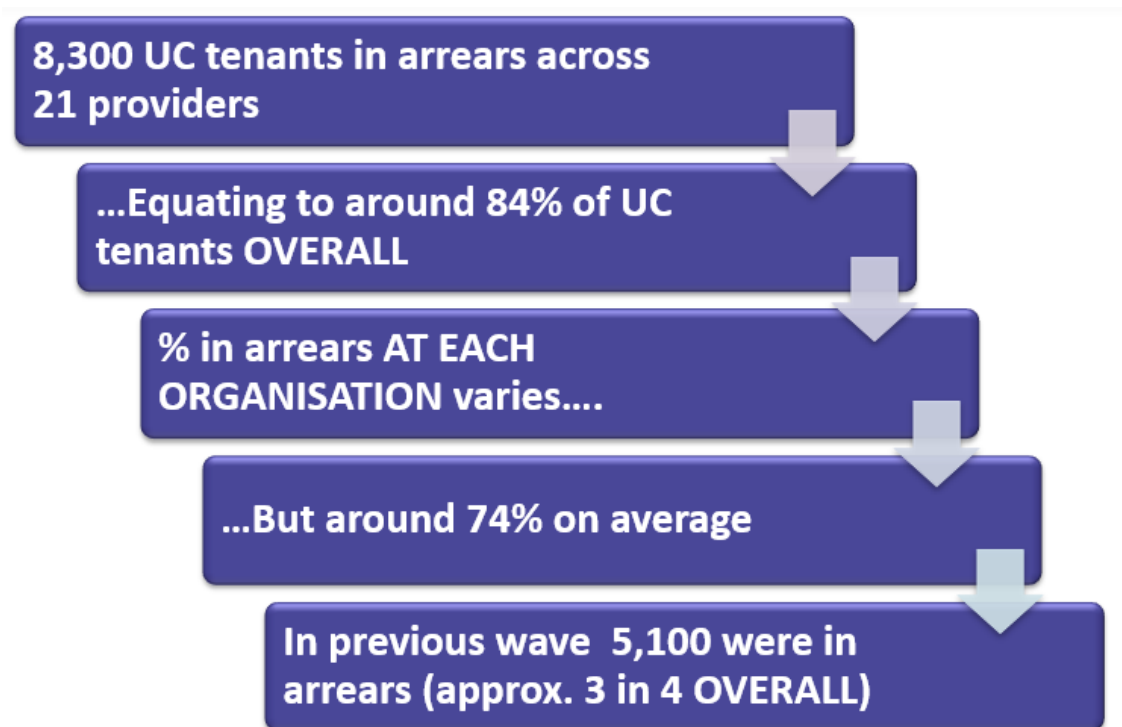
Providing in-house support is resource-intensive, but effective. However, there are strong concerns around how full migration will be managed

- 2.22 Being able to support tenants in the right way was described as being resource-intensive and complex for housing associations. Indeed, of the twenty organisations that were able to provide information, sixteen (i.e. four in five) said that staff typically spend between two and four hours supporting each UC claim. The remaining four all felt that each claim typically required at least 6 hours of staff support.
- 2.23 However, overall depth interviewees felt that their respective housing associations are coping well with the challenges it has faced as a result of Universal Credit and once again stressed that the provision of in-house services has played a vital role in the management of risk. However, there was concern about how housing associations will cope in the future, as the demand for support increases when full migration is introduced. Moreover, it was reported that the number of Universal Credit full-service cases have increased, as has the profile of tenants making the transition, resulting in demand for support outweighing the resources to provide it.
- 2.24 Additional impacts and challenges faced by housing associations included the following:
- The relationship between the DWP and social housing sector often seems one-sided: The former was described as being reluctant to listen to and act on feedback in a timely manner. Moreover, it was felt that there is often an ‘us versus them’ philosophy and that DWP red tape around consent and data protection has resulted in housing associations being unable to access key information about tenants;
 - Ultimately, it was recognised that social landlords now have to spend much more time and effort chasing rent payments and running the risk of increased arrears, which will have a significant impact on cash flow;
 - Undertaking Welfare Reform against the backdrop of austerity means that the transition to Universal Credit has not been done in a way that was initially envisaged; and
 - Universal Credit is a very complex system which is being rolled out in stages, meaning that knowledge of it differs across Wales and collecting data around it is difficult.

3. Rent Arrears & Cash Collection


Survey feedback

Number and proportion in arrears: headline summary




Levels of arrears

- 3.1 Across the organisations who responded to the most recent wave, the total arrears was **£4.6 million**, with around £1.1 million of this felt to have arisen since the start of these tenants' UC claims (for comparison, £2.8 million of arrears were reported in Wave 2 (i.e. Summer/Autumn 2018), and £1.1 million in Wave 1 (i.e. Winter/Spring 2018) – although the total number of UC claimants was also lower).
- 3.2 The average total arrears per UC tenant is around £415 (calculated across all UC tenants; if calculating the average for tenants of each individual HA and taking the average of these averages, it is slightly lower at £388).
- 3.3 If looking only at those tenants currently in arrears, the average amount rises to £556 (calculated across all UC tenants in arrears; £529 if calculating the average of the averages of each provider).

	% UC tenants currently in arrears	% of those currently in arrears, who were in arrears before UC	Av. total arrears	Av. arrears arising since UC claim	Av. Total arrears	Av. arrears arising since UC claim
			ALL UC tenants		ONLY those in arrears	
OVERALL (all tenants)	84%	85%	£415	£131 (32%)	£556	£175 (31%)
Averaged across HAs	74%	75%	£388	£148 (38%)	£529	£211 (40%)

- 3.4 Where tenants are not currently claiming UC (e.g. either because they still receive housing benefit, or are self-paying) their arrears are lower than those for UC tenants, as the below illustrates. For example, each housing benefit tenant in arrears owes £219 on average. This is less than half the average amount owed by each UC tenant in arrears (£556). The proportion of these tenants in arrears are also lower when compared to UC claimants.

		% tenants currently in arrears	Av. total arrears per tenant (ALL)	Av. arrears per tenant (ONLY those in arrears)
Averaged across HAs	Housing Benefit	37%	£77	£219
	Self-paying	55%	£127	£255

- 3.5 The average amount of arrears per UC tenant (calculated at overall level) has remained very consistent between Waves 2 and 3 - the average total arrears per UC tenant was £412 in Wave 2 (compared with £415 in Wave 3).

Qualitative feedback

Have rent arrears increased?

There has been an initial increase in arrears, especially among specific sub-groups

- 3.6 Although depth interviewees explained that it is difficult to measure the impact that the introduction of Universal Credit has had on rent arrears, the consensus was that tenants who initially transitioned are in higher arrears than they were before. Tenants were described as struggling with the new system, including: understanding how and when to make a claim; the 5-week waiting period between the claim and receiving payment; and budgeting their money so that their rent is paid on-time and in full.

I think in broad terms we will have seen an increase in arrears – I think that’s without doubt. We know we’ve had instances where tenants have used their housing costs for other payments, getting confused with the system, not claiming on time, up until the beginning of this year we had the seven-day waiting period and the nature of people getting used to the system. So, we have seen an increase in arrears, but it just depends on how you measure it

- 3.7 Indeed, it was claimed that vulnerable tenants are more likely to struggle with the new system, while those not originally from the UK are being refused Universal Credit on Right to Reside Grounds, which are causing high levels of rent arrears (the impact on tenants is discussed in more detail in Chapter 6).

A lot of our tenants are very vulnerable especially when it comes to mental health, substance misuse and being in and out of prison. We have had specific issues with these types of tenants. Not many people are aware of this change of how residency is treated under UC compared to legacy benefits – it’s not well publicised. There will be more of these types of cases when full migration happens, and it also impacts on new tenancies – we are taking a risk if we take on tenants who aren’t from the UK – if they lose their job they are not entitled to universal credit. This is a complex issue

- 3.8 Moreover, housing associations have experienced delays in rent payments made via Universal Credit, which impacts on cash flow and the amount of bad debt tenants carried by tenants. However, those who interviewed in later waves reported that most payments are now being made on time.

On the 9th November we had 424 on full-service UC and they owed around £44,000 in total, so on average they had clocked up an additional £100 arrear as a consequence of being on UC. We did see this spike happening from our previous demo experience and that over time people re-paid but over an extended period of time. So, there is absolutely a cash flow issue in that you don’t get your money as quickly as you would have otherwise done in that initial claim period, but the issue is depending on how long a tenancy lasts, you may end up with an increased level of bad debt because it takes people a long time to pay off that arrear that results from the initial claim. If their tenancy only lasts between 12 to 18 months, it’s very probable that they’ll leave us with some additional debt that wouldn’t have otherwise been there. So, it has an impact on our levels of bad debt in terms of the arrears that we are unlikely to recover and other than that there is a cash flow issue

However, for some the impact has not been as great as expected

- 3.9 That said, it was claimed by one landlord that for a reasonable proportion of cases, Universal Credit tenants are not in arrears by a huge margin compared to non-Universal Credit tenants and are managing to ‘*claw it back*’ over time. Another said that it is a change in circumstances that is the main cause of tenants getting into arrears, such as a relationship breakdown or losing their job, which has resulted in an increase in arrears prior to making a Universal Credit claim.

We are 6-7 months into full-service and we've found that – yes – people on UC are in greater arrears, but those arrears are not necessarily because of UC or happened since the claim. We are finding that the spike between the pre-existing arrear to the claim date is the connection. Because UC still has a limited gateway with claiming (for example, if you're a family with four children you don't claim UC) and really it is still for new claimants, there is a reason for applying for it e.g. moving, a relationship breaking down, losing your job. It is this that is causing the spike in arrears – UC is just adding to it

- 3.10 It was also argued that some tenants have coped well with the transition because they have been 'underestimated'. It was also felt that this was testament to housing officers engaging with individuals at earliest possible opportunity and building strong relationship (which is discussed in more detail in chapter 7). However, it was also counter-argued that there is uncertainty as to whether this is due to tenants successfully taking responsibility for their finances or housing associations using higher numbers of APA's or Third-Party Deductions.

We've been surprised that some tenants have managed quite well; they are paying their rent and haven't had any arrears – it's going great for them. These tenants are examples of how UC can work for those who are capable and that maybe we underestimate tenants

What we have seen is that people who go on to UC are initially going into arrears but are then clawing it back. What isn't clear is whether tenants are doing this of their own volition and starting to learn how to manage their money better or whether housing associations are utilising their Third-Party Deductions regime at 20% or 10%

- 3.11 Moreover, despite a reported 'initial potential cash flow problem' due to Universal Credit, it was felt that a lot of concerns have been mitigated by several factors such as: the gradual roll out of UC; the Housing Benefit run on¹; and more awareness and use of APAs and third party deductions.

Concern around future increase in arrears

- 3.12 That said, there was a huge amount of concern for the future, once full migration has taken place. Indeed, participating landlords reasoned that as the number of Universal Credit tenants increase, so will the proportion of 'complex' cases at greater risk of falling into greater levels of rent arrears. In turn, there was concern that this may put sustainable tenancy agendas at risk. The importance of having new and updated IT systems in place which can undertake accurate forecasting and flag changes in tenants' circumstances was discussed, so that housing associations can plan how to resource and respond to future predicted challenges.

