Welfare Reforms
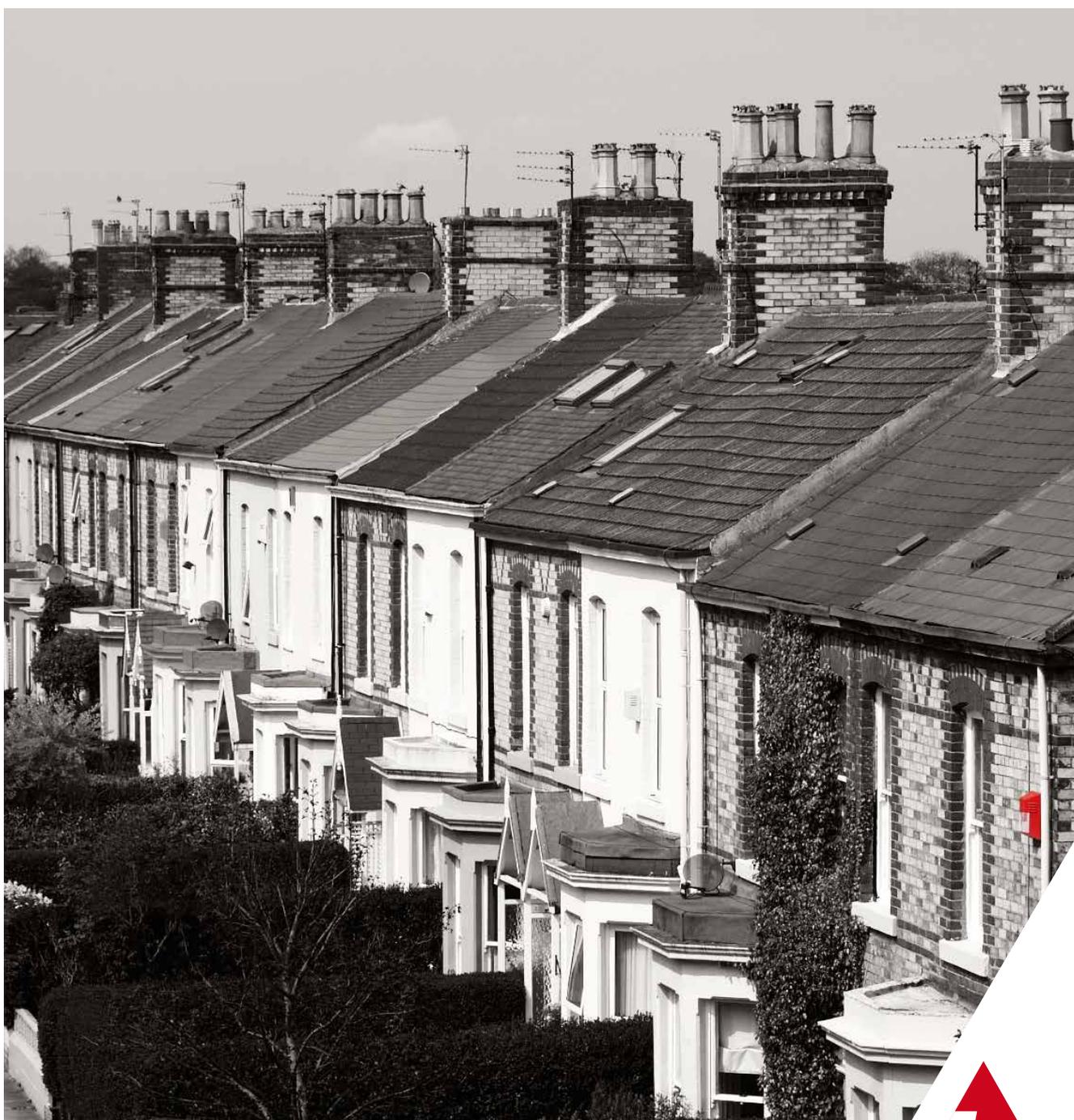
What is the Impact of Welfare Reforms on Housing Associations and their Tenants?

