The Financial Inclusion Centre

Promoting fair, inclusive financial services

State of Play Report: A Business Case - Financial Impact of Debt Advice for Social Landlords

April 2011

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The Financial Inclusion Centre

Interim Report: A Business Case - Financial Impact of Debt Advice for Social Landlords
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Executive Summary

Introduction
Social landlords are already a significant source of debt advice for their residents and major contributors to general financial inclusion work. However, we expect the need for effective debt advice to grow as the financial health of many residents deteriorates in the face of adverse economic conditions. Social landlords face a potential 'double whammy' of rising arrears and eviction related costs and reduced financial resources (as a result of deficit reduction measures) to spend on providing access to debt advice for residents and more general, preventative, financial inclusion work.

Deploying the most effective early debt advice interventions to help residents manage their finances should be mutually beneficial for residents and social landlords. However, there has been little objective evaluation of debt advice interventions. Therefore, with the support of the Friends Provident Foundation, a consortium of the UK's leading social landlords have commissioned The Financial Inclusion Centre (The Centre) to evaluate the business case for debt advice and a range of different types of debt advice interventions used across the sector, and make policy recommendations on best practice in the debt advice field. To do this, The Centre is:

- undertaking a baseline audit of debt advice and financial inclusion activities in the social housing sector;
- modelling the effectiveness of different debt advice models in terms of i) the financial return on investment (costs versus savings on arrears/evictions) and ii) the social return on investment (cost versus social benefits to residents); and
- undertaking qualitative research with residents' to evaluate the benefits of the different debt advice interventions from their perspective.

The Centre will publish its final report containing detailed findings and recommendations at the end of 2011. However, this project is generating much interest in the financial inclusion sector. Therefore, this interim 'state of play' report is being published containing the baseline audit of current provision of debt advice and financial inclusion activities in the social housing sector.

Key headlines from the interim report
- The need for effective debt advice is expected to grow as the financial health of social residents deteriorates in the face of adverse economic conditions and forthcoming welfare benefit reforms.
- Social landlords face a 'double whammy' of rising arrears and reduced financial resources (as a result of deficit reduction measures).
- Costs of evicting residents are seen to be increasing with an estimated £39.1 million being spent in 2008/09 by the sector removing general needs residents with rent arrears.
- Provision of free independent debt advice services, particularly face-to-face support is expected to diminish as sources of funding from local and national government are significantly curtailed.
- This research study is extremely timely, providing a much-needed business rationale for social landlords to invest in effective debt advice interventions for their overindebted residents.

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Background
Overindebtedness can crush vulnerable households. It affects living standards, health and wellbeing, the ability to afford a decent home, opportunities to save and build up assets, or afford insurance, and so on. It is a fact of life for many vulnerable social housing residents due to their socio-economic profile[1]. However, the future debt landscape and financial health of vulnerable households is being reshaped by a range of economic, political, regulatory, and financial market 'environmental' trends. Many vulnerable households will see their financial health deteriorate given their susceptibility to external events such as: deficit reduction measures announced in emergency budget in June 2010 and Comprehensive Spending Review in November 2010 (resulting in major cuts to public sector spending and welfare benefits, and an increase in certain taxes such as VAT); adverse economic conditions such as risk of unemployment and rising inflation, and pay freezes and/or reductions in overtime payments leading to a real term net reduction in household incomes. Financially excluded households have less room for manoeuvre with low levels of savings and/or insurance to cushion the blow in difficult times. Therefore, the report believes it is prudent to plan for an increase in overindebtedness, arrears levels and, ultimately, evictions amongst social housing residents.

In line with the increase in demand for debt advice amongst the general population, social landlords are already reporting that demand for debt advice is growing amongst their residents - even before the full effects of the external events outlined above are felt. The report expects, therefore, that the latent need for objective debt advice will grow. However, just as the need grows, public sector spending cuts may reduce capacity in the not-for-profit debt advice sector. The potential for social landlords to fill the gap is constrained by limited financial resources. The net effect is that growing numbers of overindebted residents may not receive the objective advice they need to manage their debts. Social housing residents are more exposed to sub-prime lending. So, we may now see consumers who had been previously targeted by aggressive lenders, finding themselves targeted again by commercial debt management companies who charge high fees and often provide poor quality debt advice.

Moreover, in response to tougher regulation, mainstream lenders are restricting lending to consumers they consider to be higher risk. In future, marginalised consumers who need access to affordable credit to tide them over difficult times may be even more exposed to sub-prime lenders or even illegal loan sharks.

Scale of advice challenge facing social housing providers (see Section 2)
Overindebtedness is a major problem for many households. Average household unsecured debt (i.e. excluding mortgages) stands at £8,556. However, many households do not have any unsecured debt, so if the figure is based on those who have some form of unsecured debt, the average is nearly £18,000[2]. Personal debt accounts for 33% of enquiries received by Citizens Advice Bureaux services. CABs received 2.37 million new problems in 2009/10 – a 22% increase on 2008/09[3].

Household debt affects those on lowest incomes hardest. A fifth of working age adults in the lowest income quintile group are in arrears with one of more bills – three times the rate for those on

[1] Comparatively low incomes, a greater reliance on welfare benefits, tendency to live in economically deprived communities, comparatively high levels of risky personal debt.
[2] Credit Action (2010): Debt Facts and Figures (December 2010).
[3] Citizens Advice Bureau: Advice Trends, Q1 2010 (April to June 2010).

average incomes[4]. Data on rent arrears in the social housing sector is mixed. Comprehensive up to date research is limited. Certain indicators point to slight reduction to rent arrear levels, while others show the situation to have worsened over the last few years. For example, Performance Indicators released by the Tenant Services Authorities (TSA) show that amount of unpaid rent due to social landlords has decreased fairly steady over recent years, with the mean rate of rent arrears falling from 5.6% of total rent owed to 4.9% in the four years to 2008/09[5].

However, this is no reason for complacency. To begin with, the level of arrears reflects the effectiveness of rent collection and rent arrears management processes, not just the amount of debt owed. Moreover, the data is not up to date and there is a lag effect to account for – the effects of deteriorating economic conditions will not have yet shown up in the sector arrears data.

Other sources point to arrears worsening. Citizens Advice Bureau (CAB) dealt with just over 73,000 rent arrears cases from social housing residents. 36,500 of those came from housing association residents, and 36,600 from local authority/ALMO residents. The CAB data suggests that rent arrears problems are growing especially amongst housing association residents which showed a 10% increase in arrears compared to just 3% from local authority/ ALMOs residents[6]. Rent arrears and debt problems amongst residents are acknowledged by housing providers themselves. The quarterly survey of Finance Directors of housing associations in July 2010[7] continues to identify 'rental arrears and bad debts' as a key risk resulting from the financial downturn. Demand for debt advice and counselling appears to have also increased as a result of the current economic climate with 84% of social landlords having experienced rising need amongst their residents[8].

Debt prevention and early intervention are high priority amongst providers. It is important to reiterate that the confluence of adverse economic events outlined above will be disproportionately felt by vulnerable, low income households – many of whom will be social housing residents. Overall, it is prudent to assume that levels of overindebtedness, arrears, and ultimately evictions in the social housing sector will increase at great personal cost to residents and high financial and reputation cost to social landlords. A 10% rise in evictions would imply an additional annual £4 million spent on eviction costs alone (see below, Why social landlords should address the problem).

Why social landlords should address the problem (see Section 3)
Social housing residents are more likely to be financially excluded than the general population. This is illustrated by some killer facts:

- Of the poorest 10% of households in the UK, over half live in social rented housing[9].
- 61% of social households have no-one working within the household, compared to 35% nationally[10].
- Social housing residents earn on average half as much as private renters with a median annual income of £10,900[11].

[4] Family Resources Survey 2007/8.
[5] Tenant Services Authority (2009): Performance Indicator Data.
[6] Citizens Advice Bureau: Advice Trends, Q1 2010 (April to June 2010).
[7] Tenant Services Authority (2010) - Quarterly Survey of Housing Associations: July 2010.
[8] Chartered Institute of Housing (2009) - Financial Inclusion and Housing: Baseline Survey.
[9] Demos and Toynbee Hall (2005) - Widening the Safety Net: Learning the Lessons of Insurance With-Rent Schemes.
[10] Department for Communities and Local Government (2009) – Housing in England 2007/08.

- 81% have no savings account and 91% have no insurance cover[12] to fall back on in the event of shocks such as having to pay an unexpected bill making them reliant on short-term debt.
- Lower income households are more likely to be exposed to unfair practices in the sub-prime lending sector - 20% of people in social housing have used doorstep lenders.
- According to Citizen's Advice[13], the proportion of social rented residents amongst their debt service users is twice as high as in the general population.
- 83% of social housing residents fail to make sufficient plans for their financial future and 94% are making poor financial product choices[14].

Providing access to effective debt advice and promoting financial capability/ inclusion should be mutually beneficial for residents and social landlords. For residents, debt advice and financial inclusion activities perform a preventative role enabling them to manage finances and prevent overindebtedness, and a remedial role if they get into financial difficulties. For social landlords, there is a very real commercial (and moral) imperative to intervene to help residents manage their finances well to minimise the high costs associated with arrears and evictions. Rent arrears are a significant drain on the resources of social landlords. With rent arrears amounting to tens of millions of pounds, this represents a major reduction in cash flow constraining the ability of social landlords to service debt on finance required for new developments and major repair programmes, and lost revenue and interest which could be invested in better homes and services. Specifically, with 7,700 general needs resident evictions in 2008/09 relating to rent arrears alone, we estimate that social landlords spent around £39.1 million on eviction related costs alone that year[15]. Social landlords already undertake a significant amount of debt advice work with residents as well as more general financial inclusion activities (see, what the sector is already doing, below).

However, with deteriorating financial conditions for residents and landlords on the cards, effective debt advice interventions will become even more important to control arrears and evictions. If evictions were to rise by 10% compared to the 2008/09 figure, this would imply an additional £4 million spent on eviction costs alone. Moreover, as social landlords face significant resource constraints of their own, identifying the most effective debt advice interventions will be critical to protect the financial interests of residents and social landlords.

What the sector is already doing (see Section 4 and Section 5)

Social landlords, with their direct relationship with large numbers of residents, are in a unique position to make a major contribution to promoting financial inclusion and debt management. Indeed, this is reflected in the current scale of social landlords' activities in the field. The majority of housing associations provide access to some form of debt advice and are involved in a wide range of financial inclusion activities and projects. 50% have financial inclusion strategies in place with a further 22% developing their strategy[16]; nearly 80% are offering access to some form of debt

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[11] Department for Communities and Local Government (2009) – Housing in England 2007/08.
[12] National Housing Federation (2007) - Data analysis of Family Expenditure Survey.
[13] Citizens Advice Bureau (2006) - Deeper in Debt: The Profile of CAB Debt Clients.
[14] Financial Services Authority (2006) - Financial Capability in the UK: Establishing a Baseline.
[15] Based upon our modelling that the cost of evicting a resident ranges from £2,498 - £7,677. A total of 7,703 general needs evictions were undertaken in 2008/09. This implies that the sector spent between £19.2 million and £59.1 million. We have taken the mid-point to be £39.1 million.
[16] Chartered Institute of Housing (2009) – Financial Inclusion and Housing: Baseline Survey.

prevention and early intervention; over 80% are offering access to money advice[17]. Some prefer to use internal resources, others prefer to outsource the provision of debt advice to third party providers or indirectly refer clients on to established debt advice agencies.

The majority of housing associations were found to be helping their residents access advice on their rent arrears. This is undertaken through referral mechanisms to external advice agencies, with 56% having established such referral mechanisms and a similar number having in-house debt advice. However, this masks the extent of specialist services being offered with much of the reporting of external referrals simply being the provision of contact details, where actual use of the service will be minimal and in-house debt advice actually being rent arrear staff trained in basic money advice.

A more recent survey of 223 housing associations by the Tenant Services Authority demonstrates this distinction and highlights that access to professional debt advice service through specialist in-house teams or formal[18] referrals were much lower than more basic support offered via money advice by rent arrear staff or by making informal referrals.