We measure arrears quite closely and there has been an increase on arrears although I wouldn't put it all down to UC. We do a lot of forecasting but we need to make our systems more intelligent as the number of UC cases increases i.e. we need to reflect what exactly we do with resources within our predications

¹ Those in receipt of HB prior to applying for UC will receive an additional two-week HB payment (as of April 2018)

However, looking to the future, the increase in arrears can't be anything but a worry: it becomes a cash flow issue because of a drop in rent collection rates and there will be a tipping point on that, which may drive a change in focus away from tenancy sustainability

So, the question is how we measure and identify that kind of change earlier – we don't have systems that can do that and we don't have data which allows that. Prior to 6 months ago we probably wouldn't have been bothered about gathering information about tenants such as who they work for, how stable their employment is etc. Whereas this is now very important for us because if someone loses their job, they will claim UC

The impact on the organisation: our income and forecast in arrears (it's not a great picture), had to put a lot of resource into it and will do in the future

As it stands at the moment, our rent arrears bill for the last four to five years has been a steadily downward trend and we haven't seen that change, even through the demonstration project we managed to keep a lid on it and we've so far managed to keep a lid on it under UC. But I don't have crystal ball; at some point in them they are going to move on to the legacy benefits not just new claimants so there might have to be a bit of a step up then – but while there is still steady trickle it's easier to cope with

Measuring and understanding rent arrears also needs to be considered

- 3.13 Thus, it was considered important to be able to differentiate between the reasons for arrears, such as the wait time for initial payment and APA's to come through, or tenants being on different Universal Credit payment cycles etc. In addition, whether or not missed or delayed rent payments caused by these factors are considered to be a technical arrear may vary among housing associations. Similarly, differences in how arrears are approached among housing associations was identified as a key factor. For example, it was explained that some organisations focus on tenant sustainability rather than arrear levels, while others are more 'business-minded' and keep a very close eye on rent payments.
- 3.14 Another participant warned that some landlords are grouping arrears before and after Universal Credit together when presenting data, which is perhaps misrepresenting the financial impacts.

We need to be careful when we talk about arrears because there is a lot of data out there that say people of UC 'owe X thousand pounds' and sometimes we're not very clever ourselves, as a sector, in terms of presenting our data; what's really important is that we count the UC effects. There was probably a pre-existing arrear with these people but then it gets all bundled up into a big sensational number – this does not help us

- 3.15 It was also claimed that some housing associations do not have the IT systems in place to measure arrears generated by Universal Credit tenants and are instead having to spend large amounts of time undertaking manual calculations if they want an accurate picture. Another participant explained that there is often caution around openly talking about arrears due to fear of it impacting on the organisation's ratings and reputation – which was mainly blamed on media influence. Thus, it was argued that the lack of standardised processes and reluctance to discuss arrears makes it very difficult to benchmark and fully understand the impact that Universal Credit has on rent arrears.

At the moment I do a manual calculation so I can see the realistic picture - where those who are paying in a monthly cycle – I am not counting them as having arrears. But once we get 150-200 cases I'm not going to be able to do that manually. Our automatic systems at the moment don't allow us to distinguish between those who are on UC and in a monthly cycle. Tenants are getting paid on different days every month so when I do the reports on arrears, I'll have to caveat it. I was speaking to someone from another HA and I don't think anyone has quite cracked this issue yet

There's been a lot of scare mongering in the media – talking quotes from HA's (including me!) about arrears and saying that no more new homes will be able to be built. It meant a lot of senior managers in HA has serious crackdowns in talking about arrears because there were afraid of it influencing things like our ratings, the banks. It means there is caution about talking about arrears. Others just don't have the systems in place to be able to measure arrears in that way

- 3.16 Moreover, it was felt that housing associations need to find ways of 'looking beyond the average arrear' by investigating new measurements, such as monitoring different periods after the initial claim, better understanding tenants' circumstances and predicting where support is needed.

Minimising and reducing arrears

- 3.17 Participating housing associations discussed the changes and ways in which their organisation has attempted to reduce the impact on Universal Credit on rent arrears, which are reported below.

Pre-tenancy work

- 3.18 Most of the depth interviewees reported that their housing association has undertaken significantly more pre-tenancy work to ensure that any potential risks or vulnerabilities are identified as early as possible, so that individuals receive the support they need from the very start of their tenancy. This could include budgeting advice, ensuring they are allocated a property they can afford and being signposting to external support services. This has been achieved, in the main, by creating specific pre-tenancy teams who undertake individual assessments, devise bespoke 'action plans' and support tenants in setting up their claim. Some housing associations have also introduced credit checking, but were keen to stress that this is only to better understand tenants' financial situation and assign appropriate support – and not to decline tenancies.

...Now we've got a pre-tenancy team, a full tenancy support team and a manager and a lot of their work is directed at people who are going onto UC. We made that investment in resource and it has worked well for us

We do a lot of work at pre-tenancy and we now have a dedicated pre-tenancy team (as a result of UC). We undertake an assessment with people to look at their needs and the stuff that is going on in their lives which might have adverse impact on their ability to have a successful tenancy – it's not always about money. Together with them, we put together a bespoke action plan which maybe about engaging with some of the programmes we provide, linking up with other organisations etc. We also make an assessment of whether they are going to get caught by the criteria that are built into UC or whether they will fit the criteria for an alternative payment – there are two tiers – falling into tier 1 means you will probably qualify for an alternative payment, while tier 2 means there is a bit more discretion for the job centre to determine whether they are eligible for UC

We do an element of pre-tenancy work; we have an application team so that when someone applies for housing, we'll ask them questions – mainly around need and part of that process is looking at affordability. We do ask them about whether they have a bank account and access to the internet to try to get a feel for the level of risk etc.

We have also started to undertake more pre-tenancy work further upstream, so much earlier rather than when people are already making a bid for a housing vacancy

We are basically in the position where we contact an applicant saying there is a vacancy and we get them to meet with the rent officer and they have an interview, start building up a relationship, discuss how they intend to pay, what their circumstances are etc. We've had positive feedback about this, and tenants like that they know who their rent officer is and know who to go to if they have difficulty paying their rent. It works quite well, and we are reviewing our lettings procedures at the moment

We are credit-checking our tenants a lot more now – with their agreement we are using Experian and Housing Hub Insight credit reference and customer insight software resources. We are doing this as a result of UC and welfare reform in general (UC is implicit in Welfare Reform). Whether or not to undertake credit-checking was something we had great debates about – but as a company we don't want to exclude people or reject tenancies based on credit scoring, it's to effectively signpost or refer them either to outside help or the welfare team or tenancy support that we have in-house. It comes back to getting to know our tenants and giving the housing officer the confidence to talk about what might traditionally thought of as very personal stuff. This isn't a way of preventing us on from taking on tenants, it's more about starting a conversation and goes back to the learning undertaken so far throughout the UC lifespan. We want to get to know our tenants but also help them understand WHY we want to get to know them. So it's about having a conversation, such as 'yes, you have debts – it's not going to preclude you from the tenancy but if those debts are fighting with your non-ringfenced housing elements coming in, then we've got a serious problem.' It's about trying to come up with a debt-solution

It's important to remember that all new tenants will be going onto UC – it will only affect a minority – so we certainly wouldn't change the way in which we allocate tenancies because of it. Our philosophy is to engage with prospective tenants to work out what makes them tick: some of it includes allocating the correct property and some it is understanding what that person is looking to achieve

Rent collection

- 3.19 Encouraging tenants to pay their rent in advance and set up direct debits was reported as being a tactic used by some organisations – although not all. One participant described the ‘rent in advance trial’ recently introduced by their organisation, which they said acted as a ‘buffer’ to mitigate against the wait time for Universal Credit payments to come through. However, it was explained that not all tenants are in the position to pay rent in advance, in which case Universal Credit is explained to them and with the help of budgeting advice are encouraged to save some money each week to help prevent them falling behind with rent payments during the wait time. Alternatively, another housing association questioned whether the wider use of advanced payments has resulted in less need to charge rent early.

We do at the moment (collect rent in advance) – we ask everyone for two weeks in advance as a buffer to mitigate against the waiting time. So it’s something we ask, but there exceptions – some people just can’t do it and we do try to be flexible. We explain that UC has come in and really they want to be putting away some money (say, £5 a week) to build it up, because when the change does come they won’t have any money for a couple of weeks. It’s an ongoing thing and it’s still under discussion as to whether we carry on it now that there is the advance which is becoming a bit bigger. We’ll need to decide if two weeks is definitely right, or whether it should be one week or four weeks or whether the advance is the right thing to advise

We’ve started up a rent in advance culture, where we are encouraging tenants to pay extra weekly on their rent accounts so that they can build up a credit up to a month in advance. We explain that it’s a good idea because once UC comes in they will have a gap in their income and this will help them manage their money better. We’ve had a really good response to this. We’ve spoken to at least 200 of our tenants and quite a lot of those are trying to take up the advice

With our new tenants we do say that they need to pay at least a week in advance when they come into sign for the tenancy. We also ask them whether they have any additional support needs so that we can identify that from the outset

- 3.20 Some housing associations had also started encouraging tenants to set up direct debits for their rent payments, although one landlord advises their tenants to set it up in time for the second payment, rather than the first, just in case there was a delay or issue with their claim which could cause their the direct debit to bounce.

What we do with UC claimants is that we work with them to make sure that make their first payment on time, and then we will encourage them to set up a direct debit in time for the second payment. We also run DD take-up campaigns and we use the Insight software to identify people who have a high propensity to pay by DD but may not be paying us by DD. We also include Housing Benefit claimants in this and tell them that they will be moving to UC soon and encourage them to build up a ‘cushion’ with us so that when they are waiting the six weeks for their money they won’t have the headache of having the arrears build up as much as they would do. So, we definitely encourage them use a direct debit and to get used to paying in that way

if they go on UC we'll ask them when they're paid UC and heavily push for them to set up a direct debit. We have seen a huge increase in the number of tenants paying by direct debit. We don't force people to pay by direct debit but we challenge them on why they wouldn't. If someone refuses, then alarm bells would start ringing

- 3.21 An alternative approach of using recurring card payments (also referred to as a 'continuous payment authority' or CPA) is also being considered by one housing association, which is an authorisation provided by the tenant which permits the landlord to take payments from them by either debit or credit card. The participant explained that, unlike direct debits, tenants are not be charged if their CPA payment bounces, and simply allows the landlord to request it the following day.

The amount of money we are going to have to collect now will increase and a lot more money will be passed to tenants. So there will be transaction costs, things like other payment options – for example, direct debits can sometimes bounce and incur costs to tenants so we've been looking at things like recurring card payments and options like that where there would be no costs to tenants but we can still talk to the tenant and request it the following day, which you can't do with a direct debit. So yes, we have looked at changing the way we collect money

- 3.22 Another housing association said that their organisation has chosen not to drive the use of direct debits, and instead focus on educating and supporting tenants with regards to digital and online skills.

