Research on income collection:

Housing association changes in response to Universal Credit

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Background

The introduction of Universal Credit has led many housing associations to look at their income collection processes. Therefore, the National Housing Federation thought it was important to understand how the processes and procedures of income collection are changing.

Universal Credit has changed the way that many social housing tenants pay their rent. Most people receiving Universal Credit are responsible for paying rent directly to their landlord. For a number of reasons (including waiting for payment, existing rent arrears, and payment behaviour) the move to Universal Credit has resulted in an increase in rent arrears at the beginning of the claim period.

Methods

To find out what housing associations are doing, we interviewed 11 professionals from eight housing associations. We also held a session at a regional meeting of welfare professionals from housing associations. The housing associations who took part in the interviews were from different regions, sizes and types. At the time of the interviews, tenants paying with Universal Credit represented a small number of the interviewed housing association's tenants (minimum 4% of tenancies, maximum 13%).

Key findings:

- Housing associations started to prepare for welfare reform after changes were announced in 2010, including investing in more staff, training, preparing tenant communication strategies, purchasing software and modelling the likely impact.
- Some housing associations had invested in software, such as rent payment analysis, autodialers and benefit calculator tools.
- Some housing associations have made changes to their pre-tenancy policies for new tenants on Universal Credit.
- Housing associations found Universal Credit cases required more administrative staff time than Housing Benefit. Greater efficiency gave more time for staff to have personalised conversations with tenants about claims.
- It is too early to say what the impact of these changes has been. Generally, associations felt that steady or decreasing arrears were an indication that their approach was effective.

The top four lessons from housing associations were:

1. Make use of targeted communication strategies to tenants affected by Universal Credit.
2. Do not underestimate the time taken to advise and support tenants with their claim.
3. Exercise caution when planning and implementing proposed changes to Universal Credit policy.
4. Partnership working is key to working with Universal Credit, including working with Department for Work and Pension (DWP), other housing associations and local authorities.

1. Introduction

This report sets out research undertaken by the National Housing Federation into any changes that our members have made to pre-tenancy and income collection policies and processes in response to Universal Credit. We want to share the learnings from other housing associations regarding approaches they feel work when it comes to the new benefit system.

This research is based on interviews with 11 people from eight organisations. The sample was chosen from those who mentioned changes to their systems in our regular Universal Credit survey.

This report provides more background on the research before setting out key findings on pre-tenancy work, income collection, staffing and lessons learnt. Examples presented are not representative of the sector, but are provided to assist other organisations who may be facing similar issues.

2. Why we did this research

The introduction of Universal Credit has changed the way that many social housing tenants pay their rent. Under the Housing Benefit system, tenants could choose to have benefit paid by local councils directly to the social landlord. With Universal Credit, however, tenants are expected to pay rent directly to their landlord.

DWP have made Alternative Payment Arrangements available, which allows Universal Credit to be paid straight to landlords. However, this is not a choice for all tenants and is intended for people with substantial pre-existing arrears or who are vulnerable.

For a number of reasons, including the wait for payment, delays in payment, existing rent arrears, and payment behaviour, the move to Universal Credit has resulted in an increase in rent arrears at the beginning of the claim period.

Universal Credit is a completely new way of paying money to people of working age on low incomes.

These changes have led many associations to look at the way that they can support tenants to manage the new system and maintain rent payments. This paper looks in detail at how processes and procedures of income collection are changing as a result.

3. Research aim

The aim of this research was to understand more about what associations considered to be the most efficient and effective way to collect rental income following the rollout of Universal Credit. The key questions to meet this aim were:

1. What changes, if any, have housing associations made to pre-tenancy policies in response to Universal Credit?
2. What changes, if any, have associations made to income collection in response to Universal Credit?
3. What effect have these changes had on rental income in these organisations?

As the research progressed, we expanded the third question to include the general impact of changes on organisations.

4. Methods

The sample was developed by reviewing our Universal Credit survey responses from financial quarters three and four 2017-18 to find housing associations who mentioned changes they had made or issues they had with their income collection processes following the introduction of Universal Credit. The sample size was determined by analysing the survey responses to find relevant examples and inviting housing associations to take part. Not all those invited took part.