The least popular method of delivering debt advice for residents was the establishment of in-house specialist debt advice teams with only 30% of responding housing associations having chosen this approach. Over half of housing associations chose to have formal referral mechanisms to third party debt services. The most common response made by over 75% of respondents was for debt advice provision that was made via informal referrals or the provision of contact details for external advice agencies.

Despite this acceptance of the value of debt advice, support for social residents in arrears has still been found to be uneven and concerns have been raised about access to advice and information prior to court hearings. In a study by Pawson et al (2004)[19], over a quarter of housing associations were found not to provide any access to debt management advice for resident in rent arrears.

[17] 881 individuals from social housing sector completed survey (8% of these from London).

[18] Formal referrals were deemed as appointments made directly with an external debt management agency and more often than not a formal contract arrangement was in place to facilitate this.

[19] Pawson H, Flint J, Scott S, Atkinson R, Bannister J, McKenzie C, and Mills C. (2004) - Possession Actions and Evictions by Social Landlords.

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Content

1. Introduction and background

The socio-economic profile of social housing residents means that, as well as their primary role of providing access to affordable housing, social housing providers have a significant role to play in tackling financial exclusion – in particular, providing access to objective debt advice for residents with debt problems.

Social housing residents face a high probability of being financially excluded. For example:

- 3 million people do not have access to functional banking services - 60-70% of those are in social housing;
- One-third of people living in social housing had incomes in the poorest 1/5th of the income distribution groups, 70% were in the poorest 2/5th;
- Lower income households are more likely to be over indebted and have problem debts;
- Lower income households are more likely to be exposed to unfair practices in the sub-prime lending sector - 20% of people in social housing have used doorstep lenders.

So, while 60-84%% of social housing residents are already at risk of financial exclusion, a confluence of 'environmental' trends and factors – socio-economic, financial market, commercial, and political – threaten to exacerbate what is an existing, chronic problem.

Financially vulnerable households are more likely to be adversely affected by recent changes in government policy which will take effect over the next few years.

The emergency budget in June 2010 and the recent Comprehensive Spending Review (CSR) in October 2010 will result in cuts in public spending in key areas over the coming years. Welfare benefits make up a significant proportion of total household incomes for financially excluded groups[20]. So, the forthcoming cuts in welfare spending are projected to have a disproportionate effect on vulnerable groups.

The recent recession, continuing economic slowdown and reductions in public sector employment put at risk the incomes of financially vulnerable households - whether through higher risk of unemployment or total earnings being reduced as a result of overtime being cut.

Moreover, post financial crisis, regulators are taking a more robust approach to regulating lenders. While it is important to try to prevent banks becoming insolvent, it has consequences for consumers at risk of financial exclusion. Banks are restricting lending to consumers particularity those they consider are not a low risk. Marginalised consumers are finding it more difficult to get access to fair, affordable credit from mainstream lenders and may be forced to turn to high cost sub-prime lenders (or, worse, illegal loan sharks[21]) if they need to borrow.

[20] For example, welfare benefits make up nearly 2/3rds of total household incomes of 'benefit-dependent' households compared to 8% for households generally.
[21] See for example, Financial Inclusion Centre (2009) - Debt is for Life, Not Just for Christmas: A Snapshot of Illegal Money Lending in the UK, Circle. This estimated that illegal lending rose by 22% last Christmas.

Usage of illegal money lenders has been shown to be dramatically increasing amongst the lowest income households[22]. Recent research suggests that not only do loan sharks damage the interests of consumers by trapping them in extortionate debt; they can also damage the interests of social housing providers[23].

Nationally, demand for independent debt advice has been seen to have increased dramatically following the financial crisis[24] and is expected to increase steadily over the forthcoming years[25]. In 2010, 1.4 million people accessed free-to-client debt advice with future projections for the UK economy showing that demand will rise and exceed the 2009 peak at height of the economic crisis of 1.6 million, between 2011 and 2013 and could reach up to 2 million[26]. Therefore, it is not surprising that housing associations report that demand for debt advice is growing amongst their residents.

In line with this research, we expect that demand for debt advice will grow as macro-economic factors such as unemployment and the costs of credit are likely to increase and household incomes come under greater pressure. It is also important to note that the full effects of the public spending cuts have yet to be felt by the most vulnerable households and the social housing sector.

But just as the demand for objective debt advice is seen to rise, cuts in public funding are likely to constrain capacity and reduce provision amongst the debt advice sector, particularly amongst third sector providers. Even with the year long reprieve for debt advice providers funded through the Financial Inclusion Fund, there will be specific ramifications for those housing associations without formal debt advice arrangements and are reliant upon indirectly signposting residents to free advice providers in the years to come. This means growing numbers of overindebted consumers will not receive the help they need to manage debts or be vulnerable to being targeted by commercial debt management companies who levy high fees[27] and in many cases offer a poor service.

So, housing associations are particularly at risk of a 'double whammy' - rising numbers of their residents facing financial difficulties, risk of increased arrears and evictions, together with reductions in available financial resources.

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[22] For example - In Cheltenham, Gloucestershire, local police estimate that 'up to 20% of lower income households on local housing estates have or are using illegal money lenders' with the South West Illegal Money Lending Team seeing a 700% increase in reporting since it was established three years ago - http://www.bbc.co.uk/news/uk-england-gloucestershire-12068484

[23] A report by Birmingham Trading Standards illegal money lending team found that families in social housing can be twice as vulnerable to eviction when a loan shark operates in their area. They found that residents at risk of eviction – those owed more then £500 – doubled when the loan shark was active in the area and started to fall after the illegal lender had been arrested.

[24] A recent report estimated that demand for debt advice has grown by 28% nationally, with waiting lists growing. *Helping over-indebted consumers(4th February 2010),* National Audit Office, commissioned by the Department for Business, Innovation and Skills (BIS)

[25] Gathergood, J. (2010) - Demand, capacity and need for debt advice in the UK, Money Advice Trust.

[26] Gathergood, J. (2010) - Demand, capacity and need for debt advice in the UK, Money Advice Trust.

[27] The Financial Inclusion Centre estimates that the average fees charged by commercial debt management companies are £3,000 on a £15,000 debt. The result is that consumers can end up taking an extra year to repay debts.

All these factors point to difficult conditions ahead that risk seeing growing numbers of residents falling into arrears and possibly facing eviction.

Our initial research shows that the cost of evicting a resident can range from £2,498 to £7,677 (excluding arrears built up) due to recovery and court costs (see section 3). This can be costly for social housing provider as well as the public purse. A total of 7,703 evictions were undertaken by housing associations for rent arrears amongst their general needs properties in 2008/09[28]. This would imply that the housing association sector spends between £19.2 million and £59.1 million each year on eviction related costs alone – not withstanding the value of the outstanding rent arrears.

Until further modelling is undertaken, it is not possible to estimate more precisely how many housing association residents will be affected by the combination of events outlined above. However, we are confident in our view that the confluence of key trends outlined above will result in significant numbers of housing association residents getting into financial difficulties resulting in greater need for effective debt advice interventions.

According to a baseline study of financial inclusion activities undertaken by housing associations, the majority of housing associations provide access to some form of debt advice and are involved in a wide range of innovative financial inclusion activities and project:

- 50% have financial inclusion strategies in place,
- nearly 80% are offering access to debt prevention and early intervention,
- over 80% are offering access to money advice[29] (also see the case studies of participating housing associations in Section 5 for a summary the examples of the different types of financial inclusion activities currently being delivered).

Different types of debt advice intervention are used by individual social housing providers. Some prefer to use internal resources; others prefer to outsource the provision of debt advice to third party providers or simply referring clients indirectly to established debt advice agencies.

Without social housing providers identifying, emphasising and deploying more effective interventions at an earlier stage, this is likely to translate into increased arrears and ultimately pressures to evict more residents. Again, at this stage of the study, the research team are not able to provide a reasonable estimate of how many residents could fall into arrears or face eviction – this will be undertaken at a later stage when we have access to more data.

However, just at a time when eviction related costs are expected to rise, social housing providers could face significant reductions in financial resources as a result of the public spending cuts. The main barrier to development and delivery of financial inclusion work identified was resources, including funding, staff time and capacity, according to the 49% of the respondents in a recent baseline survey of financial inclusion activities[30].

Therefore, there is very real commercial imperative for social housing providers to identify interventions that are effective at managing arrears and increase the recovery rates of their debts.

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[28] Tenant Services Authority (2010) - Rent Arrears Management Practices in the Housing Association Sector.
[29] Chartered Institute of Housing (2009) - Financial Inclusion and Housing: Baseline survey.
[30] Chartered Institute of Housing (2009) - Financial Inclusion and Housing: Baseline survey.

Identifying the most effective interventions to help residents manage their debts aligns the interests of both residents and the organisation itself. From a financial perspective, housing associations, as creditors, understandably have an interest in intervening early and, if necessary, robustly to manage rent arrears or control losses. However, care needs to be taken to ensure that interventions do not have unintended consequences by putting already overstretched residents under undue financial pressures.

New research on the financial impact of independent debt advice on the UK credit industry[31], demonstrate overwhelming financial benefits to creditors in providing access to independent debt advice through improvements to recovery rates. The results show that creditors improved the amount collected by an average of £1,100 per advised individual, compared to those where it was not. This business case highlights the substantial financial benefits for creditors of investing directly in the provision of such support for indebted individuals.

Our hypothesis is that it is better for social housing providers to use such pre-emptive advice interventions to try to prevent overindebtedness and rent arrears arising in the first place. If residents do get into arrears it is also preferable, from a business as well as a social perspective, to help access support that will enable the early management of those arrears rather than allow their financial position deteriorate to the point where court action becomes necessary.

However, what has so far been absent is an objective evaluation of the business case for providing debt advice and which particular debt advice interventions are most effective at helping residents manage their way out difficult financial circumstances.

Moreover, the direct commercial benefit of providing effective debt advice to residents has not been systematically evaluated. This means that housing associations are not able to measure with any degree of certainty the commercial or social returns on investment in debt advice.

Therefore, with this challenge in mind, the participating housing associations highlighted in **Appendix 1**, with the support of Friends Provident Foundation have commissioned The Financial Inclusion Centre to:

i) evaluate the different types of debt advice intervention currently used by housing associations; and

ii) estimate the commercial and social returns on investment generated by providing effective debt advice interventions for general needs residents.

This interim 'State of Play' report provides a baseline assessment of the current provision of debt advice and other financial inclusion activities.

[31] Wells, J, Leston, J, and Gostelow, M, (2011) – The Impact of Independent Debt Advice Services on the UK Credit Industry. Friends Provident Foundation.

2. Current scale of the problem - national context

National debt issues
Total UK personal debt at the end of October 2010 stood at £1,452bn which means that average household debt in the UK (excluding mortgages) stood at £8,556. Yet, this figure jumps to £17,825 if the average is based on the number of households who actually have some form of unsecured loan. The amount of interest paid by each household on their total debt is approximately £2,580 each year[32].

Debt has become an enormous problem that has been seen to have worsened since the onset of the recession as more and more households are unable to service their outstanding debts. According to the head of financial capability at the FSA, 'advice agencies have been swamped with a tidal wave of debt cases as a result of the credit crunch.'

The most recent research on the scale of national demand for debt advice by John Gathergood released in December 2010[33] has shown at any given time, up to five million people report arrears on their consumer credit, failure to keep up with mortgage payments, or that meeting credit commitments is a 'heavy burden'. Yet worryingly, just one in six people actually seek advice from any source. This equated to 1.4 million people, or one in every 33 UK adults, receiving support for their debts from free-to-client advice sector agencies in 2010 with demand for debt advice is likely to increase throughout 2011.

In addition, debt remains the biggest volume of enquires amongst third sector advice agencies, for example, the Citizens Advice Bureau services saw 33% of its overall total number of advice cases specifically being for debt related problems. It received 2.4 million new debt problems in 2009/10[34], a 22% increase on 2008/09 (1.9 million new debt problems). CAB debt clients owe an average of £16,971 (two thirds more than in 2001), which is the equivalent of almost 18 times their total monthly household income[35].

Unfortunately, household debt affects those on the lowest incomes hardest with a fifth of working-age adults in the poorest fifth are in arrears with one or more of their bills, three times the rate for those on average incomes[36].