Whitepaper from

Anet
TECHNOLOGIES

Introduction

The last 18 months has seen a huge change in the Social Housing Sector (Local Authorities, Housing Trusts, Housing Associations, etc.). Government legislation, the introduction of the Welfare Act and Universal Credit, are having a dramatic financial impact on this sector and their customers. Analysis by the Department for Work and Pensions found that 59% of tenants affected by new "spare room subsidy" rules were in arrears five months after the changes came into effect in 2013.

The social housing sector is rightly proud of the care they provide to their tenants and many are uncomfortable with the changes they have to make and the impact this is having on their householders.

Through the adoption of new technology, Housing Associations can actively put into place strategies that will help them to communicate pro-actively with their customers. These technologies will make them become more effective and efficient, simplifying and speeding up the collection of rent payments and chasing debt, whilst reducing the need and associated cost of additional staffing requirements.

How can technology support you?

In this paper 4net Technologies will review how the latest government legislations in social housing and Universal Credit will impact on Housing Associations and their tenants. We will discuss how, through the adoption and integration of communications technology, Associations can support their tenants through proactive contact.

Adopting and embracing new technology is key to improving efficiency, realising cost saving and building closer relationships with tenants in the UK housing sector. Some initial analysis by PWC, the Department of Communities and Local Government suggest that the effective use of technology will bring increased benefits to this market.

The changes being made by the government to the benefit system are significant and wide-ranging. The main changes in the Welfare Reform Act 2012 affecting the housing sector, is the size criteria (also known as the bedroom tax) which calculates housing benefit as well as capping total benefits, which were introduced in April 2013.

One of the major issues facing this sector is Debt Collection. In the past, most of the income for registered providers has come directly from the funding source (i.e. benefit payments) without going via the customer. The chain of events, which now sees Universal Credit paid to the customer who then pays to their landlord, has the potential to create debt.

Customers may not pay what they owe simply because they don't have it or maybe because they have spent it on something else. This means that for the first time in their existence, housing providers will have to chase debt – which will have a knock-on effect for customer contact and in particular the contact centre.

For example, outbound contact centres may need to focus on debt collection and knowing that a customer is in debt when they call about something else may mean that the call has to be dealt with in a different way.
Many registered providers acknowledge that the extra demand that will be brought about by the Welfare Reform will mean that they simply cannot afford to support increased volumes of face-to-face and telephone contacts and will therefore need to shift to electronic and interactive communication channels such as Internet, mobile applications, email etc.

This revised regulation framework has led to an increased emphasis on local accountability and tenant lead scrutiny to boost performance in the sector. In an increasingly technological society, the housing sector has to work in partnership to embrace innovation and drive productivity. There is also evidence that the sector is becoming subject to greater levels of audit and scrutiny, not only internally from its own boards and tenant organisations but also from the HCA (Homes and Communities Agency). The HCA seems to be focusing in particular on delivering value for money, particularly where there are large amounts of expenditure on technology projects.

In April 2013, the government launched the first 'Digital by Default, service, through the introduction of Universal Credit. Digital by Default is the government's programme designed to ensure that the UK meets the needs of its people by providing world-class products. In order to develop a fully digital by default society and benefit from new technologies such as cloud services and open data, the housing sector needs to ensure that they have a digitally skilled workforce and that their tenants are fully included.

In our opinion, the main considerations for Digital Inclusion are:

- The provision of affordable services – equipment and network connectivity (community WiFi initiatives)

- Understanding how to use - the digital services – how do you impart knowledge?

- Encouragement provided to the customers to use the digital channels – what's in it for them?

Universal Credit, which will be phased in between April 2013 and 2017, will result in a single benefit payment being made directly to the social housing tenant instead of to the landlord.

These reforms will have financial impacts on both housing associations and tenants and, in turn, will lead to the adoption of coping strategies with important consequences, some of which will be unforeseen and unintended. Working closely with our customers from the social housing sector, we have looked at the impact of the reforms and how technology can support them and their customers.

What are the main challenges?

The main impact on tenants from the reforms will be a financial one. The income of households claiming benefits is likely to be £1,615 lower on average per annum (Centre for Economic and Social Inclusion) This figure excludes the impact of Universal Credit, which is calculated to be around £1 in every £7 of every affected household income. This means that most households will experience a reduction in their monthly income, and may find it more difficult to set aside money for rent and other essential bills.