Telephone interviews were then completed with officers and senior managers with responsibility for income collection. Two people were interviewed in three organisations, and a further five individuals for the remaining five housing associations. All interviews were conducted in October 2018. We also ran a short session in a regional meeting of housing association professionals working on welfare reform.

The size of the sample and qualitative methods mean that this research is not representative of the whole sector, but indicates the changes that some of our members are making in response to Universal Credit.

5. About the housing associations who took part

The housing associations who took part in interviews were from different regions (though none from the South West or East of England) and included both traditional and Large Scale Voluntary Transfer (LSVT) associations, or a mixture of the two. A mixture of sizes were represented, from medium to very large, but no smaller housing associations (those who own less than 1,000 homes) took part.

At the time of interviews, tenants paying with Universal Credit represented a small number of tenants from the interviewed housing associations (from a minimum 4% of tenancies to a maximum of 13%). Many expected this number to continue to grow as rollout finished and managed migration commenced.

6. Key findings

6.1 How housing associations prepare for Universal Credit

Universal Credit was first announced in 2010, so it is important to note that many of the changes in this report took place years ago.

Housing associations had done preparatory work to support tenants affected by welfare reform after changes were announced. This included investing in increasing staff, more training, developing tenant communication strategies, purchasing software or modelling the likely impact.

Most housing associations were forecasting the number of Universal Credit tenants and the likely impact on their arrears figures. One association did not feel tracking or modelling of Universal Credit cases was useful; they weren't certain that differentiating how tenants pay their rent would result in behaviour change or different relationships with Universal Credit tenants compared to other self-paying customers.

Housing associations were cautious when preparing for Universal Credit. Previous experience in preparing and communicating about policy changes, such as the bedroom tax and introduction of the Local Housing Allowance (LHA) rate, had shown housing associations that preparations need to be considered in proportion to the likelihood and impact of changes.

One housing association said they spent a year remodelling their supported living offer to prepare for the introduction of the LHA cap, which was not needed once the policy was revoked. Similarly, a number of housing associations mentioned lessons they had learnt about communicating policy changes to tenants. When it came to the bedroom tax, blanket communication with tenants had either driven too much demand to the call centre, or tenants had not engaged until they were affected.

Housing associations are continually adapting and learning in response to new systems and changes to welfare reform. With limited resource, they were having to think carefully before doing too much preparation, only contacting tenants immediately before Universal Credit was rolled out in their area to avoid wasting resources in the case that the policy changes are delayed or do not happen.

6.2 Staffing changes

Housing association staff working on Universal Credit are generally those in income collection (including income recovery and arrears) and welfare advice services. Housing management teams and call centre staff might also be involved, but often as generalists rather than specialists. For more serious arrears cases, some housing associations had specific officers to deal with court cases.

For the housing associations we spoke to, changes made to staffing in response to Universal Credit related to number of staff and responsibilities of staff. This is broadly split as follows:

- a restructure leading to a change in team structure, staffing levels and responsibilities; this was either a direct result of external policy (such as welfare reform or the rent cut) or an internal, strategic change
- an increase in staffing; generally, in either income recovery or money advice
- increased automation, such as use of autodialers, to accommodate shifting staff responsibilities or loss of staff from restructures that followed the 1% rent cut
- changed responsibility of existing staff (either expanding or reducing remit)
- creation of new teams, such as financial inclusion.

For some, these changes were not recent and followed announcements on welfare reform in 2010 or 2013. Other organisations were monitoring claimant numbers and workloads and had sought approval for increasing staffing when needed. A change mentioned by a few housing associations was customer service advisors moving to their income team. These advisors only provided advice to tenants on claiming Universal Credit and dealt with low-level arrears, as opposed to such calls going to the more general call centre. Some housing associations also reported that their money advisors had moved away from debt advice to provide more advice on welfare and checking tenant’s benefit entitlement. This was to focus on maximising people’s income.

6.3 Investing in software and external support

A number of housing associations mentioned investing in new software to support their income recovery work. This included a software programme that alerted officers to changing rent payment behaviour and predicted where arrears might happen. One association reported that arrears were coming down a little, which they attributed to the increased efficiency driven by this software (though it may also be due to changes in the system, such as introduction of the Landlord Portal and reduction of the waiting period for new claims). For some, their existing housing management system had advanced reporting and automated actions, which made investment in additional software unnecessary.

