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DOES DEBT ADVICE PAY?

A business case for social landlords

Final Report November 2011

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Affinity Sutton



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Circle
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Friends Provident Foundation is a grant-making charity working to create the conditions throughout the UK for improved access to appropriate financial services for those who are currently excluded, particularly those on low incomes or otherwise vulnerable to market failure. It particularly wants to encourage thinking that deals with the causes of the problem.

Established as part of the demutualization of Friends Provident Life Office in 2001 and the floatation of Friends Provident plc, it is independent and has its own board of Trustees.

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The Financial Inclusion Centre is an independent research and policy innovation think-tank dedicated to promoting financial inclusion and fair, efficient, competitive and accountable financial markets.

www.inclusioncentre.org.uk

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Executive Summary

Key findings

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- Debt advice is highly valued by residents and is regarded as effective. Almost half of residents (48%) responding to our survey indicated that direct access to debt advice helped them avoid eviction and a similar proportion (47%) from facing court proceedings – all of which have significant cost saving implications for the social landlord.
-
- Seventy-one percent claimed their rent arrears had reduced following debt advice and 36% of those said their arrears levels are 'a lot less'. Although some landlords are apprehensive about intervening, 73% of residents had no concern about accessing debt advice via their landlord.
-
- Our research shows that residents that received some form of debt advice via their landlord saw their average level of arrears fall by 37% over the 12 months following referral, while estimated average arrears among those who received no support at all actually rose by 8% over the same period.
-
- Direct access to specialist debt advice for overindebted residents delivers significant net financial gains for social landlords – equivalent to an estimated £239 for every resident supported compared to those not getting support.
-
- Our cost-benefit analysis suggests that significant financial benefits could be realised by increasing spending on debt advice for residents. For every £100 invested in direct debt advice interventions, we estimate there is a financial gain of £122 (a return of 22%) in the form of reduced arrears and associated costs for social landlords.
-
- With total rent arrears across the housing association sector estimated to be over £350 million, if the impact of these debt advice interventions was replicated nationally, we believe that this would deliver an annual net benefit of £49 million for the social housing sector.
-
- Our research estimates that a social landlord spends between £3,099 and £8,287 each time they evict someone from their home. Removing the 7,188 residents evicted because of their rent arrears in 2010/11 cost large housing associations an estimated £40.9 million. There are substantial savings to be made from reducing arrears costs through debt advice provision.

- Each type of debt advice intervention achieved significant benefits. In terms of reducing arrears, the most effective model was in-house debt advice. However, based on the costs provided to us, the most effective in terms of the overall reduction in arrears and associated costs was outsourced debt advice performed best followed by in-house debt advice and telephone debt advice.¹
-
- There is a strong rationale for social landlords to intervene when arrears levels reach £600 or more given the cost-benefit trade-off. We estimate that over £800 worth of arrears could have been prevented at this point. Yet, uptake of debt advice often takes place much later, when arrears have already built-up and residents are facing more serious action. Just over half (56%) of our survey respondents were facing court action and a third (36%) facing eviction when they were given debt advice appointments. Nearly two-thirds of residents stated they would have benefited more by accessing support earlier.
-
- Many residents have multiple debts which affects their ability to manage arrears. There is a strong case for social landlords to take a more holistic approach to providing debt advice rather than focus just on arrears management.
-

INTRODUCTION

The financial outlook for many social housing residents looks bleak. They are already more likely to be found in the poorest income groups and face a higher probability of developing money problems and being marginalised from fair, affordable financial services. However, weakening economic conditions, welfare benefit reforms and the squeeze on household incomes are expected to exacerbate the financial problems faced by these economically vulnerable households.

These are very challenging conditions for social landlords too. As ‘social creditors’, they are already owed millions of pounds in unpaid rent and spend significant resources managing their rent arrears processes.

The deteriorating financial outlook for residents will have a knock-on effect for social landlords, with rent arrears and the costs associated with rising numbers of court and eviction actions expected to grow. Moreover, the

¹ It should be noted that the outsourced debt advice model referred residents at a much earlier stage (when average arrears were £1,184) compared to the in-house model (£1,810) and telephone advice (£1,826). Therefore, the outsourced model would have avoided some of the additional associated arrears management costs. In addition, it was noted that prior to any referral to the outsourced debt advice, Income Team staff will have already provided support services to residents.

negative consequences of welfare changes are already being felt by social landlords², despite major reforms still to be implemented (such as the 'under-occupation' penalty and the direct payment of housing benefit via 'Universal Credit'). The National Housing Federation believes that the removal of direct payment alone could see arrears rise by £320 million across the sector – a 100% rise based upon our estimates of total rent arrears (together with a further £100 million of additional transaction costs). This estimate is based on a pilot study by one of the country's largest housing associations, where arrears, as a proportion of the total rent roll, increased from 3% to 7% following the introduction of direct payment.³

While social landlords are intrinsically socially motivated, such financial pressures will ultimately lead to difficult financial decisions, particularly on non-core housing services, such as access to debt advice (and more general, preventative financial inclusion work). In addition, escalating demand and diminishing resources are putting pressure on external 'free-to-customer' debt advice, limiting the opportunities for social housing landlords to simply signpost without specifically investing funds.

Therefore, identifying effective interventions that help financially vulnerable residents manage their finances and deliver commercial benefits for social landlords is both crucial and timely for the sector. Recent research⁴ has highlighted the benefits to private sector creditors of funding specialist debt advice for customers. On the face of it, tackling the arrears of their residents through advice interventions should be mutually beneficial for social landlords. Yet, there has been little objective evaluation of the direct impact of providing debt advice to social landlords.

For that reason, with the support of the Friends Provident Foundation, a consortium of the UK's leading social landlords commissioned the Financial Inclusion Centre (FIC) to evaluate the effectiveness of providing access to debt advice to residents and to establish whether there is a business case for improving direct access to debt advice.

To fulfill this brief, FIC:

- i. undertook qualitative research with residents to evaluate the benefits of debt advice interventions from their perspective;

² The National Federation of ALMOs (NFA) is already reporting arrears increases amongst its members following changes to non-dependent benefit deductions (NDD) in April 2011 – <http://www.24dash.com/news/housing/2011-11-08-ALMOs-see-arrears-hike-after-April-benefit-cuts?utm>

³ National Housing Federation (2011a) – *Briefing on Welfare Reform Bill (Second Reading)*. National Housing Federation.

⁴ Wells, J. Leston, J. and Gostelow, M. (2010) – *The Impact of Independent Debt Advice Services on the UK Credit Industry*. Friends Provident Foundation.

- ii. quantified the financial returns for social landlords by analysing the impact on arrears levels and associated arrears costs; and
- iii. evaluated the impact of different models of debt advice currently used by social housing providers – in-house advice, outsourced face-to-face advice and outsourced telephone advice.

DEBT AND SOCIAL HOUSING RESIDENTS

Rent arrears are often the ‘tip of the iceberg’ for residents concealing a larger set of financial problems. Residents have multiple other, non-priority debts totalling 3.6 to 5.7 times the level of rent arrears.

Social landlords are uniquely placed to identify potential problems as the state of the rental account can flag up other financial problems in a household. Identifying problems early and intervening effectively to support households can yield significant benefits for residents and landlords.

WHY SOCIAL LANDLORDS SHOULD INVEST IN DEBT ADVICE FOR RESIDENTS

There is a *prima facie* case for social landlords to invest resources in debt advice given the potential mutual benefits. Until now, however, the case has not been made in the social housing sector.

Rent arrears can be a significant drain on a social landlord’s resources. The level of rent collected is critical to each landlord, on average equating to 83% of its annual revenue funding⁵. Therefore, the estimated £350 million of rent arrears within the sector represents reduced cash flow, lost interest and revenue that could be invested in better homes and services for residents.

Continually pursuing these rent arrears, particularly amongst residents who persistently struggle to pay or even avoid paying their rent, involves significant costs. Court actions are extremely expensive for landlords. The research shows social landlords spend between £165 and £206 each time they take a resident to court. Evictions – a last resort for all social landlords aiming to sustain tenancies and protect the well-being of their residents – have even greater associated costs. We estimate that each eviction costs housing providers between £3,099 and £8,287 as a result of staff time, bailiff

⁵ Audit Commission (2003) – *Housing Association Rent Income: Rent Collection and Arrears Management by Housing Associations in England*. Audit Commission.

charges, cost of securing the property, lost rental income, re-letting costs, as well as the costs of cleaning and repairing 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 deterioration or damage deliberately inflicted by the former occupiers.

Over 7,000 (7,188) evictions were carried out by the largest housing associations in 2010/11 due to rent arrears, at a total estimated cost of £40.9 million. Reducing evictions by just 10% could deliver cost savings of £4.1 million to the sector on evictions alone.

We have developed a financial model that allows social landlords to estimate the unit costs associated with the main rent arrears management actions, covering everything from sending out a letter to carrying out an eviction.

This tool is available for download at **www.housing.org.uk/debtadvice** and enables social landlords to refine the assumptions to reflect their own specific cost implications and individual processes.

DEBT ADVICE FROM THE PERSPECTIVE OF THE RESIDENT

Overall, the residents surveyed rate debt advice provided by social landlords very highly and regard it as effective. Satisfaction levels were strong, with 51% rating the debt advice service received as 'very good' and a further 28% as 'good'. Moreover, residents surveyed stated that the debt advice had a positive effect on their arrear levels, with 71% claiming rent arrears had reduced following debt advice and 36% of these saying the levels are 'a lot less'. The majority of residents (62%) attributed this reduction to the advice they received. An impressive 97% of residents surveyed thought their financial problems were resolved or stayed the same following the support they had received.

Nearly half of residents (48%) reported that the debt advice helped them avoid being evicted – a similar proportion (47%) reported it helped them avoid court proceedings. In addition, future improvements to residents' payments behaviour was noted with nearly three-quarters of respondents stating that it led to them prioritising their future rent payments. This reinforces our quantitative analysis that debt advice not only helps residents but produces significant cost savings for social landlords.

However, despite the clear benefits of debt advice interventions for both residents and landlords, support is still being taken up by residents extremely late in the arrears process, when significant arrears have built-up and residents are facing more serious arrears action. At the point of referral, just over half (56%) of those surveyed were facing court action and a third (36%) were facing eviction. Commonly, residents only access debt advice at the later stages of the arrears process. This is far too late and greater benefit would have been realised if it had been taken up much earlier. Sixty per cent of residents confirm this point, believing they would have benefited more by accessing debt advice earlier.

The survey demonstrates the complexity of residents' debts and also points to rent arrears being an important indicator of wider financial problems. Three-quarters of those surveyed stated they had other debt worries at the time they were referred and one-third had multiple debts with at least another four creditors.

The survey also found that almost three-quarters (73%) of residents had no concern about accessing debt advice via their landlord. This should reassure social housing providers who are uneasy about having direct referral arrangements in place and unsure if residents respond well to their offer of support with debt, especially as the relationship can often be strained.

EVALUATING THE EFFECTIVENESS OF DIRECT DEBT ADVICE FOR SOCIAL LANDLORDS

To enable us to evaluate the effectiveness of debt advice, participating landlords supplied 24 months of data on arrears and associated costs from the accounts of 400 residents. To ensure that an objective evaluation was undertaken we compared the performance of residents' accounts who received debt advice against control groups of residents who did not receive debt advice. We analysed trends and performance in arrears and costs over the 12 months to the point of the debt advice intervention and 12 months after the intervention. The combination of control groups and pre- and post-analysis allowed us to judge the specific impact of debt advice.

The results are very positive. Those residents that received some form of debt advice saw their average arrears fall by 37% over the 12 months following referral, representing an average reduction of approximately £550 per supported resident. In comparison, the control group arrears actually rose by 8% over the same period.

In addition, debt advice reduced the costs associated with chasing arrears, with average gross savings for social landlords of £139 for every resident who accessed support.

Overall, offering some form of debt advice intervention delivers a total gross benefit to social landlords of just under £500 for each resident supported. This represents a gross return of 45% on the average arrears level. When the estimated average cost per person of delivering debt advice of £260 is taken into account, our analysis suggests that there is a net benefit to social landlords of £239 per resident. This equates to a 22% net return on the average arrears level. So, for every £100 invested in direct debt advice services, a financial return of £122 was achieved through improved arrears recovery and reduced associated costs.

There is a strong financial argument for social landlords to intervene when arrears levels reach £600 or more given the cost-benefit trade-off. Yet, referrals often take place much later in the process, when arrears have already built up and residents face serious action. Just over half (56%) of our survey respondents were facing court action and a third (36%) facing eviction when they were given debt advice appointments.

The most recent data available from the Tenant Services Authority suggests that the total arrears level across all housing associations was around £350 million (after arrears relating to housing benefit had been stripped away). If the success of debt advice interventions was replicated across the sector, we estimate that this would equate to a net gain of £49 million for the housing association sector as a whole. Furthermore, reducing the number of evictions by 10% would save a further £4.1million.

Moreover, there is a strong association between over-indebtedness and psychological health. One in two people in debt have a mental health problem.⁶ Employing effective debt advice interventions to support residents in arrears and prevent evictions would provide additional (as yet unquantified) savings for society in the form of reduced health and social care costs.

Finally, this report considered the costs and benefits to social landlords. We were not asked to consider the wider benefits for residents. It should be noted that other independent studies have found that financial inclusion

⁶ Jenkins, R, Bhugra, et al. (2009) – *Mental disorder in people with debt in the general population*. Journal of Public Health Medicine, Vol 6.

interventions, including debt advice, can lead to wider improvements in the financial circumstances of households.⁷

EFFECTIVENESS OF DIFFERENT MODELS OF ADVICE

In addition to evaluating the impact of providing debt advice at the aggregate level, we have also been able to compare the performance of different models of direct debt advice. Each of the debt advice models was compared against its own internal control group and an external control group.

It must be stressed that it is difficult to draw definitive conclusions about which particular form of intervention is the most cost effective. The comparison of the aggregate combined performance of residents who received debt advice involves a much larger sample which by definition will be more robust. Moreover, each of the social landlords applies a different policy when referring residents to debt advice, so the costs may not be directly comparable.

Nevertheless, the analysis shows that each of the different debt advice models delivered significant net financial benefits for social landlords compared to the respective control groups (i.e. those residents who did not receive support).

In terms of reducing arrears, the most effective model was in-house debt advice with a 44% reduction in the level of arrears (or an average fall in arrears of £800) over the 12 months following referral. However, based on the costs provided to the research team, the most effective in terms of the overall reduction in arrears and associated costs was outsourced debt advice, followed by in-house debt advice and telephone debt advice.

In the interest of a fair comparison, it should be noted that each housing provider has different internal procedures and that in our study; Income Team staff had already provided significant support services to residents prior to the referral to the outsourced debt advice agency. Furthermore, we have identified that the outsourced debt advice model was being taken up by residents at a much earlier stage (when average arrears were £1,184), compared to the in-house model (when average arrears were £1,810) and telephone advice (when average arrears were £1,826). Therefore, the

⁷ See, for example, Community Finance Solutions (2009) – *Economic impact and regeneration in city economies: The case of Leeds*. Leeds City Council.

outsourced model would have avoided some of the additional associated costs later in the arrear management process and thus clearly demonstrating the benefits of early take-up of debt advice both for residents and landlords.

CONCLUSIONS

This report presents compelling evidence that funding specific debt advice interventions should offer a win-win situation for already over-indebted social housing residents and social landlords as 'social creditors'.

The sector is already shown to be offering significant access to financial inclusion support and debt advice services, equipping residents with financial confidence, empowerment and knowledge to stabilise their finances. Simply pointing vulnerable residents in the direction of informal information and support is better than no support at all. However, our research shows that funding debt advice services for residents is much more effective and delivers significant value for money for social landlords.