...We don't do a lot around encouraging the use of direct debits – we mainly focus on getting tenants access to IT and being able to work around the claim process. We just haven't had a particular push on direct debits take up; DDs would typically be for monthly payments rather than weekly and the group that we are most concerned about and will struggle probably aren't in the position where a monthly direct debit would be a good thing, and of course you've got some banks that will charge if a direct debit bounces. We will talk to tenants about making sure they have a bank account etc. though and if someone wants to set up a DD and they are in the position to that's just icing on the cake but it's not critical

Flexible charging cycles

- 3.23 Allowing tenants to pay their rent on a day of the month which is in line with their Universal Credit payment was reported as another method used to minimise the arrears.

We can take a direct debit any time of the month. I think having this flexibility will definitely be an advantage, especially when you're looking at UC assessment cycles – we have to react to those assessment cycles because that's the cycle our tenant will be living in financially as well. For example, if we had a tenant who was being paid monthly then we would accept a monthly payment from them. We are looking at ways of streamlining it so that we can send out texts to tenants at the end of the their assessment period or when they get their UC payment so that if they don't have a direct debit with us already then they can look at paying straight away

We have also now gone onto any day direct debits – it has been a bit painful getting to this point, but we are finally there. Before we could only offer a choice of three fixed dates in the month which with UC wouldn't work

Using IT Systems to better manage UC claimants

- 3.24 It was reported that developments to internal IT systems have been made or are in progress of being updated because most legacy systems are not set up in a way which is conducive to monitoring UC tenants' accounts, setting up different payment cycles and notifying change in circumstances or other specific 'risk factors.' It was explained that historically, housing associations have not always 'known' their tenants and that that new IT systems would hopefully allow them to do so.
- 3.25 Examples of how some housing associations have developed IT systems to reduce the risk of Universal Credit tenants falling into arrears include: automated alerts of new claims; alerts and actions linked to individual tenants; automatic text reminders; creating a database with as much information about tenants as possible; and tenancy mapping.

We have developed our system to set up actions and link them with different dates. It does help with the management of that particular case because it will flag up certain times and dates of when certain actions need to be completed. We are constantly developing it – every time something new comes up we look at how to record and identify it

The charge for rent is made for everybody on the same date – that's when we debit the accounts but since the demo project we have operated something called 'due date approach', so what we want to do is arrange with an individual when they are going to pay and what they are going to pay, which we will then build into the IT system (see later comments) and the reminder texts will be triggered around that arrangement... We built our IT systems to try and keep in tune with those agreements. With these agreements we can tell very easily when/if it is broken rather than saying to someone 'you rent was due on Monday, it's now Tuesday and it's been debited – expect an arrears letter' – it wastes so much time and effort, especially if they were always going to pay, but not until the Friday

We have used the lessons learnt from the demo project to design and build a new IT system which we think is better than the stuff you can buy off the shelf. It builds in some reminders so that the system can send a text out to people who are claiming UC; if we know when their first payment is going to come through we can give them a little nudge with a text saying we know your payment is due tomorrow, don't forget to pay your rent. We learnt from the demo that we needed to create practical tools like this and have built them into our automated system. Overall our IT system does everything it needs to do in terms of UC – we're able to know our tenants. All of our systems are set up to try and get as much intelligence as we can around people's circumstances so we can work with them to mitigate the impact of welfare reform and the transition to UC

We also have a big IT project underway at the moment as part of our merger which is new housing management system (one system). At the moment we are operating on two different systems; one of them identifies who is likely or maybe be predisposed to fall into arrears once they transition to UC. Whilst it does help to identify vulnerable tenants it's quite arbitrary really because it's relying on datasets which aren't actually connected to how they interact with the landlord

In full service we are quietly confident that we're getting 99% of the notifications from new claims and in a very quick timescale. Part of our process is that we triage – as soon as we're aware that someone is claiming UC we look at their circumstances, undertake a risk assessment which looks at arrears and ASB, look at their financial position and whether they've had issues paying their rent

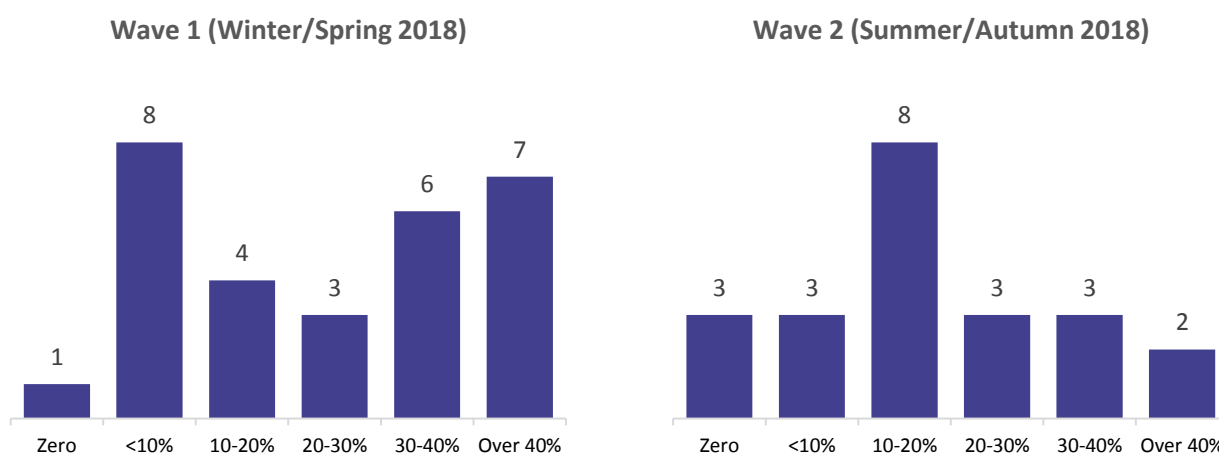
4. Alternative Payment Arrangements (APAs), Third Party Deductions (TPDs) & Advance Payments

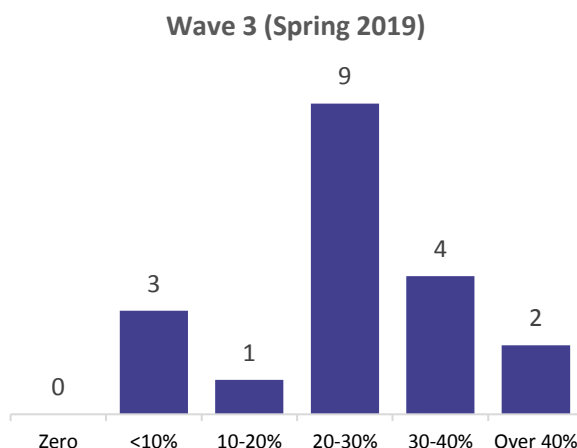
Survey feedback

Alternative Payment Arrangements (APAs)


- 4.1 Nineteen Wave 3 respondents were able to estimate roughly what proportion of their UC claimants have an APA in place.
- 4.2 Nine respondents (i.e. nearly half) estimated that the proportion was in the range of 20-30%. Six respondents felt the proportion for their organisation was higher than this (i.e. 30% or more) while the remaining four felt it was lower (i.e. less than 20%).
- 4.3 Three respondents felt that less than a tenth of their UC claimants had an APA; however, none indicated that there were no APAs in place for their UC tenants.
- 4.4 There is some evidence of a shift towards wider use of APAs throughout the Waves. In Wave 3, fifteen out of nineteen respondents (i.e. more than 3 out of 4) felt that at least 20% of UC tenants had an APA, compared with only eight out of twenty-two in Wave 2 (i.e. less than half) and sixteen out of twenty-nine (i.e. just over half) in Wave 1.

Figure 2: Number of UC tenants with an APA in place (Waves 1, 2 & 3) Base: All Respondents (number shown in brackets)





- 4.5 Twelve out of twenty-one housing associations (i.e. nearly three in five) estimated that it typically takes 40 days or more from the application to the payment of an APA.
- 4.6 Only four respondents (around one in five) felt that this process typically takes less than 30 days (i.e. less than a month or so).
- 4.7 When the same question was asked in Wave 2, six respondents out of seventeen (i.e. just over a third) felt that the process takes less than 30 days – a similar number to those who thought the process takes 40 days or more (seven). This suggests that there is a growing perception that the APA payment process can take several weeks.

	AVERAGE TIME TO PAYMENT OF AN APA	<30 days	30 days +	Change in proportion saying 30 days +
		n	n	
Wave 1		14	15	n/a
Wave 2		6	11	↑
Wave 3		4	17	↑

Qualitative feedback

Alternative Payment Arrangements (APAs)

APAs can be useful for vulnerable individuals, but in a reasonable proportion of cases it is not needed - so long as the correct support is in place

- 4.8 There were mixed views around APAs among depth interviewees. It was argued that some housing associations have found them useful for tenants who are simply unable to cope with being on Universal Credit, whilst others have experienced specific issues with the APA system and are sceptical of whether they are ‘the answer’ for vulnerable people. Indeed, one participant said that decisions around whether APAs are appropriate are made on an individual basis and often avoided if it is felt that the tenant can

manage their money with some support and help in place. Another, on the other hand, explained that their organisation has a large focus on risk, and thus use more APAs than other housing associations.

In terms of approach we are now trying to avoid APAs as much as we can because it's putting the tenant into arrears and complicating the situation, but sometimes we know we have to request it because of the nature of tenants

We do a lot of work around risk and therefore use APAs more than average. Those who need it are usually identified during pre-tenancy

In terms of UC, our conversations with the tenant might conclude in the payment coming to us directly because it's quite clear they are going to struggle with managing the housing costs themselves. For others, we might arrange to show them how to claim UC on the computer which they are then able to manage themselves. Spending time with new tenants will allow you to have an understanding of how well they will take to it

We have used it in some cases to safeguard tenancies - so someone will apply for UC, struggle to cope, apply for an APA and third party deduction and their tenancy is saved - but we've also had a number of cases where we've been able to work with tenants to see if they can pay an affordable amount off of their arrears

However, overall there were mixed views on the helpfulness of APAs due to complications and issues with the payment system

- 4.9 Some of the reported problems with APAs were around: housing associations waiting long periods of time to receive payments; administrative errors resulting in underpayments or the money being accidentally paid directly to the tenant; and difficulties with payments going into the bank but housing associations not being notified of which tenant the payment is for.

We have had issues with APAs – they've turned out to be a bit of a nightmare. Firstly, there's the 7-week gap between applying for an APA and receiving the first payment

It would be interesting to know which HA's are saying that they are a big advocate for APAs – are they HA's which have large numbers? The big issue we have with it the payment cycle/ the way its paid to us – there can be a delay

From my point of view, I would promote NOT doing it (APA payment) unless it is entirely necessary e.g. tenant safety, a failing tenancy that needs that type of intervention. Around £60,000 of APA payment came into our system today. There are some people who will have had that money deducted from their UC claim based in July or August – because of that, they've had the money deducted, they think they've paid their rent but their rent account has shown no payment.