Levels of rent arrears amongst social housing residents
The overall trend for rent arrear debt amongst social housing residents appears to be mixed with some indicators pointing to slight reduction to rent arrear levels, while others showing the situation to have worsened over the last few years. This is evidenced through; annual data released by the social housing sector, information released by independent debt advice providers and previous qualitative surveys with housing representatives.

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[32] Credit Action (2010) - Debt Facts and Figures: December 2010.
[33] Gathergood, J. (2010) - Demand, capacity and need for debt advice in the UK, Money Advice Trust.
[34] Citizens Advice Bureau (2010) - Advice Trends: Quarter 1 2010/11 (April to June 2010).
[35] Citizens Advice Bureau (2009) - A life in Debt: The Profile of CAB Debt Clients in 2008.
[36] Family Resource Survey 2007/8.

The only data regularly released on housing association rent arrear levels is the Tenant Services Authorities' Performance Indicators. This data shows the amount of unpaid rent due to social landlords has decreased fairly steady over recent years, with the mean rate of rent arrears falling from 5.6% of total rent owed to 4.9% in the four years to 2008/09.

Trends in general needs resident rent arrears 2004-05 to 2008-09[37]

Rent arrears as % of rent collectable	2008/09 %	2007/08 %	2006/07 %	2005/06 %	2004/05 %
Average (mean)	4.9	5.3	5.4	5.4	5.6
Upper Quartile	3.3	3.4	3.3	3.5	3.5
Lower Quartile	6.3	6.6	6.5	7.1	7.1

It should be noted that any effect of the economic downturn would have a lagged effect and would take time to play out in the levels of rent arrears recorded in 2009/10 and 2010/11. It is also important to point out that the levels of rent arrears is not only a reflection of the amount of debt the residents owe the social landlord but also how effective the rent collection and rent arrears management processes are.

The most recent comprehensive study, published in 2010 by the Tenant Services Authority[38], discusses historic and current arrears trends. It highlights that levels of rent arrears vary considerably across the country. In 2007-08, while the average rent arrears for general needs residents living in London was 6.7%, the comparable figure, for residents living in the south west, was only 3.6%. It also differs in relation to the type of housing association, with traditional associations (with average rent arrears of 6.0% in 2007/08) tended to have higher rates of arrears than those involving stock transfer (with average rent arrears of 4.5% in 2007/08)

This data conflicts with the more recent actual picture of housing debt found within debt advice providers. The total number of cases of rent arrears debt raised by social housing residents with the Citizens Advice Bureau was 73,099 in 2009/10, with 36,472 housing associations residents and 36,627 local authorities or ALMOs residents. This demonstrates that actual rent arrear problems are growing, particularly amongst housing association residents, where there was a 10% annual change in cases with a much lower annual increase of 3% from local authorities or ALMOs residents[39].

The growing issue of rent arrears and debt problems amongst social housing residents is also acknowledged by the housing providers themselves. The quarterly survey of housing association's Finance Directors in July 2010[40] continues to identify 'rental arrears and bad debts' as a key risk resulting from the financial downturn. While demand for debt advice and counselling appears to have also increased as a result of the current economic climate with 84% of social landlords having experienced rising need amongst their residents[41]. This reinforces the need for such services to be

[37] Tenant Services Authority (2009) – Performance Indicator Data
[38] Tenant Services Authority (2010) - Rent Arrears Management Practices in the Housing Association Sector.
[39] Citizens Advice Bureau (2010) - Advice Trends: Quarter 1 2010/11 (April to June 2010)
[40] Tenant Services Authority (2010) - Quarterly Survey of Housing Associations: July 2010
[41] Chartered Institute of Housing (2009) - Financial Inclusion and Housing: Baseline Survey.

provided. It is also reflected in the perceived priorities within the sector with 'debt prevention and early intervention' seen as the highest priority for financial inclusion activities amongst providers.

Case study of partner social landlords: Rent arrear levels amongst general needs (GN) residents

AmicusHorizon:

	2008/09	**2009/10**	**To date (2010/11)**
Percentage of arrears across association	5.0%	4.5%	3.9%
Percentage of rent collected	98.8%	99.5%	100.4%
Number of general needs households	19,023		
Total value of GN resident rent arrears	£4,370,630	£4,245,079	£3,582,051
Average level of rent arrears	£441	£424	£442
Arrear levels:			
£0-500	7,561	7,761	6,044
	(£1,326,371)	(£1,378,959)	(£998,878)
£500-1,000	1,230	1,189	1,094
	(£873,198)	(£843,128)	(£764,105)
£1000+	1,125	1,066	962
	(£2,171,061)	(£2,022,994)	(£1,819,068)

Circle 33 Housing Trust, part of Circle:

	2008/09	**2009/10**	**To date (2010/11)**
Percentage of arrears across association	4.2%	3.7%	3.8%
Percentage of rent collected	99.8%	100.1%	98.8%
Number of general needs households	8,500		
Total value of GN resident rent arrears	£1,642,955	£1,591,553	£1,636,360
Average level of rent arrears	£604	£513	£456
Arrear levels:			
£0-500	-	1,990	-
	-	(£396,445)	-
£500-1,000	-	618	-
	-	(£397,014)	-
£1000+	-	419	-
	-	(£842,901)	-

The Hyde Group:

	2008/09	2009/10	To date (2010/11)
Percentage of arrears across association	4.9%	5.1%	-
Percentage of rent collected	99.1%	99.4%	-
Number of general needs households	28,378		
Total value of GN resident rent arrears	£5,601,381	£6,268,178	-
Average level of rent arrears	£368	£431	-
Arrear levels:			
£0-500	10,501	9,251	-
£500-1,000	3,689	4,114	-
£1000+	1,013	1,180	-

Metropolitan Housing Partnership:

	2008/09	2009/10	To date (2010/11)
Percentage of arrears across association	6.54%	6.47%	6.01%
Percentage of rent collected	99%	98%	99%
Number of general needs households	18,061		
Total value of GN resident rent arrears	£5,320,603	£5,683,816	£5,691,367
Average level of rent arrears	£468	£486	£467
Arrear levels:			
£0-500	8,392 (£1,592,922)	8,450 (£1,667,110)	8,994 (£1,747,905)
£500-1,000	1,603 (£1,122,918)	1,770 (£1,244,757)	1,795 (£1,257,290)
£1000+	1,376 (£2,604,763)	1,477 (£2,771,949)	1,393 (£2,686,172)

Southern Housing Group:

	2008/09	2009/10	To date (2010/11)
Percentage of arrears across association	4.9%	4.2%	4.2%
Percentage of rent collected	N/A	N/A	N/A
Number of general needs households	12,877		
Total value of GN resident rent arrears	£3,482,162	£3,194,180	£2,663,360
Average level of rent arrears	£423	£391	£352
Arrear levels:			

£0-500	6,471	6,576	6,290
£500-1,000	960	917	703
£1000+	792	677	572

Wandle Housing Association:

	2008/09	2009/10	To date (2010/11)
Percentage of arrears across association	7.2%	6.3%	5.9%
Percentage of rent collected	101%	101%	-
Number of general needs households	4,906		
Total value of GN resident rent arrears	£1,678,442	£1,655,334	£1,617,050
Average level of rent arrears	£559	£554	£556
Arrear levels:			
£0-500	2,089	2,208	-
	(£416,952)	(£507,792)	-
£500-1,000	453	595	-
	(£314,189)	(£406,049)	-
£1000+	437	428	-
	(£870,995)	(£833,005)	-

The levels of rent arrears found amongst our participating housing associations vary considerably, with the proportion of general needs residents in rent arrears being between 37% and 64% during 2009/10. The average proportion of general needs residents in arrears across the study has remained at 55% over the last two years.

It should be highlighted that the numbers of residents with rent arrears and the levels of arrears reported by each housing association includes levels of technical arrears resulting from unpaid housing benefit. The housing benefit cycle means that payments are only received by social landlords approximately every 4 weeks, therefore any outstanding payments are incorporated within their arrears reporting figures at any given time. Housemark information from the Chartered Institute of Housing revealed that amongst the average gross resident rent arrears as a percentage of rent due stood at 3.4% in 2009/10. Of this figure, 1% was attributable to unpaid housing benefit as a percentage of rent due, equating to 29% of the rent arrears figure.

The changing picture of general needs resident's rent arrears amongst the housing associations taking part in the study appears mixed. Between 2008/09 and 2009/10, three of the associations saw increases in the percentage of rent arrears, while the other three experienced decreases.

Across the six participating association (able to provide the relevant data), there were approximately 50,519 general needs households were in rent arrears in 2009/10. This represents a slight increase of 86 residents from the previous year's level. With general needs stock totaling 91,745 households, this means that over half of the study groups' general needs households had some level of rent arrear debt in 2009/10.

Last year, the total amount of rent arrears stood at £22.6 million across the six participating associations (able to provide the relevant data) but this was just over £500,000 more than during 2008/09. The average level of arrears amongst those general needs residents in rent arrears was £466 in 2009/10 but ranged from £391 at Southern Housing Group to £554 at Wandle Housing Association.

When examining the breakdown of levels of resident's rent arrears, there appears to be a common picture of decreasing numbers and levels of large scale rents arrears over £1,000 but at the same time, growing smaller scale debts under £1,000 amongst an increasing number of households. Discussions with a number of income officers has highlighted that this pattern of growing numbers of small scale arrears could be resulting from the lagged effect of the current economic problems, particularly amongst those residents receiving partial or no housing benefit at all. These households are more susceptible to the effects of reduced incomes, unemployment and greater strains on household expenditure, leaving these households struggling to pay their rent. The reductions in higher level housing debts can be attributed to the association's concentrating their recovery efforts on their largest debtors.

Rent arrears, the 'tip of the iceberg' of social housing residents' debt
As highlighted, social housing residents face a number of factors that can put them at greater risk of financial exclusion but also of being overindebted. Residents that have built up large rent arrears or continually fall into arrears on a regular basis have, more often than not, a variety of other debts. As highlighted below in the resident case studies, these can be a complex mixture of priority debts such as Council Tax and unsecured non-priority debts ranging from credit cards and overdrafts, through to sub-prime debt with home credit companies, payday lenders, higher purchase, mail order catalogues and the extreme of the spectrum, debts with illegal money lenders.

The scale of these other priority and non priority debts are often much greater than the levels of arrears with their landlord. This is reflected in the findings from this study with data from debt advice sessions revealing that debt advice agencies were reporting between 3.6 and 5.7 times greater levels of total other debts than the actual levels of rent arrears taken on.

Rent arrear debts can therefore be seen as the 'tip of the iceberg' when it comes to a resident's problems with a raft of inter-related financial issues such as; overindebtedness with a range of creditors, financial exclusion, poor financial literacy and capability, as well as a range of other personal and family difficulties – with anything from unemployment and health problems to family breakdown or alcohol and drug problems.

Social landlords are uniquely placed with a resident's rental account acting as an 'early warning system' that can flag financial turmoil as well as other potential socio-economic problems within the household.

Utilising this information correctly could be a powerful tool, supporting individuals at an early stage to both address and overcome their immediate financial difficulties before they become terminal. It can also be used to pinpoint problems and ensure support is accessed for other related troubles.

Examples of social housing residents with financial problems

Resident case study 1

A Southern Housing Group resident living with a son who was on Job Seekers Allowance, and working part-time as a care assistant, but when her hours decreased, she was finding it difficult to manage financially. She was in receipt of some housing benefit and council tax benefit. As well as her rent arrears she had numerous debts including, council tax, but was not sure of total amount owed. The SHG Financial Inclusion Officer visited her in her home and helped her complete an income and expenditure form, and requested an Equifax credit check to ascertain all debts. With the resident's agreement they contacted the council tax department and agreed a payment plan direct from her existing basic bank account and with the Income Recovery Officer agreed a lower weekly payment of rent arrears which was affordable and sustainable.

The Financial Inclusion Officer arranged an appointment with the local CAB for the resident, and attended with the resident at her request. The CAB advised that a Debt Relief Order was her best option due to the total level of debt, and a payment instalment plan was set up to pay for the fee. The resident achieved this in three months, and is now engaging with the CAB.