Housing associations were also using or investigating the use of autodialers. These would automatically call tenants if they reached certain triggers such as level of arrears. Those who used them were pleased with the efficiencies brought and felt they reduced arrears, which was better for both the tenant and the association.

Benefit calculator tools and budgeting tools were also frequently mentioned. Many housing associations had contracts or referral systems to debt management organisations too.

Housing associations also mentioned commissioning specialists, such as trainers and researchers, to help with their work on Universal Credit. The research commissioned included behavioural change driven by Universal Credit and tenant experience of the new benefit.

One association said that they had previously referred tenants to an external provider for debt advice but found that tenants were not then accessing those services. As a result, they brought debt advice in-house so they could follow up on referrals and provide more comprehensive advice and support.

6.4 Changes to pre-tenancy policies or processes

Almost all housing associations mentioned changes they had made to pre-tenancy processes or policies following the introduction of Universal Credit. These ranged from larger changes to policy tweaks. The main changes were:

- changes to, or introduction of, pre-tenancy checks, such as vulnerability assessments and affordability assessments
- changing who attended tenancy sign-up to better communicate tenants' responsibilities for rent
- requesting prepayment of one period of rent before a tenant moved into a property
- new tenancy agreements (such as monthly and/or fixed term tenancies for an initial period).

Pre-tenancy checks were in use by all housing associations. These helped housing associations calculate whether those applying for properties could afford tenancies, whether they were claiming all benefits they were entitled to and to check for vulnerabilities of applicants so that appropriate support could be put in place.

Some housing associations mentioned that they already had these checks before Universal Credit. The changes made after the introduction of the benefit included increased checks on vulnerability, affordability criteria, and a greater emphasis on tenant responsibilities for paying rent at sign-up. Pre-tenancy checks also alerted housing associations to money management issues so that they could refer applicants for debt advice. If tenants failed any affordability checks, they would be referred to a more affordable housing product or back to the local authority that had nominated them.

Changes to who attended sign-up for a new tenancy differed by organisation; for some, an income or arrears officer now undertook or attended sign-up. For others, a lettings officer or housing officer went through the tenancy agreement with new tenants.

New tenants who were claiming Universal Credit were often the responsibility of a different team compared to existing tenants who were claiming for the first time. This was commonly split between lettings teams/housing officers for new tenants, and arrears/income recovery team for existing tenants. In some cases, an arrears or income recovery staff member may have been present during the sign-up to remind tenants of their responsibilities around payment of rent.

A number of housing associations mentioned requesting one period of rent in advance of any tenant moving in. This was requested so that tenants were less likely to get into arrears. Where tenancy agreements asked for rent weekly, housing associations might ask for one or two weeks rent upfront. If the tenancy agreement was monthly, then a month of rent was asked upfront. There was also a greater emphasis on tenants needing to adhere to the conditions of their tenancy, which included payment of rent (which may previously have been paid direct to their landlord through housing benefit).

Only one association interviewed was also introducing monthly tenancies to all new tenants to align with the monthly payment of Universal Credit. This brought consistency and, with it, efficiency. It was difficult to do this for existing tenancy agreements though. Other housing associations were making more use of fixed term tenancies for the first 12 months to ensure the success of a tenancy. If the terms of the tenancy were breached over this period, including unacceptable levels of arrears, then support would be provided and, in the worst case, the tenancy would not be renewed.

Impact of these changes

It was too early to tell the impact of some of the changes mentioned. Housing associations interviewed were monitoring the impact closely. The number of changes in the sector and to Universal Credit policy also made it difficult for housing associations to determine what specific change was having an effect.

Changes to pre-tenancy checks were seen to be generally positive. The greater level of information at sign-up meant that one housing association's Housing Management team could make more informed decisions on letting properties and managing the tenancy. One housing association talked about how these checks offered opportunities for a more tailored sign-up process, opening up conversations with tenants that weren't previously possible.

Housing associations said that new tenants accepted the need to pay rent upfront. One housing association mentioned that referring tenants back to local authorities when they had failed affordability checks had led to some tension with the authority.