There is strong evidence for social landlords to not only directly fund specialist debt advice but to actually increase investment to ensure that more residents access services and at an earlier stage. Moreover, it is critical that effective pre-emptive referral mechanisms are put in place to ensure that arrears are tracked and that residents take up debt advice to prevent arrears accumulating to serious levels.

This business case should be a useful aid for all social landlords. It provides the evidence, impetus and guidance to inform their approach to debt advice delivery. It will help social landlords to take the difficult, longer-term investment decisions that should ultimately ensure the continued viability of their business and allow for future investment in much-needed new homes and neighbourhood services.

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1. Introduction

Social landlords can be classed as ‘social creditors’. Yet, they are also a significant *source* of debt advice services through direct funding of specialist advice for their residents.

Social housing residents are seen to face a higher probability of having financial problems. Previous research has estimated that between 60% and 84% of those who are financially excluded live in social housing. It suggests that:

- Three million people do not have access to functional banking services, with 60-70% of those individuals living in social housing.
- One-third of people living in social housing have incomes in the poorest one-fifth of the income distribution groups and 70% are in the poorest two-fifths.
- 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, with 20% of people in social housing having used doorstep lenders.

“It is very difficult to handle the situation when you have very little money and no job.”

AmicusHorizon resident

“It helped me to not be so afraid of opening the letters and to talk about it to someone.”

Circle resident

The deteriorating economic outlook, changes to the welfare benefits system and the huge strain on household incomes are all expected to adversely affect the most vulnerable. What is already a chronic problem threatens to be greatly exacerbated.

Social housing providers are not just providers of affordable homes but also important investors in their communities and neighbourhoods, tackling deprivation and social exclusion. Financial inclusion and support for residents is already a strong theme that is being actively promoted and integrated across many social landlords. Yet, the picture is still mixed. And given that resources for ‘free-to-customer’ debt advice have already been

described as 'inadequate and unsustainable'⁸, the anticipated growth in demand and the emerging public sector cuts to provision⁹, there are, and will continue to be, diminishing opportunities for social landlords to gain the support their residents need without directly investing resources.

These are very challenging conditions for social landlords. The deteriorating financial outlook for residents will have a knock-on effect for social landlords, with rent arrears expected to grow together with the costs associated with the rising numbers of court and eviction actions. Moreover, the negative consequences of welfare changes are already being felt by social landlords¹⁰, despite major reforms (such as the 'under-occupation' penalty and the direct payment of housing benefit via Universal Credit) still to be implemented. The National Housing Federation (NHF) believes that the removal of direct payment alone could see arrears rise by £320 million across the sector – a doubling based on our estimates of total rent arrears (together with a further £100 million of additional transaction costs). This estimate is based on a pilot study by one of the country's largest housing associations, where arrears as a proportion of the total rent roll increased from 3% to 7% following direct payment.¹¹

As well as a substantial loss of income and substantial extra costs, one further consequence of less stable rental incomes is the sector's ability to secure access to long-term finance at favourably low rates. The availability of affordable capital has been central to the refurbishment and building of existing and new housing stock. The Council of Mortgage Lenders (CML) stated that this could increase lending rates by 100 basis points, which the NHF believes would increase interest payments nationally by around £30 million a year; money which could have been used to secure capital to build 3,000 new homes.¹²

While social landlords are intrinsically socially motivated, such financial pressures will ultimately lead to difficult financial decisions, particularly on non-core housing services such as access to debt advice (and more general, preventative financial inclusion work). Therefore, deploying the

⁸ Gillespie, M. and Dobbie, L. (2009) – *Funding Money Advice Services: Exploring sustainable models for the UK*, Friends Provident Foundation.

⁹ Gathergood, J. (2010) – *Demand, Capacity and Need for Debt Advice in the United Kingdom*. Money Advice Trust.

¹⁰ The National Federation of ALMOs (NFA) is already reporting arrears increases among its members following changes to non-dependent benefit deductions (NDD) in April 2011 – <http://www.24dash.com/news/housing/2011-11-08-ALMOs-see-arrears-hike-after-April-benefit-cuts?utm>

¹¹ National Housing Federation (2011a) – *Briefing on Welfare Reform Bill (Second Reading)*.

¹² National Housing Federation (2011b) – *DWP Ministerial submission: Housing Benefit direct payments to social landlords and the design of the Universal Credit*.

most appropriate and effective debt advice interventions to help residents to manage their financial problems is crucial and extremely timely for the sector.

A recent study, 'The impact of independent debt advice services on the UK credit industry' by Jackie Wells¹³, concluded that the increase in debt recovery and the fall in associated costs shows that private creditors benefit financially from debt advice and establishes a business case for further investment in services.

On the face of it, debt advice should be mutually beneficial for both residents and social landlords. However, while a body of research exists on the socio-economic benefits to residents and the wider community, there has been little objective evaluation of the direct impact of providing debt advice interventions on social landlords themselves.

For that reason, with the support of the Friends Provident Foundation, a consortium of the UK's leading social landlords has commissioned the Financial Inclusion Centre to develop a business case for providing direct access to specialist debt advice by:

- i) undertaking qualitative research with residents to evaluate the benefits of debt advice interventions from their perspective,
- ii) quantifying the commercial returns of providing effective debt advice by analysing the impact on arrears levels and arrears action costs, and
- iii) evaluating the effectiveness of different models of debt advice interventions currently used by social housing providers.

We hope that by establishing the cost-benefit of providing debt advice to over-indebted residents this business case proves to be a useful aid to all social landlords in an increasingly tough environment. It should equip individual social landlords with the evidence, impetus and guidance to take difficult financial decisions on the most appropriate support interventions for their residents. This should ultimately ensure the continued viability and growth of their businesses and allow for future investment in much-needed new homes and neighbourhood services.

¹³ Wells, J. Leston, J. and Gostelow, M. (2010) – *The Impact of Independent Debt Advice Services on the UK Credit Industry*. Friends Provident Foundation.

This final report builds on the interim 'state-of-play' report published in April 2011, which outlined the current scale of the debt problems facing social housing residents, the social, organisational and financial rationales for supporting residents and a baseline audit of the provision of debt advice and financial inclusion activities within our participating housing associations as well as across the social housing sector.

The remainder of this report details the research framework and methodology adopted, recalls the state-of-play for social housing providers and their residents, presents the key findings of both the qualitative telephone survey and the quantitative impact analysis, and sets out our conclusions.

2. Research framework and methodology

RESEARCH PARTICIPATION AND MANAGEMENT ARRANGEMENTS

The research has been overseen by a consortium of seven participating social landlords

- The Hyde Group
- Affinity Sutton
- AmicusHorizon
- Circle 33 Housing Trust (Circle)
- Metropolitan Housing Partnership (MHP)
- Southern Housing Group (SHG)
- Wandle Housing Association (Wandle)

See Appendix 1 for an overview of participating housing associations.

The partnership has a strong track-record and commitment to promoting and facilitating the financial well-being of their residents and each partner is part of the London Housing Financial Inclusion Group, which coordinates the financial inclusion debate and sharing of good practice across the sector. Each of the partners offers a different model of debt advice and financial inclusion support to their respective residents. The debt advice delivery arrangements vary significantly; some use internal delivery or contractual arrangements with external agencies, while others provide initial basic support via their Income Teams or specific Financial Inclusion Officers together with indirect signposting to external advice agencies for complex debt problems.

Representatives from all the participating social landlords, together with officers from the Friends Provident Foundation, the Chartered Institute of Housing and the National Housing Federation, formed a Project Steering Group, which met approximately every quarter to oversee the research delivery.

The research was conceived, commissioned, led and managed by Hyde Plus, the community and economic regeneration arm of the Hyde Group. The organisation assumed overall responsibility and management of the project, including financial management and reporting to the funder,

Friends Provident Foundation. The Project Steering Group commissioned the Financial Inclusion Centre in June 2010 to undertake the research.

FINANCIAL INCLUSION CENTRE RESEARCH TEAM

The research study was undertaken between July 2010 and October 2011 and the final report written by Mick McAteer (Director) and Gareth Evans (Research Director) from the Financial Inclusion Centre, with additional data analysis support from Anna Gavurin (Researcher).

The Financial Inclusion Centre is an independent research and policy innovation think-tank dedicated to promoting financial inclusion and fair, efficient, competitive and accountable financial markets.

METHODOLOGY

The methodology adopted by the Financial Inclusion Centre to determine the business impact of debt advice for social housing providers consisted of two main components;

I. Qualitative telephone survey with those social housing residents who received the identified debt advice services

A structured ten minute telephone survey was developed and agreed with the four participating landlords that offer direct debt advice support. The survey covered the following three areas:

- how residents heard about the debt advice service they received,
- the details of the debt advice service that residents accessed via their landlord, and
- how residents felt the debt advice service helped them.

The survey looked to gauge participants' experiences and thoughts on the service they had received and focused on any key social and financial impact of the service.

II. Quantitative analysis of individual residents' accounts from social landlords adopting different models of debt advice provision

A longitudinal investigation was conducted covering the rental accounts of general needs residents from four of the participating social housing providers. This examined the rent balances and the number of rent arrears interventions for a one sample of residents who received direct

debt advice support via their landlord and another of those who had not (but still had rent arrears of more than six weeks).

The four social landlords selected to take part in the quantitative research were:

- **External control** – Metropolitan Housing Partnership: not undertaking specialist debt advice services and indirectly signposting residents to other debt advice services.
- **Outsourced telephone debt advice** – AmicusHorizon (delivered by Money Advice Plus – www.moneyadviceplus.com): direct outsourcing of debt advice to fee-paid services.
- **Outsourced face-to-face debt advice** – Circle 33 Housing Trust (delivered by Fair Finance – www.fairfinance.org.uk): direct outsourcing of debt advice to fee-paid services.
- **In-house face-to-face debt advice** – The Hyde Group (delivered by their Hyde Plus department): delivery of specialist debt advice services by a dedicated in-house team.

Appendix 2 provides the full methodology together with identified caveats and limitations.

THE IMPLICATIONS OF PROVIDING DEBT ADVICE IN MORE RURAL AREAS

Delivering debt advice and financial inclusion activities to residents in more rural areas presents a different challenge for social housing providers. Financial exclusion, over-indebtedness and poverty in general are far more visible in urban areas, which can make it harder for landlords with housing stock in more rural areas to identify and target appropriate interventions for residents.

Additional challenges

- A more widely dispersed stock of housing makes resident access more difficult.
- Extra travel costs and staff time associated with arrears recovery can increase unit costs.
- Creating equal opportunities for residents to access suitable support can be an obstacle to provision.

- Face-to-face debt advice incurs higher service costs in rural areas, with poor economies of scale.
- Poor public transport and long travel times can make physical access to face-to-face services more difficult and costly for residents themselves, creating additional barriers to take up.

As a result of these specific circumstances for social housing providers operating in more rural communities, there is a need to acknowledge these challenges and tailor both their arrears procedures and solutions to tackling resident's financial problems.

Good practice for delivering debt advice services in rural areas

A range of solutions and examples are given in *'Financial Inclusion and Rural Social Housing'*, produced jointly by the Chartered Institute of Housing and Commission for Rural Communities. These include:

- Understanding resident profiles and identifying key concentrations of rent arrears and financial need for the specific targeting of support.
- Carefully considering the blend of debt advice services to be delivered. Offering support via telephone (and even the Internet) may provide holistic coverage that can be complemented by face-to-face access in areas of high stock or concentrations of need.
- Working in partnership with other housing providers, local authorities and agencies to share debt advice services and benefit from greater economies of scale.
- Developing reciprocal arrangements with other social landlords to deliver debt advice in areas of lower demand.
- Training of frontline staff to help identify residents' financial issues and be able to provide appropriate support and services.
- Offering to pay travel expenses for residents may be more cost and time efficient than delivering outreach.
- Utilising all direct contact opportunities with residents to offer financial advice and support – for example, building it into new tenancy visits and existing support programmes.

Potential cost implications

The potential arrears intervention unit costs have been modelled separately for rural social landlords and have identified the following potential cost differentials:

- Greater travel costs and additional staffing time associated with implementing rent arrears processes for residents, including visits, serving notices seeking possessions (NOSPs) – when served by hand compared to postal, court action (greater average distances travelled) and evictions (in terms of attendance).
- Lower lost rental costs associated with the void period for evictions – with average rents in rural arrears being generally lower than urban areas.

This leads to potential differences in the average unit costs for arrears interventions as follows:

- Court action costs – estimated to be on average between 10% and 15% higher than in urban areas.
- Eviction costs – estimated to be on average 2% lower than in urban areas.
- Visit costs – estimated to be on average between 25% and 35% higher than in urban areas.
- NOSP costs – estimated to be between 25% and 50% higher than in urban areas.

3. Debt advice and the social housing sector

This section summarises and updates the key elements of the interim report that explored the topic in detail and provided a baseline assessment of the current provision of debt advice and other financial inclusion activities.

Summary

- ***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, forthcoming welfare benefit reforms and a squeeze on household incomes.
- ***Social landlords face rising rent arrears and arrears intervention costs together with reduced financial resources*** as a consequence of the financial circumstances of their residents but also welfare benefit reforms that could have a significant impact upon their businesses operations.
- ***Provision of independent 'free-to-customer' 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 will limit the options for social landlords to signpost residents to external advice agencies.
- ***Rent arrears can be seen as a 'warning system' for wider financial problems*** with residents often having complex and multiple further debts that are between 3.6 and 5.7 times greater than the actual levels of rent arrears.
- ***Arrears intervention costs are substantial*** with social landlords spending between £165 and £206 each time they take a resident to court and between £3,099 and £8,287 when they evict someone from their home.

- With 7,188 residents evicted in 2010/11 by large housing associations for rent arrears related issues alone, *the cost of removing these residents from their homes is estimated to have been £40.9 million.*
- ***If evictions were to rise by 10% this would result in a further £4.1 million*** being spent on eviction costs alone.
- ***Support from landlords for social residents in arrears is significant but still uneven*** with three-quarters offering basic information and signposting to external advice agencies.
- ***This research study is extremely timely, providing a much-needed business rationale*** for social landlords to invest in effective debt advice interventions for their over-indebted residents.

CURRENT SCALE OF THE ADVICE CHALLENGE FACING SOCIAL HOUSING PROVIDERS

Over-indebtedness is a major problem for many households in the UK. Average household unsecured debt (i.e. excluding mortgages) across the whole population stands at £8,042. However, if the figure is based on just those who have some form of unsecured debt, the average is nearly £15,466.¹⁴ Personal debt accounts for one-third of the total enquiries received by Citizens Advice Bureau (CAB) services. CABs' received 2.37 million new cases in 2009/10, a 22% increase on 2008/09.¹⁵

Household debt affects those with the lowest incomes the most. One-fifth of working age adults in the lowest income quintile group are in arrears with one or more bills – three times the rate for those with average incomes.¹⁶

Data on the scale of rent arrears in the social housing sector are mixed and comprehensive, up-to-date research is limited. Certain indicators point to gradual reductions to rent arrears levels, while others show the situation to have worsened over the last few years. For example, performance indicators released by the Tenant Services Authority (TSA) show that the amount of unpaid rent due to social landlords has decreased fairly steadily over recent years, with the mean rate of rent arrears falling from 5% (5.3% for general

¹⁴ Credit Action (2011) – *Debt Facts and Figures (October 2011)*. Available at: www.creditaction.org.uk

¹⁵ Citizens Advice Bureau (2010) – *Advice Trends, Q1 2010 (April to June 2010)*.

¹⁶ Family Resources Survey 2007/8.

needs residents) of total rent owed in 2008 to 4.4% (4.8% amongst general needs residents) in the three years to 2010/11.¹⁷

However, this is no reason for complacency. To begin with, the level of arrears also 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 surfaced in the sector arrears data).

