

Response to questions asked at Communities, Equality and Local Government Committee Meeting - 24 October 2012

1. The role of housing associations' financial inclusion officers and teams

The creation of Financial Inclusion Officer positions across the sector since 2008 allowed housing associations to take a strategic approach to tackling financial exclusion and consequently they are better positioned to be able to help their tenants cope with the impact of welfare reform.

The financial inclusion officers were able to map services both internally and externally, identify gaps in provision and pull in funding to target those tenants most at risk from financial and social exclusion.

This has created an advice sector within the housing sector with roles ranging from money advisers, to welfare benefit advisers, to energy efficiency advisers.

CHC is supporting this increase in advice work within the sector by providing members with an Advice Network from 2013, which will ensure that advice workers in the sector are regulated by the relevant bodies, members of appropriate bodies and are up-to-date with legislation and policy changes.

Example 1. Hafod Housing Association currently employs a Welfare Benefit Officer and Specialist Money Adviser to deal with individual case work but also undertake joint working with other teams such as the Community Focus Unit. Between April 2011 and March 2012 the service dealt with 238 Money Advice and 411 Benefits Advice Referrals. The Welfare Benefit Adviser retrieved backdated housing benefit of £11,801.71, which prevented homelessness for many families. 29 Welsh Water Assist applications were made, potentially saving tenants a total of £48,747.85. The total financial benefit achieved for all tenants using the services of the Welfare Benefit Officer was £181,537.72.

Advisers are now working with Local Authorities to identify those who will be affected by the bedroom tax. Hafod estimate that approximately 1050 or 30% of their tenants will be affected.

Example 2. Monmouthshire Housing Association employed a Financial Inclusion Officer in 2008 who developed a 7 objective financial inclusion strategy:

- Objective 1: To provide access to free face-to-face advice.
- Objective 2: To promote access to affordable credit.
- Objective 3: To promote income maximisation.
- Objective 4: To promote access to financial products and services.
- Objective 5: To provide financial capability and financial literacy support.
- Objective 6: To build employability and lifelong learning support into each of the 5 financial inclusion objectives.
- Objective 7: To work in partnership to achieve FI objectives.

Out of these objectives the Financial Inclusion Officer secured funding to:

- Employ 2 Income and Energy Advisers
- Run an Income Maximisation and Debt Advice Project
- Deliver face-to-face advice on energy efficiency
- Run financial capability courses
- Run courses which link financial inclusion with employability

Example 3. Wales & West Housing employs 2 Money Advice Officers (MAO) to oversee the delivery of financial inclusion information to residents. WWH led on the funding and development of the “My Home” pre-tenancy pack in North Wales and now all nominees or applicants are provided with the pack which explores the financial challenges of moving into a new home. The ‘My Home’ resource provides an alternative vehicle for those residents who are uncomfortable with the written word or just prefer a more attractive form of exchanging information. The MAOs ensure that housing officers are trained and provided with a financial inclusion folder.

2. Providing financial capability of tenants within a particular social group, such as those who do not speak English

Housing associations regularly profile their tenants to identify those residents who would prefer correspondence in different languages or font size as well as the use of language line.

Example: Melin Homes regularly attend community events including the Black Minority Ethnic community group meetings. Melin has a Residents' Panel and a Youth Forum, and the financial inclusion team use their guidance to inform their projects, policies and procedures.

Upon tenancy sign up, Housing Officers are able to identify requirements for those residents whose first language is not English and also those tenants who may require extra support with communications, for example, Large Print, Braille or the use of a Hearing Loop.

3. Data on the number of people who will be affected by the bedroom tax.

From April 2013 the amount of housing benefit a claimant receives will depend upon the new size criteria. Under-occupancy will impact on 40,000 households in Wales and the average loss per household will be £600 per annum. (DWP POG Papers & Family Resource Survey).

CHC surveyed its members in June 2008 and found that at that time 56% of members were able to provide data on the number of their homes which will be under-occupied. In terms of the number of homes currently under-occupied, figures varied between 200 and 1700 homes from the associations that were able to provide data, with an average of 952 homes under-occupied.

These associations have worked creatively to gather data from a number of sources, including tenant profiling, and, where available, DWP and local authority figures. The responses indicated average under-occupation levels of 21.6%, with the majority of responses falling between 15 and 25%. **Please see the attached report for detailed information.**

CHC continues to work with members to assess and mitigate the impact of the bedroom tax on both tenants and landlords. A second welfare reform event will take place in January and members and Local Authorities are invited to learn about the latest policy developments and share good practice.