One association was concerned with the staff resource needed for the growing Universal Credit caseload. They felt they couldn't keep making staff changes to meet demand. One response was greater automation to free up staff time.

6.5 Monitoring of pre-tenancy changes

Many housing associations were still considering what would be useful metrics. Most had a Universal Credit project board or group to monitor and discuss changes. Types of monitoring mentioned included:

- tracking the amount of money that welfare advice teams have helped tenants to claim through checking benefit entitlements, debt reduction support or backdating of benefits

- tracking the social value of welfare advice using social value calculators
- measuring the impact on arrears from first contact with welfare advice service and arrears at the end of contact
- reviewing the number of tenancies that fail in the first year, to look at what support needs to be put in place, along with any learnings from the decision to grant tenancy.

6.6 Changes to income collection policies or processes

The main changes to income collection policies or processes were:

- focusing on rent payment through reminders to tenants, encouraging tenants to build a financial buffer and more efficient payment modes
- increased automation, such as automatic actions triggered by changes in rent payment and use of autodialers
- testing the effectiveness of different forms of communication
- a tightening up of policy on income collection.

Focusing on rent payment

Housing associations reported that the types of communication they were having with tenants were changing. Many were operating targeted communications campaigns to let tenants know about Universal Credit, while reminding tenants about their responsibilities for rent at every contact.

The most common change to income collection processes was changing the mode of payment to make it more efficient. Housing associations were moving away from taking cash payments and some were phasing out bill payment cards. They were moving towards any day direct debits and standing orders for rent as standard, as well as automated telephone payment systems.

Payment changes were part of an early intervention strategy operated by many housing associations. For some this took the form of encouraging tenants to build a financial buffer. How much of a buffer depended on what was affordable for tenants. Arrears teams had to explain to tenants that Housing Benefit was always paid in arrears, even though tenancy agreements asked for rent at the start of the tenancy period. This meant that tenants' rent was always in arrears and the buffer would help reduce arrears when they moved across to Universal Credit.

Housing associations also reported that the focus of money advice teams had changed from general advice about welfare, income and expenditure to a focus on housing related benefits. This was due to reduced capacity in teams, either because of the rising Universal Credit caseload or because of a loss of staff after any restructure that followed the 1% rent cut.

One association had launched a deferred payment scheme for rent during the claim period. They wanted to minimise take up of advance payments of Universal Credit or high interest loans from doorstep lenders, whilst encouraging engagement and access of support. The housing association analysed arrears patterns and saw that there was a £300 increase in arrears after claims. As a result, they offered tenants an opportunity to defer payment of one month's rent as long as tenants contacted them at the point they were making a claim, had a history of engagement and told them when they got their Universal Credit payment. The advantages were that they then had a better relationship with tenants and a better flow of information between them.

Increased automation and personalised contact

Housing associations reported different types of automation, including automatically generated tasks, letters or phone calls. This created efficiencies and allowed time for housing officers to provide more personalised contact over serious or complex cases. Automation occurred through housing management systems (and task managers within this) or specialist software/equipment, such as rent payment analysis software or automated telephone dialers.

One housing association stated that automation helped with court cases. The system recorded contact with tenants, such as letters and texts sent and whether the customer had listened to a voicemail. This could then be submitted as evidence in support of arrears cases if they went to court.

Triggers for contact varied. For example, one association said that if arrears had increased over the last eight weeks then the account was flagged as a priority. If a tenant was more than one week in arrears and had previously been less than one week in arrears over a four-week period, then a letter would be sent out. For another association, an initial text or email was sent out if a tenant was £10 in arrears and if they continued to stay in arrears then a letter was sent every week until the balance was paid.

For those with specialist software or systems, they were more likely to prioritise contact based on a change in payment behaviour rather than any notional arrears balance. For example, changes such as the arrears balance going up or no arrears but a change in a previously static balance. One association had made the decision to only use frontline resources for high arrears cases, with outbound calls and texts for arrears below £500.

There was no automation for vulnerable customers, who were picked up as part of the vulnerability assessment of new Universal Credit claimants.