Other sources point to arrears worsening. CABs' dealt with just over 73,000 rent arrears cases from social housing residents in 2009/10. Half of these came from housing association residents and almost half (36,600) from local authority/Arms Length Management Organisation (ALMO) residents. The CAB data suggests that rent arrears problems are growing, especially among housing association residents, which showed a 10% increase in arrears compared to just 3% from local authority and ALMOs residents.¹⁸ Rent arrears and debt problems among residents are acknowledged by housing providers themselves. Demand for debt advice and counselling also appears to have increased due to the current economic climate, with 84% of social landlords having experienced rising need among their residents.¹⁹

It is important to reiterate that the confluence of adverse economic events will be disproportionately felt by vulnerable, low income households, many of which will be in social housing. The future debt landscape and financial health of households is being re-shaped by a range of economic, political, regulatory and financial market 'environmental' trends as well as government and regulatory policy. The financial health of many vulnerable households will deteriorate given their susceptibility to external events, including: deficit reduction measures announced in the 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, like VAT); adverse economic conditions, such as growing 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 lower levels of savings and/or insurance to cushion the blow in difficult times.

¹⁷ Tenant Services Authority (2010a) – *Performance Indicator Data*.

¹⁸ Citizens Advice Bureau (2010) – *Advice Trends, Q1 2010 (April to June 2010)*.

¹⁹ Chartered Institute of Housing (2009) – *Financial Inclusion and Housing: Baseline Survey*.

Overall, it is prudent to assume that levels of over-indebtedness, 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. *A 10% rise in evictions is estimated to mean an additional annual cost of £4.1 million for evictions alone.*

RENT ARREARS, THE 'TIP OF THE ICEBERG' OF SOCIAL HOUSING RESIDENTS' DEBT

Social housing residents face a number of factors that can put them at greater risk of financial exclusion but also of being over-indebted. Residents who have built up large rent arrears or who fall into arrears on a regular basis have (as evidenced in our findings from the telephone survey) a variety of other debts and financial issues.

"It was very useful, but when one problem gets sorted there is always another one that crops up that seems to be out of one's control."

Circle resident

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, hire purchases, mail order catalogues and, at the extreme end of the spectrum, debts with illegal money lenders.

The scale of these other debts is 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 arrears 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 over-indebtedness with a range of creditors, financial exclusion, poor financial literacy and capability, as well as a range of other personal and family difficulties (anything from unemployment and health problems to a family breakdown or alcohol and drug problems).

Social landlords are uniquely placed, and a resident's rental account can act as a 'warning system' that flags financial turmoil as well as other potential socio-economic problems within the household. Understanding and acting

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

WHY SOCIAL LANDLORDS SHOULD INVEST IN DEBT ADVICE FOR RESIDENTS

Social housing residents are more likely to be financially excluded than the general population. This is illustrated by some key facts:

- Of the poorest 10% of households in the UK, over half live in socially-rented housing.²⁰
- Sixty-one per cent of social households have no-one working within the household, compared to 35% nationally.²¹
- Social housing residents earn on average half as much as private renters with a median annual income of £10,900.²²
- Eighty-one per cent have no savings account and 91% have no insurance cover²³ 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 CAB²⁴, the proportion of social housing residents among their debt service users is double that of the general population.
- Eighty-three per cent of social housing residents fail to make sufficient plans for their financial future and 94% are making poor financial product choices.²⁵

“The debt advice was very useful; money worries are always stressful, so it was good to know that there is help available and it helps make you feel a bit better.”

Hyde Group resident

As a result, all social landlords, be they housing associations, local authority

²⁰ Demos and Toynbee Hall (2005) – *Widening the Safety Net: Learning the Lessons of Insurance With-Rent Schemes*.

²¹ Department for Communities and Local Government (2009) – *Housing in England 2007/08*.

²² Department for Communities and Local Government (2009) – *Housing in England 2007/08*.

²³ National Housing Federation (2007) – *Data Analysis of Family Expenditure Survey*.

²⁴ Citizens Advice Bureau (2006) – *Deeper in Debt: The Profile of CAB Debt Clients*.

²⁵ Financial Services Authority (2006) – *Financial Capability in the UK: Establishing a Baseline*.

landlords or local ALMOs, can realise a range of social and economic benefits by addressing their residents' financial needs and reducing their over-indebtedness. This positive impact is felt by their residents, the local communities in which they operate and the social landlord itself through organisational benefits as well as business and financial savings.

For residents, debt advice can prevent over-indebtedness becoming unmanageable or offer a remedial role to address the number and level of debts when they get into financial difficulties. It can also perform a preventative role, enabling them to manage their finances in the future. These outcomes can help residents to prioritise the payment of their rent, reduce arrears and help sustain their tenancies.

For social landlords, there are very sound financial grounds, as well as a social rationale, to intervene to help residents manage their finances to minimise the high costs associated with increasing arrears and the associated costs of arrears interventions.

SO HOW DOES IT COST SOCIAL LANDLORDS MONEY?

While there are large number of studies which explore the social benefits for residents and communities as well as good practice within the sector, research establishing the business benefits is more limited. Attempts to quantify the financial 'payback' for social landlords (as 'social creditors') of investing in debt advice activities are even more limited.

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 well-being, 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 as a 'social creditor':

- **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 83% of its annual revenue funding on average.²⁶ 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.

²⁶ Audit Commission (2003) – *Housing Association Rent Income: Rent Collection and Arrears Management by Housing Associations in England*.

- ***Continually pursuing rent arrears costs significant funds***, particularly among groups of residents who persistently struggle to pay or even avoid paying their rents. Each social landlord has its own extensive rent arrears process, employing large Income Teams and incurring various and significant costs to implement these procedures.

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

- ***Court actions are extremely expensive for landlords and are primarily utilised on the grounds of rent arrears.***²⁷ The amount of staff time involved in pursuing court actions can be significant and such activity involves numerous different members of staff. There are also direct costs relating to serving 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 actual 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 or 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 from the property being unoccupied; and the re-letting costs as well as the unknown cost of cleaning and repairing to bring the property back into a rentable condition. It is common 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 the wider impact and cost of evicting a resident, which can involve expensive temporary accommodation and a range of other public services, such as social services and housing and homeless services. Charity organisation Crisis suggests that the half-year costs to the public sector from the eviction of a single person can be over £4,500.²⁸

²⁷ 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.

²⁸ Crisis (2003) – *How Many, How Much: Single Homelessness and the Question of Numbers and Cost*.

- ***Even when a resident is evicted, landlords still incur costs and charges associated with chasing former resident arrears.*** There is also the negative impact on their balance sheet from writing-off former resident arrears.
- ***Tenancy abandonment is often associated with debt and other financial problems.*** Many of the costs encountered are similar to evictions, with residents often leaving behind arrears that commonly become irrecoverable.

ESTIMATING THE COSTS ASSOCIATED WITH DIFFERENT RENT ARREAR INTERVENTIONS

There are limited examples of research studies which establish the direct costs associated with various rent arrears interventions and management.

Our study has developed a business model that calculates a lower and an upper unit cost associated with each of the main rent arrears actions, covering first rent arrears letters, general letters, telephone calls chasing rent arrears, sending text alerts, serving a NOSP, court action, evictions and serving a warrant for possession.

This business model has been developed with Income Managers at a number of the participating housing associations and is based on the key procedures for rent arrears management together with their own experiences and any specific internal cost analysis.

The business model is available for download at **www.housing.org.uk/debtadvice**

The intention is that every social landlord can use this business model in its existing form or refine the unit costs to reflect its own specific cost implications and the individual circumstances of both its rent arrears management processes and its housing stock.

Table 1 – Estimates for key arrears intervention costs (upper and lower estimates)

Rent arrear interventions	Estimated cost	
	Lower	Upper
Rent arrears letters 1 ²⁹	£2.37	£5.47
General letter 2 ³⁰	£2.37	£5.47
Telephone calls ³¹	£1.90	£5.00
Text alerts ³²	£0.67	£1.60
Serving a NOSP ³³	£43.70	£80.90
Taking court action ³⁴	£164.70	£206.00
Evictions ³⁵	£2,882.89	£7,982.42
Estimated total costs of evicting a resident	£3,098.60	£8,286.86

The key unit costs and the associated assumptions used to develop the business model are set out in Appendix 4.

There were 9,735 residents evicted from housing associations with over 1,000 units of housing stock in 2010/11. Nearly three-quarters (7,188 residents) of these related to rent arrears alone.³⁶ It should be emphasised that national eviction data are only available for large registered housing providers with stock over 1,000 units. Therefore, evictions are likely to be significantly higher when smaller housing associations and other social landlords are taken into account.

²⁹ Assumes staff time of an Income Officer spending between 5 minutes (lower) and 15 minutes (upper), together with postage and stationery unit costs.

³⁰ Assumes staff time of an Income Officer spending between 5 minutes (lower) and 15 minutes (upper), together with postage and stationery unit costs.

³¹ Assumes staff time of an Income Officer spending between 5 minutes (lower) and 15 minutes (upper), together with telephone unit costs.

³² Assumes staff time of an Income Officer spending between 2 minutes (lower) and 5 minutes (upper), together with SMS text unit costs.

³³ Assumes staff time of an Income Officer spending between 120 minutes (lower) and 240 minutes (upper), together with stationery and travel (urban location) unit costs for hand delivery.

³⁴ Assumes staff time of an Income Officer spending between 180 minutes (lower) and 300 minutes (upper), together with stationery, travel (urban) and court fee unit costs.

³⁵ Assumes staff time of an Income Officer spending between 180 minutes (lower) and 300 minutes (upper); an Income Manager spending between 5 minutes (lower) and 10 minutes (upper); a Head of Incomes spending between 5 minutes (lower) and 10 minutes (upper); an Assistant Director spending between 2 minutes (lower) and 5 minutes (upper); and a Letting Officer spending between 60 minutes (lower) and 240 minutes (upper), together with stationery, travel (urban location), lost daily rental costs of 26 days (lower) and 48 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 as well as the write-off of the arrears sum and the lost interest for one year.

³⁶ Tenant Services Authority (2010) – *Statistical release – Regulatory & Statistical Return*.

However, using this eviction figure, we still estimate that larger housing associations spent around £40.9 million on eviction related costs alone in that financial year.³⁷ With deteriorating financial conditions for residents and landlords expected, effective debt advice interventions are even more important to control arrears and evictions. Moreover, as social landlords face significant resource constraints of their own, identifying the most successful debt advice interventions is crucial to protect the financial interests of residents and social landlords.

WHAT THE SECTOR IS ALREADY DOING TO TACKLE RESIDENTS' DEBTS

Social landlords, with their direct relationship with residents, are in a unique position to make a major contribution to 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. Fifty per cent have financial inclusion strategies in place, with a further 22% in the process of developing their strategy³⁸; nearly 80% are offering access to some form of debt prevention and early intervention; and over 80% are offering access to money advice.³⁹ Some prefer to use internal resources, others prefer to outsource the provision to third party providers or indirectly refer clients on to established agencies.

The majority of housing associations are already helping their residents to 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 directly, with much of the reporting of external referrals simply being the provision of contact details to external agencies.

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

³⁷ Based on our modelling, the cost of evicting a resident ranges from £3,099 and £8,287. A total of 7,188 evictions were undertaken in 2010/11. This conservatively implies that the sector spent between £22.3 million and £59.6 million on evicting residents. We have taken the mid-point to be £40.9 million.

³⁸ Chartered Institute of Housing (2009) – *Financial Inclusion and Housing: Baseline Survey*.

³⁹ A total of 881 individuals from the social housing sector completed the survey (8% of these from London).

formal⁴⁰ referrals was much lower than the more basic support offered via money advice by Income Team staff or by informal signposting.

The least popular method of delivering debt advice was via 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 via informal referrals or the provision of contact details for external advice agencies.

⁴⁰ Formal referrals were deemed to be appointments made directly with an external debt management agency and, more often than not, a formal contract arrangement was in place to facilitate this.

4. Research findings

This section details the findings from both the telephone survey of residents accessing debt advice and the quantitative impact analysis of resident accounts.

4.1. Telephone survey findings

To help gauge the experiences and thoughts of residents about the debt advice services they received and their perceptions of any resulting social or financial benefits, qualitative research in the form of a telephone survey was conducted.

The survey was undertaken with residents of four of the participating social landlords, which have already established direct referral arrangements with a particular specialist debt advice service or in-house services. These were AmicusHorizon, Circle, the Hyde Group, and Wandle.

Summary of findings

- **Resident satisfaction levels are extremely high**, with 51% rating the debt advice service received as 'very good' and a further 28% as 'good'.
- **Debt advice had a positive effect on rent arrears levels in the vast majority of cases**, with 71% claiming rent arrears had reduced following debt advice and 36% of these saying the levels are 'a lot less' with 62% stating the fall could be attributed to the advice received.
- **Huge potential cost savings to the landlord were observed** by helping residents avoid being evicted (in 48% of cases), avoid facing court proceedings (in 47% of cases) and reducing future arrears costs through residents prioritising rent payments (71% of cases).
- **Nearly two-thirds of residents believe they would have benefited more from earlier access** to debt advice.

- ***It appears that tenants take up of debt referrals occurs extremely late in the arrears process***, when significant rent arrears have built up and residents face serious arrears action – with just over half (56%) facing court action and a third (36%) facing eviction.
- ***The vast majority of social housing residents do not believe that accessing debt advice via their landlord presents a problem***, with only 22% expressing some concern.
- ***Ninety-seven per cent of residents surveyed thought their financial problems were resolved or stayed the same*** following the support they had received.
- ***Rent arrears are often the ‘tip of the iceberg’*** and are an indication of a resident’s wider financial problems. Three-quarters of residents had other debt worries at the time they were referred and over one-third had multiple debts with at least another four creditors.
- ***A range of other important beneficial outcomes for individuals were highlighted***, including helping them reduce their overall debts (65%), stopping stressful credit contact (52%) and preventing utilities from being disconnected (31%).
- ***Sixty-six per cent of social housing residents felt more in control of their money*** following debt advice and 68% claimed it made them feel more knowledgeable about their money matters.

HOW RESIDENTS HEARD ABOUT THE MONEY/DEBT ADVICE SERVICE THEY RECEIVED

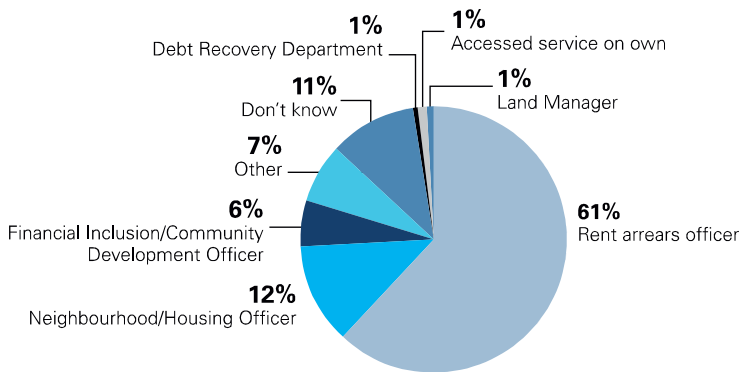
Who recommended the debt advice?

Unsurprisingly, the vast majority of those accessing debt services came directly via their respective landlord, with 92% of residents being directly recommended by a staff member. The primary source of referrals was from rent arrears staff (61%). This is followed by recommendations from neighbourhood management/housing staff (12%) and then financial inclusion/community development staff (6%). There was a substantial minority (11%) who could not remember which staff had suggested the debt advice.

“I think all social housing tenants should be advised.”

Circle resident

Chart 1 – Who recommended the debt advice?



