

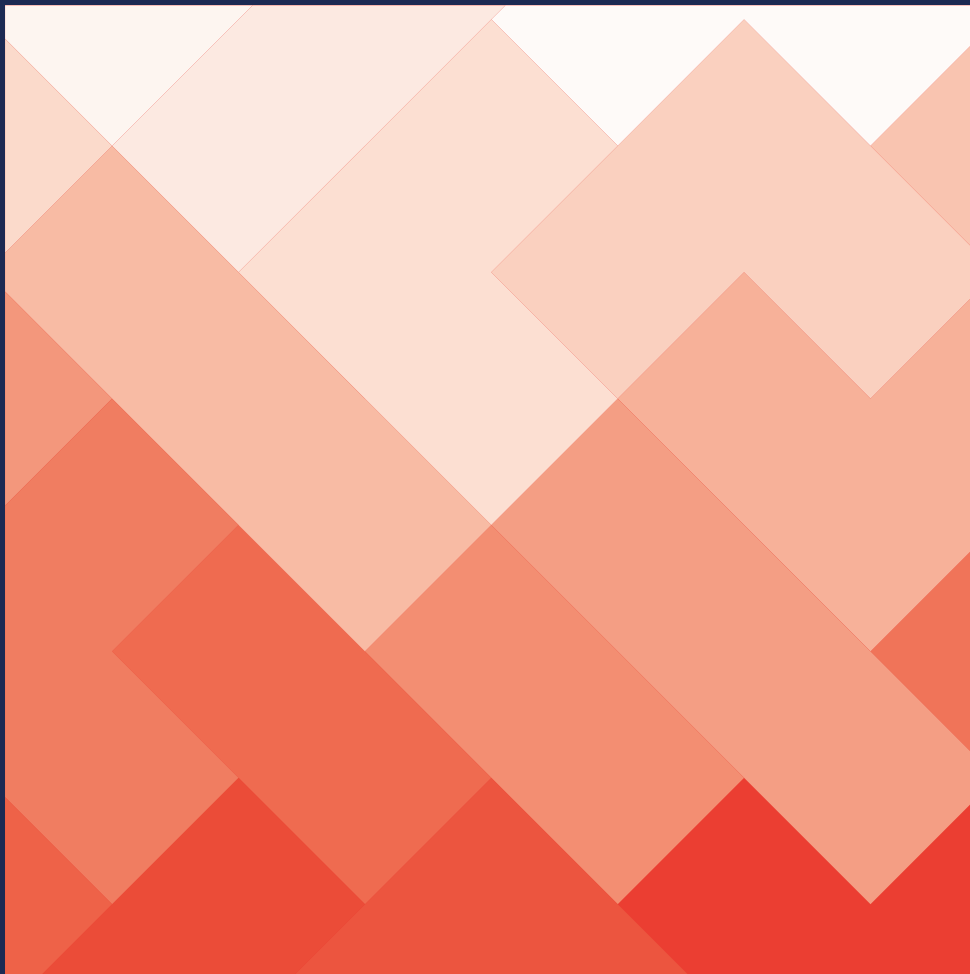


rent-flex

Paid in full

Putting residents in control

March 2021



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*www.hact.org.uk
@HACThousing
info@hact.org.uk*

*HACT
49-51 East Road
London N1 6AH*

*HACT is registered
as the Housing
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Summary

In March 2021, Moody's estimated that rent arrears will rise by 1-2% next year with a resulting drop of 5-6% in housing association income. At the same time, housing associations are facing increasing demands on their expenditure, from the impact of building safety to environmental retrofit.

We also know that residents are more likely to have been affected by the Covid-19 pandemic, are facing increasing economic hardship and are less likely to have savings to fall back on. Without recourse to benefits, many more will struggle to pay their rent every month.

Since March 2020, the relationship between residents and social housing organisations has changed. Staff have been redeployed to make resident welfare calls, while income teams have worked alongside their community investment colleagues to support residents to manage their finances. Tenancy sustainment has become a core part of social housing's day-to-day business, simultaneously fulfilling social housing's social purpose.

What if tenancy sustainment could also be used to empower residents, putting them in control of their finances? What if social housing organisations were able to personalise rent repayment schedules to reflect their unique circumstances, rather than impose uniform requirements?

In this White Paper we look at rent-flex, a platform that enables residents to develop

and agree their preferred, individual, schedules of rent payments for the year ahead. Developed by the Centre for Responsible Credit and WellThought Ltd, and with funding from the Money and Pensions Service, rent-flex has previously been tested in a manual proof of concept pilot with Optivo residents.

Key benefits included:

- **Improved engagement:** tenants liked the concept of rent-flex and were more likely to engage with it than with existing financial or budgeting support services.
- **Increased financial benefits to residents:** as part of the onboarding process residents were able to be engaged with budgeting support and income maximisation services which yielded significant benefits.
- **Improved rent payment:** residents who completed twelve months of rent-flex in the manual pilot paid 98.4% of their contractual rent, compared to 90% of the control group.
- **Improved relationships and satisfaction:** there was increased inbound contact from residents using rent-flex, as well as greater success with outbound contacts, and the quality of conversations with tenants increased. Overall, rent-flex boosted resident satisfaction levels with the organisation.

The evidence from the proof of concept pilot indicated that rent-flex could therefore help housing providers reduce the costs of rent

collection, improve cash flow forecasting
increase visibility of rental income and target
tenancy sustainment initiatives at those most
in need.

It could also transform the landlord-tenant
relationship by creating a joint planning
approach to the management of rent
payments, whilst simultaneously improving
residents' financial resilience, health and
wellbeing, and giving them greater control of
their finances and lives.

The next phase is making rent-flex a scalable
solution. To do this, a new digital rent-flex
platform has now been developed and is
being trialled with Optivo. Importantly, the
platform provides for residents to easily
change their rent payment proposals over
the course of the year to reflect any changed
circumstances. It will also support Income
Officers when assessing proposals and
referring residents to tenancy sustainment
services.

Moving forwards, the rent-flex platform will
shortly be available to other social landlords
for testing. We are inviting expressions of
interest in developing further trials.

**To express your interest in taking
part in the second pilot series,
[please contact Billy Holt.](#)**

1 Introduction

Residents engage with their social landlords in numerous ways. At every touchpoint there is an opportunity for housing organisations to listen and respond to the needs and behaviours of residents. Each interaction provides an opportunity to build trust and develop a relationship that values the resident's perspective.

Too often, however, these interactions can lead to stress and other negative consequences. Too often, the needs of the resident are not front and centre.

