Strategic Solutions to Improve Performance & Vfm

# Back to the Future…

# Could Incentive & Reward schemes help sustain rent collection post welfare reform?


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With the outcome of DWP pilots to date pointing towards decreasing rent collection and increasing resources required to collect rent, could revisiting the benefits of incentive and reward schemes be one of the tools in the box to help maintain the viability and values of the sector?

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Many landlords across the country developed resident ‘reward’ or ‘incentive’ schemes in the noughties - on the premise of their offering significant financial and other benefits from greater customer loyalty, increased community involvement, and better tenant/landlord relationships.

However, many schemes subsequently fell by the wayside. High profile examples included Circle 33 and L&Q. Circle 33’s prize draw for those with clear rent accounts was withdrawn after an audit questioned its effectiveness or outcomes. L&Q’s pilot scheme of prize draws and incentives was ended after resident’s fed back the value for money and effectiveness of the scheme needed to be rethought. Yet the likes of Moat and Luminus have recently joined the ranks of Irwell Valley, whose original ‘Gold’ scheme has grown to encompass over £1/4m a year of prize draw incentives to maintain clear rent accounts.

Closed Encounters

Amongst the reasons for schemes being closed by landlords in the last decade was failure to see any improvements in performance.

The experience of many in the sector echoed the former ODPM’s review of such schemes, in that behaviour of those who couldn’t or wouldn’t pay their rent or abide by tenancy conditions didn’t change, and that wider changes in the culture and standards of the landlord were more effective in changing behaviour and delivering improved performance. Making residents who already adhered to their agreement feel valued was the most positive effect of the incentives packages on offer. Administration, I.T. and other costs of schemes were also very high.

So maybe the value for money and success of those still going comes from a wider, strategic and cultural approach – or maybe it’s just down to the drive, vision and determination for them to work of individual Chief Executive’s?

A different era

Whichever it is, the pilots and reviews of schemes all took place in a different era. A pre credit crunch and pre welfare reform era of relative largesse. When the usual suspects said the ‘social pays my rent’. When HB payments were almost a guarantee of rent. When some could choose not to pay rent and amass debts on credit card swaps. When moving to a private sector landlord was relatively easy and rents were covered by HB. When getting a mortgage was relatively easy for many.

Welfare Reform and the post credit crunch have changed all that. Tenants will get their housing costs paid direct them as part of Universal Credit from October 2013.  All income related working age benefits have and are being ‘rationalised’.  Credit cards have been replaced with payday loans. The benefit cap and limits on weekly eligible rents are reducing affordability and access to the private sector. Mortgages have shrunk to pre financial deregulation 1970’s levels. Housing and other costs



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have risen faster than household income. Fixed term tenancies have been introduced. An extra £0.5bn a year is due from underoccupying tenant's pockets from this April. The list goes on.

All of this is set to have a significant impact on the way that landlords and tenants interact with and react to each other. Shelter recently found that over a million households have had recourse to payday loans to fund rent and other bills. The Direct Payment Pilots have revealed more resources being required to address yawning gaps opening in rent collection rates for landlords.

Work smarter to collect rent

There can be no doubt that landlords will have to work harder to collect rent and take priority in the queue of bills or debts tenants will have each month. Working smarter as well as harder may well be the difference between those landlords who become adept at it and those who fail to adapt.

Smarter working could involve revisiting and reviewing the costs and benefits of incentive and reward schemes. The failure of past schemes may have been, as an Audit Commission review in 2006 concluded, because "*"rent arrears will not decrease just because there is a monthly prize draw. It needs to be a more 'holistic' approach with the implementation of comprehensive policies and procedures".* But moving forward, even modest incentives to pay rent on time or other rewards may have a significant impact on tenant's behaviour and the financial viability of some landlords.

Sanctions may also play their part – for example in limiting repairs to minimum H&S requirements , not undertaking improvement works, or not renewing a fixed term tenancy for those in arrears or not maintaining repayment agreements. The DWP's own research highlights that sanctions, which reduce the amount of benefit awards for a fixed or variable period, play an important role in encouraging compliance with requirements to move into or prepare for work. In housing, that could be mirrored in compliance with paying rent.

Back to the Future?

Revisiting the benefits of reward and incentive schemes for a different era could be one of the tools in the box which maintains the viability and values of the sector.

## About PHHS

Since 2007 we have undertaken a range of strategic work for organisations, and since 2011 have been at the forefront of proving strategic and operational advice, assistance, insight and training for landlords in preparing for welfare reform.

For further details of what we do, who we are and what we have done , and for free advice or a discussion on how we could help your organisation, visit www.phhsl.co.uk, or call us on 01202 233214.

## About this article

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