

Paying benefit directly to claimants in the social rented sector

Ministers believe that Universal Credit should replicate as far as possible a wage. So the way in which it is paid is of critical importance. The Government wants to see very many more people handle their own benefit and rent payments.

Universal Credit: Welfare that Works, which the Government published in November 2010, noted that there are advantages in paying the housing component of Universal Credit to individuals in the social rented sector, rather than the current system of payments direct to landlord. This would encourage people to manage their own budget in the same way as other households.

However, the Government also recognises the importance of stable rental income for social landlords to support the delivery of new homes. So it is important that the design of Universal Credit contains safeguards to protect social landlords' income streams.

It is equally important that we ensure sufficient support mechanisms are in place for those who need help to manage their finances.

On 14 September 2011, Lord Freud, Minister for Welfare Reform, announced that we will establish about six small-scale demonstration projects to prepare for these changes. The demonstration projects will test key elements of social sector housing support under Universal Credit while protecting social landlords' financial position. This will include:

- direct payments to tenants being the default;
- adopting the payment frequency envisaged under Universal Credit. This is likely to be monthly payments in arrears;
- safeguards to pay benefit to the landlord where necessary.

The projects will run from June 2012 to June 2013, with a five-month lead in from January 2012.

We would like to have selected the participating authorities and landlords by the end of November.

Further information is available on the Department's website at:

<http://www.dwp.gov.uk/policy/welfare-reform/housing-support/social-sector/>

and the demonstration projects team can be contacted at:

demonstration.projects@dwp.gsi.gov.uk

Demonstration projects question and answer brief

Policy objective

We intend to run about half a dozen demonstration projects designed to get into the detail of how direct payments will work in Universal Credit (UC).

We will seek volunteers in around six local authority areas to pay Housing Benefit directly to working age claimants. Pensioners and vulnerable tenants will not be required to take part.

We will test out how to support landlords and tenants ahead of when we introduce direct payments to tenants. We will investigate two specific issues:

- Firstly, how do we support people to manage their finances so they don't miss rent payments and can manage their own budgets?
- And secondly, how do we support landlords if people do miss rent payments?

These demonstration projects are not testing out **if** we should introduce direct payments to tenants; they are testing **how** to support landlords and tenants ahead of when we introduce direct payments to tenants.

From October 2013, in line with the introduction of Universal Credit (following a phased migration), direct payments to tenants will be the default position for many more working age claimants living in social housing. These demonstration projects will test out how we support tenants from that date.

Demonstration projects questions and answers

Why would any local authority or social landlord want to get involved?

This is a perfect opportunity to influence the way in which tenants will be helped to manage their rent and benefit payments. It will also provide an opportunity to help test out the switching mechanism that will enable us to pay the landlord where necessary.

But, above all, it will give social sector landlords a head start of almost a year before Universal Credit rolls out. This is a year that will enable you to begin communicating important messages to your tenants and to see what new processes you need to put in place around support and revenue collection.

When will they begin?

The projects will run for one year starting from June 2012. There will be five month lead in starting in January 2012.

What happens after Spring 2013?

This is something we will explore with the volunteer local authorities and will need to be sensibly linked into the transition to UC.

Will this leave any time for findings from the projects to inform the design of Universal Credit?

We will be learning right from the start of the projects, and this will inform the development of Universal Credit. The projects will also help DWP and landlords to develop best practice in working with Universal Credit, which will be rolling out gradually between 2013 and 2017.

How will you choose the areas involved?

We want Local Authority areas to volunteer to be demonstrator areas but we want to capture a range of area, landlord and claimant characteristics. DWP, Department for Communities and Local Government (DCLG) and the devolved administrations will then work together to select areas which provide a variety of contexts. We expect any LAs involved to work closely with Housing Associations in their areas.

What will you change based on the findings of the demonstration projects, aren't you going ahead with direct payments to tenants regardless?

The projects will be evaluated throughout the test period and at the end with the findings influencing the roll out, for example the type of support offered to claimants.

This will threaten landlords' income and therefore stifle new development

The reason for having demonstration projects is to ensure we get the mechanisms, support and financial tools around this change right so landlords' financial position is protected. This means there should not be a negative impact on development.

How are you going to stop arrears getting out of hand?

There will be the facility to switch payment back to the landlord where tenants get into specified amounts of arrears. There will be support for landlords and support for tenants so they can pay their rent reliably without getting into arrears.

Will social landlords still be able to evict people during these projects for rent arrears?

The grounds for eviction do not change because an area is part of demonstration project. But we want to support tenants so that they can pay their rent reliably without getting into arrears.

Will this really show you how people will react given there are other cuts to benefits that won't have been made while you're running these projects (e.g. social sector size criteria)?

The demonstration projects are intended to test how we have encouraged tenants to manage their own finances whilst protecting those with the highest support needs. They are not intended to answer every question in relation to the welfare reforms.

We've seen reports that rising rents and cuts in Housing Benefit will lead to private landlords refusing to let to benefit claimants – are you going to offer similar guarantees for claimants in the private rented sector?

These demonstration projects deal solely with the social rented sector. We will review protection for tenants and landlords under Universal Credit when we have the result of research we are running on the impact of the Local Housing Allowance (the Housing Benefit regime in the private rented sector) changes introduced this year.