The stigmatisation of social housing tenants could play a part in this. The Government's Green Paper acknowledged that official terminology used by government and housing professionals occasionally acted as a value judgement about the worth and capability of those living in social housing.¹ Similarly, public perceptions of social housing residents tend to be negative. Homeowners are more likely to say they would feel uncomfortable living next to a social housing resident.²

The Government's social housing White Paper, entitled *The charter for social housing*

*residents*³ and the Building Safety Bill,⁴ have reinforced the importance of putting the resident voice at the centre of business decision-making processes. Simultaneously, the millions of welfare calls made by social housing organisations throughout the Covid-19 pandemic demonstrate the relationship between resident and landlord is also a pressing concern for the sector.

There is, however, a need to challenge stigmas within the sector and to embed trust into everyday transactions. Take, for example, the most routine transaction between residents and social housing organisations – the monthly rent payment. In supporting tenants to pay rent, social housing organisations usually have a tenancy sustainment team, who provide support to tenants in arrears. Tenancy sustainment can take a number of forms, from support around financial literacy and purchasing furniture to accessing Universal Credit and other benefits. The common thread is a commitment to help residents manage and maintain their tenancies and their homes.

Tenancy sustainment makes business sense and serves the social purpose of housing associations. The balance struck between business and social purpose varies from

1 <https://www.iffresearch.com/social-housing-green-paper/>

2 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/818535/Public_attitudes_towards_social_housing.pdf

3 <https://www.gov.uk/government/publications/the-charter-for-social-housing-residents-social-housing-white-paper>

4 <https://www.gov.uk/government/news/explained-the-draft-building-safety-bill>

landlord to landlord and influences how much time and money is invested in tenancy sustainment teams. Yet this commitment to improving life outcomes is not always clear to residents. They might perceive rent collection to be the primary purpose of social housing organisations, rather than supporting them when they have payment problems.

Some residents are reluctant to disclose their financial problems. Others make unrealistic payment promises. Often this will be because attempts to recover unpaid rent are made when residents are least able to respond, for example, when they have missed payments but don't have any clear plan available to them to remedy the position. Residents can also be reluctant to disclose the problems that led them into arrears.

The last year has seen a change in perceptions. During the first national lockdown, social housing organisations talked positively about a cultural shift towards their core social purpose. Staff were redeployed to make resident welfare calls, income teams worked alongside their community investment colleagues, and community investment shifted from a nice to have outlier to a core part of social housing's day-to-day business.

The role of tenancy sustainment seemed to have shifted away from simply maintaining an income stream and towards fulfilling the organisation's social purpose.

But what if tenancy sustainment could also be used to empower residents, putting them in control of their finances? What if social housing organisations were able to provide a rent model that accommodated the unique circumstances of each resident, rather than imposing rigid expectations?

This White Paper focuses on the way forward for rent. It provides an overview of how these interactions currently take place, and what the consequences are for residents if they default on their payments. It looks at some of the responses devised by social housing organisations, from the nudge techniques used by Metropolitan Thames Valley to the no evictions policy employed by ClwydAlyn.

Finally, it focuses on a flexible rent payment model pioneered by rent-flex, who are piloting its application in partnership with Optivo.⁵ This approach to income collection could transform the landlord-tenant relationship by creating a joint planning approach to the management of rent payments, improving residents' financial resilience, health and wellbeing, and giving them greater control of their finances and lives.

⁵ Rent-flex has been developed jointly by the Centre for Responsible Credit Ltd and Well Thought Ltd.

2 Social housing residents and rent

2.1 Social housing residents

Social housing residents are more likely to be on low incomes. In 2020, 71% were reported to be in the bottom two income quintiles.⁶ A quarter of residents find paying rent very or fairly difficult.⁷

There are other factors that impact on the budgets of many social housing residents. For example, 13.5% of social renters are lone parents with dependent children, compared with 10% of private renters and 2% of owner occupiers.⁸

Whilst rent in social housing is set below market rate, it still comprises just over a quarter of household income (including housing benefit).⁹ In the context of a low average income, this means residents often have to decide between paying other fixed and variable costs alongside their monthly rent payments.

2.2 Employment and Universal Credit

Unemployment is higher amongst social housing residents: 6.2% of people in social housing are unemployed.¹⁰ For residents who are out of work, Universal Credit and housing

benefit are available to cover housing and living costs. The implementation of Universal Credit has been difficult for many social housing residents. Research commissioned by Peabody into the impact of these changes found that the arrears of residents transitioning to the scheme spikes, and that three quarters of those on Universal Credit were behind on rent.¹¹

For residents in work, income is not always guaranteed or sufficient to meet housing and living costs. Peabody's annual index reported in 2019 that half of residents either work part-time or face unstable zero- and minimum-hours contracts.¹² According to the 2019/20 English Housing Survey, 14.2% of people in social housing work part time.¹³

In-work poverty is a significant issue in social housing and whilst moving into work sees poverty reduce from 68% to 31% amongst social housing residents, many still face hardship despite having a job.¹⁴ Causes include a high cost of living, low and variable pay and cuts to in-work support.