Example: Wales & West Housing estimate that approximately 1200 properties out of over 8,000 will be affected by under-occupancy. All housing officers have been provided with an Under-Occupancy Interview Visit and Personal Housing Plan (PHP) form which they will complete face to face with every affected household. A budget sheet and benefit check will also be completed and attached to the PHP form. The MAO will analyse the information and create an individual action plan. This, along with an updated budget sheet showing the likely estimated increases in rent and Council Tax on 1st April 2013 will be returned to the resident so that they will have as complete a picture as possible of the impact of the bedroom tax and other welfare reform changes. This approach should assist them to make an informed choice about whether to stay in their home or consider moving. This exercise will also identify residents who are already struggling financially and the appropriate level of support will be offered.

Clare Williams, CHC
November 2012

Moneyline Cymru briefing for
Communities, Equality and Local Government Committee Meeting
24 October 2012

Moneyline Cymru Achievements to date:

- Moneyline Cymru has issued over 11,000 loans to those who would otherwise have no option but to borrow from doorstep or illegal money lenders
- Over £5.2m has been loaned to customers
- More than 4,600 savings accounts have been opened by people who have never previously saved money and customers have saved a cumulative total of over £450,000
- Community Housing Cymru's linked money advice project identified over £200k of under-claimed benefits and over £570k Dwr Cymru affordability tariffs and arrears write-offs through referrals from loan officers

Background:

1. Moneyline Cymru was developed by housing associations in Wales to provide affordable, responsible loans to those who are otherwise ignored by mainstream providers. In 2008 more than 150,000 households in Wales were borrowing from doorstep lenders. According to the Wales Illegal Money Lending Unit, illegal money lending rose from an estimated 15,000 cases in 2008 to 26,000 in 2012. Assuming a similar pattern occurred with instances of doorstep lending approximately 210,000 households could now be borrowing from doorstep lenders.
2. Moneyline Cymru strives to make services accessible to anyone in the community requiring access to affordable lending. Working with RSL partners enables Moneyline Cymru target those areas that scored highest on the Wales Index of Multiple Deprivation (2008). Indeed, this was the basis for securing DWP funding in Moneyline Cymru's operational areas with 333 Lower Super Output Areas falling within the most deprived 50% in Wales.
3. Commissioned research indicated much higher levels of benefit dependency, disability and unemployment in these areas with a proportionately higher than average use of home collected credit. To address inequalities the message was aimed at these areas in particular.

4. Moneyline Cymru's relationship with customers is helping them to prepare for Universal Credit. Almost every new customer opens a savings account and saves money on a weekly basis via one convenient combined loan and saving payment. Customers are also able to access CHC's money advisers.
5. A Moneyline Cymru loan can increase self-esteem, self-confidence and financial resilience. The impact can extend into education, health, reduction in criminal activity, and tenancy sustainment.
6. Welsh housing associations have pledged their support for Moneyline Cymru by providing a revenue grant of over £700,000 to fund six high street outlets in Bridgend, Cardiff, Newport, Merthyr Tydfil, Rhondda Cynon Taff (Pontypridd) and Torfaen (Cwmbran) and a further outlet in Wrexham in 2013.
7. Moneyline Cymru is developing and opening up the service to those outside the current catchment area by opening an outlet in Wrexham in 2013 and a further outlet in Swansea.
8. Moneyline Cymru is developing a phone line which will service rural communities by the middle of 2013.
9. For Moneyline Cymru to continue to grow income from lending must covers costs. Much of the collaborative work with Social Business Trust and Credit Suisse has been around improving and sharpening systems and performance without losing the unique selling point, (USP); **relationships developed with customers.**
10. Moneyline Cymru is seeking new loan capital and will pay a dividend on the capital raised. Additional loan capital will help Moneyline Cymru increase its coverage to provide face-to-face services in West Wales and beyond.

Recommendations:

1. That Welsh Government should consider providing a capital grant to Moneyline Cymru to ensure that the most financially excluded have access to financial services.
2. That Welsh Government lend its support to Moneyline Cymru as a responsible alternative for those who are unable to access credit union loans.

Please see the link below for a case study.

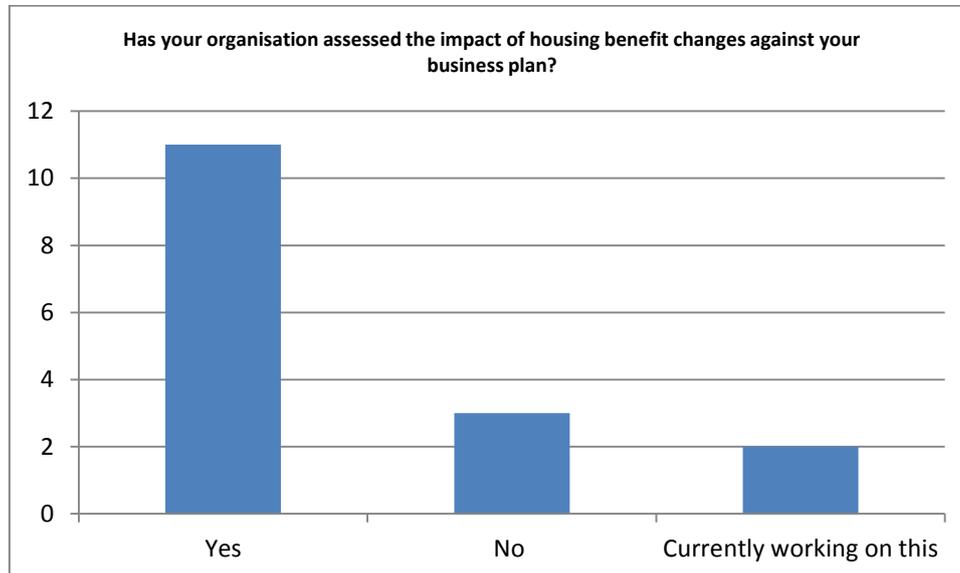
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Community Housing Cymru is working with our members to assess the impact of welfare reform upon their businesses in the coming years. The main objective of this study was to identify the scale and depth of the work being carried out by Housing Associations, if any, to prepare for the changes being brought in by the Welfare Reform Act.