Situation at the time of debt advice referral

From Chart 2, over 90% of those accessing the debt advice service are shown to have had some level of rent arrears at the time of referral, which is unsurprising given that it is a key indicator and trigger for support to be made available. Furthermore, the number of residents facing serious arrears action at the point of referral appears high, with just over half (56%) facing court action and a third (36%) facing eviction.

This appears to indicate that many debt referrals are taking place late in the arrears process, when significant arrears have already built up and many of the problems have become worse.

Chart 2 – Situation at the time of debt advice referral

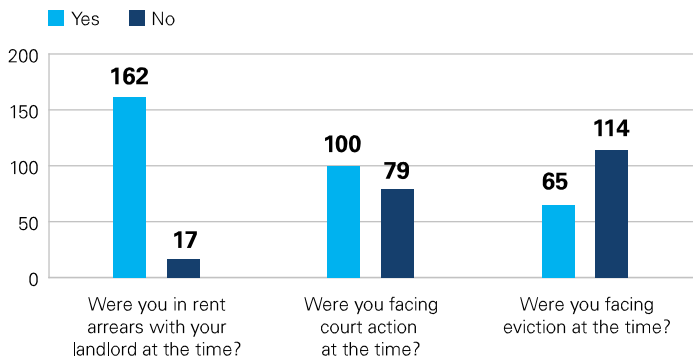
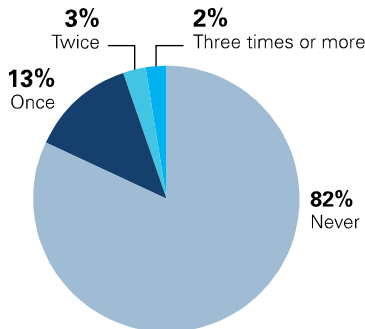


Chart 3 – Number of times residents previously accessed any debt advice



Nearly one-fifth of clients claimed that they accessed some form of additional debt advice in the previous five years, with 13% having accessed support once previously, 3% twice and 2% on three occasions or more.

ABOUT THE DEBT ADVICE SERVICE THAT RESIDENTS RECEIVED VIA THEIR LANDLORD

Types of support provided by debt advice service

Those accessing the debt advice were asked what support they had received. Almost three quarters undertook some form of income and expenditure assessment – a level that seems low as this is an integral part of any debt advice assessment. A similar number were given an action plan to help reduce or manage their various debts, including making arrangements with their landlord for arrears repayment schedules. It seems that a large proportion of residents were given more generalist support that simply provided them with the information to tackle the debt problem

“I am just glad that they were willing to listen and not be too heavy handed.”

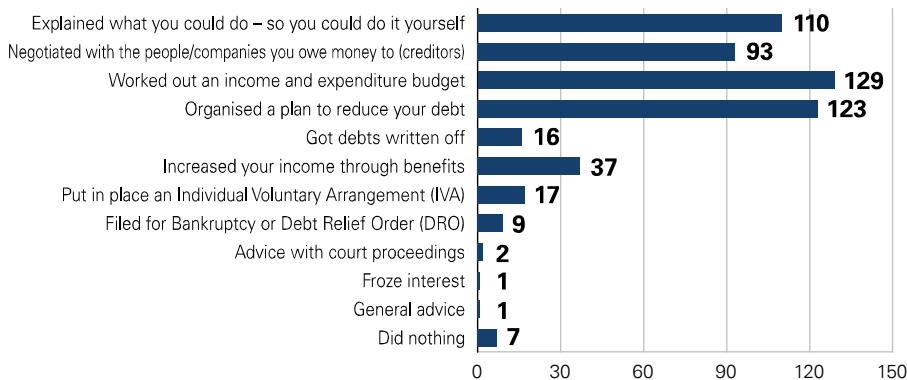
AmicusHorizon resident

“So useful. We wouldn't have got through without the advice we were given.”

Hyde Group residents

themselves (61%), which was higher among the people who did not receive face-to-face advice. Case work, where the debt advisor negotiated with creditors, was provided in just over half the cases.

Chart 4 – Service provided by debt advisor to resolve money worries



Comprehensive outcomes were more limited, with income maximisation of welfare benefits achieved in 20% of resident cases; bankruptcy, Debt Relief Orders (DROs) and Individual Voluntary Arrangements (IVAs) being put in place for 15% of clients; and debts being written-off in 9% of cases.

“I was pretty depressed and stressed and this help was very good at that time.”

Circle resident

Despite 100 residents facing the prospect of court action and 65 people facing eviction, only two clients stated that they were given legal advice with their court proceedings. This lack of advice support may result from the fact that negotiating payment agreements with their landlord often negates the ongoing court and eviction actions but could also

highlight that the support is provided exclusively for money problems and clients need to obtain housing advice elsewhere. This could be due to the fact that advisers may not be qualified to provide legal advice or that they face a conflict of interest when providing legal advice to clients.

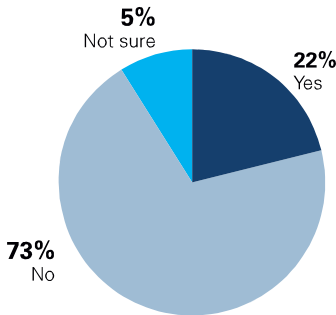
The issue of receiving advice via your landlord

Many social housing providers are unsure if residents respond well to them offering support with their debt, especially as in the majority of cases, as seen with the high level of clients with rent arrears, they are one of the resident’s key creditors and are often taking legal action against them.

The telephone survey highlighted that only 22% of clients saw that this was a problem, which is a surprisingly low number given the potential conflicts involved and the often strained landlord-resident relationship. Of course, the

level of concern will be influenced by their positive or negative experience and ultimately the outcome of any agreement reached. In addition, those residents who decide not to take up the support offered by their landlord may have greater objections and therefore concern levels maybe higher among those choosing not to accept the referral (i.e. it acts as a barrier to some seeking help via their landlord with their debts).

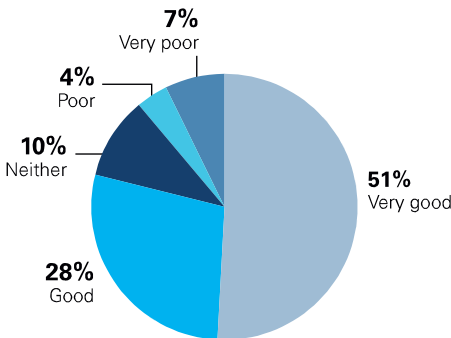
Chart 5 – Was the fact that the debt advice was suggested by the landlord a concern?



Satisfaction with the debt advice

Chart 6 shows that the vast majority of residents who accessed the debt advice service had a positive experience, with 51% rating it as ‘very good’ and a further 28% as ‘good’. These satisfaction levels are extremely encouraging given the nature of the problem.

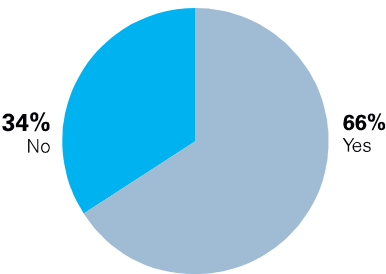
Chart 6 – Overall rating of the debt advice service received



Multiple debt problems

Charts 7 and 8 demonstrate that rent arrears can be a hugely important indicator of a resident’s wider financial problems. Three-quarters of residents had other debt worries at the time they were referred for advice. This indicates that rent arrears can be the ‘tip of the iceberg’ and that the majority of residents have multiple and often complex debts that need tackling holistically. It is clear that concentrating exclusively on rent arrears and their collection does not address the resident’s complete scenario and will, therefore, not always prevent the continuation of the rent arrears cycle.

Chart 7 – Apart from rent arrears, did residents have other debts worries at the time?

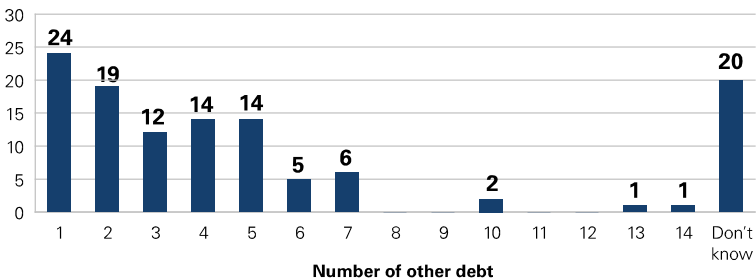


Of the 118 respondents who stated they had other debts:

- Fifty-five people (47%) had between one and three,
- Thirty-three people (28%) had between four and six,
- Six people (5%) had between seven and nine, and
- Four people had 10 or more other debts.

Worryingly 20 people still could not recall the exact number of debts that they had, despite recently accessing debt advice.

Chart 8 – How many other debts did residents have?

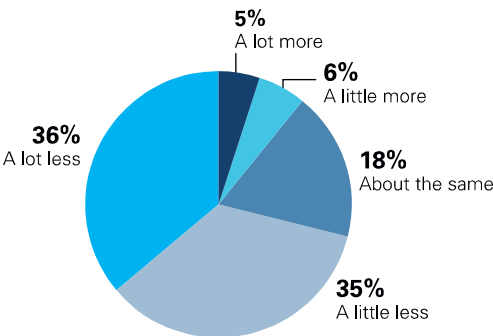


THE IMPACT OF THE DEBT ADVICE SERVICES RECEIVED

An essential consideration for social landlords when deciding whether to invest resources in direct debt advice for residents in rent arrears is whether it will, ultimately, reduce the levels of rent arrears and therefore provide a financial benefit to the organisation.

As identified in Chart 9, the telephone survey indicates that in 71% of cases, residents' rent arrears had reduced following debt advice, with 36% of these saying the levels are 'a lot less'. In only 11% of cases had the situation deteriorated and rent arrears continued to grow.

Chart 9 – For those residents with rent arrears, has the amount of money owed in rent arrears changed since you first received this advice?



But was this resulting drop in rent arrears caused by the resident accessing debt advice or simply due to other circumstances? In an attempt to answer this, residents were asked if they felt that the debt advice had helped them with a number of key financial issues.

Chart 10 shows the results and demonstrates that 100 (56%) respondents claimed that the debt advice resulted in the reduction of their arrears. When we account for the 17 people who were not in rent arrears when referred, the survey indicates that 62% of residents with rent arrears see a resulting reduction in their arrears when accessing the support offered by their landlord.

"It's been very useful to me. I wish I got it a bit earlier but it helped me to resolve a lot of situations I got myself into."

Circle resident

***"I think it was good.
It helped me to
pay and make
arrangements to pay
monthly instalments."***

AmicusHorizon resident

***"If they could get
involved earlier
that'd be good."***

Hyde Group resident

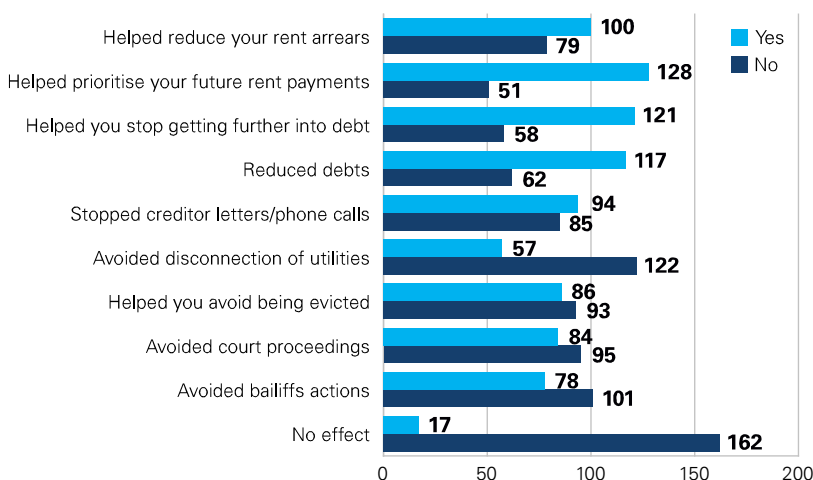
An equally important outcome is that 71% of respondents believe the advice they received helped them prioritise their future rent payments, 67% felt it stopped them getting further into debt and 65% thought it actually helped them reduce their debts.

Reducing landlord costs associated with the various arrears interventions is also extremely important. The survey reveals that the provision of debt advice helped 86 (48%) avoid being evicted and 84 (47%) from facing court proceedings, representing huge potential cost savings to the associations.

There is also a social benefit to the individuals, such as stopping stressful credit contact (52%) and preventing utilities from being disconnected (31%).

Overall the positive impact resulting from the debt advice appears to be significant, with less than 10% saying the service had no effect at all.

Chart 10 – How did debt advice help you tackle their financial issues?



Do residents feel more confident about their finances following debt advice?

The results show that residents claim to feel more financially capable following their referral to a debt advice service, with 66% claiming it had made them feel more in control of their money (see Chart 11) and 68% claiming they felt more knowledgeable about money matters (see Chart 12).

“I think it was very helpful because I am more in control now, especially in regards to my finances.”

AmicusHorizon resident

“It helped me look at my financial input and outputs, so yes, it was useful.”

Hyde Group resident

Chart 11 – Compared to before the advice, are you more in control of your finances?

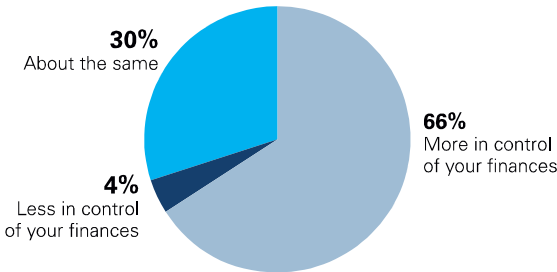
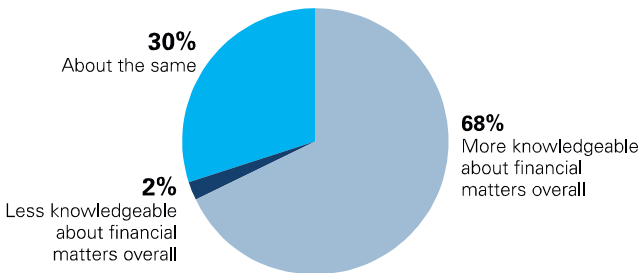


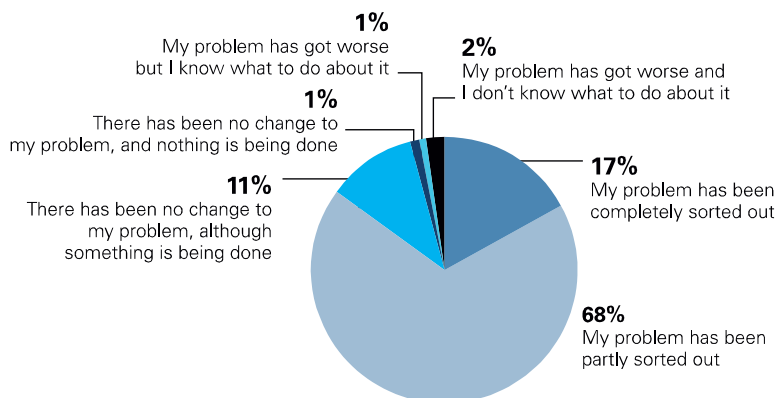
Chart 12 – Compared to before the advice, are residents more knowledgeable about financial matters?



Has the debt advice resolved residents' debt problems?

Looking at Chart 13, following the debt advice 17% of those responding thought that their overall debt problems had been completely solved and 68% partially solved. Only 3% of people thought their problem was worse following the support.

Chart 13 – How would residents describe their debt problem since receiving the support?



Do residents access debt advice at the right time?

One argument is that residents access debt advice far too late in the process and that it would have greater impact if it was offered, and taken up, by residents much sooner. Commonly, debt advice is only provided at the later stages of the arrears process, often when court proceedings have been instigated already. If residents could be encouraged to take up support for their money worries before this escalation point (say at the six week arrears point) it could both benefit the resident and save significant resources for the landlord.