6 English Housing Survey 2019/20

7 *ibid*

8 *ibid*

9 *ibid*

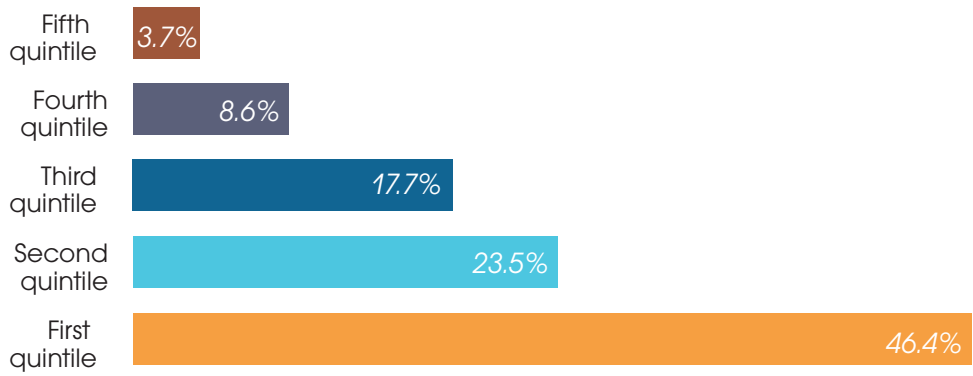
10 *ibid*

11 https://www.peabody.org.uk/media/13678/universal_credit_report-lr.pdf

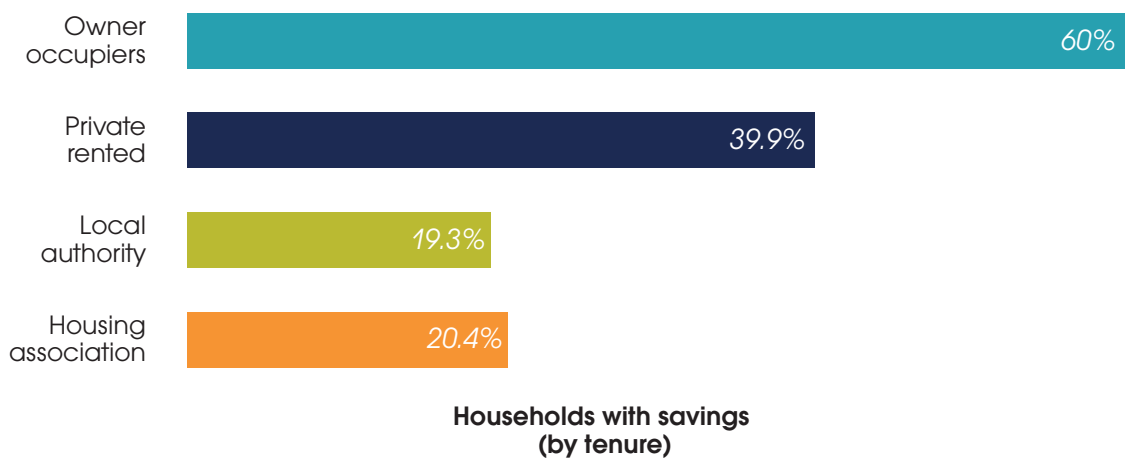
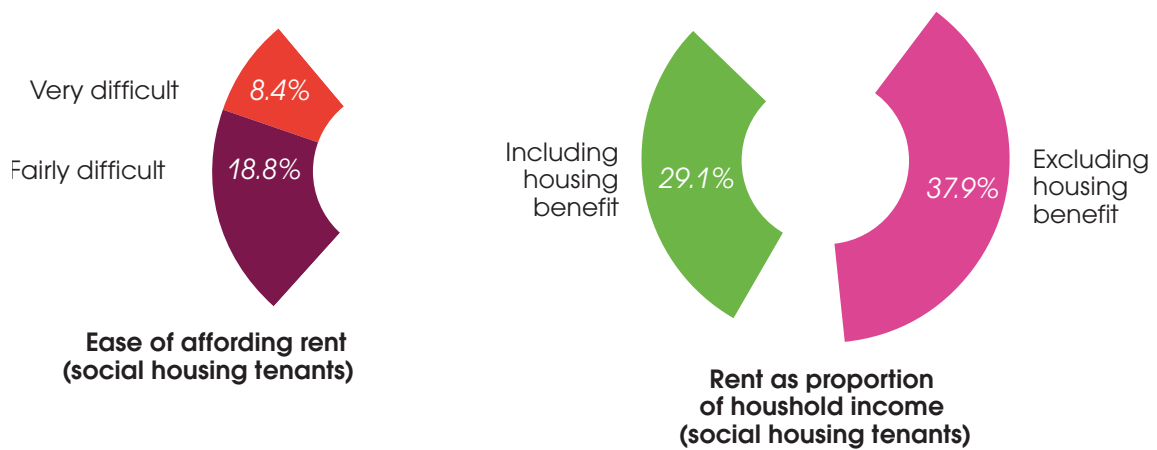
12 https://www.peabody.org.uk/media/13696/pub_019_012_index-report-final.pdf

13 English Housing Survey 2019/20

14 <https://www.resolutionfoundation.org/app/uploads/2020/02/Working-hardship-report.pdf>



Social housing tenants' weekly household income by quintile where first quintile is lowest household incomes and fifth is highest



2.3 Lack of savings

A consequence of these factors is that four in five social housing residents have no savings, providing little leeway in the face of financial difficulty and unforeseen circumstances.

Without savings, it doesn't take much to fall into financial difficulty. Life events, such as a divorce, illness or unemployment can be the deciding factor. Not only do these circumstances impact health and wellbeing, they also make income and expenditure volatile. Interventions to improve financial circumstances can struggle to deliver impact if these issues are not taken into account.¹⁵

For those who do fall into financial difficulty with no savings to cushion the impact, seeking help is not always easy. The Money Advice Service (now the Money and Pensions Service) report that only 17% of those living with debt currently access advice. The Money Advice Service identify benefits dependent families as one segment of the population which is unlikely to access support, partially due to a belief that debt is inevitable.¹⁶

Some of the barriers are hard to shift. Getting people to talk about money can be challenging. In some cases, people don't reach out for guidance, to hide the fact they are in debt from family members or even their

social housing organisation.¹⁷ Believing that it could lead to negative consequences, some people feel it's easier to keep problems to themselves, which can see debt increase.

2.4 The impact of Covid-19

The pandemic has had a considerable impact on social housing residents, who are also more likely to fall into demographic groups worst affected by the virus and its economic impact. Data since September 2020 shows that more deprived communities have markedly higher Covid-19 case rates.¹⁸

In January 2021, Communities that Work reported that 94% of housing associations had seen an increase in residents facing economic hardship as a result of the pandemic.¹⁹ In July 2020, 12% of social renters were experiencing "material deprivation".²⁰

Step Change found that people often use credit to cope with a life event, and that the same has happened during the pandemic. They found that 38% of those impacted by the pandemic have fallen into arrears on rent and bills, or borrowed to meet these costs.²¹

15 <https://www.stepchange.org/Portals/0/assets/pdf/life-happens-safety-nets-stepchange-debt-charity.pdf>

16 <https://mascdn.azureedge.net/cms/indebted-lives-the-complexities-of-life-in-debt-november-2013-v3.pdf>

17 <https://www.stepchange.org/debt-info/talking-about-debt.aspx>

18 <https://threadreaderapp.com/thread/1365347413922377729.html>

19 <https://www.communitiesthatwork.co.uk/publications/>

20 https://www.ceci.org.uk/wp-content/uploads/2020/07/Hardship_web.pdf

21 <https://www.stepchange.org/Portals/0/assets/pdf/tackling-the-coronavirus-personal-debt-crisis.pdf>

2.5 Arrears in social housing

As a result of these factors, rent arrears are normal across the sector. Reporting in 2019/20, the English Housing Survey highlighted that 23% of social housing residents are currently, or have been in rent arrears in the last year.²²

In March 2021, Moody's predicted that the ongoing Covid-19 pandemic would reduce the income of social housing organisations by 5-6%. The primary cause of this drop in income was because of the estimated one to two percentage points rise in arrears.²³

There are concerns that rent arrears will rise even further, through a combination of the end of government Covid-19 support alongside the expansion of Universal Credit. It's not clear yet how Universal Credit would cope with a dramatic increase in claimants following the end of the Job Retention Scheme, leading to increased uncertainty.²⁴

2.6 Why arrears happen

Social housing residents are faced with comparatively tight financial circumstances which may lead to arrears. Research undertaken at Sheffield Hallam University demonstrated that motivation

to pay rent was largely not the problem. Rather, those who missed payments did so reluctantly and in fear of eviction, but were faced with a number of other immediate priorities from paying utilities to purchasing food.²⁵

Some residents already choose to underpay or flex their rent payments as a form of money management, weighing up a series of essential costs before deciding that underpayment of their rent is a rational choice to make.

