

Report of the Head of Housing Services

Use and funding of South Yorkshire Credit Union Budgeting Accounts

Summary

1. The report provides information on the SYCU budgeting accounts, the services provided with them and outlines the advantages to the authority and customers in using these accounts. It asks for approval to fund account fees for customers from within existing budgets.

Recommendations

2. Executive are asked to consider:
 - 1) Use the managed accounts and related services through referral and pay the fees for customers.

Reason: Customers in debt more likely to engage with the service
 - 2) Use the managed accounts and related services through referral but do not pay the fees.

Reason: Minimise cost of linking in to this service

Background

3. SYCU currently work in partnership with City of York Council and have a shop on Front Street Acomb supplying items on affordable terms.

As part of the service SYCU offer managed budget accounts. The cost is £1 membership and an annual fee of £4 per person.

Many customers on limited incomes find it difficult to budget effectively, enter in to expensive credit arrangements or borrow money from loan sharks. They will also be financially excluded from the best credit deals or payment methods especially where they have poor IT skills.

This is particularly the case for customers claiming Universal Credit (UC) which is paid monthly and includes payments for living expenses and housing costs. It is paid direct to the customer by default. Previously Housing costs covered by Housing Benefit are paid directly to the landlord for council tenants and this could be the case for Housing Associations and private tenants on request or when they got in to arrears.

UC is paid in arrears and is currently taking up to 10 weeks to process in York. This means that UC customers will find it particularly difficult to pay bills, including rent and council tax, during this initial period which will have a knock on effect going forward.

A limited number of single customers are on UC in York at present but the full roll out is to be implemented from 11th July 2017. Evidence from areas where a full roll out is already in place suggests that UC customers have more rent arrears.

A recent article on the Association of Retained Council Housing site indicated that:

- 86% of universal credit claimants living in council owned homes are in rent arrears (compared to 79% at March 2016).
- 59% of universal credit claimants living in council owned homes have arrears that equate to more than one month's rent.
- Although 63% of UC tenants in arrears had pre-existing arrears before their UC claim only 44% of them are on APAs (alternative payment arrangements with direct payment from DWP)
- The average value of arrears tenants owed across UC households has almost doubled to £615 since 31 March 2016 when average amount was £321.
- In the article concern was expressed by ARCH CEO John Bibby that for rent arrears “Not only are numbers of households increasing as UC is rolled out, but the percentage of households falling into rent arrears and experiencing financial difficulty is critically high. If this trend is not reversed it will have significant impact on local authorities' rental income streams and the long

term ability for housing departments to provide essential services to their communities.”

Use of the SYCU budget account and related services by customers could be one way of helping them manage their money effectively, prevent debt and help manage debt where this is accrued.

Whilst customers can approach SYCU directly the service could be actively promoted by staff and be built in to procedures. SYCU have agreed to take direct referrals from CYC staff. Payment of the fees would help incentivise customers in debt to take up the service at a time when their income may well be extremely limited.

This would apply to any customers finding it difficult to manage their finances, in debt and trying to address these or in danger of going in to debt due to a change in their circumstances.

The customer would agree to have all of their income, whether benefit, wages or both, paid in to a Budget Account. Priority payments would then be paid from this account as required.

Remaining funds would then be released to the customer at intervals over the month by agreement with them.

The customer will also be encouraged to access and use a basic bank account (Lloyds Bank is the current company being used) when appropriate and to begin to manage their own finances over time.

SYCU can offer loans at competitive rates to members where it is appropriate to do so. They can help with clearing debts such as large rent arrears to avoid eviction or repossession, facilitating the reduction of outgoings on debt overall.

Customers will also get help with returning and replacing items taken out on expensive finance terms. SYCU shop will replace items on competitive terms. This helps with overall budgeting by reducing outgoings.

The scheme is open to all customers regardless of tenure and could therefore benefit social housing, privately rented tenants as well as home owners and will contribute to the prevent, reduce, delay agenda particularly with regard to homelessness. It will also help the council protect its income streams including rent and council tax.

Arrangements have been agreed between CYC and SYCU for billing and payment and exchanging information should this proposal be agreed. This includes obtaining the consent of the customer.

A flowchart is attached as Annex 1

Consultation

4. The service has been discussed at the Federation of Resident Associations meeting in November 2016 and the meeting voted to support the active promotion of this scheme and payment of the fees for customers. They gave examples of people they knew who would instantly benefit from the service.

Options

5. A) Promote the service, refer customers directly and pay the fees.

B) Promote the service, refer customers directly and **do not** pay the fees.

Analysis

6. A) SYCU is the partner credit union of York Council and there is a mutually beneficial working relationship. The proposal will build on this relationship to the benefit of the council and its customers. It will help ensure that individuals and families have the means to manage finances effectively when needed and they will receive appropriate information, support and practical solutions to money problems. They will also become more financially and digitally included. This will also help prevent homelessness and prevent, reduce and delay the detrimental effects of unstable finances on individuals and families. It will also help the council protect its income streams through the active prioritisation of debts / payments including rent and council tax. Payment of the fees for customers will remove one potential barrier to customers engaging.

Example: If the council receives one payment of £1000 to pay off rent arrears and the customer uses a budget account this could result in:

- Avoidance of court fees of over £400 which may never be recovered by the Housing Services from the customer.

- Avoidance of eviction resulting an estimated £6000 cost to the authority taking everything in to consideration
- Avoidance of payment arrangements made by court e.g. customer to pay arrears off at £5 per week.
- Regular payments received to cover ongoing liabilities of the customer
- Reduced staff time chasing missed payments
- Avoidance of County Court Judgement for customer which can result in a lower credit score.
- Good payment history developed on rent account which will improve credit scoring for the customer as this information is recorded by Experian through the Rental Exchange scheme.
- Debt can also prevent the customer moving homes via mutual exchange or transferring via North Yorkshire Home Choice.

When compared to a payment of the £5 fees for the customer this is patently good value for the authority.

B) As above but the need to pay fees may put some customers off engaging with this service or delay engaging, especially if they are in a poor financial position.

Council Plan

7. .This proposal will help the council meet the following priorities:

A prosperous city for all:

Everyone is supported to achieve their full potential

A focus on frontline services:

Everyone has access to opportunities regardless of their background.

Implications

- 8.

- **Financial** – Funding will be found from within existing budgets. The impact of the full roll out of UC will be recorded on the council's risk register and this measure will help mitigate this risk.

- **Human Resources (HR)** - none
- **Equalities** – this could mean practical help for those less able to manage finances effectively in a more economically challenging environment
- **Legal** - none
- **Crime and Disorder** - none
- **Information Technology (IT)** none
- **Property** none
- **Other** - none

Risk Management

9. There is a risk that council income streams such as rent and council tax will be detrimentally affected with the full roll out of Universal Credit in York. This proposal will help the council mitigate this risk

Contact Details

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