

## **UPDATED FINANCIAL INCLUSION STRATEGY 2012**

Report of the Director of Housing & Customer Services

### **1. SUMMARY**

The Government is introducing a rolling plan of reforms of the welfare benefits system. Some of the major changes come in on from 2013. Derby Homes has a Financial Inclusion Strategy that needs to be updated in line with these reforms. This report and the accompany draft of the updated strategy details the changes we have made in response to the reforms.

### **2. RECOMMENDATION**

The report recommends that the Board approves the updated and revised Financial Inclusion Strategy.

### **3. MATTER FOR CONSIDERATION**

#### **3.1 There are number of key reforms to be brought in by Welfare Reform Act 2012.**

These are:

1. Universal Credit (containing money for rent) will be paid directly to tenants instead of to landlords. Henceforth tenants will have the responsibility of paying the landlord. Universal credit will be paid monthly in arrears.
2. All tenants will need to have a bank account of some kind in order to receive their universal credit.
3. Tenants who under occupy their homes will see a reduction in their housing costs paid for by universal credit (14% reduction for 1 spare room; 25% reduction for 2 spare bedrooms).
4. Benefits will capped to £500 per week for families and £350 per week for single persons.
5. Localised Council Tax bills will now expect working age tenants to pay 20% of their bill.
6. Applying for universal credit will be 'digital by default' and claimants will need access to computing.

- 3.2 These changes will impact on tenants and increase financial pressures. The DWP has set aside funds to help with the transition to monthly payments but more must be done by landlords locally to help tenants.
- 3.3 The Financial Inclusion Strategy addresses these issues:
- To develop some form of low cost bank account for tenants who do not have one in order to receive their universal credit.
  - To offer a choice of low cost options as to how tenants pay their rent.
  - To help tenants access regulated credit facilities and steer them away from expensive and illegal lending.
  - Revised and improved financial advice available to tenants to help them budget under the universal credit regime.
  - To enable tenants to access their universal credit entitlement on line.

#### **4. CONSULTATION IMPLICATIONS**

We have consulted with tenants about some of the initiatives we are using to update the Financial Inclusion Strategy (such as developing 'jam-jar' accounts with credit unions). We will continue to do consult on other key areas of development as they arise from the introduction of Universal Credit

#### **5. FINANCIAL AND BUSINESS PLAN IMPLICATIONS**

We are still in the process of calculating best estimates of the financial risk to the Housing Revenue Account. In terms of the introduction of under occupation charges the maximum risk is £1.5M, this is however being assessed at the moment and further detail is given in the Rent Arrears Update report.

The Board will receive further estimates in terms of high and medium risk in January 2013 when further analysis of our tenant base has been completed.

#### **6. COUNCIL IMPLICATIONS**

The City Council facilitates a Welfare Reform Project Board for the City and the main areas of work in response to the reforms are included in the revised Financial Inclusion Strategy.

#### **7. EQUALITIES IMPACT ASSESSMENT**

The existing EIA adequately covers the updated FI strategy as the same groups of people affected by financial exclusion will also be affected by welfare reform.

#### **8. RISK IMPLICATIONS**

If Derby Homes does not respond to the challenges presented by Welfare Reform with a revised Financial Inclusion Strategy, tenants are more at risk of losing their homes and Derby Homes will not be able to collect the rent to pay for its services.

## 9. POLICY REVIEW IMPLICATIONS

This is a key policy of Derby Homes and is/will be included in the Key Policy Review Schedule. In accordance with minute 10/51 this policy will be reviewed no later than 3 years from the date of this meeting.

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

Legal and Confidentiality  
Council  
Personnel  
Environmental  
Equalities Impact Assessment  
Health & Safety  
Risk  
Policy Review

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

Author: Maureen Davis / Operations Manager / 01332 888596 / Email  
[Maureen.Davis@derbyhomes.org](mailto:Maureen.Davis@derbyhomes.org)

Background Information: None  
Supporting Information: None

## Derby Homes Financial Inclusion Strategy

### 1 Introduction

Derby Homes recognises the need to tackle financial exclusion which has a serious, negative impact on tenants, leaseholders and the communities ~~that~~ we serve. This is further reinforced by Government policy which has not only ~~has~~ placed a duty on social landlords to promote financial inclusion but created an imperative as the impact of the Welfare Reform Act 2012 bites.

