



AGENDA ITEM: 10

CABINET: 15 January 2013

**EXECUTIVE OVERVIEW AND
SCRUTINY COMMITTEE:
31 January 2013**

Report of: Assistant Director Housing and Regeneration

Relevant Managing Director: Managing Director (Transformation)

Relevant Portfolio Holder: Councillor V Hopley & Councillor A Owens

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SUBJECT: WELFORM REFORM

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To seek approval for a range of financial inclusion initiatives to support tenants through the planned and proposed range of Welfare Reforms.

2.0 RECOMMENDATIONS TO CABINET

2.1 That Cabinet approve an incentive scheme to promote the use of direct debit for the payment of rent

2.2 That Cabinet approve in principle the appointment of a Financial Inclusion Officer to implement and support a range of initiatives to support tenants to sustain their tenancies subject to the budget for their post being approved by Council in February 2013.

2.3 That Cabinet agree in principle of utilising the Smarterbuys and The Store initiatives subject to Council approving the finance of this initiative and the Assistant Director Housing and Regeneration in consultation with the Portfolio Holders approving the detail of the initiative.

2.4 That call in is not appropriate for this item as the report is being submitted to the next meeting of the Executive Overview and Scrutiny Committee.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

- 3.1 That the report be considered and agreed comments, if any, be submitted to Council.
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4.0 BACKGROUND

- 4.1 Welfare Reforms and the introduction of Universal Credit will have a profound impact on the way in which people on low income, who are reliant on benefits, including housing benefit manage their money. The full impact of these changes are at present unknown but with over 1100 West Lancashire tenants being affected by the new bedroom tax there has never been a greater need for financial inclusion and support for tenants to manage their money and have access to a range of products to enable them to adjust to their changing financial circumstances.
- 4.2 Members will be aware of the background and detail to the Welfare Reforms having attended a training session delivered by an associate of the Chartered Institute of Housing this year.

5.0 DIRECT DEBIT (DD) INCENTIVE SCHEME

- 5.1 The most cost effective way to make rent payments to the Council is by direct debit with transaction costs of 3 pence compared to Post Office transaction costs of 44 pence for payment cards. There are currently 612 tenants (approximately 10%) using the DD form of payment method. The introduction of Universal Credit and the changes to how housing benefit is paid in future, direct to the tenant, will make the use of direct debit even more advantageous to the Council and offers good value for money and continuity of income for the Council. This should be encouraged as the preferred payment method..
- 5.2 It is seen as good practice and is a common tool used by other landlords to have an incentive scheme to encourage tenants to use this method of payment. There are a variety of schemes in operation which encourage the take up of DD across the sector.
- 5.3 Having researched other social landlords using Housemark good practice data it is proposed that we offer tenants a one off payment of £10 to take up the scheme. We would also enter all those tenants who are eligible into a quarterly draw for household goods up to the value of £300. Tenants must be actively using direct debit payments at the time of the quarterly draw to be eligible.
- 5.4 The costs of start up of this incentive will initially be in the region of £7,320 to transfer all those tenants who are paying by DD onto the scheme and to cover the quarterly draw. However there will be the potential for ongoing reduced

transaction costs to the HRA as new members join the scheme bringing year on year reduction in transaction costs.