These changes will have a direct impact on housing associations, as the direct payment of housing support to tenants will mean that they will now be responsible for budgeting and paying their rent. 84% of housing associations say they expect rent areas to increase as a direct result of the welfare changes by an average of 51%.

This will lead to a huge shortfall in income and increased workloads in collections, debt collection and evictions, which will in turn lead to an increase in staff required to answer queries and chase rent arrears. This will impact upon the association's ability to continue to provide maintenance and service to their tenants, thereby increasing their costs.

Smaller social housing providers may find that they will have to merge to be able to afford the 'bigger' technology solutions that will bring about efficiencies. Mergers may not be the only solution as some smaller organisations are considering shared services with their peers to bring about general economies of scale.

Technology benefits

The housing sector faces a growing challenge of resourcing service delivery and a requirement to understand the needs of tenants and communities by communicating more regularly through the most cost effective appropriate method of communication.

Strategies need to be developed, such as profiling and segmenting to determine effective approaches to meet their tenants different needs.

These include increased use of self-service options via online channels to reduce administrative workloads, together with the employment of Customer Relationship Management (CRM) systems to assist in profiling and segmentation.

Cloud Services

In the past, housing associations have managed their IT infrastructures, which includes on-site hardware and software managed through their dedicated IT teams. However it is becoming more cost effective and productive to move to 'remote' web-based IT provision, more commonly known as cloud computing or cloud services.

Other drivers for moving to the cloud are:

- Buying into a portion of a bigger, more robust and faster solution – many smaller housing associations may be unable to afford a resilient Virtualisation solution, highly functional SAN (Storage Area Network) etc.

- Ensuring that services are available to support 24x7 working – greater pressure for organisations to adopt home/field working means that the IT support department are unable to go home at 5 pm so outsourcing to the cloud may be the answer.

- Business continuity – Cloud gives the opportunity to buy into multiple data centres and platforms

- A move to cloud based IVR, UC, Contact Centre as well as traditional IT Services

Cloud services are changing the way organisations operate, the way they approach IT services, communications and collaboration These services deliver a consistent user experience across all devices, applications and data, to ensure that your employees can communicate with customers and stakeholders no matter where they are based. It may also mean that users are better placed to work in the field or from home as dependency is removed from central organisational data centres.

Cloud services allow housing associations to mitigate the risk and complexity of migrating services at a pace that suits them in a structure that suits them.

Cloud-based delivery and management offers in group merger situations where the new group may need to centralise computer processing, and also require complete flexibility to flex resources up or down as demand increases

Cloud computing offers key benefits to housing associations; lower cost, flexibility, mobility and resilience. Capital expenditure can be avoided, whilst retaining the benefits of an infrastructure that is constantly updated as new features become available. It also allows associations to pay only for what they use and to quickly scale up or down the service they receive in line with demand. Services can also be accessed from anywhere at any time.

Helping you communicate

There are other technology solutions that can help address many of the challenges that housing associations are facing as these reforms impact their tenants.

These solutions can play a big part in helping housing associations to communicate with tenants in new and more effective ways. By automating routine processes and providing the intelligence to give support where it is needed.

4net are working with the housing sector to develop strategies and appropriate solutions to cope with the increase in tenant contact and the need to manage and collect rent payments to minimise arrears and maximise their chance of maintaining income levels.

Housing providers will also be able to reap the benefits of technology to help them to deal with the rising demand for information, communication and payment reminders as their tenants come to terms with the changes in their income. Other benefits include end-to-end management of repairs with contractors using mobile devices to 'sign-off' jobs.

In considering these solutions it is important to think of tenant preference and convenience. The easier it is to make payments, request services and book appointments and the more choices the tenant has to make their transactions, the more likely they will be to establish set patterns. This will also minimise the time spent in managing arrears. The strain on tenant's budgets means that if tenants are unable to make payments as soon as their benefits have been paid they are more likely to default and so it is important to look at technologies that can help associations identify vulnerable households, predict arrears, and anticipate trends in payments and also where they need to target their support.

So the goal for many housing providers is to find new and improved ways of working so that they can make the most of their existing resources. Technology has a major role to play to help improve productivity and efficiency but to ensure that it makes a real difference it needs to be targeted.