The Financial Inclusion Officer supported this resident over an eight month period, and helped her stabilise her payments for rent arrears and council tax .The resident commented that she would not have engaged with an external agency without support of the Financial Inclusion Officer as 'she felt too ashamed to walk into somewhere like CAB to discuss her problems with a stranger'.

Resident case study 2

A resident contacted the SHG Income Recovery service centre as she was worried about her financial situation. She had multiple debts and a Suspended Possession Order on her home due to rent arrears. She was living with one dependant child and was working part-time in a supermarket. She had recently suffered a bereavement and been the victim of an assault, which had meant she had taken time off work.

The Financial Inclusion Officer visited helped her complete an income and expenditure statement, and apply for a credit report to check all her debts. The resident already had an arrangement with a commercial debt agency for payments to most of her debtors. There were a number of issues with housing benefit so the Financial Inclusion Officer supported the resident to provide all the relevant evidence to challenge the housing benefit award, which was eventually amended.

The resident had been through a difficult personal period and was grateful that the Financial Inclusion Officer had spent time with her. It had helped her feel much better about her situation and relieved a lot of the worry that had built up, and now she had the confidence to deal with things herself.

Levels of social housing evictions

Housing associations evicted almost 9,000 general needs residents in 2008-09, equivalent to around 0.5% of their stock levels. Of these evictions, 7,703 were for rent arrears[42]. The vast majority of

[42] Tenant Service Authority (2010) - Regulatory and Statistical Return 2010: Statistical Release

evictions from general needs housing continues to result from actions triggered by rent arrears with between 88%[43] and 93%[44] of all evictions possession claims are brought on the basis of housing debt.

Prior to 2008/09, the rates of rent arrears eviction in the sector were seen to fall by around a quarter in the three years to 2007/08, though a slight increase was seen in 2008/09. This downward trend among housing associations up until 2007/08 was also reflected in local authority eviction rates. This general decline in the number of possession actions and subsequent evictions has primarily been credited to both improvements in the administration of housing benefit (shown through the reduction in the number of days it takes to process new and amended applications) as well as the relationships developed between landlords and housing benefit departments. Better practices, the emphasis on earlier interventions brought about by guidance and housing policy and the growing recognition of the huge costs associated with evicting a resident have also concentrated the minds of social landlords.

Case study of partner social landlords: Levels of court actions and evictions

Rent arrear interventions (number):	2008/09	2009/10	To date (2010/11)
AmicusHorizon			
Court action[45]	-	-	-
Evictions	57	56	47
Evictions rate per 1000 GN needs households	3.0	2.9	2.5
Circle 33 Housing Trust, part of Circle			
Court action	320	364	153
Evictions	22	28	22
Evictions rate per 1000 GN needs households	2.6	3.3	2.6
The Hyde Group			
Court action	-	-	-
Evictions	45	97	-
Evictions rate per 1000 GN needs households	1.6	3.4	-
Metropolitan Housing Partnership			
Court action	-	-	-
Evictions	136	101	87
Evictions rate per 1000 GN needs households	7.5	5.6	4.8

[43] Tenant Services Authority (2010) - Rent Arrears Management Practices in the Housing Association Sector.
[44] Neuberger J, (2003) - House Keeping: Preventing Homelessness Through Tackling Rent Arrears in Social Housing, Shelter.
[45] Court action is taken as the number of court applications applied for by the housing association.

Southern Housing Group			
Court action	-	-	-
Evictions	35	44	22
Evictions rate per 1000 GN needs households	2.7	3.4	1.7
Wandle Housing Association			
Court action	313	250	111
Evictions	28	29	7
Evictions rate per 1000 GN needs households	5.7	5.9	1.4

There have been a number of issues experienced around the collection of data relating the number of court actions and eviction gained amongst our participating housing associations[46]. These difficulties have been most evident within the larger groups who have the largest stock levels and have various constituent associations operating different rent arrear management systems and processes and therefore do not always retain the same information on rent arrear interventions.

From the data obtained, it seems to indicate that eviction rates have generally increased across participating housing associations, with the exception of Metropolitan Housing Partnership (which had the highest rate of evictions in 2008/09 and fell by approximately a quarter in the subsequent year). The greatest increase was seen at Hyde who experienced a doubling in its number of residents being evicted.

[46] It is hoped that these difficulties will be overcome during the ongoing quantative data collection as part of the next stage of this study.

3. Why social landlords should address these financial problems?

Social housing residents are shown to be disproportionately affected, being the most likely group to be financially excluded. Research on the exact scale varies, but shows that anything from 60%[47], 70%[48] and 84%[49] of those marginalised from appropriate financial services are living in either housing association or local authority accommodation.

In practical terms this means:

- Of the poorest 10% of households in the UK, over half live in social rented housing[50].
- 61% of social households have no-one working within the household, compared to 35% nationally[51]
- Social housing residents earn on average half as much as private renters with a median annual income of £10,900[52].
- While 97 per cent of home-owners have a bank account, only 75 per cent of social housing residents do[53].
- 81% have no savings account and 91% have no insurance cover[54].
- According to Citizen's Advice[55], the proportion of social rented residents amongst their debt service users is twice as high as in the general population.
- The FSA estimate that 83% of social housing residents are failing to make sufficient plans for their financial future and 94% are making poor financial product choices[56].

As a result, all social landlords, be they housing association, local authority landlords or local ALMOs can realise a range of social and economic benefits by addressing financial inclusion, helping their residents better manage their money and reducing debt amongst their residents. These can be for both their residents, the local communities in which their residents live and the social landlord itself through organisational benefits as well as business and financial savings.

[47] National Housing Federation (2007) - Data analysis of Family Expenditure Survey.
[48] National Housing Federation (2008) - Winning with Money: Housing Associations' Contribution to Financial Inclusion.
[49] Newcombe R, Cox A, Neuburger J, and Whitehead C, (2002) - Partnerships for Financial Inclusion: Housing Associations and Financial Institutions, Cambridge University, and,
Lovatt R, Newcombe R, and Whitehead C, (2002) - Financial Awareness and the Role of Social Landlords. Cambridge Institute for Housing and Planning Research.
[50] Demos and Toynbee Hall (2005) - Widening the Safety Net: Learning the Lessons of Insurance With-Rent Schemes.
[51] Department for Communities and Local Government (2009) – Housing in England 2007/08
[52] Department for Communities and Local Government (2009) – Housing in England 2007/08
[53] Barnes M, Lyon N, Morris S, Robinson V, and Wan Yau Y, (2005) - Family Life in Britain: Findings from the 2003 Families and Children Study (FACS). DWP Research.
[54] National Housing Federation (2007) - Data Analysis of Family Expenditure Survey.
[55] Citizens Advice Bureau (2006) - Deeper in Debt: The Profile of CAB Debt Clients.
[56] Financial Services Authority (2006) - Financial Capability in the UK: Establishing a Baseline.

Benefits to social housing residents

- **Increasing access to affordable financial services** for those marginalised households, **would save each household between £800 and £1,000[57] each year** through lower cost of borrowing, reduced bills, lower charges and access to cheaper deals.
- **Providing access to bank accounts for those unbanked residents** allows benefits and salaries to be paid (a prerequisite of employment) and enables cost savings to be achieved through electronic bill payments.
- **Allowing individuals to maximise their income** by ensuring they are claiming their full benefit entitlement.
- **Increasing access to affordable borrowing reduces the need for an individual to resort to expensive of sub-prime lenders and products** that typically charge anything between 100% APR and 2,950% APR. These include home credit loans, payday loans, pawn brokers, higher purchase and cheque cashing facilities.
- More financially stable and informed residents will **manage and priorities their rent payments and are therefore less likely to lose their homes through eviction**.
- **Encouraging residents to save and take-up insurance provides them with a financial safety net** and makes them less vulnerable to financial emergencies.
- **Empowering residents to make better use of their often limited household budgets** through improved financial literacy and money management skills.
- **Reducing health problems associated with financial stress and debt worries.** The CAB reports that 'nine out of ten of its debt advice clients state their problems have negatively impacted on their health, and six in ten report receiving treatment, medication or counselling as a result'[58].
- **Improving individuals overall financial wellbeing** and thus increasing the amount of money available within the household and moving them away from poverty.

Benefits to local communities and neighbourhoods

A compelling argument for social housing providers to address financial exclusion and debt is the significant contribution that can be made to their local communities, neighbourhoods and estates that they manage. Financial exclusion is not just an individual problem, whole communities can suffer from being marginalised from financial services and being over indebted.

Therefore, tackling financial exclusion in local communities can be viewed as a natural extension of a social landlord's work, helping fulfil its ultimate objective of helping build and sustain healthy and sustainable neighbourhoods that people want to live and stay in.

- **Increasing the flow of money into local deprived communities** by maximising household incomes and the better management of this money. This extra wealth is primarily spent within local economies, helping sustain and stabilise local neighbourhoods and increasing local employment. Research has demonstrated that for every £60,000 gained for residents in previously unclaimed benefit, one job is created in the local economy[59].

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[57] Save the Children and Family Welfare Association (2007) - The Poverty Premium, Save the Children.
[58] Citizens Advice (2010) – Service Impact Report 2009/10
[59] Fraser of Allander Institute (2001) - Study of the Impact of Welfare Spending on the Glasgow Economy.

- **Helping retain economic wealth within local areas** by keeping funds that would otherwise be lost through extortionate interest rates and under claimed benefits within the local community.

  Comprehensive research in Leeds, North Yorkshire[60] has evidenced the economic impact of financial inclusion activities and debt advice service, demonstrating huge positive impact on the local economy. It demonstrated that for every £1 invested in financial inclusion and debt advice in Leeds, £8.40 is generated for the regional economy – a total estimated positive impact of £28 million for the region.

  In particular, the report found that the £1.1 million invested specifically in debt advice services delivered a £4 million return for the region and the £200,000 invested by the two participating social housing providers in financial inclusion and debt advice provision, benefitted their residents and the regional economy by £1.3 million – a six and a half-fold return.
- **Reducing levels of worklessness** by removing barriers such as the lack of a bank account and developing new skills and opportunities for residents.
- **Improving community health** associated with reducing poverty and financial stress.
- **Crime-reduction benefits,** including reduced illegal money lending activities and poverty related crime triggered by financial crises.
- **Addressing the trend of bank and post office closures** that is creating 'financial deserts' in many deprived areas.

Organisational benefits to social landlords
Developing and implementing various financial inclusion work can be seen to assist both organisational effectiveness and performance that can deliver everything from audit scores to staff retention.

- With up to 8 in 10 financially excluded individuals living in social housing, landlords can make a **significant contribution to the wellbeing of their residents, increasing the stability and sustainability of tenancies and provide greater opportunities for social mobility** - helping move homeless individuals into social accommodation and residents into home ownership.
- **Plays a major role in the overall achievement of arrears and income management performance improvements.** With 'key line of enquiry' on housing management continuing to be concerned not only with rent and service charge recovery but also the quality of service and access, customer care and service user focus, it offers huge opportunity.
- As part of the existing inspection framework, social housing providers are being encouraged to **demonstrate strategies and practices when dealing with rent arrears that not only emphasises enforcement but also preventative measures to avoid residents getting into financial problems in the first place.**
- **Supports the implementation of the 2006 Rent Arrears Pre-action Protocol (PAP)** that demands early intervention when dealing with rent arrears and states that procedures to gain possession should only be commenced as a last resort.

[60] University of Salford (2009) - Financial Inclusion Initiatives: Economic Impact and Regeneration in City Economies (The Case of Leeds).

- **Prevention is better than cure**, where tackling a crisis is much more time consuming than investing in early intervention that helps break the traditional cycles of 'tenancy - rent arrears - action - eviction - voids',[61]
- Staff dealing with rent collection and arrears can become frustrated by the regular conflict with residents and continually dealing with residents at crisis points. **Establishing proactive services to prevent and resolve such issues can increase the skills and motivation of staff that will improve retention and recruitment.**
- **Demonstrates commitment and involvement with strategies and partnerships work at a local level** that can help create new relationship and raise the profile of the organisations with local authorities and other agencies. This can have a beneficial effect when competing for future development and regeneration opportunities in the area.
- **Realises a social landlord's duty to work with local authorities** in the delivery of their 'place making role' under the 2007 Sustainable Communities Act.
- **Cross-benefit opportunities with other community investment services and initiatives,** such as employment and training, business and enterprise support and resident engagement.
- **Opportunities for external funding to support financial inclusion activities.** There are numerous examples of social landlords securing grants to complement their investments and add value to their work.
- As outlined below, **addressing financial exclusion can bring a variety of business benefits** for social landlords by improving the financial wellbeing of their residents.