This is highlighted by the thoughts of residents, with 60% of respondents saying that they would have benefited more from earlier access. Of course, it is easy for residents to say this in hindsight but it is difficult to know whether they would have taken up the service if it was offered earlier.

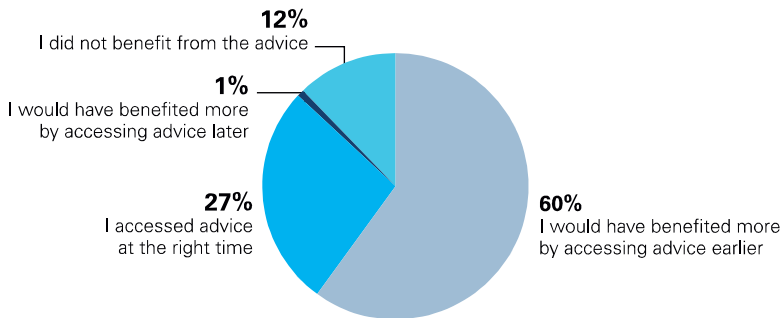
"It [the service] should continue and I would recommend it to anyone."

Hyde Group resident

"I just found it took a whole weight off my shoulders and I'd definitely advise it to someone else."

Wandle resident

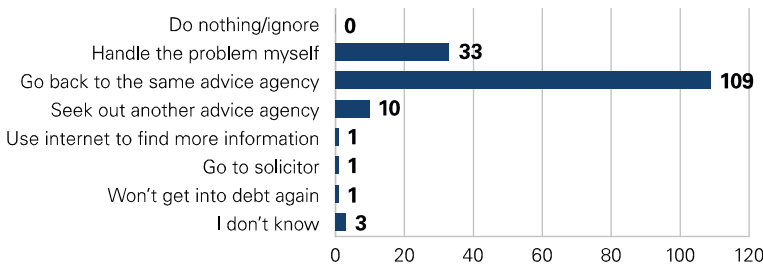
Chart 14 – Timing of accessing of the debt advice



Changes to future behaviour

Encouragingly, when asked what they would do if they have a financial problem in the future, no respondent indicated that they would ignore the problem, with the majority saying they would use an advice agency again. Sixty-nine per cent said they would go back to the same agency, while 6% would seek out a different organisation and 22% would handle the problem themselves.

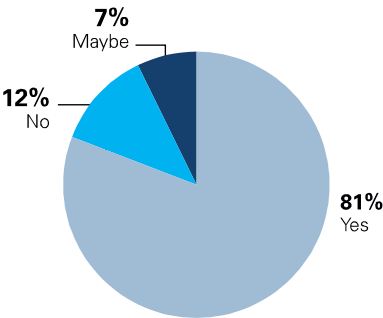
Chart 15 – What would residents do if they had future debt problems?



Would residents recommend the debt advice service?

The survey gave a strong indication that the majority of residents had had a positive experience, with 81% stating they would recommend the service to someone else and only 12% saying they definitely would not.

Chart 16 – Would residents recommend the service they received to someone else?



Before finishing the survey, all residents were asked if they would like to comment on the extent to which they found the service useful. A selection of quotations have been used throughout the report.

“It would have been better if I had known about the advice service earlier, so that the bills didn't start piling up.”

AmicusHorizon resident

“I think the service should be a more positive, pre-emptory measure, rather than reactionary.”

Wandle resident

4.2. Quantitative findings on the impact of debt advice

To undertake the quantitative evaluation, a random sample of rent arrears and arrears interventions data was collected from three identified social landlords who provide different debt advice support to their residents. This data related to residents who had and had not received advice, thus allowing us to compare the effectiveness of debt advice interventions.

Summary of findings:

- ***The findings indicate that providing direct access to specialist debt advice support delivers significant net financial gains for social landlords***, not just in terms of arrears reductions but also from the cost savings associated with chasing residents' debts.
- ***Overall, the impact of offering debt advice saw a total gross benefit of just under £500 per resident before debt advice costs***. Given that the average control group arrears level over the period was around £1,100 ***this represents a gross 'return' of 45%***.
- ***Our analysis suggests that debt advice delivered a net benefit of £239 per head***, when the estimated average cost of providing debt advice is taken into account. This equates to 22% of the average control group arrears. ***So, for every £100 invested in debt advice, social landlords would achieve a gain of £122 in the form of improved arrears and reduced costs***.
- Those residents that received debt advice saw average arrears reductions of 26% more than the average arrears for those who received no support (as seen among both the internal and external control groups). The average level of arrears among those residents who received some form of debt advice fell by 37% over the 12 months following referral, compared to a reduction of just 6% for the internal control group average, while the level of arrears in the external control group (offered no formal support with debts) actually rose by 14%.

- ***An average arrears reduction of £360 would have been realised had residents not receiving support actually accessed specialist debt advice.*** The average level of arrears would now have been around £1,040 rather than the actual current level of just over £1,400.
- ***In addition to the uplift in the recovery of arrears, the average cost saving associated with the arrears actions among residents accessing debt advice was £139*** compared to the control average.
- ***If the success of advice interventions was repeated across all large housing associations, this would deliver a net gain of £49 million for the social housing sector.***
- ***Based on the analysis contained in this report, we would conclude that a reduction in debt advice investment would be a false economy for social landlords*** and tangible financial benefits can be realised by increasing spending on debt advice.
- ***Each model of delivering debt advice was shown to deliver significant financial benefits*** in terms of reducing arrears and other unit costs associated with chasing arrears.
- ***Outsourced Face-to-Face (FTF) advice delivered the best overall financial benefit to the social housing providers, followed by in-house FTF advice***, with telephone debt advice the least effective during the study.

EVALUATING THE IMPACT OF DEBT ADVICE ON ARREARS LEVELS

Firstly, we evaluated the impact of debt advice interventions on rent arrears levels. Each of the four social landlords utilises a different model of debt advice service – in house face-to-face provision, outsourced telephone advice or outsourced face-to-face support (as well as not providing direct debt advice). This allows us to compare the performance of different types of direct debt advice provision.

Moreover, we also used internal and external control groups to allow us to judge with greater confidence whether any impact with regard to arrears was due to the effectiveness of the specific interventions or a result of external factors. It is possible that any improvement seen in the levels

of arrears is attributable to external factors unconnected to the debt advice intervention.

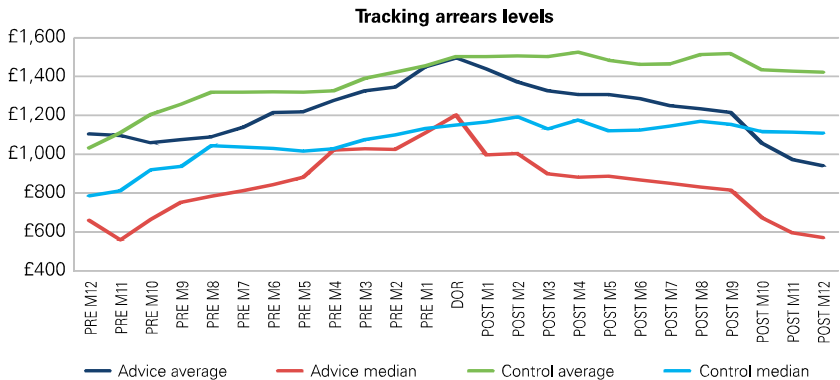
We analysed arrears data over the 12 months in the run-up to the date-of-referral (DOR) and the 12 months post DOR (where this data was available). For our control groups, we analysed the 12 months before and after 30 September 2010 (again, where this data was available). Although we were primarily interested in the performance of arrears since the point at which the intervention was made, analysing data pre-DOR provides another control against which to compare performance. We can judge from the trends in arrears pre-DOR whether the performance post-DOR was a result of improvements already in motion or could be attributed to the specific debt advice service.

For the most part, averages are used in the analysis presented in this section. However, an 'average' may be sometimes distorted by large data 'outliers'. So, as a further control, we have also analysed the trends in median levels of arrears. If the trends or changes in the average and median levels of arrears follow a similar pattern this provides a degree of confidence that trends identified in average arrears levels (either up or down) are genuine and not distorted by large outlier data.

Chart 17 below, shows the trends in the level of arrears for the combined debt intervention groups (i.e. those receiving debt advice services across all three providers) and the combined control groups (i.e. those not receiving any formal debt advice services but still having at least six weeks of arrears). The chart includes information on both the average level of arrears and median level of arrears.

The chart shows clearly that (whether averages or medians are compared) the level of arrears of the combined debt intervention groups significantly improved both in absolute terms and in relative terms compared with that of those who did not benefit from debt advice.

Chart 17 – Trends in arrears pre- and post-interventions



The average level of arrears in the combined debt intervention group stood at around £1,110 12 months before the debt advice was received, rising to a peak of around £1,500 at the point of DOR. This falls to around £950 over the following 12 months after the DOR, representing a reduction of approximately £550.

Whereas the average level of arrears for the combined control groups stood at £1,020 at the start of the period and over the following 24 months rose to just over £1,400 (peaking at around £1,500).

As is evident from Chart 17, in the run-up to the point at which debt interventions were delivered, arrears in the combined intervention group had been rising faster than in those who did not receive advice. The effect of the debt advice has been to sharply change the trend in arrears of the combined debt intervention group. In contrast, the trend in arrears of the group who did not receive advice continued to rise steadily throughout the period.

The performance of the different groups is further analysed in Table 2 over four separate periods:

- from point of debt advice being received at the DOR to 10 months later (POST 10),
- DOR to 12 months later (POST 12),
- one month pre-intervention (PRE 1) to POST 10, and
- PRE 1 to POST 12.

Please note that we have included the PRE 1 to POST 10 and PRE 1 to POST 12 periods to deal with the issue that some of the month 11 and month 12 data for the control groups was not available. To account for this, we have compared the POST 10 month performance period and estimated the levels of arrears for both month 11 and month 12 month by analysing the trend over the previous 10 months.

The analysis shows that the average level of arrears of the debt intervention group fell by 29% and 37% over the DOR to POST 10 and DOR to POST 12 periods. This compares to 5% and 6% for the internal control group average, respectively.

The median level of arrears of the debt intervention group fell by 44% and 52% over the respective periods, compared to 3% and 4% for the internal control group. It is interesting to note that the levels of arrears in the external control group actually rose by 12% and 14% over the same periods.

Table 2 – Change in arrears levels over selected periods

	DOR to POST 10	DOR to POST 12	PRE 1 to POST 10	PRE 1 to POST 12
Debt intervention group (average)	-29%	-37%	-27%	-35%
Internal control group (average)	-5%	-6%	-2%	-2%
Added value of advice (average)	-25%	-31%	-26%	-30%
Debt intervention group (median)	-44%	-52%	-39%	-49%
Internal control group (median)	-3%	-4%	-2%	-2%
Added value of advice (median)	-42%	-48%	-38%	-44%
External control group	12%	14%	16%	19%

Chart 18 – Trends in arrears pre and post intervention

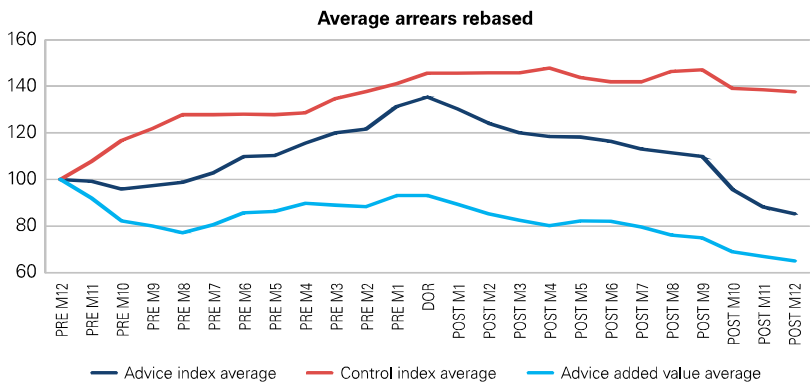
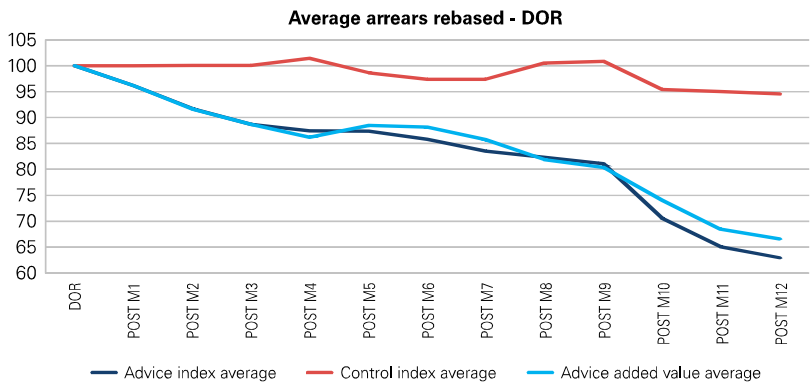


Chart 18 shows the performance of the debt intervention group and internal control group re-based at 100. This allowed us to create a performance 'index' highlighting the trends much more clearly.

The 'added value' figure in the table above represents the improvement delivered by the debt advice over and above any 'natural' improvements in arrears levels. For example, we see that the average arrears in the debt intervention group fell by 26% more than the control average.

The 'cumulative' added value can be seen more clearly in Chart 19, in which the performance data is re-based to the DOR. The green line shows the added value provided by the interventions post date of referral.

Chart 19 – Average arrears post intervention



QUANTIFYING THE IMPACT ON RENT ARREARS

There is no guarantee, of course, that the 'out-performance' of debt advice interventions would be repeated in the future. However, based on historic performance, we estimate that the average level of arrears in the internal control group would now be around £1,040 rather than the actual current level of just over £1,400 if residents had benefited to the same degree as those who received debt advice. This would represent an average reduction of £360.

So, we can say that based on this analysis, debt advice interventions would have delivered a reduction in arrears of £360 per resident. This would be a significant improvement in arrears at the level of the individual resident. But, if replicated across the sector, it would represent a major reduction in arrears.

EVALUATING THE IMPACT OF DEBT ADVICE ON ARREARS ACTIONS

The second part of our analysis is focused on evaluating the impact of debt advice on the arrears actions and their estimated costs. This tests whether debt advice provided additional benefits in terms of other cost reductions.

To do this, we collected detailed data on every single arrears intervention undertaken with every sampled resident. This ranged from basic actions such as general comments, sending out letters, telephone conversations and the monitoring of accounts, right through to higher level interventions such as a notice of seeking possession (NOSP), court actions and evictions. We analysed how many of these actions were undertaken by each housing association for the sample of residents, both before and after the DOR.

From our modelling of the unit costs for delivering each arrears intervention, we were able to quantify the total cost of chasing arrears for each social landlord.

The model can be found at www.housing.org.uk/debtadvice enabling individual social landlords to calculate their own specific unit costs for each arrears management action.

The impact of providing direct debt advice upon arrears action costs is shown in the table below (Table 3).

Table 3 – Summary of impact on arrears action costs

	Total PRE Costs	TOTAL POST Costs	Difference POST-PRE
Average arrears action unit cost for debt intervention group	£719	£650	-£69
Average arrears action unit cost for control group (not accessing debt advice)	£621	£789	£169
Difference between debt and control costs	£99	-£139	-£238

Quantifying the impact on associated arrears intervention costs

The results in Table 3 show that the average cost associated with arrears interventions fell by £69 to £650 following the receipt of debt advice. Among those residents in the control groups (who did not receive advice) unit costs rose by £169 over the same period.

The average unit costs for the sample who did not receive advice were actually £99 higher than for the control sample. However, the picture is very different post-DOR. The result is that post-DOR, the average advice unit cost was £139 lower than the control average.