The following reforms that will impact on this strategy are:

- ⇒ From October 2013, the majority of tenants will have their universal credit paid to them, rather than having it paid directly to the landlord (as is now). These payments will now also be monthly. This means a risk of rent arrears as tenants adjust to fewer but larger payments.
- ⇒ All tenants will also need some form of account into which their universal credit can be paid.
- ⇒ Introduction of charges for under-occupancy of 14% for 1 bedroom and 25% for 2 bedrooms will mean that tenants under-occupying will get less money towards their rent. Again, this means a risk of rent arrears.
- ⇒ Introduction of a Localised Council Tax Scheme which requires all working age citizens to pay 20% of their bill. This will add to the pressure on household bills.
- ⇒ The benefit cap, where no family gets more than £500 per week ) in benefits (£350 for single person) means that some households will also lose money and may go into rent arrears or other hardship.

Promoting financial inclusion is not only widely recognised as best practice in income and rent arrears management but it also helps to create sustainable neighbourhoods and communities. This reviewed strategy now takes the Welfare Reform changes into account.

As is the case with the majority of registered providers throughout the country, Derby Homes has not relaxed its rent arrears policies because of the introduction of Welfare Reform. Instead, this strategy has widened the scope of positive help we can give to tenants to help them stay in their homes.

#### 1.1 What is Financial Exclusion?

Financial exclusion is 'the inability, difficulty or reluctance of particular groups to access mainstream financial services'.

Of the poorest 10% of households in the UK, 60%, live in social housing. One in six tenants have no bank account: twice as high as the rest of the population, 81% have no savings accounts and 91% have no insurance cover. The Financial Services Authority (FSA) estimate that 83% of social housing tenants are failing to make plans for their financial future and 94% make poor financial product choices.

Financial services and products are becoming increasingly more complex. Tenants need to have the financial capability to ensure they make the right decisions. Many of the financial products on offer fail to meet the needs of the financially excluded.

## 1.2 Groups vulnerable to financial exclusion

Derby Homes recognises particular groups of prospective or current tenants are potentially most vulnerable to financial exclusion. These include : children and care-leavers, people from minority ethnic communities, refugees/asylum seekers, jobseekers, lone parents, young people, older people, the homeless or those moving into a new tenancy, people with addictions or mental health problems, people with physical disabilities, ex-offenders, supported housing tenants. All the people in these groups are likely to have low incomes. Financial inclusion for older people is included in the Older People's Strategy.

[People without any form of bank account into which their benefits can be paid will be financially excluded with the introduction of Welfare Reform.](#)

## 1.3 The Business Case

The costs to Derby Homes and the Housing Revenue Account of failing to address financial exclusion are high.

### Rent arrears and Empty Properties.

- ⇒ Increased rent arrears means reduced cash flow and lost income due to writing off former tenants arrears
- ⇒ Increased evictions and abandoned properties. An eviction costs up to £6,000, including
  - Solicitors and court fees and the use of bailiffs to carry out the eviction.
  - Securing, cleaning and repairing properties for re-letting
  - Lost rental income whilst the property is empty.

These costs do not include staff time devoted to arrears work

### Neighbourhood Management

- ⇒ Increased domestic violence, anti-social behaviour, noise nuisance and vandalism due to financial pressures
- ⇒ Increased re-offending rates and burglaries
- ⇒ Failure to sustain tenancies and community instability.

### Wider social costs

- ⇒ Increased poverty, social exclusion and homelessness
- ⇒ [Increased activity of door-step lenders, loan sharks, pay day lenders and other companies promoted through social media](#)
- ⇒ Evidence suggests that poverty and debt are contributory factors to poor physical and mental health
- ⇒ [The inability of some groups to meet the demands of Universal Credit and manage own financial responsibilities.](#)

⇒ [Entrenched cycles of deprivation and worklessness in households](#)

Failure to tackle financial exclusion therefore will have a serious impact on Derby Homes' business performance and service delivery.

#### 1.4 What is Financial Inclusion?

The Government's definition of financial inclusion is 'about ensuring everyone has the opportunity to access the financial services products needed to participate fully in modern day society and the economy'.

Derby Homes Financial Inclusion Strategy sets out a framework to help combat financial exclusion for tenants and leaseholders which includes existing policies and procedures and also identifies gaps in service provision.

The Financial Inclusion Strategy also recognises and incorporates best practice from other housing providers.

Derby Homes will engage with other social landlords and partners from the statutory, third and private sector to develop services to prevent financial exclusion and to deliver this strategy.

In order to be financially included a person must :

- ⇒ [Know](#) how to manage their own income and expenditure
- ⇒ [Have access to basic banking or a credit union account](#)
- ⇒ Be able to understand financial products
- ⇒ Where to get advice if they need it
- ⇒ How to access all benefits they are entitled to
- ⇒ Apply knowledge to their own circumstances
- ⇒ [How to shop around and make their money go further.](#)

Derby Homes Financial Inclusion Strategy focuses on the following themes:

- ⇒ Financial capability
- ⇒ Accessing bank accounts
- ⇒ Affordable credit
- ⇒ Money and debt advice
- ⇒ Maximising income/welfare benefits
- ⇒ Contents insurance
- ⇒ Fuel poverty.