Some of our customers have identified that they need to provide timely information and advice to their residents, through SMS texting and email and recorded messages. By using technology for simple reminders and processes, it helps to reduce the need for human contact for routine procedures.

Through the introduction of business process automation software organisations can reduce the cost in time and money involved in carrying out everyday processes. Manual triggers are replaced by software, which integrates disparate systems to enable an end-to-end business process, which can include:

Document Automation - a means of quickly and efficiently managing paperwork and other documents, in an electronic form. Document automation solutions can encompass any number of potential processes and include fax server or even SMS messages.

Telephony Integration, or CTI as it is more commonly known, holds the key to a smarter, faster and more streamlined performance. The technology to achieve real competitive advantage is abundantly available. But the key to success lies in the successful integration of different systems including business software and telephone based systems.

This capability has been highly developed so that call recording can be integrated with call logging, quality monitoring and customer relationship management software (CRM).

This provides benefits such as reduced call handling time, more effective and efficient customer service operations and effective dispute resolution.

Self-service IVR

Self Service IVR solutions automate the process of customer interaction by enabling tenants to serve themselves. Using a combination of touch-tone and speech recognition IVR systems can facilitate simple or very complex requests efficiently and cost-effectively, without ever requiring a live agent's time.

Self Service applications can also include an on line payment portal. The Association can send the tenant a text message to inform them that their rent is due or overdue, the tenant can then call into the IVR and follow the instructions and if they don't want to pay over the phone then they can opt to pay via the portal.

We also need to consider mobile applications, as many customers will have mobile Internet capable devices rather than traditional computers and laptops.

In Summary

In summing up their strategy, one of our major customers said:

"4net are working with us to introduce new ways of working. We are setting up our systems so that we have daily contact with our tenants – not weekly or monthly and we will do this through a wide range of contact methods. To allow this we are integrating our IT and Telephony to drive outbound calls, texts and emails and setting up a sound reporting base to analyse our effectiveness and response rates.

4net will be delivering a managed service solution to manage our workload and eradicate room for error.

Our investment in technology will ultimately reduce the need to increase our staffing levels by 50% saving us in the region of £400k pa.