Business benefits to social landlords

A compelling reason for social landlords to help improve their resident's finances is that a number of financial benefits can be realised, primarily through the reduction and prevention of rent arrears. Research shows that financially included residents are more likely to be stable and are more likely to pay their rents. The Audit Commission report 'Housing Association Rent Income', published in May 2003, identified that those landlords who provide financial inclusion measures were able to demonstrate significant success in preventing and controlling arrears[62].

So how does it cost social landlords money?

While studies exploring the social benefits for residents and communities as well as good practice within the sector have been plentiful, research establishing the business benefits have been more limited and attempts to quantify the financial 'payback' for social landlords of investing in financial exclusion and debt advice activities even more so.

A number of studies have set out the broad business rationale for investment to improve the finances of residents. The basic principle established by such studies is that by making a positive impact on a household's financial wellbeing, the social landlord is reducing the likelihood of its residents failing to pay its rent and service charges, therefore realising a number of financial and business benefits.

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[61] National Housing Federation (2007) - Credit Where Credit's Due.

[62] Audit Commission (2003) - Housing Association Rent Income: Rent Collection and Arrears Management by Housing Associations in England.

- **Rent arrears are a real drain on a social landlord's resources.** The level of rent collected is hugely important to each provider, equating to, on average, 83% of its annual revenue funding[63]. Therefore, the tens of millions of pounds of rent arrears within the sector represents reduced cash flow, lost interest and revenue that could be invested in better homes and services for its residents.

- **Continually pursuing rent arrears cost significant funds,** particularly amongst residents who persistently avoid paying their rents. Each social landlord has its own detailed rent arrears process, employing large income teams and incurring various costs to implement these procedures.

  Through early intervention and preventing rent arrear before they escalate, real opportunities can be realised for efficiency savings and direct organisational cost savings.

- **Court actions are extremely expensive for landlords and are primarily embarked upon on the grounds of rent arrears[64].** The amount of staff time involved in pursuing court action can be great and involve numerous different members of staff. There are also direct costs relating to serving the NOSP (which for the majority of landlords involves hand delivering the documentation – a substantial cost for those operating in more rural areas) as well as the court fees.

  Moreover, where possession is not granted by the courts, the repayment agreements imposed are often not financially beneficial, taking many years to recover the arrears as well as the associated collection costs.

- **When a resident is evicted, the associated costs can be enormous and importantly unknown.** With every eviction, significant staff time is required to process and attend the eviction. There are also direct costs including; the charges incurred for using bailiffs to conduct the expulsion, the cost of securing the property to prevent entry, the lost rental income of the property being unoccupied, the re-letting costs as well as the unknown cost of cleaning and repair required to bring the property back into a rentable condition. It is not uncommon for properties gained through eviction to need tens of thousands of pounds of renovation from long-term neglect and/or damage deliberately inflicted by the former occupiers.

  There is also a wider impact and cost of evicting a resident as there is still a responsibility for re-housing in a 'revolving door of homelessness'. This often involves expensive temporary accommodation, requiring a range of other public services such as social services and housing and homeless services – 'one social landlord's evicted resident soon become's another's (or

[63] Audit Commission (2003) - Housing Association Rent Income: Rent Collection and Arrears Management by Housing Associations in England.

[64] It should be highlighted that seeking possession on the grounds of rent arrears may mask other more pressing reasons for eviction, such as continued anti-social behaviour, which are often deemed to be much harder to secure through the courts than for resident debt.

even their own) vulnerable person in need of housing'[65]. CRISIS suggests that the half year costs to the public sector of the eviction of a single person can be over £4,500[66].

- **Even when a resident is evicted, landlords still incur costs and charges associated when chasing former resident arrears**. There are also negative impacts to their balance sheets of writing off former resident arrears.

- **Tenancy abandonment is more often than not associated with debt and other financial problems**. Many of the costs encountered are similar to evictions with residents often leaving behind arrears that more often than not become irrecoverable former resident debt.

Estimating the costs associated with rent arrear interventions
There are limited examples of research studies to establish the direct costs associated with various rent arrear interventions and management. The only study that could be identified that attempted to estimate some of the costs relating to rent arrears management was the Housing Corporation's 'Community Access to Money, Reaping the Benefits' in 2006. This study looked at the experience of a housing association – Bromleigh Housing Association and established a set of assumption on costs that enabled the potential cost savings from court action and eviction interventions. The study establishes that:
- **Assumed cost for every case of court action** including staff time in preparing court papers, attending court and court costs is **£400** (with an annual inflation rate of 3% for subsequent years)
- **Assumed cost of evictions** including staff time in preparing for an eviction, attending court hearings, legal advice, rent arrears written, interest paid on rent arrears accrued up to court hearings, loss of earnings and write off is **£6,500**.

These assumptions for the cost of each eviction were based upon internal estimates made by One Housing Association which are shown as follows:

• Rent arrears (£1,500 - £2,000)	£1,750
• Legal costs and staff time	£1,000
• Lost rent whilst refurbishment and maintenance is carried out	£750
• Void costs of carrying the refurbishment[67]	£3,000
	£6,500

Our study attempts take this approach one step further by developing a business model that establishes a lower and an upper unit cost associated with each of the various rent arrear management interventions covering; rent arrears letters 1 to 2, telephone calls chasing rent arrears, sending text alerts, serving a Notice Seeking Possession (NOSP), court action, evictions and serving a warrant for possession.

This business model has been developed with income staff at a number of the participating housing associations and based upon the key procedures for rent arrears management (linked to the House Charter Mark requirements) together with their own experience and any specific internal cost analysis undertaken of the various interventions.

[65] Transact (2008) - The Business Case for Social Landlords Investing in Financial Inclusion.
[66] Crisis (2003) - How Many, How Much: Single Homelessness and the Question of Numbers and Cost.
[67] This would be much higher if a property is deliberately damaged before eviction is carried out

In developing the business model we have broken down each potential action and made a series of assumptions on levels of time and cost, thus enabling a series of average unit costs to be attributed to each intervention. The intention is that every housing association could use this business model in its existing form or refine the unit cost to reflect their own cost implications and individual circumstances of both their rent arrear management processes and their housing stock.

The model allows the calculation of:

- the general costs associated with of each different rent arrear intervention,
- an estimate of the cost of rent arrears management for an individual resident, and
- the overall cost to the business of managing its rent arrears (where the number of each intervention is recorded by the social landlord – see case studies below with Circle 33 Housing Trust and Wandle Housing Association).

Business Model – rent arrear intervention costs (upper and lower estimates):

Rent arrear interventions:	Estimated cost	
	Lower	Upper
Rent arrears letters 1 [68]	£1.44	£2.37
Rent arrears letters 2[69]	£2.37	£3.92
Telephone calls[70]	£1.90	£3.45
Text alerts[71]	£0.36	£0.98
Serving a NOSP[72]	£8.05	£25.10
Taking court action[73]	£134.40	£180.90
Evictions[74]	£2,256.80	£7,366.01
Other: Eviction warrant applied for[75]	£91.44	£92.37

[68] Assumes staff time of an Income Officer spending between 2 minutes (lower) and 5 minutes (upper) together with postage and stationary unit costs.

[69] Assumes staff time of an Income Officer spending between 5 minutes (lower) and 10 minutes (upper) together with postage and stationary unit costs.

[70] Assumes staff time of an Income Officer spending between 5 minutes (lower) and 10 minutes (upper) together with telephone unit costs.

[71] Assumes staff time of an Income Officer spending between 1 minutes (lower) and 3 minutes (upper) together with SMS text unit costs.

[72] Assumes staff time of an Income Officer spending between 5 minutes (lower) and 60 minutes (upper) together with stationary and travel (urban) unit costs for hand delivery.

[73] Assumes staff time of an Income Officer spending between 60 minutes (lower) and 240 minutes (upper) together with stationary, travel (urban) and court fee unit costs.

[74] Assumes staff time of an Income Officer spending between 60 minutes (lower) and 240 minutes (upper), Income Manager spending between 5 minutes (lower) and 10 minutes (upper), Head of Incomes spending between 5 minutes (lower) and 10 minutes (upper), Assistant Director spending between 2 minutes (lower) and 5 minutes (upper) and Letting Officer spending between 60 minutes (lower) and 240 minutes (upper), together with stationary, travel (urban), lost daily rental costs of 26.1 days (lower) and 47.8 days (upper) and cost of repairs/cleaning unit costs, securing the property through change of locks and boarding of windows/doors for the void period and the write off of the arrears sum and the lost interest for one year..

[75] Assumes staff time of an Income Officer spending between 2 minutes (lower) and 5 minutes (upper) together with stationary, postage and warrant fee unit costs.

Other: Pre-court referral warning letter[76]	£1.44	£2.37
Estimated total costs of evicting a resident	**£2,498.00**	**£7,677.00**

The key unit costs and the associated assumptions used to develop the business model are set out in **Appendix 2.**

[76] Assumes staff time of an Income Officer spending between 2 minutes (lower) and 5 minutes (upper) together with stationary and postage unit costs.

Case study of estimated annual of rent arrear management

Wandle Housing Association (total number of general needs households = 4,906):

Rent arrear interventions	**2008/09**			**2009/10**		
	No	Lower	Upper	**No**	Lower	Upper
Letter 1	**1697**	£2,444	£4,022	**1908**	£2,748	£4,522
Letter 2	**1251**	£2,965	£4,904	**1525**	£3,614	£5,978
Telephone calls	**17056**	£32,406	£58,843	**17000**	£32,300	£58,650
Text alerts	**0**	£0	£0	**1200**	£432	£1,176
NOSP	**807**	£6,496	£20,256	**707**	£5,691	£17,746
Court action	**313**	£42,067	£56,622	**250**	£33,600	£45,225
Evictions	**28**	£63,190	£206,248	**29**	£65,447	£213,614
Other: Eviction warrant applied for	**28**	£2,560	£2,586	**29**	£2,652	£2,679
Other: Pre-court warning letter	**738**	£1,063	£1,749	**602**	£867	£1,427
Total		**£153,192**	**£355,230**		**£147,351**	**£351,017**

Circle 33 Housing Trust, part of Circle (total number of general needs households = 8,500):

Rent arrear interventions	**2008/09**			**2009/10**		
	No	Lower	Upper	**No**	lower	upper
Letter 1	**5,737**	£8,261	£13,597	**6,094**	£8,775	£14,443
Letter 2	**1,243**	£2,946	£4,873	**1,146**	£2,716	£4,492
Telephone calls	**6,931**	£13,169	£23,912	**11,818**	£22,454	£40,772
Text alerts	**64**	£23	£63	**82**	£30	£80
NOSP	**1,258**	£10,127	£31,576	**1,602**	£12,896	£40,210
Court action	**320**	£43,008	£57,888	**364**	£48,922	£65,848
Evictions	**22**	£49,650	£162,052	**28**	£63,190	£206,248
Other: Eviction warrant applied for	**120**	£10,973	£11,084	**118**	£10,790	£10,900
Other: Pre-court warning letter	**0**	£0	£0	**0**	£0	£0
Total		**£138,156**	**£305,044**		**£169,773**	**£382,993**

4. Current approaches: what is the sector already doing?

Financial inclusion interventions and activities
Social landlords find themselves in the unique position of being able to make a major contribution to the promotion of financial inclusion and the reduction of debt amongst their residents. With their direct relationships with large numbers of financially excluded residents, social housing providers can maximise inclusion and can facilitate and drive partnerships and projects.