In a 2019 Housing Studies research paper on rent payment behaviour in social housing, Paul Hickman highlighted that residents already deliberately underpay "*as an economically rational course of action*" in light of other high interest loan options when faced with competing costs.²⁶

Mental health problems can also make it more difficult for an individual to manage rent and arrears. The Money and Mental Health Policy Institute found that a third of social housing residents have mental health issues.²⁷

22 English Housing Survey 2019/20

23 <https://www.insidehousing.co.uk/news/pandemic-will-hit-housing-association-income-by-6-this-year-moodys-predicts-69762>

24 (<https://www.smith-institute.org.uk/2020/07/15/housing-associations-face-tough-choices-around-rents-and-arrears/>)

25 <https://www.tandfonline.com/doi/full/10.1080/02673037.2019.1697799>

26 <https://www.tandfonline.com/doi/pdf/10.1080/02673037.2019.1697799?needAccess=true>

27 <https://www.moneyandmentalhealth.org/wp-content/uploads/2018/04/Where-the-heart-is-social-housing-rent-arrears-and-mental-health.pdf>

2.7 What happens if rent isn't paid?

Every social housing organisation has its own rent arrears policy. Typically, however, if a resident falls into arrears, the organisation makes contact to recover the overdue amount. This may also involve signposting them to internal or external financial advice and support. If this does not resolve the arrears, then the organisation may issue a notice of seeking possession, which could result in a resident being taken to court.

During the Covid-19 pandemic, evictions have been limited. There are, however, concerns about the long term consequences on residents' ability to pay rent in the future once the furlough and other government support schemes are curtailed.

2.8 The cost to the resident of debt and arrears

When faced with debt, residents may choose to access high-interest loans and unsecured credit. This can lead to exponential debt accumulation if the cycle is not broken. An example is rent-to-own furniture. A Citizens Advice report in 2019 suggested that consumers often pay three or four more times the cost of the same item when using high-interest loans.

This means those on marginal incomes are saddled with higher expenditure on everyday

items, when they are already struggling.²⁸

The UK Social Value Bank lists the annual social value to a resident of relief from being heavily burdened with debt to be £10,836 per individual, demonstrating how much of a negative impact debt has on residents.²⁹

Poor mental health can exacerbate existing financial difficulties by impacting negatively on employment and reducing the cognitive bandwidth of people to respond to their problems. Financial difficulty can also contribute to the onset of mental ill health, or exacerbate pre-existing problems with stress, anxiety, and depression. According to the Money and Mental Health Policy Institute, 34% of those struggling with housing costs are also facing mental health problems.³⁰

Being in arrears can also damage relationships between residents and social housing organisations, leading to reduced trust and negative associations. Outbound contact by income and tenancy teams can become a source of stress for residents in arrears, resulting in missed phone calls, emails and

28 Citizens Advice (2019), "High Cost Credit: Rent-to-own - Citizens Advice response to CP18/35"

29 Lizzie Trotter, Jim Vine, Daniel Fujiwara (May 2015). The health impacts of housing associations' community investment activities. HACT. London. <http://www.hact.org.uk/sites/default/files/uploads/Archives/2015/6/HACT%20Investment%20Activities%20report%202015.pdf>

30 <https://www.moneyandmentalhealth.org/wp-content/uploads/2018/04/Where-the-heart-is-social-housing-rent-arrears-and-mental-health.pdf>

letters, and missed opportunities to tackle debt early on. This is unsurprising when 76% of those with mental health problems and housing arrears experience the repayment of arrears as a heavy burden.³¹

Negative perceptions and a lack of trust are hard to dislodge and may affect residents' willingness to engage with organisations, whether for repairs and maintenance, surveys or tenancy sustainment activities.

2.9 The cost to the business

The organisational costs of managing income collection, rent arrears and subsequent actions are significant. Of the five core components of housing management, rent collection and arrears is the most costly to social housing organisations.

Rent collection

The routine business of rent collection is a significant cost for social housing organisations, even before arrears. Housemark and the National Housing Federation report that this cost is £150 per property, and higher than other core housing management processes like repairs.³²

As a result social housing organisations are willing to invest in new products and

solutions that can increase efficiency in income collection. Examples include behavioural techniques involving changing the tone of voice and appearance of communications, to service platforms which automate communications.

Arrears and repayment

Where residents fall behind on rent, further costs are incurred through engagement to repay arrears. The problem of rent arrears has worsened during the Covid-19 pandemic, increasing by £100m across the sector in May 2020.³³ Rental arrears not only mean sporadic and irregular cash flow, they also result in operational costs to the business in the form of communications with those in arrears. This cost is more difficult to quantify, but represents a significant cost, especially where outbound contact is unsuccessful.

Voicescape research suggests that both systems and processes used in rent repayment agreements could be made more efficient, estimating that 96% of repayment agreements are broken.³⁴ In effect this means frequent payment extensions, creating recurring work for income teams without addressing the underlying cause of arrears.

31 <https://www.moneyandmentalhealth.org/wp-content/uploads/2018/04/Where-the-heart-is-social-housing-rent-arrears-and-mental-health.pdf>

32 http://s3-eu-west-1.amazonaws.com/pub.housing.org.uk/Efficiency_Report.pdf

33 <https://www.insidehousing.co.uk/news/news/social-housing-rent-arrears-up-100m-since-coronavirus-outbreak-66581>

34 Voicescape, Arrears Arrangements: How To Approach Them In A Post-COVID World, 2021

Eviction

If arrears are not resolved and the case results in an eviction, the cost is estimated to be £6,900 per tenancy.³⁵ In addition to the cost of closing an account in arrears, evictions lead to a loss of income whilst a property is void. There may also need to be essential maintenance and work done to a property between an eviction and a new tenancy.

Financial planning

Being able to monitor cash flow and plan expenditure is critical to any organisation. Fluctuating rent arrears and irregular income make this difficult.

Whilst there have been moves to use data to predict changes in arrears, the sector still needs to improve its collection, processing and analytic use of income and behavioural data. With organisations looking to make long term investments developing new homes and retrofitting stock, uncertainty around cashflow means more organisations might need to resort to increased debt provision.

A University of Cambridge report from 2013 looked at the potential impact of welfare reforms on 15 housing associations. It found that they were assuming a significant hit on their income and are altering their business plans to increase their bad debt provision

³⁵ <https://www.moneyandmentalhealth.org/wp-content/uploads/2018/04/Where-the-heart-is-social-housing-rent-arrears-and-mental-health.pdf>

to between twice and three times current levels.³⁶ Organisations were looking at streamlining their operations, focusing on rent collection and tenancy support and potentially stepping back from their wider community activities.

In the context of a slow long-term recovery, there is a need to better manage, plan and prepare for the recovery of income in a way that does not exacerbate debt or overly increase staff resource demands.³⁷

2.9 Summary

Whilst arrears may be part of routine business, more can be done to improve the process for all involved. Business as usual around rent collection does not reflect the diverse financial circumstances and contexts residents live in, or the changing nature of work and costs of living.