Derby Homes acknowledges that there ~~is~~[are](#) complex factors under-pinning financial exclusion. However there are a range of services that Derby Homes can, and do deliver to tackle these issues. The current economic climate reinforces the need for such provision.

## 2 Implementing the strategy through action plans

### 2.1 Trends and Issues

In order to promote financial inclusion we must understand the 'people profile' of our communities.

We will gather as much information as possible about our tenants and future tenants in order to identify trends and direct our services where they are most needed.

This information will be sought through:

- ⇒ [Customer profiling collected from housing application forms and other sources](#)
- ⇒ [Risk Assessments](#)
- ⇒ [Credit checks through legitimate companies](#)
- ⇒ Surveys
- ⇒ Customer feedback
- ⇒ Derby Homes News
- ⇒ Website
- ⇒ Conferences and workshops
- ⇒ Consultation with the Derby Association of Community Partners (DACP) and Housing Focus groups
- ⇒ [Process Improvement Teams](#)
- ⇒ ~~Multi-agency partnerships~~
- ⇒ [Use of regional and national indicators to inform local research.](#)
- ⇒ [Partnership and consortium working with a wide range of partners including banking services.](#)

Analysis of existing profile information has already identified that early intervention is essential to minimise financial exclusion. As a result ~~we are developing~~ [we have developed](#) a service that will help new tenants sustain their tenancies. We will continue to learn from our staff and tenants and develop this strategy, and coordinate with the Council and other partners' strategies in this field.

### ~~2.2~~ Financial Capability

We will:

- ⇒ Identify lack of capability through the new Tenancy Sustainment Team, Tenancy Support Team, Housing Officers, Income Management and Arrears Team, Family Intervention Project and partner organisation
- ⇒ [Complete risk assessment during the allocations process in order to advise on accessing bank accounts](#)
- ⇒ Work with other organisations to help tenants access appropriate training
- ⇒ Publicise information on our website and through Derby Homes News
- ⇒ Work with schools in promoting money management
- ⇒ Encourage tenants to attend Derby Advice's accredited training course which is open to the public.

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## **2.32.2 Training and Employment Initiatives**

We will:

- ⇒ Continue to provide work experience in Derby Homes for young people from local schools and partner organisations such as Enthusiasm
- ⇒ Support the Tenants Resource Centre's initiatives by committing staff and financial resources.
- ⇒ Actively support young people's development through [modern apprenticeship](#) [volunteering](#) schemes, [future job placements](#) and trainee housing assistant positions.
- ⇒ Continue to work with partners (YMCA ~~and Derring~~) to provide employment initiatives and advice through the Tenants Resource Centre.
- ⇒ Continue to offer 20 unemployed residents a year the opportunity to gain work through the Home 2 Work Project, working in partnership with Job Centre Plus.
- ⇒ [Develop a social enterprise model to provide training and employment opportunities to vulnerable groups of the community.](#)
- ⇒ ~~Seek funding to work with and train four tenants to liaise with other residents over energy efficiency issues~~

## **2.42.3 Accessing Bank Accounts**

We will;

- ⇒ Work with the Department of Work and Pensions and banks in promoting basic bank accounts
- ⇒ [Offer new and existing tenants budget and current accounts with a credit union](#)
- ⇒ Support through publicity the Government's Let's Talk Money Campaign.
- ⇒ Continue to promote direct debit payments of rent
- ⇒ Provide links to lending and saving rates on our website

## **2.52.4 Affordable credit**

We will

~~commit £40,000 over the next 24 months to fund a member of staff to work with and promote Midland Community Finance (previously Derby Loans) to provide affordable loans to tenants~~

[work with the consortium of East Midlands Credit Unions to offer banking products that are value for money](#)

- ⇒ work in partnership with the [Credit Unions and Midland Community Finance](#) ~~Derby West Indian Association Credit Union Ltd and other local credit unions~~ to promote access to low cost credit

- ⇒ encourage and promote low cost credit, positive savings skills and money management to prevent debt through pre-tenancy work.
- ⇒ promote awareness of Loan Sharks, [Pay Day Lenders and other lenders charging high interest rates](#) in Derby Homes News and Housing Focus Groups.
- ⇒ continue to work with East Midlands Illegal Lending Unit to limit exploitation by illegal money lenders. We will achieve this, through staff training and publicising the national help line.
- ⇒ [second a member of staff to liaise with the consortium of Credit Unions for training purposes to ensure all staff are trained to help tenants access appropriate services.](#)
- ⇒