Because of the delays to the payment cycle it might look to us like they've not paid their rent. The whole system – for us and the tenant – is just not flexible enough to deal with everyone's different circumstances

APAs are not paid on the same day that the tenants gets paid (i.e. the tenant might have had their first UC payment but we are still waiting – we don't know if there has been an error and the tenants isn't clear what payment they've had and for what etc.) which makes it really unclear. We might apply for an APA, get confirmation but are then in the dark about when to expect the money

We've also has instances where we have applied for an APA and the first payment has gone to the tenant! The tenant has then gone and spent the money. For example, we have a tenant who has serious substance misuse issues, so we requested an APA immediately, but the payment has gone directly to them twice now and she's used the money to buy drugs. She's in a dreadful state and is now £1,200 in arrears which she's not in the position to pay back. It's an administrative error by the DWP but the consequence of that for us and the tenant are big. This tenant could end up overdosing because she has this money

- 4.10 However, perhaps the biggest issue was around the APA payment cycle, which was criticised for causing difficulties with tracking payments and for systems to be designed around. Specifically, participants explained that the four-weekly APA cycle produces 13 payments a year, which is not aligned with the monthly Universal Credit cycle, which provides 12 payments a year. This, they reported, causes several problems - namely that one of the 13 APA payments will technically be 'missed' and housing associations encounter difficulties with understanding whether this is due to the mismatch in cycles, or because of other reasons such as a change in circumstances or payments being sanctioned.

But with APAs in full service we get paid every four weeks for all of our APA payments, so if you look at the way we charge rent and the way the tenant gets paid it's quite confusing and difficult for a system to be designed to work that out. We would much prefer to have it as it was

The big issue we have with it the payment cycle/ the way its paid to us – there can be a delay. We get it paid every four weeks, although the tenant gets it deducted every month so we get what we refer to here as the '12 and 13', so there's always a month where it doesn't happen – we don't know why: have we not received the payment because this is the month, or has somebody been sanctioned, or has someone been paid themselves

In full service they currently pay UC payments on the same cycle as they have historically paid deductions from benefits, so when we receive that schedule of all those deductions we have historically had, we now also see UC payments. They are quite clear that they are UC payments, but a four weekly cycle means there are 13 payments in a year and UC is a monthly payment, so we are only going to get 12 UC payments every year for someone who is having it directly paid to us but it will be on a 13 weekly cycle – this means that on one of these 13 cycles we will miss an individual's payment - not incorrectly because we will get it, but we don't know when that is going to happen. This makes it incredibly difficult for an officer to monitor that account to know that the payment has been missed to do a timing issue, rather than it being the individual's circumstances that has changed. It just creates waste on time taken to investigate it. It's an example of the fact that the battle with UC is system issues – our bigger problems come from this type of thing

We get it paid every four weeks, although the tenant gets it deducted every month so we get what we refer to here as the '12 and 13', so there's always a month where it doesn't happen – we don't know why: have we not received the payment because this is the month or has somebody been sanctioned or has someone been paid themselves. It is like this because it's paid through the DWP's third party deductions team which exists for the whole benefits system that is weekly, fortnightly, monthly – so until the entire benefits system changes to monthly...Hopefully it will change

The number one thing I would like to see from a housing association point of view are changes to the APA payment cycle

Survey feedback

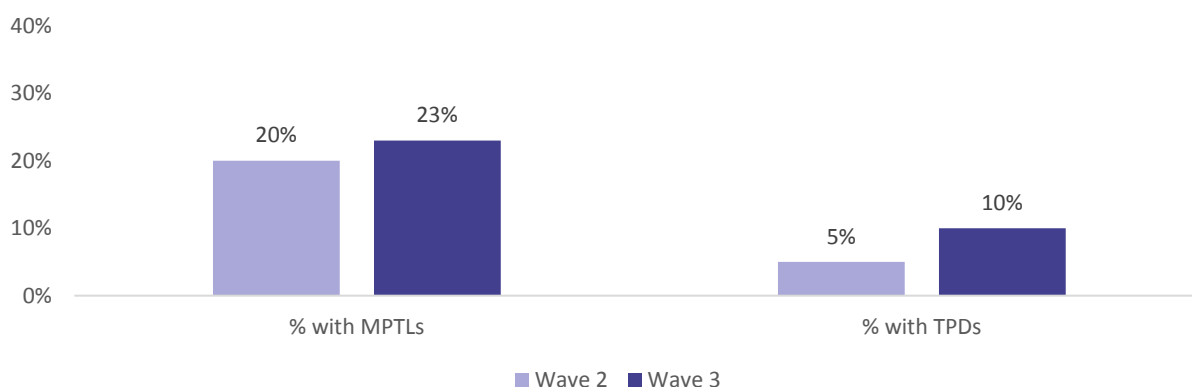
APAs for a Managed Payment to Landlord (MPTL)

- 4.11 In Wave 3, twenty housing associations together reported 2,410 Managed Payments to Landlords (MPTLs). The average number per housing association was therefore around 120, although in practice there was a considerable range between organisations (the organisation with the fewest APAs in place for a MPTL had 7; the one with the highest reported 487).
- 4.12 When the same question was asked in Wave 2, seventeen housing associations reported 1,029 MPTLs between them (i.e. an average of around 60 per housing association). While the average number of MPTLs reported by each organisation has therefore doubled over a relatively short period, this needs to be interpreted in the context of rising numbers of tenants moving over to UC.
- 4.13 The total number of tenants claiming UC housed by the twenty housing associations in Wave 3 was roughly 10,600, indicating that a MPTL is in place for roughly 23% of these tenants. The equivalent in Wave 2 was roughly 20%, implying that the increase in MPTLs is less dramatic in proportional terms.
- 4.14 In relation to Wave 3 results, it is also worth mentioning that the proportion of UC tenants with a MPTL ranged considerably between organisations (from 5% to 46%) although the average was around 23%.

Third Party Deductions (TPDs)

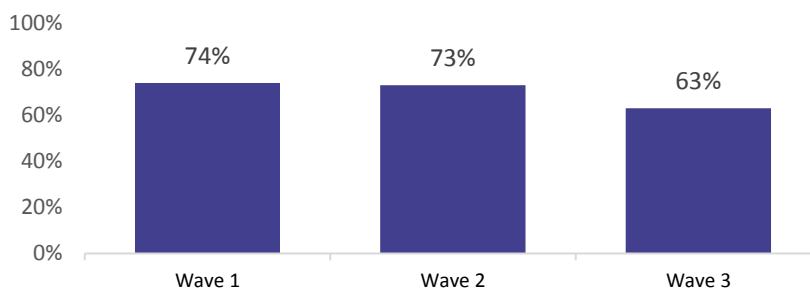
- 4.15 The average number of Third Party Deductions (TPDs) per organisation (for those who were able to provide information) was 45 (the lowest was 8; the highest was 154). Overall, this equated to around one in ten of UC claimants at these housing associations (10%).
- 4.16 The total number of TPDs reported by the nineteen Wave 3 organisations was 864. A similar number of housing associations (eighteen) reported only 280 in Wave 2 in the autumn (a rate of around 5% across all UC claimants at these organisations), implying that there has been an increase in the use of TPDs since last autumn – both in numerical terms (i.e. as the number of tenants in receipt of UC has increased), but also as a *proportion* of all UC claimants.

Figure 3: Overall proportions of UC claimants with MPTLs and TPDs in place (Waves 2 and 3 compared)



- 4.17 Of fourteen organisations who were able to provide a breakdown, half (i.e. 7 respondents) said that all of their claimants' TPDs were set at the 20% default level, while a further three indicated that more than half were set at the default, and one other indicated there was a 50/50 split. The remaining three organisations reported that most of their TPDs were set below the 20% level.
- 4.18 Overall, across the organisations that were able to provide details, 63% of TPDs were at the default level – compared with 73% in Wave 2.

Figure 4: Proportions of TPDs set at the default level, by wave



- 4.19 Respondents were also asked to briefly explain the process by which TPDs are set below the 20% level, and some contrasting answers were given. A couple of organisations said that they had no way of doing this, and the claimant would have to arrange this themselves with the DWP or discuss with a work coach.
- 4.20 However, others mentioned liaising directly with the UC service centre to arrange a reduction in the TPD (either by telephone or email, perhaps via a UC47 secure form), while one mentioned placing a request via the landlord portal.
- 4.21 One organisation said that they only had one TPD below the default level, and had not needed to do anything to put this in place (as they had actually been instructed by DWP that the TPD should be below 20%).

Qualitative feedback

Third Party Deductions (TPDs)

Deduction rate of 20% of TPDs is too high

- 4.22 Third Party Deductions were considered to be useful in managing arrears for Universal Credit tenants, but the 'usual' deduction rate of 20% was deemed to be too high by one housing association.

The Third Party being 20% is quite punitive 20% is huge and I'm sure it's very off-putting for landlords

Qualitative feedback

Advance Payments

Advance payments do not necessarily solve the root of the problem

- 4.23 Participants who took part in the first wave of depth interviews (October 2017) were not impressed with the advance payment option, which was described as a 'sticking plaster' for arrears insofar as it may help tenants in the short-term, it does not solve the root problems and some struggle to pay it back or simply

spend the money rather than using it to pay rent. Furthermore, it was argued that single tenants who do not receive much money from benefits are particularly at risk of not being able to make the repayments. Local job centres were also criticised for not raising enough awareness about the option of applying for an advance payment to tenants.

But we do have to be careful with the advance; if we're dealing with vulnerable people they can potentially have 10 or 11 hundred pounds the day after they've claimed – and if that money suddenly disappears (i.e. they spend it!) they're going to be in even more trouble

No there is not (awareness of the advance payment system) – the job centres are not explaining it clearly, so only some tenants understand and access it, but others aren't even aware

Our view is that Advance Payments are a bit of a 'sticking plaster' because they are clawed back quite quickly from the future benefit payments. But if you are a single person who isn't on much benefit, you're going to struggle with paying it back. If you go to Uni and have a student loan to pay, there's a threshold where your payment ramps up based on your income, but they don't take this approach with vulnerable people

- 4.24 Those who took part in subsequent interview waves also felt that information about the advance is still not being explained to tenants clearly enough by DWP work coaches, and that some tenants do not understand that it is a loan that they needed to pay back. One participant said that although housing officers try to make this clear to tenants, sometimes the housing association is not even aware that an advance has been applied for and thus are not able to help. Another reasoned that the advance is not particularly helpful for tenants on zero-hour contracts, who do not always know how much work they will be given and still have to wait five working days for the advance payment to come through. There was concern that these issues are causing vulnerable tenants to fall deeper into arrears and not necessarily helping people to learn to budget their money independently.