Testing effectiveness of different forms of communication

The housing associations interviewed talked about testing the most effective way of communicating with tenants about rent, monitoring how much arrears changed if tenants had reminder texts, letters or automated phone calls. They were also creating more digital communication tools, such as customer portals or apps, to increase the ways tenants could contact them.

A common theme was having more quality conversations with tenants, focusing on engagement rather than following a process. Increased automation or a tightening of process allowed housing associations to focus on more personalised conversations. For one association, all income calls now went to a dedicated income team rather than to generically skilled customer service centre as previously. Even if customers were calling with a routine income query, the specialist team took the call as it was a way to start a conversation with tenants about rent and payment behaviour.

Some housing associations also looked at segmenting their customers and targeting specific communications at groups. For example, one association had segmented their customers into full payer plus (those who overpaid rent), full payer (who paid all rent due), part-payer (who paid some rent) and non-payer (who paid none of their rent due). The conversations that they had with part-payers were very different to those with non-payers.

One housing association spoke of a ‘nudge project’ to understand what would prompt behaviour change to improve arrears. They worked on this with 10 other housing associations. In this project, 150 tenants got a standard arrears letter, a second group of 150 got an arrears letter focused on support available, while a third group got a letter saying that their arrears meant they were at risk of losing their home. After three months, they compared arrears levels across the three groups and found that the third letter with the stronger wording prompted more payments.

Different communication could apply over arrears if tenants were already in touch with their association. For example, one association said that while they routinely do tenant visits when arrears trigger a Notice of Seeking Possession, they would not do this for tenants they have been in regular contact with over payment of rent.

A tightening up of policy on income collection

Many housing associations reported a tightening up of policies and processes. This could be reporting processes, adding new codes to housing management, or being more consistent with applying arrears policies.

Automation and specialist software also enabled housing associations to be more fluid in their application of policy, which meant they could review this policy alongside what was possible with new systems (for example, when arrears reach a certain level then have ‘contact one’ not ‘letter one’ as new software enabled calls or texts rather than letters).

Impact of these changes

Housing associations were positive about the impact of their approach on arrears so far. One association said that even with the increased number of Universal Credit claimants, arrears were holding steady or, in some cases, dropping. They thought this was due to new approaches and the hard work of staff, though it should also be noted that there have been changes to Universal Credit. This includes swifter processing times and also, from April 2018, the payment of an additional two-weeks run on of Housing Benefit for people moving Universal Credit.

When it came to automation, one housing association reported that tenants did not like automated calls, but accepted them when the reason was explained (i.e. that their account was in arrears and would stop if the balance was paid). Staff were initially fearful of automation before it was put in place, but this did not bear out in practice.

For example, one association had a policy with the autodialer that “the first time we call an elderly customer at 2am, we’re pulling the plug on the dialer". They had not had a complaint from customers about the automated dialer and satisfaction levels were much higher than other departments. As stated above, automation had also freed up staff to focus on more complicated cases, or to provide more personal contact.

Staff were also more efficient as a result of more specialised teams. Prior to specialisation, those who were interviewed said staff were at risk of being spread too thin, whereas now they could focus on more complicated cases.

In general, there did not appear to be issues with the changes amongst staff. As in most cases staff numbers were increasing, it was more a case of staff getting used to new responsibilities, systems or tenant conversations.

6.7 Monitoring of changes to income collection

Housing associations were using measures to monitor whether their approach was working or any further changes were needed. As with pre-tenancy changes, it was early days in terms of income collection. Some housing associations were still considering key measures to monitor change.

The main indicator that was used to monitor changes was the arrears figures. Housing associations sent these to their Board and Senior Leadership Team as part of their key performance indicators. Some housing associations broke arrears down by different segments, such as whether tenants were paying with Universal Credit, were subject to the bedroom tax, had their benefits capped, or had Alternative Payment Arrangements for Universal Credit. They felt this monitoring let them know whether their policy had a positive impact on arrears. Breaking it down also helped housing associations to understand whether policies were being followed. Bringing figures to regular project boards also meant they could regularly review and act quickly on any worsening of figures.

Other ways of monitoring mentioned were case audits, listening to phone calls, number of claimants, call centre time for Universal Credit claimants, modelling to project future numbers of claimants, and responsiveness of tenants to contact.