## 2.6 Money and Debt Advice

Derby Money Advice has long established links with Derby Homes and dedicates two staff members' time to support and advise our tenants. We will continue to build on the relationship by:

- ⇒ Promoting the service to new tenants at sign-up stage and throughout the arrears procedure.
- ⇒ Publicising the service on the website, in Derby Homes News and in arrears letters.
- ⇒ Referring all tenants we are taking court
- ⇒ Ensuring all appropriate staff are trained to pick up and deal with financial hardship and debt problems
- ⇒ Sign posting to external organisations such as the Citizens Advice Bureau when appropriate
- ⇒ [We will seek out best practice and other innovative approaches to keep our debt and financial skills advice up to date and useful to our tenants.](#)

## 2.7 Maximising Income and Welfare benefits

We will

- ⇒ Offer and promote a wide range of rent payment methods
- ⇒ [Offer tenants budget bank accounts](#)
- ⇒ Encourage direct debit payments at sign up and through promotional campaigns
- ⇒ Advise tenants on the progress of their housing benefit claims
- ⇒ Encourage signing up for low cost household contents insurance.
- ⇒ Refer to specialist support if necessary.
- ⇒ Continue to support rent holiday weeks as opportunities for tenants to reduce their debts
- ⇒ Deliver and support on-going benefit campaigns
- ⇒ Hold local income and arrears advice surgeries.
- ⇒ Housing and Income Management staff will ensure that the sign-up interview includes advice on payment options, completes financial statements, Disability Discriminations Act assessments, bank accounts application forms, benefit entitlement checks, help with housing application forms, help with accessing utilities, furniture packs and adaptations.

- ⇒ [Universal Credit will be 'digital by default' and require the use of computers to access payments. Derby Homes will provide support for tenants to enable them to access Universal Credit payments online.](#)

**In addition the Tenancy Sustainment Team will work with customers pre-tenancy:**

- ⇒ [During the assessment process](#) Complete a financial health check to identify any money problems
- ⇒ [Sign-up those who have no bank account to the credit unions Budget Account](#)
- ⇒ Advise and assist with applications for housing benefit and council tax benefit, community care grants, crisis loans and one off payments from charitable trusts.
- ⇒ Signpost to Money or Welfare Right Advice if necessary
- ⇒ Offer support to open up new utility accounts.
- ⇒ Arrange furniture packs or apply for furniture through other acceptable routes
- ⇒ Identify, through accepted assessment methods, any health or other issues which increases vulnerability or inability to cope
- ⇒ Co-ordinate links to other services such as energy advice or specialist support.

## **2.8 Contents Insurance**

Derby Homes offers low cost household contents insurance to all tenants and will:

- ⇒ Promote the scheme through Derby Homes news and the website and letters
- ⇒ Encourage new tenants to sign up.

## **2.9 Improving energy efficiency and reducing fuel poverty**

- ⇒ We have fitted solar thermal panels to the roofs of four family homes and solar p v panels to provide electricity to [a further 900 properties and the communal areas at Rivermead House and will monitor performance](#)
- ⇒ Our new build homes for rent will be built to code four for sustainable homes
- ⇒ We have secured funding and are replacing electric storage heaters which the tenants find costly
- ⇒ Improved tenants homes to include: cavity wall insulation, draught proofing, insulated lofts and wall cavities
- ⇒ Fitted uPVC double glazing
- ⇒ Provided free low energy light bulbs
- ⇒ Publicised energy efficiency measures
- ⇒ Advised tenants of the best tariffs.

We will

- ⇒ broker low cost gas and electricity deals
- ⇒ Trial alternative renewable technology, such as air source heat pumps at Rivermead House.
- ⇒ Hold energy efficiency surgeries in local communities to offer advice
- ⇒ Complete energy efficiency assessments in tenants' homes
- ⇒ [Encourage tenants to shop around for the best utility tariffs to meet their budget.](#)

### 3 Customer Care and Marketing

Derby Homes will influence behaviour through marketing financial incentive schemes which reward good payers such as:

- ⇒ 'It Pays to Pay' with annual prizes of £1000 for the winner with two runner-up prizes of £500
- ⇒ The annual garden competition which has £100's worth of vouchers in eight categories, which is only open to good payers
- ⇒ Quarterly draws in Derby Homes News with three gift vouchers worth £200 each.

~~We will develop further initiatives, such as~~

- ~~⇒ Writing to families in the north of the city, with no rent arrears, to offer football coaching through the Community Manager from Derby County~~

### 4 Finally

Derby Homes Financial Strategy will be embedded through the organisation and be part of our business planning process. The Actions proposed in this plan will be incorporated into the Service Improvement Targets ~~for teams in 2010-11. The plan will include training and support for staff. The plan is flexible and able to meet new demands such as Universal Credit.~~