My advice to other housing associations would be to take stock of your systems and processes. Try new technology to manage your workloads and use them to the best of their ability. Invest in technology and above all think outside the box."
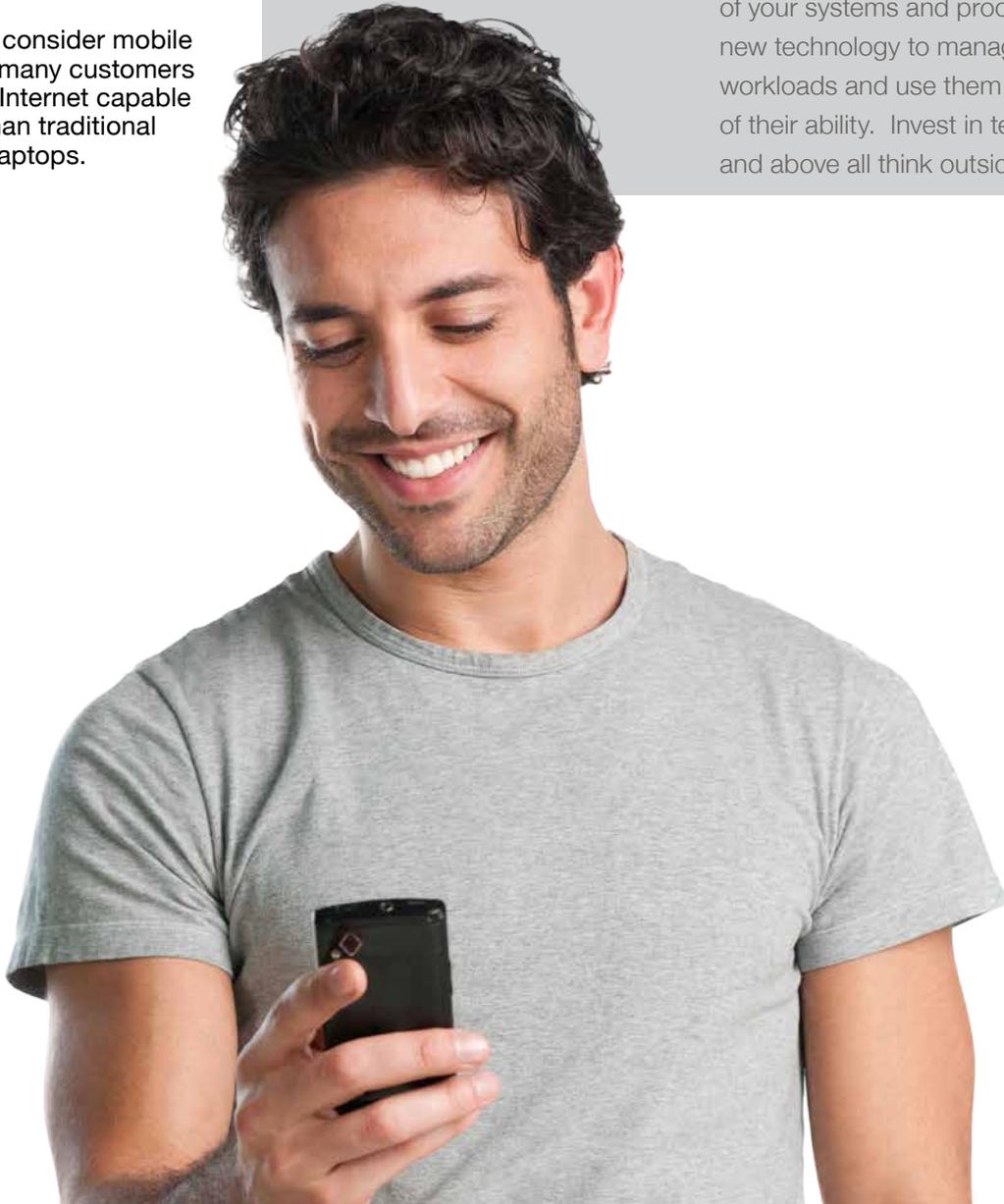
Policis Report

- **51%** of benefit-dependent social tenants have acquired a set of skills that enable them to manage cash over very short periods.

- **86%** of social tenants believe "strongly" that it is **better for housing benefit to be paid direct to the landlord**

- **92%** of customers who currently have direct payments in place would have HB paid direct to the landlord again if they had the choice.

- Eight in ten (**79%**) say they will find it more difficult to manage money monthly, with 65% saying it will be "a lot" more difficult.

- Almost all (**94%**) fear that they will be **unable to prioritise their rent** within their budgets with half (49%) not confident that they will be able to keep up rental payments.

- The "**Troubled reform-resistant struggler**" – bury their heads in the sand and only respond when something hits their pockets - segment represents some **1.9m people**, 29% of working age social tenants.

- In the last twelve months, **45%** of these tenants have **struggled to afford food** and **39% fuel**, while **49%** have **struggled to afford shoes and clothing**.

- **Seven in ten** exhibit at least one of a range of vulnerability factors. One in five (20%) have numeracy issues, 17% literacy issues, one in four (25%) mental health issues, 28% a major health condition.

- A half (**50%**) are experiencing problematic credit use and a third (34%) have consulted debt advice.

- **14% of social tenants** do not have a bank account with the banking functionality to make direct debits, having only a Post Office Card Account

- **5% have no account** of any kind

- **24%** of social tenants **do not** have meaningful access to a bank account.

- Almost half (**48%**) of social tenants have been subject to penalty charges for either being overdrawn or bounced DD's

4net's powerful combination of service excellence and technical expertise makes us the partner of choice for organisations who want to transform the way they communicate with customers, staff and stakeholders, reduce costs and gain competitive advantage.

Our contact centre, unified communications, managed and cloud services are designed to address today's complex business challenges, helping you to respond to your customer and staff requirements.

From simple IP Telephony Solutions to Virtual Contact Centres, from Unified Communications to Cloud Services, we partner with best in class vendors such as Avaya, Microsoft and Enghouse to deliver a solutions portfolio that will address today's changing workplace and build tomorrow's future, making 4net the preferred communications partner for many businesses across the UK and the Globe.