Best practice evidence from other research and case studies show that the sector is already delivering a plethora of services and interventions that address the financial issues of their residents. Each social landlord sets its own priorities and determines the mixture of financial inclusion work based upon its own organisational and housing circumstances. From a baseline study of financial inclusion work amongst social housing providers[77], nearly 50% of housing providers already have a financial inclusion strategy with a further 22% saying that their strategy was in development.

Of the different financial inclusion services offered, a high proportion of the housing sector were offering access to money advice, debt prevention and home contents insurance with much smaller proportion of social providers offering access to affordable credit, banking services and financial capability training.

Case study of partner social landlords: Summary of financial inclusion activities

Affinity Sutton
With three separate housing associations coming together, William Sutton Homes, Downland Housing association and Broomleigh Housing Association, the group is currently developing a standard group-wide approach to financial inclusion interventions, which will focus on savings and borrowing, training and education, and advice and guidance.

Access to affordable credit: Affinity Sutton works with a number of credit unions across the country, helping to develop and promote a wide range of financial products for the benefit of residents. To help its residents make informed choices, it has produced tools such as the 'loan wheel' that highlights the different cost of borrowing from various sources.

In addition, it has initiated varied programmes aimed at making financial awareness 'interesting'. This includes a 'passion4 fashion' event, cooking on a budget and theatre presentations, which attempt to bring money management to life.

Income maximisation: Affinity Sutton's income management staff are trained to support residents with housing, welfare benefits (including support with benefit applications) and basic money advice. In addition, Affinity Sutton has a specialist Welfare Benefits team to provide support and representation at benefit appeals and offer assistance with backdated benefit payment claims.

[77] Chartered Institute of Housing (2009) - Financial Inclusion and Housing: Baseline Survey

Financial education/capability: Affinity Sutton provides a telephone support service called Guideline, which helps residents with employment and training related enquiries and provides financial guidance. Through the financial guidance service some 300 residents were assisted in 2010-11. The support helps maximise benefits as well as offering information and referrals to services such as, furniture recycling, white goods purchase, home contents insurance and setting up bank accounts. The initiative has also helped a number of residents successful apply for a range of grants.

During 2010, its Financial Inclusion team worked with the Consumer Financial Education Body (CFEB) to provide money guidance sessions to residents. Additionally, it has developed 'Money Matters' leaflets that provides advice for residents and is distributed via lettings staff, regular articles and tips within our resident magazine and in its 'Quids In' publication.

Fuel poverty: With the support of Affinity Sutton, a 'Green Doctor' service is working across West Sussex. These qualified domestic energy assessors work with households to reduce their energy bills.

National Energy Action is helping Affinity Sutton to develop a range of projects during 2011 addressing fuel poverty amongst residents. One is these is an accredited energy awareness training programme. This will train volunteer energy champions to provide long-term support to residents on best practice in sustainability and energy efficiency.

To ensure residents get good energy prices, it also offers access to a 'Billscutter' service via its website as well as a dedicated free phone number.

AmicusHorizon:
AmicusHorizon has developed a holistic financial inclusion strategy across its four key areas, outlining its interventions and monitoring arrangements for measuring the impact of its work.

Access to affordable credit: AmicusHorizon works with a range of credit unions in its areas of high resident concentrations enabling access to affordable loans and savings. It works closely with credit unions in Kent, Croydon and East and West Sussex through signposting residents to services and offering incentive schemes.

Income maximisation: AmicusHorizon has a number of in-house Welfare Benefit Advisors who provide support regarding all forms of benefits including housing benefit. They advise on complex benefit issues and are able to liaise on behalf of residents regarding claim disputes and appeals.

In addition, each Income Officer is trained to provide basic practical benefit advice, calculate benefit entitlement and determine any appropriate referral requirements. This is offered both over the phone and in certain circumstance in person. The results have been extremely positive with appeals against housing benefit overpayments alone estimated to have secured £67,000 for residents between November 2009 and January 2010 (equating to £268,000 annually if the trend continues).

Financial education/capability: AmicusHorizon has developed a pre-tenancy health check for all potential residents. These meetings review income and expenditure and conduct a housing benefit assessment. It also highlights any debt issues that the resident has so that referrals to support agencies can be made.

Circle 33 Housing Trust, part of Circle:
Circle 33 has developed a comprehensive approach to financial inclusion interventions that is set out within its own Financial Inclusion Policy. This looks to reduce financial disadvantage through specific initiatives for both new and existing residents.

Access to affordable credit: Circle 33 has partnered with Fair Finance, a local community development finance institution (CDFI) to support residents to access affordable credit that replaces expensive doorstep lenders, money lenders, and other sub-prime financiers either through refinancing or in advance of use. In addition, it gives financial budget management and support, and referring and signposting, where appropriate. Circle 33 promotes the service to residents through its various communication channels.

In addition, Circle 33 works with local credit unions in all its boroughs to promote services, including; savings and low cost loans through regular resident promotion to residents via a range of communication channels and front line staff.

Income maximisation: All Circle 33's Income Management staff are trained to support residents with basic money advice, housing and welfare benefits. This includes support with benefit applications, assistance and representation at benefit appeals and backdated benefit payment claims. It works with external organisations to deliver this training free.

It also works collaboratively with a range of agencies (Fair Finance, local authorities, Department of Work and Pensions (DWP), Citizens Advice Bureau, Age UK and the Pensions Service) for complete welfare benefit checks as part of the drive to increase benefit take up and maximise resident income. It currently utilises free Financial Services Authority money guides providing face-to-face one hour sessions across London.

Financial education/capability: Circle 33 has employed a Money Guidance Officer (part funded through a grant from HBOS Foundation) to provide preventative financial advice health checks via phone to all new residents. It delivered 54 checks in 2009/10. The support helped maximise benefits as well as information and referrals to services such as furniture recycling, white goods, home contents, bank accounts.

It delivers a number of money matters resident workshops at various sites across London. This is delivered in-house by Circle 33 Income Managers, together with external expertise on specific issues (as required).

It has also developed a comprehensive 'local' money advice packs for residents that is distributed via both its Income team and lettings staff.

Fuel poverty: Again, all frontline staff are trained to advise residents about saving energy and money in their homes. To support this, it has an e-learning module for staff about all aspects of fuel poverty and guidance for referrals. They can then advise residents in their own homes around better methods for saving energy and information on agencies who can help them (e.g. loft and wall insulation, energy saving products, switch off all plugs when not in use).

It is currently negotiating with a number of energy providers for cheaper utility costs for its residents in all new developments and current housing stock.

The Hyde Group:
Hyde currently employs 4 members of staff to co-ordinate and deliver financial inclusion work Money Plus. This includes a Money Guidance Officer (part funded by externally), a Financial Inclusion Advisor, a Fuel Poverty Worker and an Energy and Benefits Adviser.

The Money Plus team supports Hyde residents to become financially stable and enjoy a secure and sustainable tenure. It addresses financially difficulties at an early stage through a range of services including the Money Guidance Service. If things reach crisis point Money Plus also offers intensive face to face debt advice to deal with all types of debts including Hyde rent and service charge arrears.

Access to affordable credit: Hyde partners with the main credit unions across all its regions to offer residents alternatives to sub-prime lenders and to change attitudes to saving money. Approximately 200 residents have accessed credit union services. Hyde has developed a programme to increase uptake of credit union services among residents in 2010-2011.

Financial education/capability:
Hyde's Money Guidance service is preventative and is designed to provide access to early intervention to new residents. Active referrals are made by the neighbourhoods and lettings staff. The service gives information and support for new residents to prevent the build up of future money difficulties. The service also assists Hyde as a business in avoiding future income staff time costs when chasing rent arrears. Support includes understanding the difference between priority and non-priority payments, accessing low cost furniture and white goods, setting up bill payments and accessing grants and benefits. It supported 160 new residents in 2009/10.

Hyde has also delivered financial capability sessions on savings (Save Xmas) and Energy Best Deals (OFT/Citizens Advice) targeted at residents and frontline staff. Hyde recruited 14 residents and trained them as accredited Money advisers. 7 residents successfully completed the programme and now have industry specific knowledge and skills to help them secure employment.

It has also developed a self help debt pack to support the more capable residents deal with their own money worries with copies are available in all local offices.

Finally, the team has developed a financial health check available on its website for residents to self assess their finances designed to empower them to take positive action to better or stabilise their finances.

Fuel poverty: The team established a fuel poverty project targeted at older residents to help them navigate the complex benefits systems and energy issues. It offered simple assistance like supporting them to change to a social tariff on their energy supplies saving participants on average £150 per annum. Advisers are also able to claim grants and extra welfare benefits for residents to improve their basic living conditions. The success of the service led to its extension to all Hyde residents. The fuel poverty project supported 102 residents in 2009/10.

Metropolitan Housing Partnership
MHP has a Financial Inclusion Manager who co-ordinates its financial inclusion activities and actions across the group and is responsible for implementing MHP's financial inclusion framework.

Access to affordable credit: MHP has referral arrangements in place with all credit unions in its key localities, in order to support residents in need of affordable credit. It also makes referrals to the CDFI, Fair Finance (MHT London only). In addition, MHP works closely with Illegal Money Lending teams in each of its areas to reduce the effectiveness of loan sharks targeting MHP residents.

MHP also works with local furniture and white goods re-use projects in order to assist residents in acquiring household items at affordable prices.

Income maximisation: All Income Management staff have a good knowledge of the benefits system and support residents in making applications and appeals. It also works in partnership with external agencies such as CFEB, Money Advice Plus (MAP), local advice agencies and the Pension Service, in order to support residents in maximising income, including access to grants and charitable funding.

MHP provides the 'entitled to' benefits calculator on its websites, which is used extensively by both its residents and staff in giving a guide to entitlements.

Financial education/capability: In London, MHP shares a Money Guidance Officer with London & Quadrant, match-funded by Lloyds Banking Group. This is part of a wider consortium arrangement headed-up by Hyde Housing and also including AmicusHorizon Circle 33. The aim of this work is to provide comprehensive money advice to residents on the full range of money related topics – both preventative and reactive. It also issues the Self Help Debt Pack to its residents.

Fuel poverty: MHP has developed a separate fuel poverty action plan which includes; an e-learning module for staff, support for residents via its frontline staff, a pictorial fuel saving leaflet, access to the Which? fuel switching service and planned improvements to its properties to improve insulation.

Southern Housing Group:
SHG has three Financial Inclusion Officers (FIO) who deliver a range of support service for residents. Frontline staff provide direct referrals to the team for residents who require relevant support. Approximately 250 clients access the service each year.

Access to affordable credit: General promotion of local credit union services and CDFIs across various communication channels such as mail outs, newsletters and rent arrears communications. SHG provides direct funding and support for the development and growth of both CUs and CDFIs operating in their key locations.

Income maximisation: Support is provided to residents to assess their full benefit entitlement. Residents are referred to FIO at either sign-up or 6 week visits with specific assistance given to complete benefits claims and identify any potential financial issues.

Fuel poverty: Similar to their income maximisation activities, fuel poverty issues are referred to FIOs with support provide to make applications for fuel poverty grants to write off debts.

Wandle Housing Association:
Wandle employs two staff to support and undertake its financial inclusion work. It has developed its own financial inclusion strategy that brings all its activities and services together.

Access to affordable credit: Wandle has developed joint working arrangements with both Fair Finance – a local CDFI (from September 2010) and a number of local credit unions in their key locations to promote and maximise the take-up of low interest loans and other financial products. It tracks the impact of those taking-up such services through their resident's accounts.

Income maximisation: Wandle holds quarterly benefit maximisation weekends for its residents with specialist benefits advisors that assess resident's entitlement and can help them to make applications. It also makes referrals to its own in-house advisor.

Financial education/capability: Wandle also provides quarterly workshops for residents on a range of financial issues such as managing money and affordable borrowing.

Fuel poverty: It has previously held 'energy best deal' events, sponsored by the Office of Fair Trading and the Citizens Advice Bureau.

Debt advice support – the different types of approaches
The impact of the various good practice guidance and housing policy focusing on rent arrears, particularly the 2006 Rent Arrears Pre-action Protocol (PAP) requiring early intervention to prevent residents falling into significant levels of rent arrears, has led to increasing referrals made by social providers to debt advice.