Won't these changes lead to increases in homelessness which will in the end cost the tax payer more?

These projects are designed to avoid people getting into serious arrears and being evicted. We have said that we will retain the facilities for the most 'at risk' to have their Housing Benefit (or housing element) paid direct to their landlords to stop this happening.

How do we find out more?

We will provide further details on the DWP website

Are Wales and Scotland included?

Projects will be run in both Wales and Scotland.

Did you know that this has been tried before?

We know that London and Quadrant Group and Circle 33 both tried direct payments around 2002/3 We are determined to learn lessons from these trials with

comprehensive communications to tenants in the run up to the demonstrators as well as support services and effective switching mechanisms

What funding will be available to support the demonstrators?

We would expect to cover the full reasonable costs of those taking part.

Will you cover any arrears if these increase?

This is something we would explore in the design of the projects with those considering taking part.

Will there be a full evaluation?

Yes there will be an independent evaluation.

Have you informed local authority associations and devolved administrations?

Yes, we will be engaging with the local authorities and the devolved administrations along with other key stakeholders on an ongoing basis.

Will you be engaging with tenants?

Yes, we will discuss the best way of doing this with the volunteer local authorities.

What if no one wants to take part?

We have already had several serious volunteers – we are grateful that social landlords and local authorities, as always, are keen to share their valuable expertise with us as we work to develop this policy. We believe it is in the interests of local authorities to work with us to ensure we get UC design right balancing the ambition to encourage more people to manage their own finances whilst maintaining the stability of landlord income streams.

Are these pilots? So if they don't work will you maintain the status quo?

No, they are not pilots. We do not want the default to be that the majority of working age tenants do not manage their own rent payments. Nevertheless we shall use the demonstration projects to fine tune the design and support structures underpinning UC.

Can pensioners take part?

We are proposing that for existing pensioners we retain the status quo but future pensioners e.g. those moving from UC to Pension Credit will be given a choice regardless of whether they reside in the LA or HA sector. Therefore we would ideally like the demonstration projects to focus on those of working age.

What are DCLG's views on this?

DWP and DCLG will be working together on the design of these projects. The devolved administrations will also be contributing.

Protecting landlords' income stream is essential to ensure resource for investment and to enable borrowing. How will the Demonstration Projects reflect this?

The reason for having demonstration projects is to ensure we get the mechanisms, support and financial tools around this change right so landlords' financial position is protected. This means there should not be a negative impact on development.

There will also be a switchback mechanism for payment to revert back to the landlord after a fixed period of arrears (this will vary across test areas) and DWP are considering a level of guarantee for this project for arrears

Are you working with lenders to establish how their concerns can best be addressed in the Demonstration Projects?

Yes, we are in regular discussions with lenders and ratings agencies to ensure they are fully informed of the policy direction and so that we can ensure we are taking account of their concerns.

If the Demonstration Projects show that landlord income is jeopardised by ending direct payment, how will you act on that? Will it be reflected in the final design of UC?

The reason for having demonstration projects is to ensure we get the mechanisms, support and financial tools around this change right so landlords' financial position is protected. The projects will be evaluated throughout the test period and at the end with the findings influencing the roll out, for example the type of support offered to claimants.

What safeguards will the projects test to ensure that arrears won't build up?

There will also be a switchback mechanism for payment to revert back to the landlord after a fixed period of arrears (this will vary across test areas) and DWP are considering a level of guarantee for landlords payment of arrears

There will also be the facility to claw back arrears from tenants who get into arrears, as is possible now, which we are looking to extend for Universal Credit.

We will be working with local authorities and landlords to make sure that tenants have access to the financial support they need from the beginning of the Demonstration Projects. We will evaluate how these work to make sure that we can offer the most useful package of support to landlords and tenants as they move into Universal Credit.

If rent arrears start to build, how will you claw back rent owed, and how fast will you initiate this?

This is something we would like to gather evidence on as part of the demonstration projects but we will work with local authorities to see how we deal with this so as to minimise the impact on landlord finances and the personal circumstances of claimants.

Are you quantifying the costs of supporting tenants and implementing new processes to landlords during the projects?

Yes, this will be part of the evaluation.

Is exempt / supported / sheltered / temporary accommodation included?

Temporary Accommodation will not be included in the demonstration projects. Supported Accommodation will be included although we expect many residents will fall into the vulnerable exempted category.

Is Support for Mortgage Interest included?

No. The demonstration projects will only cover social rented housing.

Will people be found intentionally homeless if they failed to pay their rent following direct payment?

If tenants fall into a specified level of arrears the payment will switch back to the landlord, so talk about homelessness is just not relevant.

Government has a mixed track record on major IT projects. Given the heavy dependence of UC on fully functioning IT systems, can you guarantee that payments to landlords will be met?

The demonstration projects will take place before the new IT systems are in place using all existing systems.

How would you ensure that demonstrators do not accumulate arrears to a greater extent than currently?

We will start to provide support with budgeting to tenants well before the start of the projects, so that we identified those most difficult to help without a detrimental impact on landlords' finances. DWP are considering a level of guarantee for this project for arrears. There will also be the facility to claw back arrears from tenants who get into arrears, as is possible now, which we are looking to extend for Universal Credit

Will the demonstrations be UK wide?

No, the projects will not be run in Northern Ireland.