³⁶ <https://www.cchpr.landecon.cam.ac.uk/Research/Start-Year/2012/Welfare-Reform-Impact-Assessment/Case-Study-Survey-Report>

³⁷ <https://www.insidehousing.co.uk/comment/comment/what-lessons-can-be-learned-in-dealing-with-tenants-through-the-pandemic-67206>

3 Social housing's response

Rent collection and the management of arrears is a core part of the everyday business of social housing. The sector has invested in preventing arrears and reducing its negative consequences for residents.

This section looks at preventative measures, such as nudge techniques trialled by Metropolitan Thames Valley Housing (MTVH), in addition to policies from no-evictions to tenancy sustainment activities. These are examples of good practice in the sector, demonstrating that the dynamic of rent collection can be adapted to better deliver on social purpose, whilst ensuring organisations remain in good financial health.

3.1 Tenancy sustainment

One approach is to reduce arrears by supporting more sustainable financial behaviours. Financial advice and support have become core parts of tenancy sustainment activities of social housing organisations, including financial advice and coaching, to support accessing benefits and switching energy tariffs.

Orbit's Earn it Don't Burn It (EIDBI) service is one example. Founded in 2017 as a two year service, EIDBI looked to build the financial skills needed for long term financial stability. The service consists of face to face and telephone support, with We Are Digital acting as a delivery partner. A HACT evaluation of the programme found it led to financial benefits, including some residents

moving into a debt-free status, and others improving comfort levels through savings achieved with the programme.³⁸

3.2 Behavioural interventions

Some social housing organisations have looked to behavioural insights to improve support and messaging around rent payments. This assumes that the tone and nature of communications around rent can increase stress levels, preventing residents from accessing available support.

MTVH partnered with the Behavioural Insights Team (BIT) to look at solutions to reducing rent arrears. At any one time, it was estimated that 15-20% of their residents were in rent arrears.³⁹ BIT ran two randomised control trials with MTVH, testing the impact of sending residents a text reminder when rent is due.

The intervention led to a 10% reduction in arrears cases compared to the control group. One learning is that awareness and proactive dialogue between residents and social housing organisations is important in meeting rent payments.

A project led by Capita in 2015 engaged ten social housing organisations in research

38 https://www.ceci.org.uk/wp-content/uploads/2020/07/Final-EIDBI-Report-June-2020_v2.pdf

39 <https://www.bit.team/blogs/reducing-rent-arrears-in-social-housing/>

to explore how behavioural insights could reduce arrears. The findings from a number of RCT's demonstrated that small changes in communications could lead to sizeable impacts. In some cases this meant adding negative incentives, in other cases personalised letters and expressions of gratitude. It is not clear that there is a one size fits all approach to reducing arrears, but being prepared to test and adapt messaging can deliver results.⁴⁰

3.3 No evictions

ClwydAlyn are one social housing organisation who have committed to a no evictions policy, so that no residents fall into homelessness. The organisation targets low-level arrears cases early on, using a crisis fund to support residents with other costs, from transport to white goods.⁴¹

Using case management software, income officers benefit from good resident data and shared insights to understand individual cases. Even in cases where other options have been exhausted, ClwydAlyn tries to ensure that alternative housing is available.

By committing to ending evictions, ClwydAlyn has demonstrated that the entire business model around evictions can be redefined and improved to support residents. Since

the policy's introduction, overall evictions have dropped 85% on the previous year, demonstrating a social and business case for changing policy.⁴²

3.4 Furniture provision

Those with less financial leeway often have to make decisions between essential outgoings, including utilities, food, furniture, transport and children's birthday presents. In these circumstances, residents can be more likely to access high-interest loans and rent-to-own schemes, which exacerbate cycles of debt.

In 2017 the Joseph Rowntree Foundation spoke to residents to understand how social housing could provide better homes. One resident said, "You move into a brand new house, you've got to spend £300 to get a fridge, because you need a fridge because you need milk, you need to keep food. Then the first thing I had to buy was a microwave because I didn't have the cooker". Others reported needing to spend between £2,000 to £6,000 just to make a property a home with the necessary furnishings and appliances.⁴³

The NFS Furniture Service is one response taken by Your Homes Newcastle to provide residents with affordable access to furniture and white goods, rather than having to use

40 https://www.capitaproperty.co.uk/media/2666/2017_02_the-nudge-report_hi-res.pdf

41 <https://www.cymorthcymru.org.uk/en/news-blog/news/ending-homelessness-social-housing-can-happen-zero-evictions-approach-will-be-catalyst>

42 <https://www.insidehousing.co.uk/insight/insight/how-to-end-evictions-from-social-housing-64836>

43 https://www.jrf.org.uk/file/51143/download?token=sRML_RsA&filetype=summary

expensive market options.⁴⁴ One financial pinch point for residents is moving into a new social housing residence, as social housing organisations have historically not furnished new tenancies. Especially at risk are those new residents without social networks who are living independently for the first time, such as those fleeing domestic abuse or leaving the criminal justice system.

By enabling residents to rent furniture and white goods at a low weekly charge, a HACT evaluation found that NFS reduced the need for residents to use rent-to-own schemes like Bright House. On average, NFS customers had £109.54 lower monthly rent arrears than those not on the service.⁴⁵

3.5 Covid-19 and debt

Social housing organisations have responded to the Covid-19 pandemic in a number of ways to support residents facing financial difficulty. Some organisations, such as Stonewater Housing, have adopted temporary flexible repayment plans.

Stonewater offered a flexible payment plan on an individual basis to residents whose rent costs were over 30% of their revised total household income. The flexible payment plan was for a minimum of three months and at the end of the period residents would

be asked to pay a final payment. In certain circumstances an extended repayment period would be agreed to cover any debt accrued in the flexible period.⁴⁶

Outside of social housing organisations, other sectors have also adapted their policies around income and debt during the pandemic. Water providers such as Bristol Water⁴⁷ and Thames Water⁴⁸ have allowed payments to be paused for several months, with repayments spread out over an extended period of time.

3.6 Summary

It is evident that design solutions can be used to improve the success and experience of the routine transaction of rent collection. The response to the Covid-19 pandemic has hinted at the potential of a more flexible approach to payments that accommodate for other financial burdens.

Going forward, social housing organisation can build on the sector's pandemic response. Not only will the recovery effort take years, residents also face the same economic challenges year on year, and services should always be built to reflect this.