Despite this growing acceptance of the value of debt advice, support for social residents in arrears has still been found uneven across the sector. In a study by Pawson et al (2004)[78], over a quarter of housing associations were found not to provide any access to debt advice for resident in rent

[78] Pawson H, Flint J, Scott S, Atkinson R, Bannister J, McKenzie C, and Mills C. (2004) - Possession Actions and Evictions by Social Landlords.

arrears. Nevertheless, the vast majority of housing associations are found to be helping their residents to access advice on their debts. This is undertaken through referral mechanisms to external advice agencies, with 56% having established such referral mechanisms and a similar number having in-house debt advice. However, this masks the extent of specialist services being offered with much of the reporting of external referrals simply being the provision of contact details, where actual use of the service will be minimal and in-house debt advice actually being rent arrear staff trained in basic money advice.

A more recent survey of 223 housing associations by the Tenant Services Authority, demonstrates this distinction and highlights that access to professional debt advice services through specialist in-house teams or formal[79] referrals were much lower than more basic support offered via money advice by rent arrears staff or by making informal referrals.

The least popular method of delivering debt advice for residents was the establishment of in-house specialist debt advice teams with only 30% of responding housing associations having chosen this approach. Over half of housing associations chose to have formal referral mechanisms to third party debt services. The most common response made by over 75% of respondents was for debt advice provision that was made via informal referrals and giving contact details of external advice agencies.

Case Study of Partner Social Landlords: Debt Advice Services

AmicusHorizon:
Each of its three key areas of operations (Kent, London and Sussex) has slightly different arrangements for accessing debt advice services; including:

- Independent legal advice is provided by the Citizens Advice Bureau. AmicusHorizon has a Service Level Agreement with the CAB and are able to refer cases directly for support with financial issues including debt problems and rent arrears. There is routine information sharing built into SLA and referrals can be made at any point when an issue is highlighted.
- The Housing Options department within Swale Borough Council provide support and advice aimed at eviction prevention. A Service Level Agreement is in place to provide the necessary mechanism to monitor the progress of cases. Routine information sharing between Housing Options team and the Income team in Kent. Referral is made at the point of intention to seek Outright Possession.

	2008/09	2009/10	2010/11
Number of staff employed to deliver debt advice:	0	0	0
Number of residents directly referred to debt advice:	109	330	465
Level of debts taken on:			
Rent arrears only	-	-	-
Other priority debts	-	-	-
Non priority debts	-	-	-
Total debts	-	-	-

[79] Formal referrals were deemed to be those where appointments were made directly with an external debt management agency and more often than not a formal contract arrangement was in place to facilitate this.

Amount of debt recovery following debt advice:			
Rent arrears	-	-	-
Other debts	-	-	-

Circle 33 Housing Trust, part of Circle:
Circle 33 has developed an active approach to providing debt advice for residents. Initial low level rent arrears are tackled through its Income team who provide basic support as part of the rent arrears process. For high level rent arrears and complex multiple debts, residents are externally referred for independent advice at Fair Finance. It has established a Service Level Agreement to make a maximum of 60 referrals each year. This involves an Financial Services Authority registered advisor who delivers a full advice service with both income maximisation and specialist debt advice that includes individual case work, home visits and negotiations with creditors (where required).

For more vulnerable residents with complex needs, it can refer internally to its Circle Support, a care and support team who provide a range of support; from drug and alcohol support to debt advice. The Income team is able to make approximately 80 referrals each year.

	2008/09	2009/10	2010/11
Number of staff employed to deliver debt advice:	0	0	0
Number of residents directly referred to debt advice	56	64	-
Level of debts taken on:			
Rent arrears only	£31,948	£134,081	-
Other debts	£116,305	£772,045	-
Total debts	£148,253	£906,126	-
Amount of debt recovery following debt advice:			
Rent arrears	£26,000	£53,000	-
Other debts	£25,000	£92,302	-

The Hyde Group:
The Money Plus team offers one-to-one support to residents who need debt advice covering rent arrears as well as other external priority and non priority debts. The team operates as independently as possible from the housing association to comply with Legal Services Commission standards of debt advice. It provides advice and casework covering the full range of debt advice. This ensures a holistic resolution of debt problems where there is full engagement from the resident. The purpose is to support Hyde residents to sustain their tenancies in the long-term by ensuring sustainable offers are made to all creditors.

The Money Plus team follows Money Advice Trust standards of debt advice ensuring that income is maximised wherever possible. Some residents opt to become bankrupt or enter into a Debt Relief Order arrangement and our advisers offer support during the process.

Referrals are usually generated from either Income or Housing Management teams who initially identify a need for debt advice to resolve rent arrears. However, the team also supports residents who have no rent arrears. The referrals are made centrally and monitored daily to pick up referrals as quickly as possible.

There are key trigger points for referral usually when Income Officers have exhausted all available options to them. Common stages include the NOSP stage or where there is a difficulty with housing benefit. Hyde's rent arrears protocol is used as a guide by Income teams but this does not mean that all residents are actively referred at this point.

The Money Plus team use its own case management system that records all residents receiving debt advice. It monitors; the type of debts, numbers of priority and non priority, amounts, key risks and the outcomes achieved for them.

	2008/09	2009/10	2010/11
Number of staff employed to deliver debt advice:	0.5	1.5	4.6
Number of residents directly referred to debt advice	80	188	-
Level of debts taken on:			
Rent arrears only	-	-	-
Other priority debts	-	-	-
Non priority debts	-	-	-
Total debts	£378,000	£993,853	-
Amount of debt recovery following debt advice:			
Rent arrears	-	£182,748	-
Other debts	£17,256	£411,300	£126,387

Metropolitan Housing Partnership:
MHP has developed a partnership approach to providing access to debt advice for residents with rent arrears. It has informal signposting arrangements with a number of local and national advice agencies providing free debt advice to residents encountering financial difficulties. Residents with issues are given appropriate contact details for relevant debt advice agencies by the Income team staff. These principally include, Consumer Credit Counselling Service (CCCS), Money Advice Plus (MAP), Pay Plan, Community Advice Services Limited (CASL) and local advice agencies such as the CAB. As a result, the numbers of these indirect debt advice referrals are not recorded and there are no tracking data for external advice agencies.

	2008/09	2009/10	2010/11
Number of staff employed to deliver debt advice:	0	0	0
Number of residents directly referred to debt advice	0	0	0

Southern Housing Group:
SHG adopts a model of initial informal support for residents in rent arrears. This first stage is managed by the Income Recovery team with more complex debts directly referred to Financial Inclusion team for support or indirectly signpost to external debt advice agencies (depending on circumstances and the complexity of the residents problems). This referral is made by the Income Recovery team when they are made aware of the problem by the resident.

As rent arrears may be part of a general debt problem, SHG advises its residents to seek assistance from debt advice agencies such as the CAB, or other appropriate agencies as soon as possible. The numbers of debt advice referrals are only recorded for those directed to the Financial Inclusion team for support. Other indirect referrals to external advice agencies are not recorded.

	2008/09	2009/10	2010/11
Number of staff employed to deliver debt advice:	0	0	0
Number of residents directly referred to debt advice	-	47[80]	-

Wandle Housing Association:
Wandle provides general advice and support for its residents through its Income team as part of the rent arrears process. It employs a Benefits and Financial Inclusion Advisor. Where appropriate, residents are signposted to external agencies such as CAB, Christians Against Poverty, Consumer Credit Counselling Service and Pay Plan.

Cases requiring more in-depth debt advice and support are directly referred to an external agency, Money Advice Plus. This contract began in 2009/10. Wandle pays a fee for each referral but the service is free for its residents. Referrals to Money Advice Plus are made at various stages of the rent arrears process by its Income team and residents can also self refer. Automatic referral is required at the point at which eviction action is considered but not prior to court action. The service is publicised in all arrears letters, rent statements and through resident newsletters.

	2008/09	2009/10	2010/11
Number of staff employed to deliver debt advice:	N/A	0	0
Number of residents directly referred to debt advice	N/A	118	180
Level of debts taken on:			
Rent arrears only	N/A	£90,683	£33,330
Other priority debts	N/A	£94,743	£27,530
Non priority debts	N/A	£287,691	£130,749
Total debts	N/A	£473,117	£191,609
Amount of debt recovery following debt advice:			
Rent arrears[81]	N/A	£12,310	£1,027
Other debts	N/A	-	-

80 SHG's Financial Inclusion team support only
81 Based on rent account balance six months after referral (for 2010/11 cases some based on current balance as of August 2010 as six months not yet passed).

5. Resources invested – how much and where is the money coming from?

In 2006/07, the National Housing Federation[82] undertook a comprehensive audit of the range of neighbourhood services, initiatives and facilities that were delivered by housing associations in addition to their provision of basic housing management and its services delivered through Supporting People programme.

It revealed that housing associations deliver a huge array of community investment initiatives with more than 6,800 identifiable projects. At least £435 million was invested annually by the sector in these community services with 63% of this funding (£272 million) from their own funds and the remainder (£163 million) being secured from external funding sources. To undertake this work, 4,560 staff were directly employed and around 5.5 million people ultimately benefited, equivalent to one in ten people in England.

The types of services and projects range dramatically from running community centres and sports facilities to individual employment, training and anti-social behaviour schemes that look to support individual residents and contribute to the economic, environmental and social stability of local neighbourhoods.

Financial inclusion and debt advice services were shown to be a major part of this community investment by housing associations. An estimated £44 million was invested in providing services to address financial exclusion and debt during 2006/7 and 450 housing association staff were directly employed to deliver these services. Of these funds, £30 million pounds was from the associations own resources, while the remainder was match funded from external grant funding programmes.

In total, 984 financial inclusion schemes were identified with 368,000 people directly benefiting from these services. These services range from encouraging people to save and manage debt (benefiting around 132,000 people), partnering with credit unions (72,400 people), opening bank accounts (48,900 people), other loan schemes for residents (7,200 people) and advice on a range of financial issues (236,000 people).

In terms of investment by housing associations to deliver debt advice for residents, the audit showed that just £1.3 million was provided for money and debt advice during 2006/07. This represented just 3% of the total investment in financial inclusion schemes. It appears that this investment offered good value as around 57,000 people benefited, or 15% of the share of people benefiting. Compare this to advice on welfare benefits, where £6 million was invested that benefited 80,000 people.

[82] National Housing Federation (2008) – Winning with Money: Housing Associations' Contribution to Financial Inclusion

Case study of partner social landlords: Levels of resource invested in financial inclusion work and debt advice.

	2008/09	2009/10	2010/11
AmicusHorizon:			
HA costs allocated to financial inclusion work	£30,000	£30,000	£30,000
HA costs allocated to specialist debt advice work	N/A	£21,950	£22,500
Total annual investment	**£30,000**	**£51,950**	**£52,500**
Total investment per household	£1.52	£2.63	£2.66
Average costs per debt referral	N/A	£186	£125
Circle 33 Housing Trust, part of Circle:			
HA costs allocated to financial inclusion work	N/A	£12,000	£12,000
HA costs allocated to specialist debt advice work	£28,000	£30,000	£30,000
Total annual investment	**£28,000**	**£42,000**	**£42,000**
Total investment per household	£3.29	£4.94	£4.94
Average costs per debt referral	£500	£469	-
The Hyde Group			
HA costs allocated to financial inclusion work	£12,000	£70,000	£70,284
HA costs allocated to specialist debt advice work	£10,988	£47,224	£128,975
Total annual investment	**£22,988**	**£117,244**	**£199,259**
Total investment per household	£ 0.81	£ 4.13	£7.02
Average costs per debt referral	£137.35	£251.30	-
Metropolitan Housing Partnership			
HA costs allocated to financial inclusion work	£12,000	£70,000	£70,284
HA costs allocated to specialist debt advice work	£10,988	£47,224	£128,975
Total annual investment	**£22,988**	**£117,244**	**£199,259**
Total investment per household	£ 0.81	£ 4.13	£7.02
Average costs per debt referral	£137.35	£251.30	-
Southern Housing Group			
HA costs allocated to financial inclusion work	£107,000	£107,000	£107,000
HA costs allocated to specialist debt advice work[83]	£0	£0	£0
Total annual investment	**£107,000**	**£107,000**	**£107,000**
Total investment per household	£8.31	£8.31	£8.31
Average costs per debt referral	£0	£0	£0
Wandle Housing Association			
HA costs allocated to financial inclusion work	N/A	£6,000	£10,000
HA costs allocated to specialist debt advice work	N/A	£21,950	£22,500
Total annual investment	**N/A**	**£27,950**	**£32,500**

[83] As outlined earlier, SHG deliver generalist support and advice via their in-house Financial Inclusion Officer who can deal with basic low level debts but indirectly refers to specialist debt advice organisations for more complex cases.