The problem we are having is that tenants are applying for the advance payment, so are starting off with that arrear and then realising they'll have to pay extra on an ongoing basis to pay it off. This is a reasonably common scenario. We are trying to make sure that the housing officers explain the advance and that tenants will have to pay it back, but it is easier said than done. Other issues we have is tenants having an advance and us not knowing about it and tenants not knowing about the ongoing deductions that they have to pay back every month. We think tenants need more information and advice from the job centre about advance payments – they should be being told that payment is available, but they should be using some of that to make their rent payment. But the work coaches at DWP come from a different perspective – they've never thought about housing costs before so they're not going to be passing on that advice. I don't think tenants understand the implications of having an advance – there's no discussion about how it will work in practice

I have concerns about how it (the advanced payment system) impacts on residents' ongoing budgeting – someone is offered money and it seems brilliant, but they don't understand the impact of having to pay it back over 12 months. The fact that this money is supposed to go towards their rent is not being explained to them thoroughly enough and it almost gives them a false impression of how much money they're going to be getting. I know the staff are busy it means that we have to come in and fill yet another gap – so when we do get in touch with these residents we are explaining to them exactly what the advance is, how much they have borrowed and how much they will be paying back over the next 12 months

Definitely not - the advance is not helpful in stopping tenants fall, because of the nature of the roll-out of UC; we are predominately talking about people who are coming out of the world of work who were on a seasonal contract. If you and I finished work today and had to wait seven days to make a claim is fantastic but for or tenants, especially those in the more rural areas who have the more seasonal economies, are a long, long way from earning what they should be and have been on zero hour contracts; their hours will go down and down and down and then they will sign on to UC. It's still seven days without any income and people can't pay their rent and a week's arrears is built up. If you look at the re-payment frequencies as well, it's not really going to prevent them from falling further and further into debt

- 4.25 In order to make advance repayments more manageable for tenants, it was suggested that repayment plans should be agreed on a case-by-case basis, depending on individual circumstances.

They could have given people an advance payment which wasn't repayable OR if it is going to be clawed back it should be worked out on an individual basis

- 4.26 However, it was acknowledged that the advance payment system has become more flexible over time and that awareness of its availability has also improved. Some social housing providers have also witnessed cases where having an advance has been beneficial, which in turn has contributed to more rent payments being made on time and a reduction in the use of foodbanks.

The government have softened on a few things as well which have been beneficial. But since Christmas they have increased it (advances) to 100% which is inclusive of housing costs, and we've had a few cases where people have been at risk of eviction, been applying for UC, having an advance including housing costs and they've paid £400 off of their account by the next day

Of course, it (UC) is difficult for them (tenants), but what they could do is take a five- week advance and this would make it doable for them. I know that this wouldn't work for everyone, depending on their circumstances ... I just feel that some of this has been 'over-hyped' – there is a system in place where people can take an advance; I know this maybe hasn't always worked well or been advertised to residents but in all fairness to DWP this has changed and people are now being offered it

I can't argue with the fact they've made the system more flexible which could be really beneficial to someone

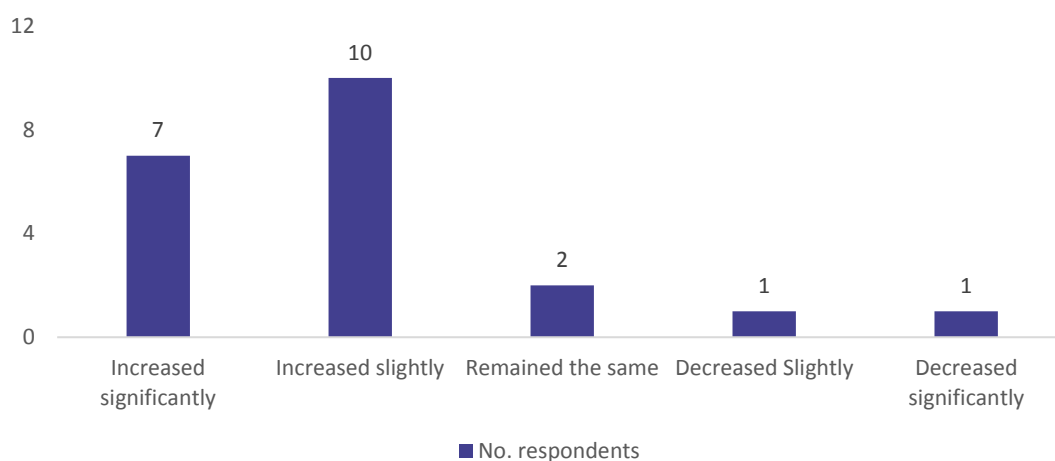
5. Impact of UC on Tenants

Survey feedback

Food bank vouchers

- 5.1 Seventeen out of twenty-one respondents felt that their organisation had increased its provision of food bank vouchers in the previous six months, while only two felt that fewer vouchers were being provided.
- 5.2 Where known, the actual number of vouchers issued varied considerably: from fewer than twenty to a few hundred.

Figure 5: Changes to the number of food bank vouchers provided over the last 6 months (Wave 3) Base: All Respondents (number shown in brackets)



Qualitative feedback

- 5.3 The reported impacts that the introduction of Universal Credit has had on tenants were wide-ranging and a source of concern for participating housing associations (despite efforts to mitigate these challenges and risks, which are discussed in more details in chapter 7). The main issues reported by participating housing associations are summarised below.

The Universal Credit payment cycle does not necessarily reflect the working world or tenants' capabilities

- 5.4 One of the biggest impacts on tenants was reportedly having to budget their finances on a monthly basis, rather than weekly, with many struggling with the transition. It was argued that some tenants are paid weekly, rather than monthly, or their hours fluctuate – as is the case with many low-paid jobs.

It's very difficult for people whose hours fluctuate – it's very hard to budget on an unknown and that level of understanding is quite difficult for people

I am sitting on the fence as to whether UC can benefit tenants in the future, but at the moment we have seen people struggle with the monthly payment. The government's thinking is that most jobs pay monthly, but we have Amazon and TATA down the road who pay weekly – so this isn't necessarily true

- 5.5 It was also highlighted that social housing often comprises of a higher number of vulnerable tenants, who are unlikely to be ready to start employment.

Tenants are generally pretty acute and astute with managing weekly budgets but if you started about going into next month it wasn't a concept people were used to

It's not easy to budget on a monthly basis, especially if you're not used to it. From that point of view, it will have impacted negatively on people

I think the reality is you will either see no great impact on their finances because there were already getting paid monthly and moved onto UC fairly fluidly. Or you will see quite a big impact because you're asking them to budget monthly as opposed to getting different benefits at different frequencies e.g. child benefit weekly, fortnightly jobseekers' allowance, income support or ESA and a four-weekly Tax Credit payment. Getting all of that in one can be difficult and it is a big change for them to get their heads around. So really, you're not going to see a positive side of it – it will either be the same or more negative – I don't see how moving from the current way finances are managed to a different way like this can be more positive. You could say that it prepares you for work but as I said earlier, a lot of low paid jobs are paid weekly anyway

The most vulnerable people social landlords house are those who have not been in salaried employment, not been used to sticking to monthly budgets – so are so far away from that opportunity and that world that it's a huge difficulty

For people transitioning from the old legacy benefits, that might be more of a problem and I don't think that it is recognised how far away from work some of that group are, which is why we are running the sorts of programmes we do. Sometimes people are struggling just to get out their front door and it is about building their confidence up just to get out and not be socially isolated, and then look at the next step, which may be a baby step. They won't be ready to budget monthly and get into work overnight. I just wonder what, if anything, they are going to do to ramp up the support for the 25-30% who are particularly vulnerable, and my feeling is nothing – they'll rely on us which will come at a high cost and responsibility. They don't get that a lot of people who live in social housing are vulnerable and live very complex lives with multiple disadvantages and deprivation

- 5.6 In addition, there was some concern that vulnerable tenants are being pressured to go into employment or take on extra hours when they are not ready or will struggle to cope.

From a claimants point of view, the whole claimant commitment that they launched at the same time as UC, and the amount job seeking people have to do online and then pushing them towards jobs that may not be suitable; people already working and being pushed to find more hours - I struggle a bit with that. Sometimes this is not the right thing for everyone – there was someone I know of who did 10 hours a week and it was important to them that everything was quite consistent because of their mental health. They were asked to look for more hours and it just wasn't necessary. We ended up getting a really good working coach, but I worry that not everyone will get given the same opportunities

Many tenants will be unable to cope with paying their own rent

- 5.7 It was once again reiterated that a larger proportion of social housing tenants (compared to those in the private rented sector) have issues with mental health issues, substance abuse and alcohol, and lead chaotic lives. Others have issues with literacy/numeracy and digital skills, do not have easy access to the internet or generally struggle with poverty. Despite this, and research suggesting that as many as 30% of claimants will find it harder than expected to make rent payments², it was claimed that vulnerable individuals and how they will cope with the reality of Universal Credit has not been adequately taken account of.

30% of people will struggle with having benefits paid directly to themselves and having to take responsibility for paying their rent – this also came out of the Sheffield Hallam and other DWP demonstration projects across the UK, not just the Torfaen project

Back to the claims having to be handled digitally: there is a portal that people use which is actually quite good once you're on it, but the problem is getting people to have the confidence to use it. Even if they use a smartphone etc. day to day, this is a whole new system which looks official and might scare them into thinking it's complicated when it isn't

I have heard of individual cases going horribly wrong and I worry about how it will pan out in larger areas

From the mapping we have done in Wrexham we've seen that we've got literacy and numeracy issues coming up, as well as financial and digital capability issues - those are probably the main four barriers

The five-week waiting period is too long and causes further financial hardship

- 5.8 Those who were interviewed at the beginning of the project described major issues with Universal Credit payment delays (on top of the standard wait time³), although later interviewees acknowledged that the system had improved and that the majority of tenants are now being paid on time.
- 5.9 However, it was felt that the standard five-week waiting period is still too long. Indeed, some tenants have reportedly been left without sufficient money over the Christmas period and other 'pinch points' such as

²<http://shura.shu.ac.uk/15539/1/Hickman%20Impact%20of%20the%20direct%20payment%20of%20housing%20benefit%20%28VoR%29.pdf>

³ The 7-day waiting period for first payment was removed in February 2018, reducing the overall wait time from six to five weeks

the summer holidays which caused ‘real problems.’ Moreover, it was argued that tenants generally struggle to budget, make ends meet and become socially isolated whilst they are waiting for their first payment. Additionally, housing associations argued that most of their tenants do not have savings, or over a months’ worth of funds to live on while they make the transition to the new system.

We have 430 people on full-service UC are getting around 100 new claims a month. Of the cohort who went on full service in July, only 70% of this first cohort got their payment within the first 6 weeks and the average wait for the rest was about 10 weeks. There are still delays. The waiting time is a real problem, especially taking into account 94% of our tenants don't have savings

Without a doubt our tenants are struggling and part of our structural response to claimants going on UC is to offer them food bank vouchers... The issue is that UC is supposed to be based on what you are entitled to and people are just expected to wait the five weeks. Some tenants refuse the food bank vouchers because of the stigma and it disempowers them

The ability to contribute to society is directly linked to quality of life and we are seeing tenants who are on UC not being able to participate in their local community due to the initial wait. We are also seeing an increase in people who are feeling less safe and secure. And I am talking about the consequences of the transition of UC here – it's not like we are just finding this with people who have major mental health issues etc.