ESTIMATING THE OVERALL IMPACT OF PROVIDING DEBT ADVICE

Gross benefit of providing debt advice

If we take the two cost savings together – the reduction in arrears of £360 and the relative savings of associated arrears costs of £139 – providing debt advice delivers a total gross benefit to the social landlords of just under £500 for each resident.

Given that the average control group arrears level over the period was around £1,100, this represents a gross ‘return’ of 45%.

Cost of debt advice

Of course, it is important to consider that debt advice interventions also cost money to provide. So any additional benefits in the form of reduced arrears and associated savings from arrears actions must take into consideration the cost of providing advice.

As we point out in the interim report, the available data suggests that the sector as a whole spent a total of £1.3 million on specialist money and debt advice services. This represented just 3% of the total spent on financial inclusion activities. Some 57,000 people benefited from these services. This implies an average cost of just £23 per head. However, this includes those benefiting from indirect signposting and therefore is obviously not the true cost for providing the type of direct specialist debt advice we are assessing in this report.

It has not been possible to obtain accurate data on the cost of providing debt advice across the entire sector. However, we have been able to estimate the average cost of providing advice for the three social landlords delivering direct debt advice within this study.

The latest data we have suggests that the average cost per debt referral ranges from £125 to £469. Adjusting for the total amount spent on specialist debt provision, we estimate that the weighted average cost per debt referral is £260. This is the figure we have used to compare the overall cost or benefit of providing debt advice.

Net benefit of providing debt advice

Taking into account the estimated costs and benefits, our analysis suggests that debt advice delivered a net benefit of £239 per head on average, as measured by the reduction in arrears and costs minus the cost of providing advice (i.e. £360 + £139 - £260).

This equates to 22% of the average control group arrears. So for every £100 invested in debt advice, social landlords would achieve a gain of £122 in the form of improved arrears and reduced costs.

ESTIMATING WIDER BENEFITS FOR PARTICIPATING SOCIAL LANDLORDS

This net return figure allows us to estimate the overall net benefit that social landlords could achieve by providing debt advice on a larger scale.

The cost of providing debt advice is, primarily, a fixed cost. That is, the cost of debt advice delivery to a resident with £500 arrears will be similar to providing advice to a resident with £2,000 arrears. As we see from the table and charts above, the reduction in the level of arrears in the combined debt intervention group was over 30% more than the combined control group. Once the other cost savings were included, the gross benefit amounted to 45%. A saving of 45% on £500 arrears would be equal to £225. If the advice provided cost £260 on average, this would represent a net loss of £35 on all arrears of £500.

Of course, this depends on the cost of the advice provided. If debt advice is provided at the lower end of the cost range (£125), then this would be cost-effective even at lower arrears levels. However, for the purposes of this report, we are assuming the average cost of providing advice is £260 per case. This then allows us to establish the 'break-even' arrears point, above which providing advice would deliver a net financial benefit for social landlords. We estimate this to be around £600.

Social landlords may still want to provide debt advice at lower arrears levels for other non-economic reasons (i.e. where a resident is not behind with their rent but has other multiple debts that are causing distress).

However, for the purposes of this analysis, we have assumed that social landlords target residents with arrears higher than the £600 break-even point.

The latest available data (included in the interim report) estimates that the original seven participating social landlords had total arrears equal to approximately £23 million with an average level of arrears at £455. We estimate that approximately 63% of the total arrears of the participating social landlords can be accounted for by arrears valued at more than £600. In monetary terms, this equates to £14.6 million of the total £23 million. If the average impact of the debt advice intervention was replicated on this scale, the 22% net return calculated above means that providing debt advice to

residents with arrears worth £600 or more would provide a net benefit of £3.2 million (after the costs of providing advice are deducted).

It is important to note that this net gain relates to the benefits from the reduction in arrears and other cost savings. We have not been able to take into account the additional gain that might accrue from early interventions that might prevent the accumulation of arrears deteriorating to the point of eviction. Social housing providers treat eviction as a last resort and only apply this process for very persistent arrears and where proactive intervention methods have not succeeded. Our research estimates that preventing an eviction would save a social landlord between £3,099 and £8,287. If the participating social landlords in 2009/10 had reduced evictions by 10% a further saving of £200,000 could have been realised.

ESTIMATING THE WIDER IMPACT FOR THE SOCIAL HOUSING SECTOR

We can use the same methodology to estimate the net return to the wider housing association sector. However, we must emphasise that there are a number of caveats to these estimates. The key inputs we are using (average levels of arrears, average net savings etc) relate to the specific participating social landlords and, therefore, it cannot be guaranteed that these assumptions would hold for the rest of the sector.

Notwithstanding these limitations, we are confident that this approach would provide a good indication of the wider benefits that could be delivered if these successful approaches to debt advice were applied across the sector.

According to the Tenant Services Authority, the total net rental income in the sector amounted to some £9.9 billion in 2010, with the level of arrears equal to 4.4% of the collectable rent or 3.4% if housing benefit related arrears are deducted.⁴¹ We estimate, therefore, that the value of arrears is equal to around £350 million.

Using the same assumptions as above (a break-even point of £600, average arrears of £1,600 above this point and a net return of 22%), debt advice would deliver a net gain of £49 million to the social landlord sector as a whole.

⁴¹ Tenant Services Authority (2011) – *2010 Global Accounts of Housing Providers: Landlords' Financial Health*.

Furthermore, social landlords used eviction as a last resort in rent arrears cases 7,188 times in 2010/11.⁴² It should be noted that national eviction data is only available for large registered providers with stock over 1,000. Therefore, evictions are likely to be significantly higher when smaller housing associations and other social landlords are included. Reducing the number of evictions by 10% nationally would save a further £4.1 million across the sector.

Wider social implications

Moreover, it is important to recognise that over-indebtedness and financial stress come at a wider cost to society. There is a strong association between over-indebtedness and mental health and well-being. For example, recent research found that people with problem debt (including arrears with payments) also exhibit much worse psychological health, by either subjective or objective measures.⁴³ It is important to note that the causality between problem debt and psychological health may be two-way; that is, being in debt may cause psychological health problems and having psychological health problems may increase the risk of over-indebtedness. Nevertheless, it is accepted that over-indebtedness contributes to psychological health problems. This obviously comes at a severe cost to the individual in terms of financial as well as physical and psychological well-being. It also comes at a wider cost to society in terms of healthcare costs.

Employing the most effective debt advice interventions to support residents in arrears and preventing evictions would not only benefit the individual but provide additional savings for society in the form of reduced health and social care costs. Unfortunately, we have not been able to identify a meaningful benchmark which would allow us to estimate the additional health related costs associated with arrears and evictions.

Despite this limitation, overall we conclude that effective debt advice interventions provide significant net gains for social landlords and not just in terms of arrears reductions. Based on the analysis contained in this report, we conclude that a reduction in investment in debt advice would be a false economy for social landlords.

⁴² Tenant Services Authority (2010) – *Statistical Release – Regulatory & Statistical Return*.

⁴³ Gathergood, J. (2011) – *Debt and Depression: Evidence on Casual Links and Social Stigma Effects*, Working Paper 11/10, Centre for Finance and Credit Markets.

EVALUATING THE IMPACT OF SPECIFIC TYPES OF DEBT ADVICE INTERVENTIONS

In this section, we compare the performance of the different types of debt advice interventions to see what conclusions can be drawn about the effectiveness of each in helping residents manage arrears.

To evaluate the effectiveness of the different debt advice interventions, we again compared the performance against the internal control group (that is, residents from the same landlord who did not get debt advice) and the external control group (residents from a social landlord which did not offer direct specialist debt advice).

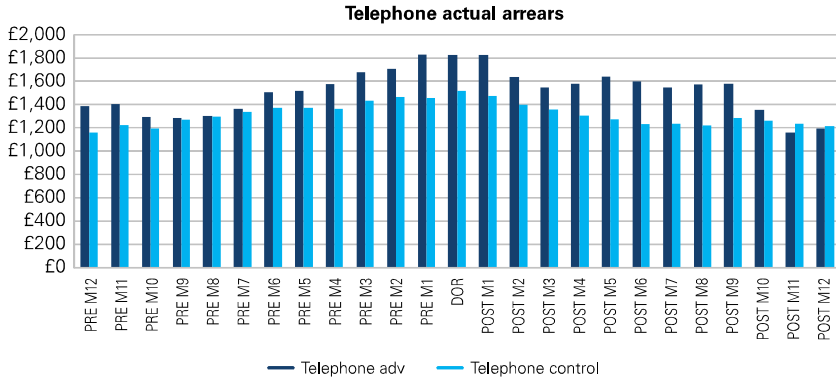
As with the previous analysis at the aggregate level, we have analysed the impact of debt advice on both arrears levels and the associated arrears intervention costs.

Outsourced telephone advice

As Chart 20 shows, the average level of arrears for the telephone advice group rose from just under £1,400 at the start of the measurement period to just over £1,800 at the DOR – an increase of 32%. The arrears of the control group rose from £1,180 to around £1,500 at the point of DOR – an increase of 31% over the same period.

Following receipt of telephone advice, the average level of arrears fell over the following 12 month period to £1,200 – a fall of 34%. In comparison, the control group arrears also fell but by a lower 20%.

Chart 20 – Pattern of rent arrears for outsourced telephone advice



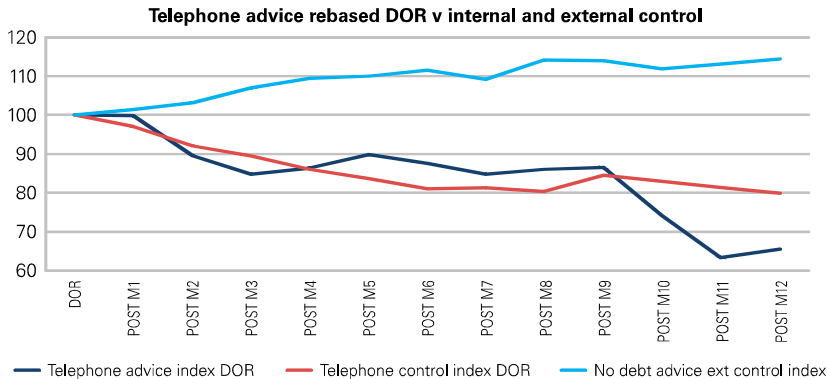
The average arrears of the telephone advice intervention group fell by 14% more than the control group – this represents the added value provided by this debt advice intervention.

Table 4 – Performance of outsourced telephone advice

	Telephone average	Telephone control	Added value
PRE 12 – DOR	32%	31%	–
DOR – POST 10	-26%	-17%	-9%
DOR – POST 12	-34%	-20%	-14%
PRE 12 – PRE 1	32%	26%	–
PRE 1 – POST 10	-26%	-13%	-13%
PRE 1 – POST 12	-35%	-17%	-18%

Chart 21 shows the relative performance of the telephone advice intervention group, the internal control group and external control group following the DOR.

Chart 21 – Outsourced telephone advice against internal and external control following DOR



Quantifying the impact on rent arrears

The average level of arrears for those receiving the telephone advice fell by more than both the internal and external control groups. Indeed, the arrears in the external group actually rose by 14% over the period. The combined internal and external control group arrears fell by 3% over the period, which means that debt advice arrears fell by 31% more than the combined control group (-34% compared to -3%).

Overall impact of outsourced telephone debt advice

Finally, we analysed the total impact of the telephone advice intervention by factoring in any cost implications for the arrears interventions as well as the cost of providing the advice. As Table 5 shows, the average level of arrears in the telephone advice intervention group fell by nearly £630 per head from DOR to the end of the period, together with the cost of implementing arrears actions for each resident falling by £58. However, debt advice also costs money to deliver which must be deducted from the benefits achieved. We estimate that, after deducting the cost of advice, telephone advice provided a benefit of £562 per head in the form of reduced arrears and reduced arrears action unit costs.

Table 5 – Comparison of total costs for outsourced telephone debt advice

	DOR	Post DOR	Change £	Change %
Telephone advice group:				
Average arrear levels	£1,826	£1,197	-£629	-34%
Cost of telephone advice intervention		£125	£125	
Arrears intervention unit costs	£436	£378	-£58	-13%
Total change			-£562	
Control group:				
Average arrear levels	£1,519	£1,214	-£305	-20%
Arrears intervention unit costs	£837	£731	-£106	-13%
Total change			-£411	
Total savings: telephone advice group against control group			-£151	

By comparison, the control group saw a reduction in arrears over the period of £305 per head, a much smaller reduction compared to the telephone advice group. However, unit costs for the control group fell by £106 – a greater reduction than the debt advice group. This gives a total reduction of £411 for the control group.

Overall, the outsourced telephone debt advice group saw a benefit of £151 per head compared to the control group.

Outsourced face-to-face (ftf) debt advice

Next we looked at the performance of the housing association offering its residents direct access to FTF advice via a third party. As Chart 22 shows, the average level of rent arrears in the FTF debt advice group rose from around £860 to nearly £1,200 at the point they received support – an increase of 36%. The control group arrears increased from nearly £1,500 to just under £1,800 – an increase of 19% over the same period.

Following receipt of the debt advice intervention, the average level of arrears fell to £800 per resident – a reduction of 32% from the DOR. Yet, the average level of arrears for each resident in the control group actually increased by 5% over the same period.

Chart 22 – Patterns of rent arrears for outsourced FTF debt advice

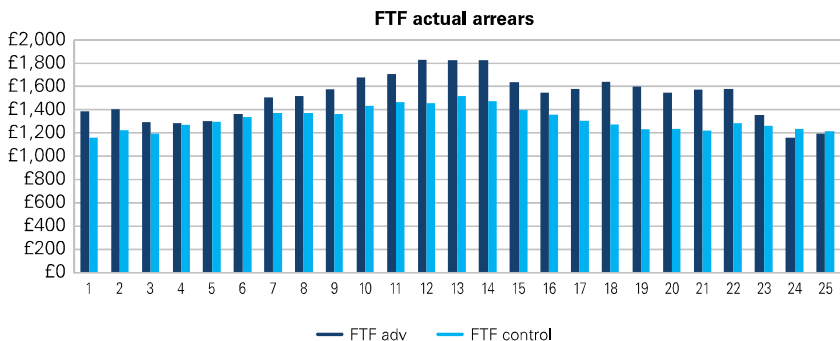


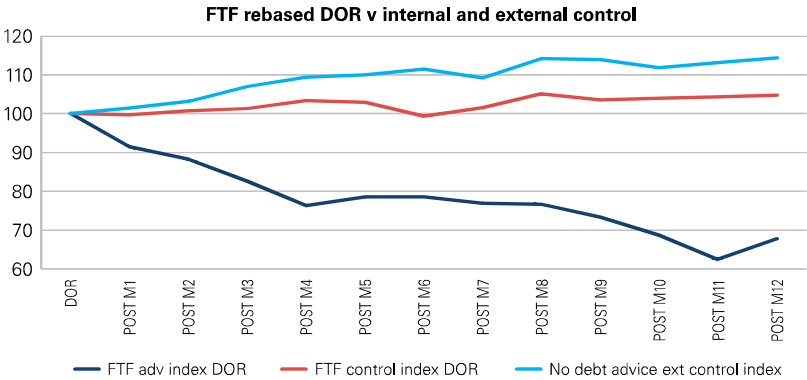
Table 6 – Performance of outsourced FTF debt advice

	FTF average	FTF control	Added value
PRE 12 – DOR	36%	19%	–
DOR – POST 10	-31%	4%	-35%
DOR – POST 12	-32%	5%	-37%
PRE 12 – PRE 1	28%	18%	–
PRE 1 – POST 10	-27%	4%	-31%
PRE 1 – POST 12	-28%	5%	-33%

So, adjusted for the control group performance, the level of rent arrears in the outsourced FTF advice group improved by 37% over the following 12 months.

