

## Does Social Housing Need a Tougher Approach to Rent Collection?



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Recent articles suggest the housing sector may be heading back to a future tougher rent collection and even bringing back rent collectors to cope with welfare reform and direct payments. We think organisations should think more strategically about income management. Increasing numbers of staff isn't necessarily going to increase effectiveness or collection rates. While reintroducing the personal contact of old will be a good thing, smarter solutions and using technology will be just as important.

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## History can teach us a lot

Those of us working in the sector in the 1990's will remember that 1996 was the year that HB payments changed from being made in advance to 4 weeks in arrears for new and amended claims. At the time, it was claimed that arrears would double, but it didn't materialise. [This article in the Guardian](#) highlighted the dire situation with HB administration in 2001, with the NHF estimating that 1.5m of Britain's 4m housing benefit claimants were owed money totalling up to £1.6bn, and the G15 requesting that LA's be stripped of their responsibility for HB.

Despite both of these, the sector as a whole continued to grow - delivering 1/4m new homes, with almost 1/2m stock transferred to new Housing Associations between 1996/97 and 2008/09. Neither of these would have been possible without effective income management to facilitate borrowing and capacity across the sector.

Some may say that's because of HB being paid direct rather than any great shakes from the sector, but the sector has an excellent track record of adapting to new regulatory or funding environments built on a firm foundation of generating and collecting income. HB accounts for less than 50% of income in many places and on average only 60%. Performance with those who pay is also significant. There is no reason why that shouldn't remain the case moving forward for those who are already good at income management.

## Think and Act Strategically

Many organisations have begun to make provision for increasing the size of their income teams and their contributions towards financial advice services for customers. Investment in financial advice is a prudent and effective means of preparing for welfare reform – with [articles](#) over recent years showing they can pay for themselves. Expert advice to ensure your customers can access and benefit from Discretionary Housing Payments will be a must, but don't throw the kitchen sink at it if you don't need to. Generic financial advice and support services we've come across aren't being targeted at those who need the advice and support effectively. Use your customer profiling data intelligently to identify those most at risk of defaulting on rent payments and target advice & support at them – either through in house teams or partner agencies such as CAB.

More staff sitting behind a desk reviewing arrears accounts and pumping out letters certainly won't increase effectiveness or collection rates either. Technology solutions would be more effective. For example, with 89% (and growing) of all adults now owning or using a mobile phone, there is as strong a business case as there's ever been to replace the traditional 'middle class Kalashnikov' arrears letters with investment in bespoke text messaging services being pioneered by [some organisations](#)

across the sector. These are producing better contact and payment results, delivering lower costs and increasing productivity for existing staff.

## **A Virtual World**

The value of internet based contact and access for customers shouldn't be overlooked. The private sector has moved significantly towards a virtual world of transactions with customers built on a platform of IT delivering better value ways of working, and even in Whitehall, the aim is now to lead the world in the digital delivery of public services - because there is a compelling business case for doing so built around research by Sir David Varney which highlighted that it cost organisations:

- £15.00 to solve a problem face-to-face
- £1.50 to solve a problem over the telephone, and
- £0.15p to solve a problem over the internet

By raising the contacts we as citizens make with public services to 33%, the government will apparently save £2bn a year by 2017. Their commitment to this is reflected in plans for Universal Credit being an online system – with projected savings by 2017 of £1bn pa. Where the government leads on Universal Credit, the sector will also need to follow! And don't be surprised to see the new Apps for rent payments being followed by Apps for Universal Credit over the next couple of years.

## **Review Policies and Procedures**

If your staff are to deliver in the brave new world they need clear guidance on where the lines are they can or can't cross. Existing arrears and income management policies and processes will need to be reviewed and dovetailed with new approaches to underoccupancy and allocations. Some are more advanced than others - e.g. with agreed approaches to 'no fault' arrears situations which arise for underoccupiers and continue to escalate because they have no financial means to pay and no other suitable accommodation can be found for them.

## **Think Twice Before Doubling up**

There was a recent forecast of the cost of rent collection for landlords across the sector doubling to £0.5bn over the course of the next year. Those who are already poor at rent collection and have lower quartile arrears levels may need to commit more and become more personal, but doubling costs won't double effectiveness. As Barry Marlow [outlined recently](#), there are lessons to be learned from a sector with less integrity but much more influence with tenants. So before you head back to the good old days of rent collectors knocking on doors (though maybe with a virtual Gilbert Strip!) think twice about delivering the basics of personal contact, smarter solutions and using technology as it could and should be.

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