I think the principle at the start was that people would be finishing work and going onto it with one month's salary to live on, but in reality, most people are not going onto it having been in that position...I don't know how they cope

The impact it's had on tenants: the waiting time, people not having any money in time for the Christmas period, foodbank usage being really high

- 5.10 Thus, was reasoned that the initial wait time should be shortened. While some participants would consider a reduction to three or four weeks to be acceptable, others argued that tenants should not have to wait for longer than two weeks.

I have heard that government might change it to 4 weeks (payment) but we believe this wouldn't go far enough – it is a step in the right direction but it should be a stepping stone to something even better. 4 weeks will improve things a bit, but people will still suffer from financial hardship. At least when it was all separate if they were having a housing benefit claim coming in it was just that part of the money – now it's everything

My worry, as a sector, is that social landlords will buy into the 4 weeks wait and be happy with it but that still doesn't deal with the fact that 30% of people, who are very vulnerable, struggle and haven't got savings – four weeks is still a long time

That very few people who live in social housing have savings (over 90% don't) which means there is no safety net to tide them over while they are waiting for their benefits

It should definitely be shortened. The concept of UC is good, but this 6-week wait (4weeks with basically 2 weeks added on) is ridiculous. I think a 4-week wait is still a long time. I do our training for financial inclusion and one of the stock questions we ask is: could you budget if we were told we have to wait an extra month to get our pay – so waiting 2 months?’ and I always say that I couldn’t. I try to get people to think about it individually and take the concept away from the system. It’s something we ourselves would struggle to do yet our mantra with tenants is that they need to learn to budget. So the 6 week wait in a no-no; the 4 week wait might be ok if it was for housing elements alone but for personal allowances two weeks would be best

Tenants lose previous rights they had on the legacy system

- 5.11 There was concern that vulnerable tenants could lose rights and protection linked to their previous claims. This included people being refused Universal Credit based on ‘Right to Reside’ grounds (which has also been covered in previous chapters).

Tenants can lose any protections and rights they had linked to their previous claim. For example, if you’re an ESA claimant, you get around £550 a month now, but as a claimant for UC you’re going to get £300. A huge difference. If you don’t claim within the time frame given that money isn’t protected, which could be a problem for vulnerable people who miss the deadline. You’d hope the DWP would be understanding of these types of people and given the benefit of the doubt, but do they even know that that person has a vulnerability and needs an extension?

We didn’t consider the cases where there would be non-entitlement because of residency between treated differently under UC compared to legacy benefits. I think it’s all part of the government’s hostile immigration policy which is about getting people out of the back door. Not many people are aware of this change – it’s not well publicised and that’s why it feels like a hidden way to get people out. It seems sneaky. There will be more of these types of cases when full migration happens and it also impacts on when we sign new tenants up as well – we are taking a risk if we take on tenants who aren’t from the UK – if they lose their job they are not entitled to Universal Credit

The UC system does not back-date, leaving tenants out of pocket

- 5.12 Universal Credit was accused of being a ‘rigid system’ because it does not back-date; therefore, if tenants delay making their claim for a few weeks or months they will simply be out of pocket, causing further financial pressures.

The issue is that UC doesn’t back-date; it is quite a rigid system, so if you lose your job and the first you do is drown your sorrows instead of claiming, or if you move house and focus on getting your furniture in there instead of claiming right away, you don’t get any money back dated for the week or two it took you to go online to sort out the claim. It’s not as forgiving as the old system and therefore we need to be aware of the change in circumstance as soon as possible

We also hear some people say that they would rather work than have to deal with UC – that's not always great because the housing market around Swansea (or anywhere outside of Cardiff) isn't great and rather than actively going into the system they'll think 'I'll just get another job because I've always worked' which then becomes a stumbling block for 2 or 3 months, and again the system does not back date

Little thought has been given to tenants

- 5.13 The constant changes and tweaks were also condemned insofar as many of the lessons which have been learnt have been at the expense of tenants who struggled to transition.

They are also full of problems at the moment- the system that DWP have got to pay them on is not working very well and it was not designed for churning out these types of payments, they've tried to fudge it and use something that is used for direct deductions of benefit for rent arrears under the past system etc. They have acknowledged this and said they are bringing out a new system to speed things up. It comes back to the implementation and instead of having a robust system in place to roll out the service they are putting people through an awful lot of pain and then holding their hands up and saying it has to be tweaked. There is no empathy at all towards customers

Case studies and examples of tenants who have been negatively impacted by Universal Credit

- 5.14 Below are some specific examples which illustrate the types of issues and struggles tenants have faced when attempting to transition to Universal Credit.

Case Study 1

I shadowed out tenant support team last week – all three cases we saw had a variety of needs and were having different sorts of support. They were all UC customers and all three were having issues with engaging with and getting through to the DWP contact centre. There were different levels of anxiety around the complexity of it all and they had confidence issues. There has been a lot of hand holding with all three – two to the extent that we've had to give out food vouchers, none of them were at a stage where their claim was in payment, one guy had been told that he wasn't getting any money for his housing costs because there was a mix up with the paperwork (there was a mismatch between what he had put in his application and what we had quoted) – instead of being proactive and trying to unpick it they told him there was an issue and he can't be paid until it's solved. This person is not used to dealing with an official organisation, isn't necessarily assertive, has communication difficulties. I think after a couple more visits we'll get it sorted, but had he been left on his own I wonder what would have happened. He came to us saying he felt suicidal. The difficulty is also identifying the people who won't come to us for help when they need it – we are reliant on the landlord portal to make contact with those tenants which we are still waiting for – if we don't know someone is going onto UC the first we'll know of it is when they clocked up 6,7, or 8 weeks' worth of rent arrears

Case Study 2

One particular woman had been given an appointment for the job centre and they had threatened to sanction her benefits because she couldn't make the appointment due to having a medical appointment which clashed. Trying to get it across to them on her behalf that she wanted to make the appointment but couldn't was not easy. This woman has a lot of health issues and my worry is that there is not a great of interest from the government in putting effective frameworks in place to help the 30% who struggle

Case Study 3

She [the tenant] had been a model tenant for many years, looked after her daughter who was on DLA (Disability Living Allowance) and Income Support. Her daughter turned 16, just as Flintshire became a Full-Service area. I think the issues were multi-faceted, so it was Welfare Reform as much as UC which affected her, but in the time that she had been under the radar and not interacting with the welfare state (she was a classic, passive benefit recipient). Once she applied for UC it became apparent that she had some mental health issues and couldn't leave the house (and hadn't for many years). We had to assist her with the initial UC claim, or she wouldn't have done it. DWP accepted that she had mental health issues, sent out an officer to undertake the verification and she was given incorrect advice by DWP. She basically imploded under the stress of using the online journal – putting in information which may change the amount of money you receive is very stressful. We've done a lot of work to try and get her on the ESA component of UC which we are still awaiting an assessment for. Basically she is struggling to pay – it's not that she can't budget – it's that the stress is having a diminishing effect. She ended up missing a rent payment and she didn't get in touch with us. There was a lot of hand holding involved to get her to talk to a housing officer and get support. The tenant couldn't cope with UC as a concept, the process of transferring and waiting 6 weeks for the payment really set her back

However, Universal Credit does have the potential to empower some tenants to manage their own finances and seek employment

- ^{5.15} A few positive or hopeful comments were made in relation Universal Credit and its impact on tenants, especially around empowering them to take more responsibility and gain more independence with their finances.

I think it helps people realise they have to pay to rent and teaches them how to go about that

We have talked a lot about how UC can impact negatively on tenants but there are some examples of how they can benefit as well. In terms of whether it will change culture and behaviour, I think for people coming in completely afresh and this is the benefits world they are entering then you start as you mean to go on and I think there is a strong probability it will work well for those people, provided that those bits of the system are sorted out

It has actually encouraged some people to go out and get a job because UC has caused them such a headache and been such a burden!

I think for the people who are capable of working, it can help incentivise them to work more – for example if they work 10 hours a week, why can't they do more? The benefits system has driven it in such a way that the 16 hours cliff-edge you get in the legacy benefit means that there's no point in some people working more than the 16 hours because of the way the current system works

Some tenants have really struggled and had dreadful experiences, but I feel like these become big stories and it's not the experience across the board

- 5.16 Moreover, it was thought that the system does incentivise people to get back into work and that many tenants are coping well with the transition – something that has arguably not been widely publicised.

As well as arrears we are trying to monitor people's accounts that are in credit, and the people who can cope are coping as well as anybody outside of the UC system and maintaining that credit level

It's been a mixed bag. We've been surprised that some tenants have managed quite well; they are paying their rent and haven't had any arrears – it's going great for them. These tenants are examples of how UC can work for those who are capable and that maybe we underestimate tenants

The most positive things about UC is that we have been pleasantly surprised that some tenants who we thought would struggle have been able to manage perfectly fine and capable – we underestimated them

- 5.17 It was also acknowledged that many of the issues faced by tenants at the beginning of full-service roll-out have been rectified or improved over time, which has reduced the overall impact.

We have seen people have bad experiences which hasn't been the fault of the resident in the main, it's the system. But I do think they've made strides to try and smooth out the process. Obviously, it's too late for people who have been caught up in it up to now

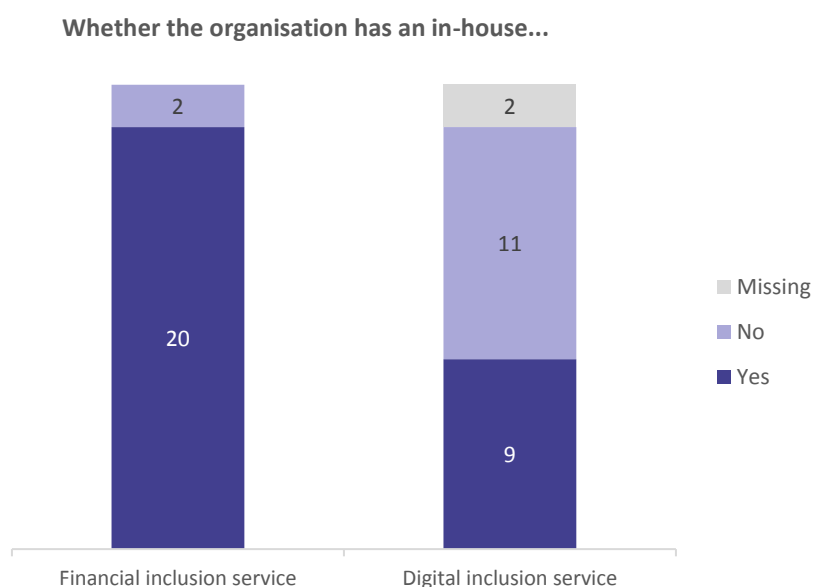
6. Support Provided to Tenants

Survey feedback

In-house financial and digital inclusion services

- 6.1 Twenty out of twenty-two respondents reported that their organisation provides an in-house **financial inclusion** service for tenants. Nine respondents had an in-house **digital inclusion** service.