The call centre time was important because housing associations reported that the complexity of claimant's cases meant housing officers were spending more time on welfare cases than they were under the Housing Benefit system. There was a concern that the call centre would not be able to cope once Universal Credit was fully rolled out. Modelling of claimant numbers and staff contact were used to assess whether the existing staff would be able to cope with demand or more staff were needed.

Responsiveness of tenants to contact was used to measure the most effective forms of communication. For example, one housing association found that tenants who received automated phone calls alerting them to this had lower arrears over time than those who received letters telling them this.

Housing associations were also exploring segmentation/modelling projects. Two examples of this were:

- using different data sources, such as commencement orders, mapping of tenants to JobCentres and historic data on Housing Benefit starts and stops, to segment tenants based on their likelihood of moving to Universal Credit
- giving all tenants a risk level based on how they manage their tenancy (finances, affordability, whether they are a first time tenant, vulnerabilities, medical needs like alcohol dependency or mental health issues) and tracking support offered, level of arrears for risk types, and actions taken.

7. Implementation

Housing associations did not report big issues with the implementation of changes. For some, they were still implementing these. The focus on tenants' responsibility in paying rent was a big cultural change for staff. Whereas previously conversations were focused on benefits and entitlements, they were now about supporting tenants with their claim and reminding them of their responsibilities in paying rent. Housing associations were clearly concerned about the volume of calls to their customer services or level of staff support needed as Universal Credit was rolled out. This meant housing associations were encouraging tenants to make contact online, as they would have to do for Universal Credit through the claimant Journal.

The housing associations interviewed said that some of the changes introduced may have happened anyway, particularly around digitisation or reviewing of arrears processes, but Universal Credit drove the change to happen earlier than it otherwise might have occurred. Buy-in from senior leadership was important to drive changes. Metrics helped to make the business case to leaders for changes, as well as consistent messaging that more support was needed for tenants moving to a new system.

Having staff trial approaches before they were rolled out more widely helped with implementation. With tenants, new tenants accepted changes made as they had no previous experience to compare it to.

8. Reflections on changes – lessons for sharing

The top four lessons from housing associations were:

1. Make use of targeted communication strategies to tenants affected by Universal Credit
2. Do not underestimate the time taken to advise and support tenants with their claim
3. Exercise caution when planning and implementing proposed changes to Universal Credit policy
4. Partnership working is key to working with Universal Credit, including working with DWP, other housing associations and local authorities

Housing associations were still learning and testing their approach, but the biggest lesson communicated by a number of those interviewed was the need for targeted communication to tenants affected by Universal Credit. In the past, blanket communication on welfare changes had driven excessive demand to call centres or tenants had ignored it because it did not yet directly affect them. Housing associations were now more timely with their communications, waiting to account for any policy changes and only contacting tenants once they were likely to be directly affected (such as when Universal Credit was rolled out to their area).

Housing associations stressed that time taken to advise Universal Credit claimants and sort any issues with payment should not be underestimated. For some, the solution to this was greater automation to free staff time to deal with complex cases.

Commonly, housing associations advised on the need to review approaches in the face of Universal Credit, but exercise caution before acting on or communicating policy changes (as discussed in section 7).

Partnership working was also important, whether that was internally, with DWP or other organisations affected by Universal Credit. The need to involve staff in changes and look after their welfare was stressed by a number of those interviewed. Housing associations had learnt a lot from each other, local government welfare reform groups and wider networks (such as Housing Quality Network's Rent Income Excellence Network). When it came to DWP, housing associations found this very important, but there was a challenge if they worked across a wide geographic area because of inconsistent quality of staff or the sheer number of relationships involved.

9. Conclusion

Our small sample has shown that housing associations are adapting to the changing operating environment resulting from Universal Credit. Changes have mainly focused on improving efficiency and communication with customers.

Housing associations were monitoring the impact of these changes, and steady arrears figures suggest approaches were appropriate, but they were aware that they might need to revise policies or processes further should arrears increase or persist. There is a clear need for balancing efficiencies alongside the support needed for tenants who are new to the Universal Credit system or vulnerable tenants.

If you have any questions or comments about this report, please contact Sue Ramsden, Policy Leader on sue.ramsden@housing.org.uk