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Why IT holds the key to delivering value for money in social housing:

But doesn't unlock the door

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With the 'bedroom tax', online access to Universal Credit on the way, and the rise of social media there is a compelling business case to deliver more online, modern services. But can I.T. help deliver better value for money? This article was originally published in November 2011. Our analysis suggested higher spend didn't necessarily improve value for money and gave some top tips on how to ensure Vfm from IT. Has that changed?

IT is the route to efficiency, better services and outcomes for customers. We've all heard it, and would (perhaps) like to believe it. After all, that's what's happened in the private sector. Successful retail, banking and services industries without an online presence to buy, bank or order services are rare. Latest estimates are that UK Internet sales will climb 15 percent this December and will total £30 billion this year, while online spending in December is forecast to be £7.75 billion. 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.

Even in Whitehall, the aim is now to lead the world in the digital delivery of public services (see RaceOnline2012), because there's 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. The government's commitment to this is reflected in plans for Universal Credit being an online system – with projected savings by 2017 of £1bn p.a.

In the private sector, there's a clear link between investment in IT, better access to services and, ultimately, better value for money for customers (price paid) and the cost of delivery for organisations (profit made).

Analysis of Value for money of IT in the Housing Sector

Against this background, we thought it would be an interesting exercise to review the current value for money of IT in the housing sector – focussing on costs (economy), performance (efficiency) and quality (effectiveness).

We recognise this isn't as simple an exercise as say comparing the value for money of responsive repairs (see our previous article on this), because IT in itself doesn't necessarily deliver performance or quality – it's an 'overhead' which should (theoretically) enable the organisation to deliver services at a lower cost, improve performance, and deliver better outcomes for the customer. For example through lowering overall operating costs, improving performance in repairs via scheduling systems etc, and improving overall satisfaction with services being delivered through contact ,communication and reporting systems.

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Through work with one of our clients, we were analysing their 2010-11 Housemark cross sector benchmarking report – with details of 126 landlords from all sectors and spread across the country- and decided to do some analysis of IT based on that set of data.

What does the analysis tell us?

That IT is a big spend area across the sector

As a % of operating costs it's fairly low compared to the areas of repairs and housing management, ranging between 1% and 5%, and averaging 2.5%, but the landlords between them spent £114m on IT for circa 1.1m homes. With over £4m social housing homes across the country, that equates to a spend across the sector of circa £0.5bn p.a.

That there is no link between spend on IT per property and lower overall operating costs per property

We factored actual spend on property improvements and cyclical repairs out of overall operating costs on the basis that they are generally not influenced by IT and more generally reflect physical/parts costs. We did however, include management costs of property improvements and cyclical repairs - since these can be heavily influenced by asset management IT systems. All other operating costs were included.

Organisations with the lowest IT costs generally had the lowest overall operating costs too – 56% of those with top quartile (i.e. lowest IT cost per property) also had the lowest overall operating costs.

Organisations with the highest IT costs generally also had the highest overall operating costs - 47% of those with the highest IT costs per property also had the highest overall operating costs. Only one of the 31 organisations with the highest IT cost per property also had top quartile (i.e. lowest) overall operating costs.

The data suggests that economy is not necessarily being improved with IT – rather than spend on IT reducing overall costs, it appears to be supplementing or even adding to them.

That there is no link between spend on IT per property and better performance

The performance measure we decided to use was responsive repairs – as the No 1 priority service identified by customers in just about all surveys, and probably the single biggest area of resource and time investment for most landlords – focussing on the % of responsive repairs being completed on time. We could have used data on customer service (such as complaints handling) but there were too many organisations with 'no data' supplied.

Only 20% of those with the lowest IT costs per property had top quartile repairs performance, and 29% of them had lower quartile repairs performance. This was, however, repeated in those with the highest IT costs per property, with only 20% of those with the highest IT costs having top quartile performance, and 30% of them having lower quartile repairs performance.

This suggests that IT does not play a significant role in better repairs performance across the sector. That may irk those who have invested in IT to improve the productivity of DLO's through mobile working or scheduling technology, in specialist call centres, online reporting, or business intelligence

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systems. There may be individual examples of excellence and improvement in these areas, but overall it appears they make little difference.

Having the right people, processes, management and focus on customers in place is probably as effective.