Figure 6: Numbers of organisations with in-house financial and digital inclusion services (Wave 3)



- 6.2 Of the twenty organisations providing an in-house **financial inclusion** service, the overwhelming majority (eighteen) felt that demand for the service had increased over the past six months – with ten of these reporting a significant increase in demand. In addition, most of those with an in-house digital inclusion service reported at least a moderate increase in demand over the last six months.
- 6.3 The proportions of UC tenants that were said to be accessing organisations' in-house financial inclusion services varied considerably, from virtually all tenants claiming UC, to fewer than one-in-twenty (4%), although the average was just over one-in-three (36%).
- 6.4 Types of financial inclusion services offered included: a Money Advice service covering benefits, utilities and debt; relevant teams and/or members of staff such as an Advice & Intervention Team in-house Money advisers, Financial Inclusion Officers, Early Intervention Officers etc; and low-level support via a Service Level Agreement with Citizens' Advice Bureau. Half (10 out of 20) were considering enhancements to the service.
- 6.5 The proportions of UC tenants using digital inclusion services at each organisation ranged from negligible to around two fifths. A handful were planning on making improvements to the service in light of UC, such as purchasing IT equipment, recruiting digital volunteers or an additional staff member, or setting up an IT lending library. One mentioned that they already invested in this service prior to the UC rollout.

Qualitative feedback

Housing associations have made fundamental changes to in-house services and approaches

- 6.6 In response Universal Credit and its challenges, housing associations have undergone many fundamental internal changes to support individuals and mitigate risk. Indeed, participating housing association representatives discussed the time, investment and resourcing which has gone into providing more in-house, tailored services and systems, such as:

Replacing generic housing teams with specialist housing teams, which have included the creation of financial inclusion, digital inclusion and welfare teams, as well as ‘housing hubs’

As an organisation we did re-structure in Dec 2016 whereby we were very much generic in that we had a housing officer dealing with lettings, dealing with transfers etc. but now we have much more specialist teams; we have an income team, tenancy relation team, a specific lettings team – this as our approach when it came to tackling welfare reform. What it has meant for us is that we have gone from a team of two to three to 8-10 dealing directly with UC

We’ve allocated more resources to the team; we have a new post which is a financial inclusion coach post, although it is only part-time at the moment. I know other HA’s have full-time welfare benefit officers, so we are making a case for the post to be full-time. It’s really important because the person helps tenants become better off and do the work the rent officers don’t have time for

Investing in technology and IT systems such as Customer Insight Technology and online benefit check affordability calculators

The proportion of resources we are willing to allocate towards mitigating the effects of welfare reform have increased rapidly – not just with regards to the financial stuff – we have invested in Housing Hubs and Customer Insight Technology

We’ve also just invested in a suite of benefit check affordability calculations which our tenants and prospective tenants will be able to access on our website

Re-allocating resources so that more staff are available to help tenants who are struggling with the transition

Full service has been more of a challenge in terms of making sure the process of applying goes well for tenants and that they understand it (because of the increase in volume). We are now in the process of looking at how these cases should be managed i.e. focussing on the cases that we should be worrying about and not the ones who are managing, have a regular cycle etc. We’ll just have to see how it goes as the numbers increase. It may be a case of re-allocating resources – as our UC cases up our Housing Benefit cases are going down, so the work will be less somewhere else

We have had to put more resources into this (supporting tenants) but we are managing. Since full service came in we've designated one of the people in our money solutions team to deal with the notifications which come in from DWP full-time that tell us when people are going onto UC and we then have to provide some information back to them about the tenancy and level of rent which is charged

6.7 Other more general changes have also been made, such as:

Focussing on building relationships with tenants via personal, two-way communication so that landlords identify support needs, potential risk factors or change in circumstances more quickly and easily. Indeed, this was considered a key factor in successful prevention and early intervention

We send out a lot fewer letters now, we have much more personal contact (phone, email, texting, face to face). We've had much more engagement with tenants because of UC because we feel we can help them better understand it. It means that we have had buy-in and engagement back from the as well

Historically we haven't always known our tenants as well as we should so there has been much more of a focus on getting to know tenants, their profile and their needs, such as their financial capability

I can't think of any organisational positives, but we have been able to get to know our tenants, their needs and profiling them a bit better

It's the cultural change. Under our financial inclusion anti-poverty agenda internally we went through a big exercise of understanding what the cultural changes would be and I suppose that we possibly underestimated the extent of the cultural changes within the organisation and what exactly they would be. We are trying to deal with this by undertaking training with staff as well as trying to standardise our approach, mapping the needs of our tenants that are moving onto UC – specifically financially

Working to empower tenants to help themselves: some social landlords will not have the time and resources to support every Universal Credit tenant when full migration happens, thus educating tenants to be independent is becoming a huge cultural drive

We have had to think about how we can get tenants to take notice of us by undertaking an 'Empowerment Agenda' which allows them to advocate on behalf of themselves. Our volume data tells us that we won't be able to cope with micro-managing every single credit claimant when we do transition fully. We are paying particular attention to the particular cohort who are on UC; we are managing and reporting on their arrears as a sub-sect of our general needs tenants

We are now taking more of a restorative approach and we've undertaken training in this area. It's about empowering tenants and getting them to do things for themselves, instead of us doing something for them. Therefore, we have changed our procedures and how we deal with things – not just from a rent perspective but also ASB. It's all about changing the culture of the relationship between tenant and HA. It fits in well with UC because it's all about the tenant taking control. It meant a change for the housing team –going from filling in their housing benefit for them, which was easier for us because we knew it would be done and we would get the money in, and almost having a parent-child relationship – to having a more equal approach where we give them help support but expect them to take responsibility for their rent account

The provision of ongoing in-house training and 'up-skilling' for all staff. One housing association has also employed an in-house lawyer to help staff understand the policy and ongoing changes around Universal Credit

We've done loads of training service-wide – not just in money solutions – the guys on our telephone helpline and helpdesk have been briefed, our repairs guys who go out have been briefed to the extent that they can signpost people to information

It is seen as a long-term goal to upskill and reskill housing officers across all parts of the department. Some of this came out of the demonstration project in 2012 – that there should be a least someone in the organisation dedicated to understanding and knowing UC. It is a whole new role and the question is it someone who has a welfare rights background or is it someone who has a housing background, or someone who learns a little bit of both? There are so many different aspects involved in UC such as employment and digital inclusion etc. therefore people have to have all of those different skills which possible they didn't need before

We have a lawyer here - rather than outsourcing questions - so that everyone can feed off them and learn from them. There is a lot of legal change happening, so it is important for us to have an understanding of legal systems

Maximising Discretionary Housing Payment, using hardship funds and the common housing register to help tenants

We've been doing lots of work with maximising DHP (Discretionary Housing Payment) applications for moving costs as well as accessing things such as Discretionary Assistance Fund. We also have a hardship fund for tenants. We do try to provide a wraparound for direct stuff to try to mitigate issues. We also do stuff with the common housing register that I mentioned earlier where we try to move the affordability conversation upstream

Tenants are also signposted to external services

- 6.8 Despite the huge amount of investment and changes to in-house services, housing associations have also been working with external organisations and agencies to help support tenants, such as:

Working with local Citizen’s Advice Bureaus

We have commercial service level agreements with three citizens advice bureaus across our organisation – basically when we identify people who need debt advice, we can offer them a priority service with CABs

Signposting tenants to Council Hubs

The Council Hubs are excellent and do provide a lot of services, so we do direct our tenants there

Running awareness campaigns with other organisations and engaging with local communities to ensure that prospective tenants have a better understanding of how Universal Credit may affect them

We’ve been running a campaign with young people called ‘wake-up to the changes’ and we’re doing that with some other housing associations in South East Wales and Llamau which involves reaching out to people who aren’t tenants at the moment, so we go to schools, talked to youth workers etc. What we have learnt from this particular cohort is that prospective tenants are not really aware of welfare reform and how it affects them

However, housing associations have encountered issues with the DWP and local jobs centres

- 6.9 A few participants discussed the problems they have encountered with regards to DWP and job coaches. Specifically, it was claimed that tenants are not being communicated with sufficiently nor offered the appropriate support, while housing associations themselves are often ‘left in the dark.’ Indeed, it was felt that there is often an ‘us versus them’ philosophy and that DWP red tape around consent and data protection has resulted in housing associations being unable to access key information about tenants. Furthermore, several housing associations have encountered difficulties with contacting someone at DWP to help with them with their queries. It was explained that the lack of collaboration and buy-in from DWP has made it difficult for housing associations to adequately support tenants. Thus, it was suggested that more data sharing and collaborative working is needed between the DWP and housing associations.

The personal budgeting service is run by Cardiff Council, which I have some concerns about how that service is being offered which I have told DWP about. I sat in with the job coaches in the first month doing a bit of shadowing and there were asking UC claimants if they needed help with budgeting, but they weren't pushing it or explaining properly. People are not going to say yes unless they are clear on what it is about and how it is going to help them. I don't know anything about the take up of it and which of our tenants have used it. We are not privy to any of the outcomes on it either and have not heard anything back from our tenants about receiving budgeting support. Is it ongoing support that is being offered? It would be good if the council could come back to us and tell us that a tenant had had help with X, Y and Z, but they are still a bit unsure of A or B (with the tenant's consent), which we as a housing association could then pick up to make sure the tenant has the capabilities

The question for me is 'do tenants understand the issues/barriers they will face'. I think the biggest barrier is the bureaucracy of DWP and the agents at Job Centre Plus – it's not a happy place for people to be - it's very top down and might be something that will stop tenants from fully interacting with it as well

The DWP have not really gone out and publicised anything – they've taken the approach of getting in touch with their customers when it's time for them to transition so it's basically been left to organisations like ours to get the word out through Facebook, posters, newsletters, outreach work, the pre-tenancy stuff etc. We have found that some of the younger people have older siblings or family members who are in social housing and they think they know they know the way the welfare system works, but it's completely different. It's another black mark against the DWP in the way they have implemented this because a lot more could have been done with generally raising awareness. The job centre does work with the local authority and have coaches which provide training on digital inclusion but it's only one session but that's not enough and doesn't stick – it's just like a tick box exercise

If someone's claim goes awry, we're trying to understand what has happened, the resident doesn't really understand it and it's quite a convoluted way of trying to get to someone in the DWP to answer that question. It's very frustrating. With a lot of housing benefit departments, you can pick up the phone but it's not easy with the DWP, especially because they need explicit and implicit consent. It's such a waste of staff time

The DWP have a history of inviting people to claim, rather than transferring people – you'd think if it had everyone's data, they could just swap everyone over to UC. But instead everyone who was going onto UC were sent a letter saying their payments would stop and that they would have claim by XX date – if they do that to 2,000 of our tenants in one go, what if they don't open their mail or can't read? Do they have access to a computer so they can make a claim? Do they have support needs? We don't know every single person who has support needs, and if the DWP aren't going to share that information with us and make it a fair and transparent process for vulnerable people, their money will be stopped they may struggle to make the claim and lose any protections and rights they had linked to their previous claim