44 <https://www.hact.org.uk/file/nfs-value-furniture-report-1.png>

45 <https://www.hact.org.uk/file/nfs-value-furniture-report-1.png>

46 <https://www.stonewater.org/news/press-releases/flexible-payment-plan-launched-in-response-to-the-coronavirus-pandemic/>

47 <https://www.bristolwater.co.uk/home/account-and-services/bills-and-payments/get-help-with-paying-your-bill>

48 <https://www.thameswater.co.uk/help/account-and-billing/financial-support/flexible-payments>

4 A new approach to rent payment

rent-flex helps social housing tenants take control of their finances by developing and agreeing personalised schedules of rent payments for the year ahead with their landlord. Residents can underpay on the rent account when budget pressures are at their greatest and make overpayments in other months when things are relatively easier.

rent-flex can also be used by residents to address cash-flow problems and avoid taking out credit when money is tight, with no interest or fee charged to the tenant.

The rent-flex platform also helps residents plan for the year ahead and develop a rent payment schedule. Tenants can return to the platform at any time and create new proposals to reflect changes in their underlying circumstances.

The platform also reconciles payments received against tenants plans on a monthly basis with the tenant rent account balance. An API is in development which will enable the platform to interface with housing management databases in real-time to ensure a seamless user experience.

The traditional monthly payment model of rent collection takes several things for granted:

- That people are able to pay rent in regular monthly instalments;
- That those who are paying rent aren't facing financial difficulty and;
- That people who are in arrears are chased after the fact. Without knowledge of the reasons for arrears, however, this contact may have long term negative implications.



By contrast, the rent-flex model takes a different approach:

- It offers personalised payment plans;
- It builds the financial resilience of residents across the board, improving their ability to pay for food, heating, health care, leisure and other necessities, and;
- It empowers residents to plan, prepare and avoid financial difficulty before it arises.

Flexibility with rental payments is provided in exchange for information from the tenant concerning their broader financial circumstances. This is obtained through a questionnaire completed when the resident's rent-flex proposal is generated. This gathers information about their financial circumstances, including their employment and health, whether they are struggling to make ends meet, whether they have debts, and whether they have all the essential household items they need.

The answers to these questions are presented to Income Officers alongside the proposed payment schedule, and are risk weighted to help them identify areas where the tenant may need financial support. In cases where there are clear financial difficulties, the Income Officer can then defer the rent-flex proposal pending internal referrals to tenancy sustainment services.

Any rent-flex proposal takes into account the rent account balance at the time of

its creation, and therefore includes any outstanding rent arrears. In the current Optivo trial, these must be repaid within 12 months alongside any ongoing rent liability, although the amounts to be repaid in any month are flexible.

4.1 Optivo manual pilot

Well Thought Ltd, the Centre for Responsible Credit and Optivo Housing Association conducted a manual proof of concept pilot of rent-flex involving 59 residents between January 2017 and March 2019.⁴⁹ As a manual pilot, residents worked with Optivo to plan a personalised payment schedule over a year, rather than using the rent-flex website.

All participants in the trial were required to engage with the Optivo Money & Benefits Guidance service, which offered budgeting support. Residents who were responsible for part or all of rent were eligible if they had been in rent arrears at some point in the last year, or had up to £500 arrears.

The evaluation comprised of qualitative interviews with residents, analysis of rent payment before, during and after the trial, and a study of Optivo's tenant contact records.

⁴⁹ <https://static1.squarespace.com/static/5f9aad34539a36489f42aeb9/t/5fb3db321fe2d663b76bb295/1605622581084/1261-Rent-flex-evaluation-November+2019.pdf>

4.2 Impact of the pilot

The evaluation reports three key impacts from the pilot:

- **Increased financial benefits to residents:** a total value of £70,000 in financial benefits were delivered to 42 residents, through budgeting support, advice and assistance in clearing pre-existing debts, accessing benefits and affordable repayment arrangements.
- **Improved rent payment:** For over half of the participants, there was a clear benefit in terms of ability to meet rent payments. For 30 participants with average rent arrears of £155 at the start of the trial, they were able to improve on their rent balance by an average of £110 over the year.
- **Improved engagement:** The trial saw increased inbound contact from residents using rent-flex, suggesting the service encouraged residents to proactively engage. Not only did contact frequency increase, greater quality engagement with outbound contact was also reported.
- **Improved relationships:** Through both the flexible rent service, and interactions with Optivo throughout the trial, there was in many cases an improvement in the relationship between residents and the organisation.

Some of the residents on the pilot wanted to use rent-flex, but were unwilling to engage with the Money Matters Service. This suggests rent-flex engaged residents resistant to more traditional forms of financial advice.



The residents who completed twelve months of rent-flex in the manual pilot paid 98.4% of their contractual rent, compared to 90% of the control group, suggesting that over time, rent-flex enables residents to meet rent obligations. It is also likely that rent payment performance would improve further in subsequent years of people using rent-flex, as many used the first year to escape from high cost credit use.

4.3 Areas for improvement

The manual pilot identified two key areas. Firstly, the need to more accurately assess the suitability of residents for rent-flex,

including by gathering consistent information about pre-existing financial behaviours and circumstances.

Secondly, the need to ensure that all residents using the service fully understood the scheme and were able to afford any repayment amounts in months when they overpaid compared to their standard rent payments.

There also remained the need to move away from manual procedures and develop a scalable solution. This led to the development of a digital rent-flex platform which began its trial with Optivo in late February 2021.

The live stage of the pilot began in February 2021 with Optivo Housing Association and is taking place through a digital platform. Using learnings from the manual trial, this digital platform is intended to streamline and improve the onboarding process.

One of the goals of this next phase is to build rent-flex into a scalable solution for social housing organisations working in various contexts across the UK. rent-flex are therefore looking to bring more social housing organisations on board to pilot and develop the platform.

5 The benefits of flexible rent

Based on the results of the manual trial, rent-flex offers a number of potential benefits to residents and social housing organisations that are outlined in this chapter. They make a case for more collaboration and learning across the sector to shift the dynamic around rent payments in a way that can improve outcomes for residents and businesses.

5.1 Empowering residents to manage their finances

The rent-flex offer recognises that residents must navigate many different expenditures over the year and that managing a budget with little leeway is difficult. Being able to overpay in some months creates that leeway, which means being able to underpay at financial pinch points.

These other costs might include paying energy bills or holiday childcare costs. Without sufficient flexibility in these periods, residents may have to access high-interest loans and unsecured credit, which can lead to exponential debt accumulation if the cycle is not broken.

rent-flex does not seek to stigmatise residents for the difficult financial choices they face. Although commonly used in the sector, terms such as financial capability or financial literacy can suggest people lack the ability to manage money, and might even be to blame for the difficulties they face. These phrases might also suggest that good financial health is a matter of skill and capability, rather than circumstance.

Case study 1:

Coping with financial pinch points

Jane was a rent-flex user with a five-year-old daughter, who found it difficult to meet costs in the summer holidays. As a single parent with a part-time job, she didn't have spare money to cover these costs.

She saw rent-flex as a way to better manage these extra costs.

By using rent-flex, Jane could have access to additional money in August to buy new school uniforms and P.E. kit. In addition, she chose reduce the amount she paid in December to cover the extra gas bill and new clothes for her daughter.