That there may be a link between higher spend on IT per property and better overall outcomes for customers.

Using overall satisfaction with services as a measure, 38% of those with the highest spend on IT per property had top quartile overall satisfaction levels, while only 19% of those with the lowest IT costs per property did.

This appears to suggest that higher investment in IT is and can be a significant influence on overall outcomes for customers, and may reflect good use of investment in areas such as general customer service and communication with customers (telephone, email, internet etc).

However, given that 11 of the landlords with highest IT costs per property/top quartile satisfaction also had some of the highest overall operating costs, the link is more likely to simply reflect higher overall resources. Or even geographic /customer profile factors given that 8 of the 12 were LSVT's and 3 were small, traditional Housing Associations (both of which have older customer profiles which produce higher satisfaction rates). The one exception we mention below.

That very few organisations have the balance right

Only 2 of the 126 landlords appear to have struck the right balance

Poole Housing Partnership had upper quartile results for all four of our measures, Cost per Property of IT, Overall Operating Costs per Property, The % Of responsive repairs completed on time, and % overall satisfaction with landlord services.

Broadacres HA, while having lower quartile IT costs per property, had top quartile performance for all three of the other measures.

Based on our measures, both of these organisations demonstrate their use of IT opens the door to delivery of better value for money, and lessons could probably be learned from them.

So What?

There's probably not an organisation out there in any sector which could now manage without the basics of email, office software such as word/excel, some form of management/financial database and mobile phones. The days of memo's, typing pools, T cards, house files and not being contactable out of the office are long gone in the same way that Polaroid's and pagers are.

There are also demographics to consider. Resent HCA research on trends in who has been allocated social housing over the past 20 years backs up findings we have uncovered in analysing CORE lettings trends for several landlords – that the profile of tenants is changing. Smaller, younger households in work are an increasing proportion of new tenants. With this changing profile come increasing expectations from 'Generation Y' (born post 1980 – used to their world being once click away) of new tenants and staff. Paul Taylor at Bromford group provides an excellent overview on the potential impact of this 'untethered customer' in his blog, outlining that "*the development of*

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smartphone technology and digital mobility will usher in an era where the customer – not the company – is in control. Access on the go. When the customer wants it. Error Free. No Delay. 24/7". With 89% and rising of people now owning mobile phones, this isn't that far away.

Organisations will need to consider online access to services and social media etc as part of their approach and response to this, but need to tread carefully. As this recent article shows, opening up to social media encourages people to be less inclined to accept second best in the way they once were - taking direct and sometimes devastating, action.

Then there's Universal Credit – it will be an online system. Although recent data shows some 8.4million people in Britain have never used the internet, where the government leads, the sector will need to follow.

And there's also the TSA/HCA's renewed focus on economic regulation – which will mean those with higher operating costs will come under closer scrutiny than they may like. If we were the TSA/HCA, straight off we'd potentially be knocking at the door of two well known London HA's based on data contained in our analysis –lower decile on all four counts.

Key Challenges

We followed an interesting discussion on LinkedIn recently which perhaps summarises the challenges and potential solutions in IT, with opposing but valid views on the premise that "'IT' can destroy the customer relationship, treat staff like automatons and increase waste and cost through losing sight and shape of what customers actually want". The key outcome of the discussion being to ensure that systems are not bought 'off the shelf' but tailored and configured to the unique requirements of the business and engineered from the basis of customer requirements – ensuring that staff then don't spend more time feeding the system, but serving customers.

There are signs, from the recent Tribal/Housemark analysis of use of IT in the sector, that organisations are becoming more savvy about tailoring systems and 2009/10 saw a slight reduction in overall IT costs per user. There are also some excellent examples from across the sector which we've come across in delivering or reviewing IT strategies and systems of improving value for money through IT.

The key to ensuring IT unlocks the door to better value for money ultimately lies in corporate approaches to project approval and management though - ensuring that any IT Project is initiated and approved on the basis of outcomes that will reduce costs across the business, and is built with the end customer in mind.

The bottom line is that in this digital age, and when the sector faces some tough choices and significant risks over its income and future role in providing more affordable housing, not investing in IT to act as a platform for delivery of better value for money services would be a retrograde step. There are tough choices to be made, but investment in IT should be reducing operating costs – not supplementing or adding to them.

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