Chart 23 outlines the relative performance of the advice group, the internal control group and the external control group since the DOR.

Chart 23 – Outsourced FTF debt advice against internal and external control following DOR



Quantifying the impact on rent arrears

The average level of arrears in the FTF advice group fell by more than both the internal and external control groups.

The combined internal and external control group arrears actually increased by 9% over the period, which means that FTF debt advice arrears improved by 41% more than than the combined control group (a fall of -32% compared to a rise of 9%).

Overall impact of outsourced telephone advice

As Table 7 shows, the average level of arrears in the advice group fell by £382 per head from DOR to the end of the analysis period. Other costs associated with arrears actions per resident fell significantly by £417 – a decrease of 56% compared to the pre-DOR period.

Table 7 – Comparison of total costs for outsourced FTF debt advice

	DOR	Post DOR	Change £	Change %
FTF advice group:				
Average arrear levels	£1,184	£802	-£382	-32%
Cost of FTF debt advice intervention		£469	£469	
Arrears intervention unit costs	£749	£332	-£417	-56%
Total change			-£330	
Control group:				
Average arrear levels	£1,780	£1,865	£85	5%
Arrears intervention unit costs	£540	£1,024	£484	90%
Total change			£569	
Total savings: FTF advice group against control group			-£899	

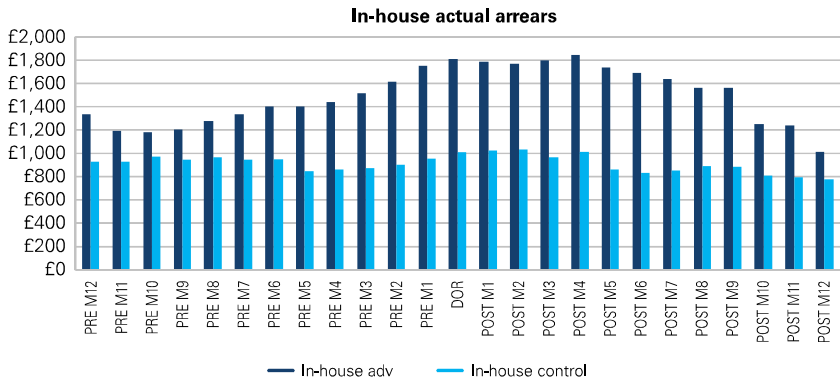
Taking into consideration the cost of providing the outsourced FTF debt advice service, we estimate that the provision of the support delivered a beneficial impact of £330 per resident in the form of reduced arrears and reduced arrears action unit costs. In contrast, the control group average arrears increased by £85 over the period and also saw a rise in unit costs of £484 – an increase of 90%.

Overall, compared to the relevant control group, the outsourced FTF debt advice delivered a net benefit of nearly £900 per resident.

In-house face-to-face (ftf) debt advice

The last model of debt advice intervention to be analysed was in-house provision of face-to-face debt advice.

Chart 24 – Patterns of rent arrears for in-house FTF debt advice



As Chart 24 above shows, the average level of arrears in the in-house advice group was on a steep upwards trend prior to referral, rising from £1,350 to £1,800 – an increase of 36%. The control group arrears rose more gradually from £920 to £1,000 – an increase of 8%.

However, among those receiving the in-house debt advice support, there was a significant decrease in average arrears from £1,800 to just over £1,000 – a reduction of 44%. The control group also saw a significant decrease in arrears of 23% but still less than those who received debt advice.

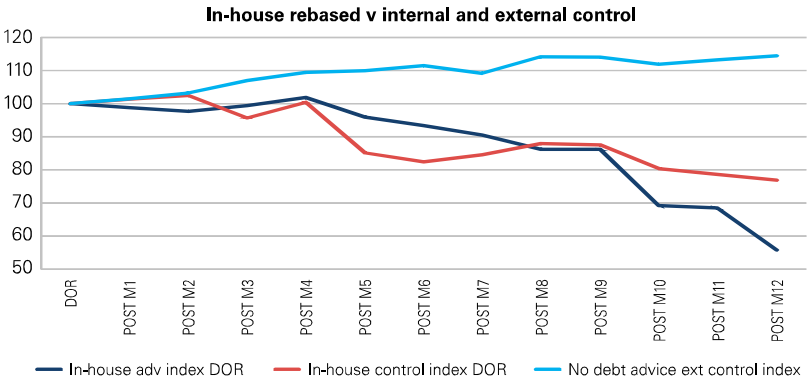
Table 8 – Performance of In-house FTF debt advice

	In-house average	In-house control	Added value
PRE 12 – DOR	36%	8%	–
DOR – POST 10	-31%	-20%	-11%
DOR – POST 12	-44%	-23%	-21%
PRE 12 – PRE 1	31%	2%	–
PRE 1 – POST 10	-29%	-15%	-14%
PRE 1 – POST 12	-42%	-19%	-24%

So, adjusted for the control group performance, the level of arrears among the in-house advice group improved by 21%.

Chart 25 shows the relative performance of the advice group, the internal control group and external control group over the period.

Chart 25 – In-house FTF debt advice against internal and external control following DOR



Quantifying the impact on rent arrears

The average level of arrears in the in-house advice group fell by 44%, compared to a fall of 23% for the internal control group. However, the external control group arrears actually increased by 14%. This demonstrates that the combined internal and external control group arrears actually fell by 4.5% over the period, which means that in-house advice arrears improved by 39.5% more than than the combined control group (a fall of -44% compared to a fall of -4.5%).

Overall impact of in-house FTF debt advice

As Table 9 shows, the average level of arrears in the advice group fell by nearly £800 per head from DOR to the end of the period. However, average unit costs rose by £269 – an increase of 28% over the period. Overall, the total net benefit of in-house debt advice was £279 per head, taking into account reductions in arrears, changes in unit costs and the cost of providing advice.

Table 9 – Comparison of total costs for in-house FTF debt advice

	DOR	Post DOR	Change £	Change %
In-house advice group:				
Average arrear levels	£1,810	£1,011	-£799	-44%
Cost of FTF debt advice intervention		£251	£251	
Arrears intervention unit costs	£973	£1,242	£269	28%
Total change			-£279	
Control group:				
Average arrear levels	£1,010	£776	-£234	-23%
Arrears intervention unit costs	£606	£1,033	£427	70%
Total change			£193	
Total savings: FTF advice group against control group			-£472	

By comparison, the average arrears in the control group fell by £234 – less than one-third of the reduction experienced by those in the in-house advice group. The costs of arrears actions increased by £427 per head in the control group, giving a total extra cost of £193.

Overall, the provision of in-house FTF debt advice provided an additional benefit of £472 compared to the control group.

OVERVIEW OF FINANCIAL IMPACT OF DIFFERENT MODELS OF DEBT ADVICE

Evaluating interventions can be complex. It is difficult to draw definitive conclusions about which form of intervention is the most effective. The ranking depends on which particular comparative measure is used.

Table 10 – Comparative ranking of different debt advice interventions

	Arrears only	Arrears (adjusted for control)	Arrears (net of debt advice costs)	Net Impact (inc arrears unit costs)
Outsourced telephone advice	2	3	1	3
Outsourced FTF advice	3	1	2	1
In-house FTF advice	1	2	3	2

As Table 10 shows, based on reduction in arrears only, in-house FTF debt advice achieved the best overall performance. However, when adjusted for the performance of the control group, outsourced FTF advice delivered the greatest reduction in arrears.

Telephone advice has the lowest delivery costs, which means that although it did not achieve the greatest reduction in arrears, once adjusted for delivery costs telephone advice becomes the most cost-effective intervention.

However, the analysis considers the effectiveness of the interventions in terms of reducing arrears and other unit costs associated with chasing arrears. On this basis, compared to the relevant control group, outsourced FTF advice followed by in-house debt advice delivered the best overall financial benefit to the social housing providers, with telephone advice the least effective.

In the interests of fair comparisons, it should be noted (as highlighted in the methodological caveats and limitations) that this study compares three different debt advice models, delivered by three different providers. Moreover, each housing provider has different internal procedures and it should be recognised that in this study, Income Team staff had already provided significant support services to residents prior the referral to the outsourced debt advice agency. Furthermore, we have identified that the outsourced debt advice model studied was being taken-up by residents at a much earlier stage (when average arrears were £1,184), compared to the in-house model (when average arrears were £1,810) and telephone advice (when average arrears were £1,826). Therefore, the outsourced model would have avoided some of the additional associated costs later in the arrears management process and thus clearly demonstrates the benefits of early take-up of debt advice both for residents and landlords.

5. Conclusions and recommendations

The financial outlook for many social housing residents is particularly gloomy. Any deterioration in the financial fortunes of residents will filter through to social landlords as ‘social creditors’. Consequential increases in resident over-indebtedness, rent arrears levels and costly arrears actions like evictions can be expected in the social housing sector. Yet, social landlords are still to feel the effects of forthcoming welfare benefit reforms that will have a significant impact on their business operations. Thus, all social landlords need to plan for these changes and determine the most cost-effective way of deploying their finite resources to support residents’ financial well-being.

With this backdrop, our report presents compelling evidence that funding specific debt advice interventions should offer a win-win situation for already over-indebted social housing residents and social landlords as ‘social creditors’. Both our consultation with residents and the quantitative impact analysis have identified that social housing providers will benefit financially from investing in specific debt support. This is through an evidenced uplift in the recovery of rent arrears and a fall in the costs associated with chasing residents for their debts following the intervention.

Overall, our findings are extremely encouraging and imply that there is a robust business case for social landlords to directly fund specialist debt advice. There are significant net financial gains for social landlords, equivalent to £239 for every resident supported or a return of 22% when compared to those not accessing any debt support at all. These real financial benefits can be achieved by increasing spending on financial support, with gains for social landlords of £122 for every £100 invested in debt advice interventions. The implications across the social housing sector are enormous, with significant cost savings to be made nationally by investing in direct support.

Social housing providers are shown to be offering significant access to financial inclusion support and debt advice services already, equipping their residents with the financial confidence, empowerment and knowledge to stabilise their finances. Simply pointing vulnerable residents in the direction of informal information and support with their debts is better than offering

no support at all. However, our research shows that providing specific debt advice services is much more effective and delivers significant value-for-money for social landlords.

This indicates that social landlords should not only directly fund specialist debt advice but actually increase investment to ensure that more residents access services and at an earlier stage. Moreover, it is critical that effective pre-emptive referral mechanisms are put in place to ensure that arrears are tracked and residents take up debt advice to prevent arrears accumulating to serious levels.

We hope that this business case proves to be a useful aid for all social landlords in an increasingly tough environment. It should provide the evidence, impetus and guidance to help make difficult financial decisions on the most appropriate support interventions for their residents. Ultimately, this should ensure the continued viability and growth of their businesses and allow for future investment in much-needed new homes and neighbourhood services. Furthermore, we hope it provokes awareness, debate and wider cooperation among all social landlords, housing bodies, policy makers and the advice sector about the need to promote financial well-being, encourage residents to access early support and take early and decisive action when financial problems are seen to escalate.

Appendices

Appendix 1: Housing associations involved with the study

Seven housing associations have participated in the study. All are based in the South East of England but vary significantly in size and nature; ranging from medium-sized housing associations, with several 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

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With over 55,000 properties housing 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 amalgamated by 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.

**AmicusHorizon**

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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, Surrey and Sussex.

It aims 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, life-long learning, children and young people and employability initiatives within the communities in which AmicusHorizon has homes.

**Circle 33 Housing Trust
(part of Circle)**

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Circle 33 Housing Trust was established in 1968 and merged with the Anglia Housing Group in 2005 to form Circle. Circle 33 Housing Trust is the largest partner in a group which owns over 16,000 homes in and around London across 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 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 by building sustainable communities.



The Hyde Group

Making a lasting difference

The Hyde Group

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The Hyde Group is a leading provider of affordable housing, managing over 45,000 homes across London, Kent, Surrey, Sussex, Hampshire, the East of England and the East Midlands. Hyde makes a significant contribution to meeting housing needs and improving people's quality of life.

Through its dedicated social investment arm, Hyde Plus, Hyde delivers a range of support and neighbourhood investment services, including debt advice, employment support, youth and community development, grants and bursaries.



Metropolitan Housing Partnership

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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.



Unlocking the potential
of people and places

Southern Housing Group

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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'.



Wandle Housing Association Limited

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Wandle Housing Association is based in South London and works across 11 London Boroughs. It owns over 6,000 homes for general needs, 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.

Appendix 2: Full Methodology

The methodology adopted by the Financial Inclusion Centre to determine the business impacts of debt advice for social housing providers consisted of two main components:

- I. *Qualitative telephone survey* with those social housing residents who had received the identified debt advice services
- II. *Quantitative analysis of individual residents' accounts* from social landlords adopting different models of debt advice provision.

QUALITATIVE TELEPHONE SURVEY

A structured ten minute telephone survey was developed and agreed with the participating landlords and covered the following three areas:

- how residents heard about the debt advice service they received,
- the details of the debt advice service that residents accessed via their landlord, and
- how residents felt the debt advice service helped them.

The survey looked to gauge participants' experiences and thoughts on the service they had received and focused on any key social as well as financial impacts resulting from the service.

Appendix 3 provides the final resident telephone survey (script and questions).

Four of the seven social landlords participating in the study directly fund specialist debt advice services for their residents. Each of these identified all of their general needs residents across the association/group who had received the highlighted debt advice service, with the date of the first session being between 01 January 2010 and 31 December 2010.

All identified residents were then sent a letter from their landlord notifying them that they would be contacted to participate in the survey and requesting that they contact them if they did not wish to take part.

The full list of residents who were eligible and willing to take part was provided. A total of 467 residents were identified across the four landlords.

A stratified sample was selected so that a representative proportion from each of the providers could be obtained. This was broken down as follows:

- **AmicusHorizon** 212 residents (45%) = 88 surveys required
- **Circle 33** 84 residents (18%) = 37 surveys required
- **Hyde Group** 120 residents (26%) = 53 surveys required
- **Wandle** 51 residents (11%) = 22 surveys required

The survey was then undertaken by a telephone research company between 11 April 2011 and 27 April 2011. Each list provided by the landlords was formatted so that the order of residents was at random.

During the telephone survey, the survey company had problems completing the full quota of surveys because contact details were either no longer valid or incorrect, residents declined to take part when telephoned and a large number of residents (despite being contacted a minimum of ten times at various points throughout the day) did not answer their phones. With 64% of the contact telephone numbers being mobiles only, attempted calls were regularly going straight to voicemail or ringing out to voicemail as residents 'screened' unknown calls.

As a result, from the original list of 467 residents a total of 179 surveys were able to be fully completed, providing a sample of 38%.

Table A1 – Telephone survey sample size

Social landlord	Surveys required	Surveys completed
Amicus Horizon	88	83
Circle 33	37	37
Hyde Group	53	41
Wandle HA	22	18
Total	200	179

QUANTITATIVE IMPACT ANALYSIS OF RESIDENTS' ACCOUNTS

A longitudinal investigation was conducted of the rental accounts of residents from four of the participating social housing providers, examining the rent balances and the number of rent arrears interventions for a selection of residents who had received debt advice support via their landlord and those who had not.

Four social landlords were selected by the Project Steering Group to take part in the quantitative research. The decision was based on the model of debt advice delivery adopted by the organisation with the following being chosen:

- **External control** – *Metropolitan Housing Partnership*: not undertaking specialist debt advice services and indirectly signposting residents to other debt advice services.
- **Outsourced telephone debt advice** – *AmicusHorizon* (delivered by *Money Advice Plus* – www.moneyadviceplus.com): direct outsourcing of debt advice to fee-paid services.
- **Outsourced face-to-face debt advice** – *Circle 33 Housing Trust* (delivered by *Fair Finance* – www.fairfinance.org.uk): direct outsourcing of debt advice to fee-paid services.
- **In-house face-to-face debt advice** – *The Hyde Group* (delivered by their *Hyde Plus* department) – delivery of specialist debt advice services by dedicated in-house team.