6.0 FINANCIAL INCLUSION OFFICER

- 6.1 Many tenants, particularly those living on low income, cannot access mainstream financial products such as bank accounts and low cost loans. They are more likely to use the alternative credit market and pay higher levels of interest, leading to financial and social exclusion and poverty.
- 6.2 The need for positive financial inclusion activity is being exacerbated by the impact of recession and Welfare Reform. One of the main impacts of the recession is increasing debt and an increasing demand for debt advice services. There is also a range of other impacts including increased demand for affordable credit and, therefore, increased use of illegal money lenders. Supporting financial inclusion will deliver a range of benefits that could help reduce costs and improve service efficiency and effectiveness: potential benefits may include increased payment by direct debit and reduction in rent arrears. The costs of supporting financial inclusion far outweigh the costs of not supporting it.
- 6.3 Investment in a Financial Inclusion officer is a prudent and effective means of preparing for the impact of Welfare Reform changes. The Council needs to develop links with local partners including Welcome Credit Union, Lancashire Community Finance and other voluntary and community organisations to provide a range of financial advice and support to those on low incomes to help them manage their finances and avoid high cost loan providers.
- 6.4 The Council is currently developing tenant insight, which groups tenants with similar characteristics, such as tenant's who are likely to have rent arrears This information can then be used to target resources to those tenants who are more likely to be adversely affected by the Welfare Reform changes and experience financial difficulties.
- 6.5 Other initiatives and projects to address fuel poverty are being utilised, for example grant funding has been secured to provide more energy efficient heating and a programme to switch to cheaper tariffs is in progress. It is envisaged that the Financial Inclusion Officer could support these initiatives and work closely with the Environmental Strategy Officer to deliver increased benefits to tenants.

7.0 SMARTERBUYS & THE STORE

- 7.1 Smarterbuys is a web based opportunity, similar to Groupon & KGB Deals, which offers heavily discounted / low cost essential household items to low income households, whilst providing a range of payment options that make it accessible to those without bank accounts, and providing links to affordable, responsible credit via credit unions & Community Development Finance Institutions.
- 7.2 Essentially, the aim is to offer people a credible alternative to high interest weekly payment stores and door step lenders, and to enable those people

without bank accounts to benefit from the sorts of deals that others take for granted.

- 7.3 The website www.smarterbuys.org.uk is owned and managed by the Northern Housing Consortium (NHC), a not-for-profit membership organisation for social housing providers and local authorities. Members should note that the Council is a member of the NHC.
- 7.4 The Store – is a partnership between Derwentshire Homes and Prince Bishops Community Bank (PBCB), a community bank with 3200 active members. The store currently covers the whole of County Durham but can extend its bond by affiliating organisations and therefore has the ability to operate throughout the UK.
- 7.5 A website www.thestorenortheast.com and a magazine showcase the available goods. This is distributed to social rented tenants via the landlord alongside other mail such as tenant newsletters. Tenants contact The Store directly, who then contact the relevant landlord to determine that they are currently a tenant and that they have an up to date rent account. If a loan is agreed it is conditional on the customer joining the Community Bank and part of the weekly repayment - £0.25 is held in the individual's PBCB saving account, only accessible when the loan is cleared. This encourages tenants to save. Weekly rates are less than those charged by typical weekly payment stores.
- 7.6 Opportunities for WLBC- Smarterbuys & The Store have recently agreed to create a joint venture vehicle to offer to social housing landlords on a licensed basis, which will enable housing providers to offer their tenants (and residents) sustainable access to low cost weekly payment terms on a range of household items, with a return to the landlord, and to customise this offer on a local basis. In short, the Council would purchase the scheme and provide funding to support the initiative . Detailed proposals are available on request.

8.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 8.1 Supporting our tenants many of who are on fixed low incomes and who are likely to be affected by Welfare Reform changes will help sustain tenancies and local communities.

9.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 9.1 Maintaining income levels to the HRA is crucial now it is self-financing. These initiatives will minimise the impact of Welfare Reforms and provide value for money solutions for both our tenants and the Council.
- 9.2 The financial and resource implications of these initiatives will be included in the budget setting proposals for the HRA.

10.0 RISK ASSESSMENT

10.1 Failure to prepare adequately for the introduction of Welfare Reforms will have a significant impact on the HRA and the business plan and proposed investment in tenants homes.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

There is a significant direct impact on members of the public, employees, elected members and / or stakeholders. Therefore an Equality Impact Assessment is required. A formal equality impact assessment is attached as an Appendix A to this report, the results of which have been taken into account in the Recommendations contained within this report.

Appendices

Appendix 1 - Equality Impact Assessment

Appendix 2 – Minute of Landlord Services Committee (Cabinet Working Group) held on 9 January 2013 (to follow)