Total investment per household	N/A	£1.22	£2.04
Average costs per debt referral[84]	N/A	£186	£125

All participating housing associations (able to provide data):			
Total annual investment	£90,000	£351,579	£497,299
Total financial inclusion work investment	£42,000	£225,000	£265,503
Total specialist debt advice investment	£48,000	£126,579	£231,796
Average investment[85]	£14,000	£70,316	£99,460
Average total investment per household[49]	£2.29	£5.90	£7.90
Average investment in debt advice per household[49]	£1.15	£3.13	£4.84

Participating housing associations are shown to be investing significant amounts of their own funds in delivering financial inclusion and debt advice services for their residents. As demonstrated by the number of housing associations without any funding budgets for financial inclusion and debt advice activities in 2008/09, there has been a realisation in recent years that investing in such areas is important and beneficial.

By 2009/10, all the partner housing associations were investing in services and initiatives that support their resident to improve their finances, proving a total of £351,579 from their own finances. Of this, approximately two thirds (£225,000) was spent on general financial inclusion activities such as support of credit unions, financial capability and fuel poverty and the reaming £126,579 spent on the provision of specialist debt advice to resident with money problems.

This year, levels of investment in both financial inclusion activities and debt services grew, with each provider now investing an average of £101,460 on financial inclusion and debt work or just less than eight pounds per general needs household.

Not surprisingly the general rule of thumb appears to be the larger the housing association, the larger the annual budget. Yet, AmicusHorizon has the largest level of stock amongst the participating associations but spends the least per general needs household. However, this appears not a reflection on its commitment or to the scale of its work to tackle financial exclusion, but a choice to utilise existing external financial inclusion services and train internal staff to deliver certain elements.

In terms of the provision of specialist debt advice, there has been an increase in housing associations’ budgets each year, with investment peaking in 2010/11[86] at £231,796 – an average of almost £58,000 amongst those associations with paid for specialist debt advice. Investment ranged from £22,500 by both Wandle and AmicusHorizon for external referrals to telephone advice to the £156,796 invested by Hyde for its in-house specialist Debt Advice team. The average level of

[84] Debt referral contract costs are; £180 for 3 hours case work, £40 for no shows, £30 per hour for any additional casework above initial 3 hours.
[85] Amongst those housing associations actually delivering financial inclusion services or those providing figures for that period.
[86] The 2010/11 figures are proposed budgets allocated to financial inclusion and debt advice work and therefore are liable to potential rises and falls to the actual budget at the end of the period.

investment on debt advice per general needs household has risen slightly from last years £3.13 to £4.84 in 2010/11.

The average cost per debt referral ranged significantly from £186 for one-to-one advice delivered via telephone, £280 for delivery of specialist debt advice through specialist in-house staff, through to £500 for referrals made to external specialists for face-to-face debt advice.

6. Conclusions and next steps for study

The financial circumstances of many social housing residents are expected to deteriorate in the face of adverse economic conditions. It is prudent to assume that levels of overindebtedness, arrears, and ultimately evictions in the social housing sector will increase at great personal cost to residents and high financial and reputational cost to social landlords. Social landlords face a potential financial 'double whammy' of rising arrears and eviction related costs and reduced available financial resources (as a result of public spending cuts) to spend on providing access to debt advice for residents and more general, preventative, financial inclusion work.

Identifying the most effective debt advice intervention should be a priority for the social housing sector. This interim 'state of play' report provides a baseline audit of current provision of debt advice and financial inclusion activities in the social housing sector. Encouragingly, the majority of housing associations provide access to some form of debt advice and are involved in a wide range of innovative financial inclusion activities.

However, less positively, support for social residents in arrears has still been found to be uneven. Moreover, until now, there has been little objective, systematic evaluation of the different types of available debt advice interventions and as a result little opportunity to share best practice in the sector.

Furthermore, the lack of comprehensive and consistent data and research on arrears, evictions and interventions until now has made objective evaluation difficult. It is hoped that this study will go some way to rectifying this problem.

The next step is to begin the longitudinal analysis process which involves tracking over the next two years the effectiveness of a selection of debt advice interventions on arrears and residents' behaviour. The final report with detailed findings and recommendations is to be published towards the end of 2011.

7. Appendices

Appendix 1 – Housing associations involved with the study

Seven housing associations have been invited to participate in the study. All are based in the South East of England but vary significantly in size and nature, ranging from medium sized housing association with a few thousand stock spread across London to some of the largest social housing groups with tens of thousands of properties located across both rural and urban locations.

Affinity Sutton
Level 6, 6 More London Place, Tooley Street, London, SE1 2DA
W: www.affinitysutton.com

Overview: With over 55,000 properties, housing and over 161,000 residents, and a one hundred year history, Affinity Sutton is one of the biggest and most established providers of affordable housing in England. In 2006, the group was through the merger of three housing associations; William Sutton Homes, Downland Housing association and Broomleigh Housing Association.

It is committed to helping people put down roots and acts as a springboard, maximising life chances for its residents and creating places for communities to thrive.

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AmicusHorizon
PO Box 322, Sittingbourne, Kent, ME9 8PQ
W: www.amicushorizon.org.uk

Overview: AmicusHorizon is one of the South East's leading housing associations managing over 28,000 affordable homes in London, the South and the South East of England – mainly in Kent, London and Surrey, and Sussex.

Its looks to provide more than just bricks and mortar through People for Action (PfA) - the organisation's community development department, which delivers a wide variety of financial inclusion, family, lifelong learning, children and young people, and employability initiatives within the communities which AmicusHorizon has homes.

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Circle 33 Housing Trust (part of Circle)

1-7 Corsica Street, London, N5 1JG
W: www.circleanglia.org/circle-33/

Overview: Circle 33 Housing Trust was established in 1968 and later merged with the Anglia Housing Group in 2005 to form Circle. Circle 33 is the largest partner in group owning over 16,000 homes in and around London in 47 Local Authority areas. Last year its community development programmes helped nearly 600 people into work and training and delivered financial inclusion advice and support to around 643 people.

Circle is one of the UK's leading providers of affordable housing. With a dedicated team of more than 2,200 staff, Circle manages more than 60,000 homes, including supported and sheltered housing, for around 200,000 people across the UK. Its mission is to enhance the Life Chances of its residents by providing great homes and reliable services, and building sustainable communities. For more information about Circle and its partners, please visit www.circle.org.uk

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The Hyde Group

30 Park Street, London, SE1 9EQ
W: www.hyde-housing.co.uk

Overview: Hyde is one of the country's leading providers of affordable housing. It manages over 45,000 properties, over 120,000 residents and employs around 1,700 people. It operates across London, the South East, the East of England and the East Midlands.

Like other housing associations it is a social business with no shareholders. Any profit are re-invested to further it social purpose of 'making a lasting difference to people's lives with residents at the heart of everything it does'. It also helps people live their lives independently through sheltered housing, supported housing and support services.

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Metropolitan Housing Partnership

Cambridge House, 109 Mayes Road, Wood Green, London, N22 6UR
W: www.mhp-online.co.uk

Overview: Metropolitan Housing Partnership (MHP) manages over 35,000 affordable homes for rent and sale to those with greatest need, along with a range of care and support services. In total, it provides a diverse range of services to over 80,000 customers.

MHP has 6 partner organisations; Clapham Park Homes, Granta Housing Society, Metropolitan Support Trust, Metropolitan Home Ownership, Spirita and Metropolitan Housing Trust London, working across London, Cambridgeshire, the Midlands and South Yorkshire,

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Southern Housing Group

Fleet House, 59 - 61 Clerkenwell Road, London, EC1M 5LA
W: www.shgroup.org.uk

Overview: Southern Housing Group is one of the largest housing associations working across London and the South East. It owns and manages 25,500 homes for more than 66,000 residents, employing almost 900 people and working with over 70 local authorities.

It delivers a range of social and economic regeneration work that aims to improve the lives of residents in local communities and neighbourhoods fulfilling its mission of 'unlocking the potential of people and places'.

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Wandle Housing Association Limited

15 Abbeville Road, London SW4 9LA
W: www.wandle.com

Overview: Wandle Housing Association is based in South London and works across 11 London Boroughs. It owns over 6,000 homes for general needs and supported housing residents and leaseholders. It attempts to recruit employees and board members from within the communities it serves in order to bring local knowledge and representation that helps it work closely with residents and deliver new homes and services. Its vision is to 'build communities and good places to live' with its residents firmly at the heart of the business.

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Appendix 2 - Business Model: key unit costs and assumptions

The table below outlines the key unit costs and the main assumptions established within the business model to calculate the cost of the various rent arrear interventions.

Key unit cost	Estimated value
Income Officer level plus on costs (unit cost per minute)[87]	£0.31
Income Manager level (unit cost per minute)[88]	£0.41
Head of Incomes level (unit cost per minute)[89]	£0.50
Assistant Director level (unit cost per minute) [90]	£0.58
Letting Officer level (re-letting)[91]	£0.31
Postage[92]	£0.32
Stationary[93]	£0.50
Telephone call costs[94]	£0.35
SMS text costs	£0.05
Average urban travel expenses (per trip)	£6.00
Average rural travel expenses (per trip)	£18.00
Legal costs	£0
Court fees (online)[95]	£100.00
Eviction warrant	£90.00
Change of locks	£100.00
Security boarding costs (short-term daily rental cost)	£7.50
Void costs - lost daily rental (London)[96]	£14.51

[87] Based upon salary of £25,000pa, plus 33% on costs (13% for employers National Insurance contribution, 5% pension contribution and 15% overheads/management costs) and annual car allowance of £800pa
[88] Based upon salary of £34,000pa plus 33% on costs (13% for employers National Insurance contribution, 5% pension contribution and 15% overheads/management costs) and car allowance of £0pa.
[89] Based upon salary of £41,000pa plus 33% on costs (13% for employers National Insurance contribution, 5% pension contribution and 15% overheads/management costs) and car allowance of £0pa.
[90] Based upon salary of £48,000pa plus 33% on costs (13% for employers National Insurance contribution, 5% pension contribution and 15% overheads/management costs) and car allowance of £0pa.
[91] Based upon salary of £25,000pa plus 33% on costs (13% for employers National Insurance contribution, 5% pension contribution and 15% overheads/management costs) and car allowance of £0pa.
[92] Second class postage costs.
[93] An estimate of stationary costs – paper, envelopes and printing costs.
[94] Assumes that organisations have established a business flat rate call cost rather than a per minute cost.
[95] The fee associated with applying for court action proceedings online is £50.00 cheaper than submitting a hard copy. The business model assumes that social landlords are utilising this opportunity – although it should be noted that one of the participating associations were not.
[96] Based upon £101.59 – the average weekly general needs rental and service charge for property in London as at 31 March 2010 from Tenant Service Authority (2010) - Regulatory and Statistical Return 2010: Statistical Release

Void costs - lost daily rental (all England)[97]	£11.51
Cost of repairs/cleaning (upper estimate)[98]	£3,000.00
Cost of repairs/cleaning (lower estimate)	£500.00
Write-off arrears figure (lower estimate)	£1,000.00
Write-off arrears figure (lower estimate)	£3,000.00
Annual interest rate on arrears	1.5%

[97] Based upon £80.56 – the average weekly GN rental and service charge for property in England as at 31 March 2010 from Tenant Service Authority (2010) - Regulatory and Statistical Return 2010: Statistical Release

[98] This is a conservative upper limit for the cost associated with preparing a void property for re-let and is based upon the Housing Corporation study – as no participating association had investigated this cost. However, during the study, anecdotal evidence of the extremes of such cost have been as high as £20,000.