

JAM JAR STYLE ACCOUNTS AND UNIVERSAL CREDIT.

Report of the Director of Housing & Customer Services.

1. SUMMARY

- 1.1 Around 2.2 million tenants living in the social rented housing sector currently have their rent paid directly to their landlord and will start to receive it themselves, through a direct payment to a bank account from 2013, as part of Universal Credit.
- 1.2 One in six tenants in this sector do not have bank accounts and landlords recognise that the most effective way to collect rent and prevent rent arrears is by direct debit payments through a bank account. Derby Homes is currently working in partnership with other landlords and a consortium of Credit Unions in the East Midlands to enable tenants to access current bank accounts.
- 1.3 This report updates the City Board of progress.

2. RECOMMENDATION

The City Board notes progress until a further detailed report is submitted to the next meeting in December 2012.

3. MATTER FOR CONSIDERATION

- 3.1 The Department of Work and Pensions (DWP) are currently in discussions with organisations who have expressed an interest in developing new budgeting accounts (Jam Jar accounts) for vulnerable claimants. Four organisations have shown interest: Royal Bank of Scotland, the Secure Trust Bank, Spectrum Payment Services and Think Banking Ltd. The intention is to offer these accounts to claimants when they sign on for Universal Credit. The accounts allow people to split their benefits into separate pots for spending, savings and automated bill payment. Other people, who may not need this level of support, will be sign posted towards a basic bank account.
- 3.2 The DWP is placing between £80 to £140M behind the plan with the intention of offering the budgeting account free for the first 12 months. Thereafter it is estimated to incur a cost of between £12 to £14 a month.
- 3.3 Claimants of Universal Credit will receive their payments 4 weeks in arrears, electronically into a bank account. Tenants will be responsible for paying their own rent.
- 3.4 The DWP has said that a small number of claimants could be allowed to receive fortnightly payments.

- 3.5 Around 10% of tenants, considered to be the most vulnerable, will have the Universal payment paid directly to the landlord to cover rent costs.
- 3.6 The DWP have made it clear that Credit Unions are to be closely integrated into the Universal Credit programme and have allocated a further £38 million in funding to help credit unions improve their infrastructure and expand.
- 3.7 The majority of credit unions in the East Midlands have formed a consortium to offer social landlords a service in the region. The Credit Union Consortium has its own project Manager from ABCUL (Association of British Credit Unions) who is working with: Erewash and Nottingham Credit Unions, and Clockwise (Leicester). Nottingham and Clockwise are extending their common bond to allow them to cover Lincolnshire and Northamptonshire. Erewash already covers the whole of Derbyshire.
- 3.8 City Board members will recall that there is a local Credit Union (DUCU) that operates in Derby which Derby Homes works with. Whilst DUCU have shown an interest they are not yet at a stage of development where they can offer Derby Homes' tenants Jam Jar accounts.
- 3.9 As a result, Derby Homes will work with Erewash and the other members of the Consortium to set up Jam Jar accounts for new and existing tenants.
- 3.10 The Consortium are currently working out the details of the service but will offer the following outline proposal to landlords:
- Jam jar accounts which guarantee that a tenant's rent and other priority payments – utilities and council tax for example - are paid directly from benefits or other income in the account. Currently the estimated cost is under £1 a transaction.
 - A Credit Union Budgeting Account (CUBA) where the balance of the funds can be paid into after essential payments are made. This will be accessed by a card. Estimated cost 70p to 80p a week.
 - A current account, similar to a bank current account; cost yet to be announced.
 - One off membership fee of less than £10 a year to cover costs but to also give residents membership of low cost loans.
- 3.11 The Consortium is also exploring ways that the back office functions can be managed to reduce the costs to tenants.
- 3.12 By mid October, the consortium will be in a position to propose a service offer. Mark Crown, Derby Homes' Project Officer is attending focus groups with other social landlords to discuss the viability of all proposals.
- 3.13 Once the service offer is agreed, the Credit Union Consortium will be discussing initial development costs with interested Landlords as the offer from the DWP will not be available until April 2013. Although the Consortium is likely to be successful in their bid for the funding, it is important that the service to tenants is in place by the time Universal Credit is introduced in April 2013.

- 3.14 The City Board will receive a further report for approval once the true costs of the Consortiums proposal are known.

4. CONSULTATION IMPLICATIONS

The DACP, Minority Ethnic Advisory Group (MEAG) and other specialist groups are a sounding board for the proposals.

5. FINANCIAL AND BUSINESS PLAN IMPLICATIONS

The development of Jam Jar accounts will help to secure rental income once Universal Credit has been introduced. Derby Homes and other social landlords may need to make a financial contribution to the appropriate credit union to enable the successful development of Jam Jar accounts.

6. LEGAL AND CONFIDENTIALITY IMPLICATIONS

A Service Level Agreement will be negotiated with the Consortium subject to the City Board's approval of the proposals.

7. EQUALITIES IMPACT ASSESSMENT

An Equality Impact Assessment will be completed once the details of the service are known.

8. RISK IMPLICATIONS

There are a number of risks posed by the introduction of Universal Credit that can be addressed by developing Jam Jar accounts:

- New methods of payment (monthly or fortnightly) and the need to have an account which will receive electronic payments could lead to rent loss by Derby Homes which may jeopardise services.
- Non payment of rent could increase the risk of tenant losing their homes due to rent arrears.
- Performance on rent collection could be seriously affected.

The areas listed below have no implications directly arising from this report:

Council
Personnel
Environmental
Health & Safety
Policy Review

If Board Members or others would like to discuss this report ahead of the meeting please contact:

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Background Information: None.

Supporting Information: None.