"I even had some extra money left over in January, which was good as it helped with the cost of food and other bills until (my daughter) went back to school."

Instead, the rent-flex platform aims to create financial breathing space so that residents are empowered to take control over their own financial circumstances.

5.2 Health and wellbeing

When rent is not flexible and residents hit a financial pinch point, they face a difficult decision. Either they fail to pay bills, including

Case study 2:

Dealing with anxiety

Sunita was one rent-flex user who had been dealing with anxiety and insomnia related to money worries. She has been going to counselling, to try and cope with the effects on her wellbeing.

rent-flex helped her tackle the debt which was partially causing the anxiety. This helped reduce the anxiety and insomnia she was experiencing, and also helped her financial situation.

“Since being on rent-flex I haven’t really had anxiety and insomnia, it’s gone away.”

rent; borrow, which comes at a future cost; or cut back on essential spending. All of these have potential negative impacts for wellbeing.

For example, the cost of getting into unmanageable debt can be considerable. According to the UK Social Value Bank, the annual social value to a resident of significant debt relief is £10,836 per individual. Being able to pay for housing has a positive impact to the value of £7,347.43.⁵⁰

⁵⁰ <https://www.hact.org.uk/hact-value>

An inflexible approach towards rent also has a wider detrimental impact. People in arrears face stress and anxiety. Sheffield Hallam University research showed motivation to pay rent was not the problem. Those who missed payments did so reluctantly and were faced with other immediate priorities from paying utilities to buying food.⁵¹

Putting residents in financial control can invest in a better quality of life, which creates the following social values:

- **Afford to keep house well-decorated:** £5,326
- **Having hobbies:** £1,515
- **Access to internet:** £2,413
- **Good overall health:** £20,141

It’s easy to see how the costs associated with these activities might be the first to be sacrificed in a time of hardship. But they shouldn’t be seen as nice to haves: they are at the core of social housing’s social purpose.

Underpinning the social value approach is the principle that good housing, communities and services create real value in people’s lives. That value is achieved either through direct investment, or by building services that positively impact health and wellbeing. This latter benefit reflects where rent-flex could have a scalable impact in social housing.

⁵¹ <https://www.tandfonline.com/doi/full/10.1080/02673037.2019.1697799>

5.3 Resident voice

There is plenty of evidence that residents simply do not feel that their voices are heard, and that engagement is a one-way dialogue.⁵² At the centre of the rent-flex proposition is the question: how can we make this service work for you? It is an example of how principles of resident engagement and resident voice can be incorporated into routine daily transactions.

Resident involvement is important to social housing organisations, with many dedicating significant staff and resources to traditional participation forums like resident panels. Resident involvement can traditionally take the form of co-designing services, hiring new staff and board members or informing strategy.

These sorts of resident involvement initiatives typically occur at defined points and through formal channels. rent-flex offers an opportunity to embed the same principles into everyday business activities by establishing residents as active agents in the routine process of paying rent. Starting with the principle that every resident's life circumstances are unique, this form of joint planning means residents can work with the social housing organisation to plan a rent

⁵² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733605/A_new_deal_for_social_housing_web_accessible.pdf

Case study 3:

Avoiding high-interest debt

Jackie frequently borrowed money, using pay-day loans and credit cards for bills and rent. This wasn't sustainable, and she needed guidance to break the cycle.

By joining rent-flex, she received support and advice from her financial inclusion officer. They helped Jackie set up payment plans, and she was able to access a grant to pay for her water debt.

This preliminary support put her in a good position to utilise rent-flex. Now in greater control, she was able to meet the increased costs of the school holidays.

“Rent-flex has helped a lot! Previously I felt that I had to take out a loan to pay the rent... but I started seeing things differently and now I manage without loans.”

payment schedule over the year. Residents can return at any point to readjust this plan in the light of any change in circumstances.

Even advanced segmentation techniques will still rely on generalisations on a smaller scale, which is where flexible services come in as a means to adapt and learn over time. Ultimately, residents know best when they are likely to experience financial pinch points, and should be empowered through services that listen to these changing circumstances.

5.4 Dealing with arrears

For social housing organisations, rent-flex will help avoid costly rent collection activities by encouraging proactive financial planning through the platform, and providing enough ongoing flexibility to negotiate unexpected costs. Through its inclusive website, the rent-flex service is designed to simplify the process of residents flexing their rent.

rent-flex offers a more productive approach towards rent arrears. Currently, the tendency is for income teams to go into rent recovery processes as soon as payments are missed. But this can often be done without any awareness of the issues causing the arrears.

Outbound collections are notoriously ineffective. In many cases residents ignore communications, at least initially. This can result in missed contacts, stressed residents and damaged relationships, not to mention many hours of staff time producing multiple repayment agreements and repeated attempts at contact with residents.

By offering rent-flex, landlords can reverse the psychology. Instead of chasing payments, the resident is encouraged to come forwards with a plan to flex these, and is able at any time to submit a new plan to reflect their changed circumstances. When doing so, they are provided with tenancy sustainment services. In this way, ineffective outbound chasing is converted to more effective inbound communications.

Rather than relying on short term fixes based on a lack of information, rent-flex seeks to build a dynamic based on transparency, trust and proactive planning. From the onboarding process onwards, residents are encouraged to share insights into their financial circumstances, and when they find it harder to meet rent.

They are also given the flexibility to adapt if circumstances change, in the knowledge that this is accepted behaviour. Instead of being chased for arrears, residents recognise that it's in their own best interests to engage with the platform.

It's estimated that Covid-19 will increase arrears by one to two percentage points in 2021-22, significantly impacting on social housing organisations' income.⁵³ The economic impact of the pandemic is clearly

⁵³ <https://www.insidehousing.co.uk/news/pandemic-will-hit-housing-association-income-by-6-this-year-moodys-predicts-69762>

affecting residents' ability to pay their rent, which will affect budget-setting and income collection across the sector.

rent-flex offers the potential to reduce the prospect of problem debt by cutting the use of high-interest loans. For example, residents can put forward proposals which include underpaying initially to pay off any outstanding loans. Residents can overpay initially and build up a credit on their account, knowing that they will underpay later in the year when they know financial pressures will be more acute.

Greater openness about a residents' financial circumstances means greater ability for both the resident and the business to plan and prepare for the future.

5.5 Tenancy sustainment

Managing rent arrears and subsequent actions are costly. If resulting in an eviction, the cost is estimated to be £6,900 per tenancy, with some providers quoting a higher figure.^{54 55} Because of this, sustaining tenancies is not only a core part of the social purpose of housing providers, it's also good for the bottom line.

