CIH briefing on direct payment demonstration projects: Frequently Asked Questions

February 2012
Summary

The Minister for Welfare Reform Lord Freud visited the London offices of the Chartered Institute of Housing on 30 January 2012 to announce further details about the demonstration projects that will test paying housing benefit directly to claimants in social housing as part of the Government’s plans to reform the benefits system.

The Minister confirmed that the demonstration projects (DP) will run from June 2012 until June 2013 and will test how claimants can manage monthly housing benefit payments ahead of the introduction of Universal Credit from October 2013. Two events will be held in January 2013 for representatives from the projects to highlight key emerging issues and share good practice. The aim is to ensure that the new system of payment to tenant does not undermine the financial stability of social housing. Around 2000 tenants will take part in the tests in each of the selected projects.

The local authority and housing association partnerships selected to run the demonstration projects are:

- Southwark Council and Family Mosaic - London
- Shropshire Unitary County Council and Bromford Group, Sanctuary Housing and The Wrekin Housing Trust - West Midlands
- Wakefield Metropolitan Borough Council and Wakefield and District Housing - Northern England
- Torfaen Borough County Council and Bron Afon Community Housing and Charter Housing – Wales.

The successful projects represent a mixture of characteristics covering:

- Higher and lower rent areas
- Urban and rural locations
- Varying levels of benefit reliance
- Local authority and housing association tenants

The learning from the DPs might be used to refine the system of payment for private sector tenants.

During the session the minister took questions from the audience.

Will the proposed changes really go ahead?

Although some aspects of the Welfare Reform Bill are to yet to be finalised, the basic structure around direct payment to the claimant will go ahead regardless of the outcomes from the demonstration projects.

What will the demonstrators test?
Finding out what does not work is an important part of the projects. The demonstrators will test trigger points when payment reverts to the landlord, if tenants fall into specified levels of arrears. The projects will also inform how best to communicate changes to claimants; support claimants and landlords that experience financial difficulties; and provide assistance to claimants with budgeting – including working with credit unions.

**How will the projects work?**

The research projects will evolve on a rolling basis, so that as the projects learn what works they will be able to change course and refine the approaches being taken.

The projects will include a detailed examination of landlords’ rent accounts and the costs associated with the new method of payment and any impact on the landlords’ financial stability. Examples of aspects that will be included are:

- An examination of the costs of landlord interventions
- Increased transaction costs.

The research team will also develop a method for examining how claimants cope with managing their money building on the work of Professor Peter Kemp (*Direct Payments what do tenants think?* CIH/JRF 2008). This will include face-to-face interviews with around 270 tenants in each DP area as part of the baseline study with follow up interviews with around 150 tenants around one year later.

**Will the demonstrators test other aspects of welfare reform?**

The demonstration projects are intended only to explore the payment aspects of welfare reform. Other aspects such as the effects of the changes to how housing benefit or universal credit is calculated will not be tested. They will not study the knock on effects of the policy on other services – such as increased expenditure in other areas such as police, social services or education. These aspects of support are issues to be dealt with via the Work Programme and the new system of payment by results (whereby Government contractors have an incentive to get the long-term unemployed back into work).

**What will be the role of local authorities?**

The overall vision in the move towards Universal Credit is that DWP will provide the system that will calculate and pay the benefit. While DWP will be responsible for benefits, local authorities will ensure localised support for vulnerable families and individuals that struggle, using their new powers such as responsibility for the discretionary part of the Social Fund. All social landlords will need to have in place good/improved systems for sharing information and identifying those who need help.

**Will there be any exemptions to the direct payment system?**
The Minister confirmed that there will be no blanket exemptions for definite categories such as people who have been homeless. Detailed workings of the scheme such as who is defined as vulnerable and the practical aspects of how they are identified will be something that will be explored, refined and tested in the demonstration projects.

**Will the projects cover the whole of the UK?**

The selected demonstrators currently cover England and Wales. DWP is hoping to include a Scottish project and talks are on-going with Scottish local authorities and the Scottish Government.

**Will landlords’ ability to use court in cases of rent arrears be reviewed?**

Landlords’ ability to enforce payment is fairly limited where the debt is small, which constitutes the majority of debt owed to landlords. This is an important issue because if there are a lot of cases with small arrears the total amount can be very significant. DWP will look into how the Ministry of Justice can be involved in the demonstration projects.

**Does government have the right IT system to make it work?**

The department will take a new approach to manage IT projects using the ‘Agile’ process which will build the system in tranches – rather than delivering it all in one go as a finished product. Each tranche is based on a number of customer journeys – around 260 have been identified. The first two tranches have been completed on-cost and on-time.

**Will non-dependent deductions be part of the Universal Credit?**

DWP is currently looking at how the treatment of non-dependants fits (if at all) within universal credit. The aim is to try to get a more coherent system although cost will be an important factor if non-dependant deductions are to be replaced.

**How can people outside the demonstration areas get involved?**

CIH and the Institute of Revenues, Rating and Valuation (IRRV) will be involved in setting up a learning network that will involve those that were not selected to be part of the demonstrators. More details about this will be published soon.

**For more information on CIH’s work on welfare reform**

CIH’s work on welfare reform and in particular on housing benefit reform has been one of the most vocal and sustained in a long time. Fundamentally, CIH wants to see a system of help with housing costs that enables all households to access good quality, affordable, appropriate housing. This aspiration is not new. CIH is concerned that the raft of reforms to housing benefit and wider welfare reforms will mean that housing providers’ ability to support positive housing outcomes is undermined.
The demonstration projects will address most of the concerns raised by CIH and others, and CIH is hopeful that, by piloting the system, the government will take into account the professional experience of the sector in the design of direct payments.

CIH is committed to supporting housing professionals and the sector to address the challenges arising from housing benefit and welfare reform, as well as the other changes being introduced. A key objective is for a neutral dialogue on welfare and for welfare recipients to be more present in the media, government and general discourse.

CIH’s latest blog on welfare reform:

- ‘Still worried about welfare, still more to do’ (January 2012)

CIH’s policy page on welfare reform:
http://www.cih.org/policy/display/vpathDCR//templatedata/cih/policy/data/Universal_credit

Articles are available which provide information on the implications of the Welfare Reform Bill and housing benefit changes:

- Welfare reform
- Housing benefit
- Housing benefit briefing paper (April 2011)

CIH’s Housing Benefit Impact Assessment service can help landlords to assess the likely impact of direct payments and help them to review internal practices and procedures in advance of change.