Each of the four selected social landlords identified a distinct geographical locality to act as the sample area for the study. These had to:

- be based in an urban area of London (it could be a single Borough, a collection of Boroughs or an income collection patch),
- have between 1,000 and 4,000 general needs properties,
- be based in an area with relatively high levels of rent arrears among residents,
- allow residents to have equal access to their identified model of debt advice provision, and
- have historical data available for both rent arrears and number of debt advice interventions.

A sample of general needs residents living in their selected area had their rent accounts examined to identify key changes in arrears levels and the number and type of arrears actions – both those who had received the identified debt advice services (with the exception of the external control) and also those who had not received debt advice support but still had rent arrears of more than six weeks.

Sample of residents receiving debt advice

A list was prepared of all general needs residents from the selected sample area who had received the specified debt advice service, with their first debt advice appointment being between 01 January 2010 and 31 September 2010. From this list, the Financial Inclusion Centre randomly selected a sample to analyse and obtained their individual rent account records, which showed their rent balance data and every single recorded arrears intervention for a period of 12 months prior to the date of referral (DOR) and up to 12 months post debt advice.

Sample of residents in arrears but not receiving debt advice interventions (control residents)

A list was requested from each of the four participating landlords of all general needs residents from the selected sample area who had rent arrears exceeding six weeks arrears as at 31 September 2010. From this list, a sample was randomly selected and their individual rent account records provided for a period of up to 12 months before and after 31 September 2010.

Each resident's account was then individually analysed by the Financial Inclusion Centre research team to create separate spreadsheet data sets for rent account balances and rent arrear interventions.

Table A2 – Quantative analysis sample size

Social housing provider	Residents receiving debt advice		Residents not receiving debt advice but with more than 6 weeks arrears	
	Total sample	Total analysed	Total sample	Total analysed
AmicusHorizon	21	20	922	61
Circle 33	48	48	562	63
Hyde Group	25	24	778	71
MHP	–	–	1,310	120
TOTAL	94	92	3,572	315

Each rent account was then analysed to calculate the lowest rent balance point for each month during the identified period. This lowest rent balance for each month was recorded to create comprehensive data sets for each association. In addition, separate data sets were developed by periodically recording the total number of each different rent arrears action undertaken by the respective Income Team over the identified period. This included everything from simply monitoring an account through to evicting a resident. This was subsequently edited to divide the numerous individual interventions into fourteen standardised categories.

The findings were then modelled to identify trends in the level of rent arrears and interventions between residents who had received and those who had not received debt advice – both within individual social landlords and also between those providing debt advice services and those who do not. Using the unit costs that have been developed for the various arrears interventions (see Section 3), the cost-benefit of delivering debt advice could be modelled against having no such a service at all.

CAVEATS AND LIMITATIONS

It is important to recognise the limitations and caveats of this research to highlight the potential implications for the report findings.

Firstly, the focus of the study was on the impact of debt advice services alone. We recognise that it would have been beneficial for social landlords and policy makers to have assessed the financial impact of other financial inclusion interventions that are currently being adopted, such as increasing access to affordable financial services, money guidance and fuel poverty activities.

The study also focuses exclusively on general needs residents and has not addressed leasehold or supported housing (for older people and vulnerable residents). However, while each of these groups has different issues and needs, many of the report conclusions can also be applied to the delivery of debt advice to these types of residents.

The research was undertaken with seven participating social landlords, all of which are classified as housing associations. However, we believe the findings are transferable to other types of social housing providers, such as Arms Length Management Organisations (ALMOs) and Local Authorities.

In addition, as discussed below, we have restricted the study to urban areas with relatively high concentrations of arrears. We recognise that social landlords operate across a variety of localities and many either operate exclusively or have a proportion of their stock spread across more rural areas. Delivering debt advice services in more rural communities brings different operational challenges as well as cost implications. We explore these challenges and their implications for delivering debt advice in non-urban locations later in this section.

One of the main limitations of the study is that social housing providers are extremely diverse. Each has a different scale of operations, different resident profiles and different operating environments. Furthermore, one key observation is that diversity is not only found between social landlords but also within social landlords. Having diverse providers, with tens of thousands of properties, often spread over different regions and even with different associations covered by one umbrella group, means that one resident's experience in one area can be completely different to that in another, despite having the same landlord.

We tried to minimise such internal factors during the study by focusing the quantitative study on specific sample areas with similar characteristics, among four similarly sized social landlords. Moreover, by contrasting the experiences of those receiving debt advice services with an internal control group of other fellow residents who were experiencing financial problems but had not accessed the available support, it offered a means of comparing the impact in a more isolated way.

Nevertheless, this does mean that there are limitations when directly comparing the experience of one landlord against another. This is especially true when considering the experience of residents through the rent arrears process, which, despite sector-wide best practice and benchmarking, does differ enormously between landlords in terms of scale of staffing and resources, training on addressing financial issues, approaches to arrears actions, arrears policies and procedures, the timing of referral to debt advice services and the quality of support offered by individual Income Officers. Therefore, the support of each Income Team to resolve residents' rent arrears will vary considerably and will impact on the outcomes for residents.

So, for example, among the landlords categorised as not directly providing specialist debt advice, experience differs substantially with advice on low level debts often managed within Income Teams and indirect signposting

to external specialists only offered when high level arrears, multiple debt and/or prior-to-court action are identified.

Similarly, we recognise that the delivery of any specialist debt advice intervention will also differ greatly. For the purposes of the study, we have divided the methods of debt advice into three distinct categories; outsourced telephone debt advice, outsourced face-to-face debt advice and in-house face-to-face debt advice. The nature of these services, the timing of their uptake and, importantly, their quality will vary significantly between every provider (i.e. the impact delivered by one telephone debt advice provider will differ hugely from another). Thus, any generic comparison of one model of debt advice delivery against another is limited to the quality of the providers used during the study.

Our study also assumes that after stripping away the internal impact trends experienced by other residents, any positive (or negative) impact on the arrears levels and the cost of arrears actions is down to the debt advice alone. Yet, on a case-by-case basis, the picture is much more complicated than that and a plethora of other factors may have contributed to each individual outcome. These include internal factors, such as those mentioned above or the receipt of other financial inclusion support (e.g. money guidance, access to affordable financial services etc), and external factors, such as getting or losing a job, improving or deteriorating health and unexpected costs or windfalls. However, collectively, the findings enable conclusions to be made on the overall impact of providing debt advice services as opposed to not offering any access to specialist support.

There were several specific issues encountered in relation to the telephone survey and the quantitative impact analysis.

As highlighted earlier, the telephone surveyors encountered difficulties in fulfilling the target of surveying 200 residents. Yet, a healthy 38% of the total residents (meeting our sample criteria) accessing debt advice took part in the survey.

The quantitative analysis was reliant on the accuracy and completeness of the records provided by each landlord. One issue encountered during the analysis of the arrears interventions was the consistency of some account data. Miscoding errors and duplicate entries were noted on a small number of accounts, for example where the wrong intervention codes had been logged on the system (when compared to the actual description of the action).

There were a small number of accounts that did not have the required data for the entire period for a number of reasons, such as the individual being a new resident and, therefore, not having a full account history, moving or leaving a property or unexplained errors on their account.

One final issue was the complexity of each landlord's rent arrears process and the sheer number of associated intervention action codes. Over 105 different interventions types were recorded with one landlord alone. In order to analyse the cost implications, the research team allocated all interventions to a smaller number of standardised categories with lower and upper estimates for the unit costs of each of these categories. Advice was sought from Income Managers on this process but it is acknowledged that because each landlord has slightly different procedures and processes, an exact fit and exact unit costs for all interventions was not achievable in every case.

Appendix 3:

Final Resident Survey Questions

Can I speak to [Resident's Name]

(ENSURE YOU ARE SPEAKING TO THE NAMED RESPONDENT. IT IS VERY IMPORTANT THAT YOU DO NOT MENTION THE PURPOSE OF THE RESEARCH TO ANYONE OTHER THAN THE NAMED RESPONDENT.)

My name is [Surveyor's Name] and I'm calling on behalf of your landlord [Insert Landlord's Name]. We are doing a quick telephone survey to speak to residents who have received money advice via their landlord – so that they can hopefully improve the service offered to residents.

Is this OK? It should take no more than 10 minutes of your time to ask you a few questions?

I assure you your answers will be kept confidential and will not be passed back to your landlord.

A. Now we going to start with some questions on how you heard about the debt advice service that you received

A1. Was the debt service you used recommended via your landlord?

☐ Yes ☐ No

A2. If yes, who made the recommendation?

- ☐ Rent arrears officer
- ☐ Neighbourhood Officer
- ☐ Financial Inclusion /Community Development Officer
- ☐ Other (please specify) _____
- ☐ Don't know

A3. If no, how did you hear about the service?

- ☐ Rent arrears letter
- ☐ Newsletter/information from landlord
- ☐ Friend/neighbour
- ☐ Other (please specify) _____

- A4. Were you in rent arrears with your landlord at the time? ☐ Yes ☐ No
- A5. Were you in facing court action at the time? ☐ Yes ☐ No
- A6. Were you in facing eviction at the time? ☐ Yes ☐ No
- A7. Apart from this time – have you previously accessed any debt advice in the last five years?
- ☐ Never
- ☐ Once
- ☐ Twice
- ☐ Three times or more

Thank you

B. Next are a few questions specifically about the debt advice service you received

B1. How did you receive this debt advice? (Tick one)

- ☐ Face to face advice – at landlord's offices
- ☐ Face to face advice – at advice agencies offices
- ☐ Face to face advice – in your own home
- ☐ Telephone advice
- ☐ Other (please specify) _____

B2. What did the advisor do in order to help resolve your money worries...? (Tick all that apply, read out)

- ☐ Explained what you could do – so you could do it yourself
- ☐ Negotiated with the people/companies you owe money to (creditors)
- ☐ Worked out an income and expenditure budget
- ☐ Organised a plan to reduce your debts
- ☐ Got debts written off
- ☐ Increased your income through benefits
- ☐ Put in place an Individual Voluntary Arrangement (IVA)
- ☐ Filed for Bankruptcy or Debt Relief Order (DRO)
- ☐ Other (please specify)

B3. In total, approximately how many hours personal contact did you have with the advisor?

B4. Overall how would you rate the debt advice and help you were given?

- | | |
|------------------------------------|-------------------------------|
| <input type="checkbox"/> Very good | <input type="checkbox"/> Good |
| <input type="checkbox"/> Neither | <input type="checkbox"/> Poor |
| <input type="checkbox"/> Very poor | |

B5. Did it concern you that the debt advice was suggested by your landlord?

- | | |
|--|-----------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Not Sure (unprompted) | |

Thank you

C. This is the last set of questions and are about how you feel this service has helped you

C1. Did you have any rent arrears with your landlord at the time you accessed the service?

- | | |
|------------------------------|-----------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No |
|------------------------------|-----------------------------|

C2. Would you say the amount of money you owe in rent arrears since you first received this advice is now...?

- | |
|---|
| <input type="checkbox"/> A lot more |
| <input type="checkbox"/> A little more |
| <input type="checkbox"/> About the same |
| <input type="checkbox"/> A little less |
| <input type="checkbox"/> A lot less |

C3. Apart from any rent arrears – did you have any other debts worries at the time?

- | | |
|------------------------------|-----------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No |
|------------------------------|-----------------------------|

C4. Approximately how many other debts did you have?

C5. Do you think the advice you received has had any of the following effects...? (Tick all that apply, read out)

- ☐ Helped reduce your rent arrears with your landlord
- ☐ Helped you prioritise your future rent payments
- ☐ Helped you stop getting further into debt
- ☐ Enabled you to pay off your debts at a more manageable rate
- ☐ Stopped letters/phone calls from creditors
- ☐ Avoided disconnection of gas, electricity or landline telephone
- ☐ Helped you avoid being evicted
- ☐ Avoided court proceedings being made against you
- ☐ Avoided action or further action by bailiffs

C6. Thinking about how you feel now, compared to before you received the advice, would you say you feel...? (Tick one only)

- ☐ More in control of your finances
- ☐ Less in control of your finances
- ☐ About the same

C7. Again, compared to before you accessed the advice, would you say you feel...? (Tick one only)

- ☐ More knowledgeable about financial matters overall
- ☐ Less knowledgeable about financial matters overall
- ☐ About the same

C8. Which of these statements would you say is most accurate? (Tick one only)

- ☐ I would have benefited more by accessing advice earlier
- ☐ I accessed advice at the right time
- ☐ I would have benefited more by accessing advice later
- ☐ I did not benefit from the advice

C9. Should you experience further money problems in the future, what do you think you would do to resolve the situation? (Tick all that apply)

- ☐ Do nothing / ignore
- ☐ Handle the problem myself
- ☐ Go back to the same advice agency
- ☐ Seek out another advice agency
- ☐ Other (specify)

C10. Since receiving advice, how would you describe your current debt problem overall? (Tick one only)

- ☐ My problem has been completely sorted out
- ☐ My problem has been partly sorted out
- ☐ There has been no change to my problem, although something is being done
- ☐ There has been no change to my problem, and nothing is being done
- ☐ My problem has got worse but I know what to do about it
- ☐ My problem has got worse and I don't know what to do about it

C11. Would you recommend the service to someone else?

- ☐ Yes ☐ No ☐ Maybe

C12. Finally have you got any comments on how useful or un-useful the advice service was?

Thank you. That's the end of the questions.
Thank you very much for taking part.

Appendix 4: 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 arrears interventions.

Key unit cost	Estimated value
Income Officer level plus on costs (unit cost per minute) ⁴⁴	£0.31
Income Manager level (unit cost per minute) ⁴⁵	£0.41
Head of Incomes level (unit cost per minute) ⁴⁶	£0.50
Assistant Director level (unit cost per minute) ⁴⁷	£0.58
Letting Officer level (re-letting) ⁴⁸	£0.31
Postage ⁴⁹	£0.32
Stationery ⁵⁰	£0.50
Telephone call costs ⁵¹	£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) ⁵²	£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) ⁵³	£14.51

⁴⁴ Based on a 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

⁴⁵ Based on a 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.

⁴⁶ Based on a 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.

⁴⁷ Based on a 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.

⁴⁸ Based on a 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.

⁴⁹ Second class postage costs.

⁵⁰ An estimate of stationery costs – paper, envelopes and printing costs.

⁵¹ Assumes that organisations have established a business flat rate call cost rather than a per-minute cost.

⁵² 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 was not.

⁵³ Based on £101.59 – the average weekly general needs rental and service charge for property in London as at 31 March 2010 from Tenant Services Authority (2010) - Regulatory and Statistical Return 2010: Statistical Release.

Void costs – lost daily rental (all England) ⁵⁴	£11.51
Cost of repairs/cleaning (upper estimate) ⁵⁵	£3,000.00
Cost of repairs/cleaning (lower estimate)	£500.00
Write-off arrears figure (lower estimate)	£1,500.00
Write-off arrears figure (lower estimate)	£3,500.00
Annual interest rate on arrears	1.5%

⁵⁴ Based on £80.56 – the average weekly general needs rental and service charge for property in England as at 31 March 2010 from Tenant Services Authority (2010) – Regulatory and Statistical Return 2010: Statistical Release.

⁵⁵ This is a conservative upper limit for the cost associated with preparing a void property for re-let and is based on the Housing Corporation study – as no participating association had investigated this cost. However, during the study, anecdotal evidence of the extremes of such costs put it as high as £20,000.

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