54 <https://www.moneyandmentalhealth.org/wp-content/uploads/2018/04/Where-the-heart-is-social-housing-rent-arrears-and-mental-health.pdf>

55 <https://www.insidehousing.co.uk/insight/insight/the-battle-to-sustain-tenancies111-56400>

Many social housing organisations have dedicated tenancy sustainment teams and strategies. London's G15 group of housing providers state that:

“Once a resident moves into their new home, we continue to take a proactive and compassionate approach in helping them at the first sign they might be struggling.”⁵⁶

Throughout the Covid-19 pandemic, many organisations invested in their tenancy sustainment teams as residents faced multiple factors that hindered their ability to pay rent, such as furlough, unemployment and social isolation.

The rent-flex onboarding process integrates tenancy sustainment activities into the platform and core service offer. Through the onboarding application, case managers on the rent-flex platform are able to view a resident's financial self-assessment, and signpost residents to in-house and external support services. This provides an opportunity to engage more residents about their financial and general wellbeing, early on.

5.6 Compassion at the core

While social housing organisations target more intensive interventions at residents with acute needs, all their services work

56 <https://s3.eu-west-2.amazonaws.com/ffd-g15/G15-Tenancy-Sustainment-FINAL-HR.pdf>

in tandem to build resilient tenancies and improve health and wellbeing. rent-flex is a scalable routine service built on the principles of tenancy sustainment, but with potential to reach and benefit a wider group of residents.

One learning from the Covid-19 pandemic is that many residents face hardships unrecognised by social housing organisations, and that proactive engagement can help flag and address issues before they get out of control. By conducting over one million welfare calls with residents, social housing organisations had an unprecedented degree of insight into a wider proportion of residents' lives, including those who don't typically engage.⁵⁷

rent-flex is not just targeted at residents who have already been in arrears, whether those identified as high risk or those who occasionally miss a rental payment. It is also targeted at residents who are never flagged up as being in financial difficulty, because they prefer to pay their rent and will take out costly loans to pay for it.

5.7 Trust

Compassionate services lead to greater trust and improved relationships. Not only does this improve the experience of social housing, it also improves business efficiencies. Services

built on openness and shared interests find solutions quicker, rather than those that second guess residents' needs and behaviours.

In traditional rent arrears processes, multiple and missed repayment agreements can damage relationships and result in negative perceptions that are hard to shift. rent-flex aims for a more honest conversation, based on financial realities in residents' lives.

Rent collection is the most routine part of a resident's relationship with their social housing organisation. If services like rent-flex can build trust and transparency into the foundations, all other relationships and interactions will improve.

5.8 Better data

Understanding the payment behaviour of residents will help organisations to identify and segment different groups. Whilst there is some research on rent arrear patterns, there are still gaps in our understanding of the causes of rent arrears in social housing.

A 2019 evidence review by Sheffield Hallam University notes that much of the literature on rent arrears is informed by studies from the 1980s and 1990s.⁵⁸

⁵⁷ <https://www.ceci.org.uk/measuring-your-impact-during-covid-19/the-impact-weve-made/>

⁵⁸ <https://www.tandfonline.com/doi/full/10.1080/02673037.2019.1697799>

The sector needs more evidence on the factors that shape residents' financial health and ability to meet rent payments. A one-size fits all approach to residents in social housing denies the complex profile of residents across the country. Ideally, data insights would be segmented to match this complexity of behaviour and need, enabling the sector to deliver services that match lived experiences.

5.9 Behavioural insights

Flexing rent is not just about offering a better transaction. It's also an opportunity to learn more about the lives of residents and to build better services and support.

rent-flex is built on behavioural insights. The sector knows there are problems in traditional rent collection methods and that tone of voice and communication can significantly impact the success of rent collection activities. These learnings are built into rent-flex, informing the onboarding process through to the style of the digital platform.

rent-flex is also about gaining new insights over time. Through engagement and use, the platform offers a window into the everyday circumstances which affect the ability of residents to pay for rent, bills, food and more.

rent-flex provides an opportunity to segment tenants according to their answers to the support needs questionnaire, completed

when they provide their rent-flex proposals. Consequently, residents receive more targeted support and communications throughout the year. Both residents and income teams are able to learn what works, and make adjustments to payment schedules.

rent-flex could also provide a new set of data insights into rent payment, tracking pinch points across the year and comparing residents in a variety of different contexts. This data would enable organisations to better understand residents' cash flow across the year, contributing to improved planning and management of their finances

These insights can also help make future services better. The same process of learning, testing and refining rent-flex should be repeated using these behavioural insights. Whether applied to the problem of repairs and maintenance, or management of complaints, there is potential to use rent-flex insights to build products that make the entire social housing offer better.

5.9 Delivering on ESG

The Sustainability Reporting Standard for Social Housing identifies twelve core themes, three of which relate to the potential benefits of rent-flex: Resident Voice; Resident Support and Affordability and Security.⁵⁹

⁵⁹ https://esgsocialhousing.co.uk/wp-content/uploads/2020/11/SRS_final-report-2.pdf

These themes embody the principle that delivering on social purpose is good business. For ESG investors looking to support scalable impact, social housing offers great potential, from retrofitting stock to supporting communities and residents. Evidencing that value is key. Services like rent-flex can create and measure impact over time.

As noted in the Regulator for Social Housing's sector risk profile, whilst social housing is an "appealing investment class", there will be challenging decisions in the future about how to meet this potential whilst delivering as a business.⁶⁰

Making core housing management services work for residents is a sustainable approach to the future business of social housing organisations. rent-flex has the potential to build collaboration, enable the resident voice and embed compassion into the core business offer, making social purpose more than just a nice-to-have.

5.10 Building better services

rent-flex has the potential to empower residents to play a role in improving their own life outcomes. Resident voice should be an everyday act, enabling residents to shape services as circumstances change.

The way the sector conducts surveys and repairs, to the long term challenges around retrofitting homes, will reflect the extent to which our shared commitments to residents are being incorporated from top to bottom. Resident voice and addressing stigmas should not just be a strategic objective. It should be evident in the way residents are treated at every touch point.

The way core business is conducted can demonstrate to residents that negative stigmas are not informing services. A Chartered Institute of Housing campaign survey found the general public still has negative views of residents. The presumption is that they are all unemployed and on benefits. Whilst social housing organisations have a far more nuanced understanding of the lives of residents, prejudices are still evident in terminology and everyday operations.

"If you ring the helpline you are treated with contempt and talked to as though you are a child who knows absolutely nothing."

Resident feedback in the 2018 Green Paper: A new deal for social housing

The Covid-19 pandemic has shown gaps: both in our perceptions about the lives of residents, as well as in core data. Consequently, services are designed based on misconceptions or on a limited segment of residents.

⁶⁰ <https://www.gov.uk/government/publications/sector-risk-profile-2020/sector-risk-profile-2020>

Services should accommodate the unique circumstances of every resident, and not impose rigid expectations on residents that can lead to negative health and wellbeing outcomes. The sector should look to co-design services and facilitate resident engagement in everyday, routine interactions.

If services factor in the unpredictability of people's lives, residents can be made to feel that their voice is being heard.



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