Do the DWP even know that that person has a vulnerability and needs an extension? That sort of the data is there between us, the DWP and local authorities, but how does it all come together to push that information out there? So we are thinking about we can do, such as a one off type of exercise where we collect very different data to what we've collected before (e.g. % of tenants who have mental health issues), do we rely on our preferred method of having greater communication and relationship with our tenants

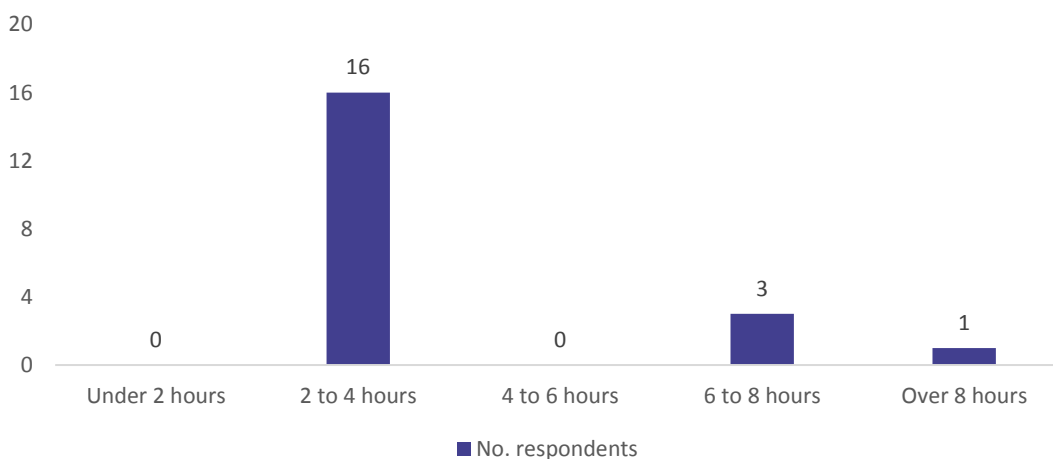
7. Impact of UC on Housing Associations

Survey feedback

On average, how many hours are staff spending supporting each Universal Credit claim?

- 7.1 Of the twenty organisations that were able to provide information, sixteen (i.e. four in five) said that staff typically spend between two and four hours supporting each UC claim. The remaining four all felt that each claim typically required at least 6 hours of staff support (and one of these felt more than eight were required).

Figure 7: Amount of time spent on UC claims (Wave 3)



Qualitative feedback

Housing associations are coping well, but there are strong concerns around how full migration will be managed

- 7.2 Overall, participating depth interviewees felt that their organisation is coping well with the challenges and changes it faces as a result of Universal Credit, which they felt has - in part - been achieved by providing additional in-house services, systems and training to help mitigate risk. A few others said that their organisation has been able to plan for future impacts of Universal Credit through initial research and learning from areas which introduced the new system before them.

We took part in a Direct Payment Demonstration Project in 2012 with the DWP which was testing out how, in the social housing sector, the idea of payment going directly to an individual household and how it would affect the tenant, the household, our organisation and other social landlords. We hosted the only project which happened in Wales here in Torfaen

Flintshire was the first area in Wales to introduce UC and has been the first to change area every time it has evolved. We have a reasonable amount of stock in Flintshire and has in essence it allowed to us see to it happen in quite a small area, so it's almost been like a pilot for us and it means we've learnt from how it's worked there. Also, the way it's been rolled out – in quite a piecemeal fashion – has allowed us to tackle it as issues come up

- 7.3 Others acknowledged that improvements to the system, the 'softening' of certain aspects of Universal Credit (such as the housing benefit run-on⁴) and the gradual roll-out have made the transition more manageable for housing associations.

Any kind of change to benefits will result in some kind of fall-out or negative impact

But, on the whole roll-out didn't actually transpire in the way it was proposed, which I think was a positive. The way that it did happen, and the numbers involved reassured us, in essence, that we were not struggling to cope with making this 'big switch' to UC. We haven't had to employ hundreds more people to the organisation to try to deal with it and really none of our fears were really realised. Also, as it's progressed, the DWP have moved on many of the positions I have just spoken about: it's not necessarily digital by default anymore and housing costs aren't always paid to residents – landlords are now having a big say in who they are paid to. There are still issues with it but a lot of the original fear haven't been realised. It's certainly not been a disaster so far

This Housing Benefit run-on has definitely been helpful, and even more so under mass migration. It's a really good thing – a buffer to give the tenant a head start. We welcomed it

- 7.4 However, there was concern about how housing associations will cope in the future, as the demand for support increases when full migration is introduced. Moreover, it was reported that the number of Universal Credit full-service cases have increased, as has the profile of tenants making the transition, resulting in demand for support outweighing the resources to provide it.

Full service has been more of a challenge in terms of making sure the process of applying goes well for tenants and that they understand it (because of the increase in volume)

With full service we're not able to visit everyone

There's been about 60-80 people going onto UC a month. It is manageable but it has come at a cost, for example, we've had to add additional resources to our housing team and I'm not sure that we can continue to keep adding resources when more and more people migrate to UC – especially if everyone moves over in a 6 month period. If we are chosen as one of the early HA's for mass migration and it happens next year we could be talking about 2,000 or so of our tenants. If, instead it happens in 2023, right at the end, there might only be 700 or 800 tenants. There will either be a gradual ramp up or it will happen all of a sudden – two very different scenarios

⁴ As of April 2018, those in receipt of Housing Benefit prior to applying for Universal Credit will receive an additional two-week Housing Benefit payment

So yes, we have managed so far and it's been a lot about learning and adapting, almost trying to run two processes at the same time – the one we had, which works for people on the old system and doing new things. I did think there has been some surprise about the number of people who have had a change in circumstances, and therefore need to go onto UC (more than anticipated) – this never used to affect your Housing Benefit before, we might just get a notice saying that this person has changed from JSA to ESA, but the Housing Benefit would remain exactly the same throughout that period. We would only monitor people who had a change in tenancy – nothing else

To begin with 80% of our UC claimants are single people who have recently fallen out of work and just had housing costs – so the actual profile of a typical claimant has changed markedly – since April we have had people coming on with disabilities, with families. So the actual money-management skills that you start off with might be more focused on managing the rent account rather than people who might just be single and on JSA

Our concern is that we have a lot of vulnerable tenants and we want to be able to help them. It is difficult to know this stage what will happen and I have read that things / certain infrastructure need to be ironed out before mass migration. We would like to be given more of an indication about mass migration – who will be affected and when – so that we can do some more targeted work and resourcing rather than a broad-brush approach

Putting the right support in place for tenants can be resource-intensive and complex, and ultimately some tenants will still struggle to pay their rent

- ^{7.5} It was also felt that the expectation for housing associations is to go above and beyond what used to be the traditional role of a social landlord, which has been at times difficult to resources and navigate – especially in relation to the provision of digital support. Indeed, spreading awareness and trying to identify and support vulnerable tenants has been considered particularly burdensome. It was reiterated that the pressure on housing associations has been exacerbated by the lack of help provided from some job centres.

UC spans a wide range of age groups and types of people; for example, I helped a chap who was 63 and didn't have a mobile phone, an email address, access to the internet or any digital skills at all – he struggled significantly and to provide people with the support they need is very resource-intensive. Yes, we were going down the route of having more contact (face to face, not just sending things out) with our tenants via tenant sustainability and we are finding that people are having difficulties

We've found that we have to do a lot more benefit work now in order to support tenants – which never used to be a landlord function. We are having to go above and beyond to safeguard tenants and the business. The makeup of the job centre has changed as well. Whereas before, someone claiming Job Seekers Allowance could walk in the job centre and have all aspects of that claim, including payments, dealt with there and then, job centres have now moved to a work coach where their job is to get people back into work. In regard to payments, that's being dealt with elsewhere, so when we are doing the triage, we are having to fill in the gaps and explain a bit more around UC

There are concerns around the digital support required and some of our tenants need weekly support on a continual basis for the online nature of full-service UC. Teaching someone to use the internet to the point that they are competent is quite resource intensive. However, we are not going to face these issues with all tenants, it will only be with a proportion

I still think getting the message out there to tenants is an issue; I think it's just far too complex in some areas. It means more risk for people who are already vulnerable. They had a system that worked before! It means that my entire team are downstairs ringing UC tenants to ask them whether they have updated their journal. It's such a waste of time and so unnecessary. We've sent them a letter telling them what to do step by step, then sent a text and a reminder text – and now we're calling people just to make sure

The most negative things are with the residency issue, tenants who are chaotic, it's resource-intensive for staff (and there is a question of whether we have enough resources to put that support in place)

Additional challenges for landlords

7.6 Additional impacts and challenges faced by housing associations include:

Ultimately, it was recognised that social landlords now have to spend much more time and effort chasing rent payments and running the risk of increased arrears, which will have a significant impact on cash flow.

We will have to chase a lot of people who we have never had to chase before because their housing benefit has just come direct to us – now we have to collect money

UC at best is cash flow issue, at worst it's a case of us having to put an awful lot more effort into collecting rent

At the moment UC is the number one risk to the organisation – when housing benefit is being paid directly to use we can know as an organisation that we're pretty much guaranteed a certain amount of income, whereas with UC the money is paid to the tenant to then give to us

Undertaking Welfare Reform against the backdrop of austerity means that the transition to Universal Credit has not been done in a way that was initially envisaged.

If you're talking about the higher level aims of Universal Credit when it was first introduced such as the flagship anti-poverty programme and trying to get people into work etc. we are absolutely in favour of that. However, when it's set against a back-drop of austerity (Universal Credit itself has not been immune to cuts by Austerity when you think about the work allowances), the finished product that we have isn't necessarily as attractive as the initial concept was when it was launched in 2010

Universal Credit is a very complex system which is being rolled out in stages, meaning that knowledge of it differs across Wales and collecting data around it is difficult.

We see UC coming towards us from an eastern perspective, so those from the west have less contact with UC as a result of lower tenants number being on UC...It is a challenge organisationally and will be until the transitional period has finished and all of our tenants are on UC and it has become the mainstream benefit. It again comes back to culture change

The issue is that every month UC seems to change and roll out has become staggered which means that different members are at very different stages, which makes data collection almost impossible. For example: Bron Afon in Torfaen are ex local authority and were one of the earliest to start UC and are probably in their thousands by now, compared to somewhere like Cartrefi Cymunedol Gwynedd or Tai Ceredigion who were later in the roll out, who have then had to stop and haven't had the re-start yet – they've probably only got a handful of tenants on UC

Even now we're still uncovering new rules which have been brought in

The relationship between the DWP and social housing sector often seems one-sided, and the former is reluctant to listen to and act on feedback in a timely manner - although one participant felt that communication has improved over time

The DWP is a huge organisation and I'm never convinced where any feedback goes

Although the DWP have made changes to UC as it's gone along, they didn't really listen originally, even when they were told certain things weren't going to work