Alongside a strategic welfare reform day, we presented members with a questionnaire, and the results are outlined below. We received 16 responses to the survey between June 11th and July 31st 2012.

Assessing the impact of Housing Benefit changes

In the responses to our questionnaire, 81% of members indicated they are carrying out some work on assessing the impact of the reforms upon their business plans. Some associations have been able to carry out a full assessment with the data available to them, while others have calculated the effect of some component parts, and others are still carrying out their assessments.



One difficulty that associations have encountered to date was a lack of access to data on benefit claimants, with a large number working pro-actively with local authorities and on tenant profiling solutions to overcome this.

Working with local authorities

94% of associations indicated that they had held discussions with the relevant local authorities on the impact of welfare reforms, and associations are still carrying out large amounts of work with local authorities, including:

- Discussion on information exchange/data sharing
- In Gwent, seven RSLs have worked across five local authorities to set up the Gwent Welfare Reform Group, where Heads of Services and RSL representatives have discussed a broad range of themes including information sharing, joint working and communications
- One RSL has worked closely with their local authority on the rolling out of the latest phase of the Community Housing Cymru/Shelter Cymru's 'Your Benefits' communications campaign, and other RSLs indicated they would be working with other local authorities on this campaign.
- Two RSLs are working as part of the DWP's Direct Payment Demonstration Project in Torfaen
- Discussions on under-occupation, and the potential amendment of lettings policies

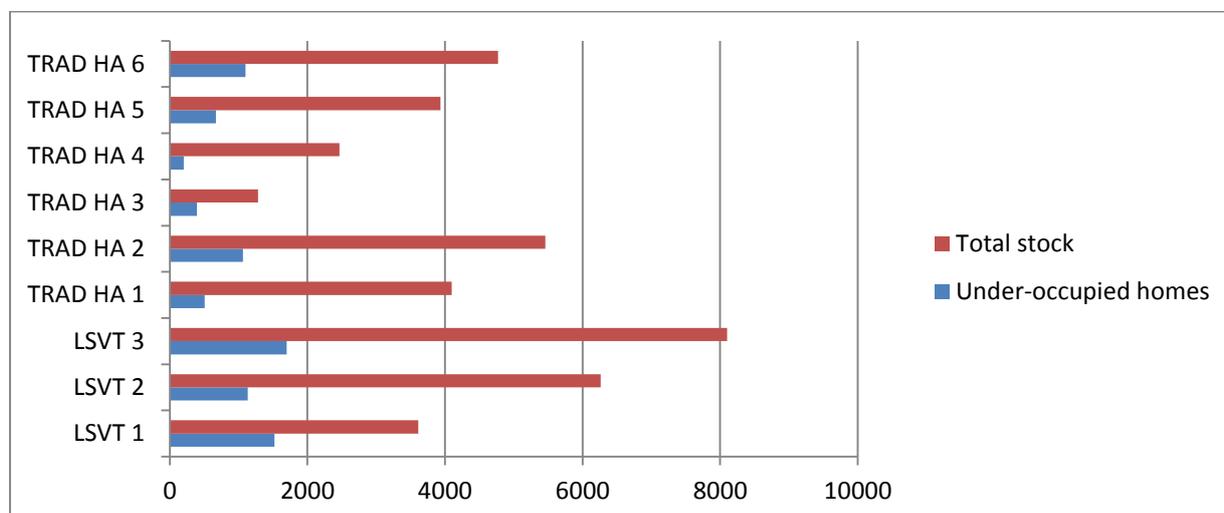
Under-Occupation

Under-occupation has been one of the main talking points in relation to the changes made by the Welfare Reform Act, and the changes are of great concern to all social housing providers.

The Numbers

In response to our questionnaire, we found that 56% of members were able to provide data on the number of their homes which will be under-occupied. In terms of the number of homes currently under-occupied, figures varied between 200 and 1700 homes from the associations that were able to provide data, with average of 952 homes under-occupied.

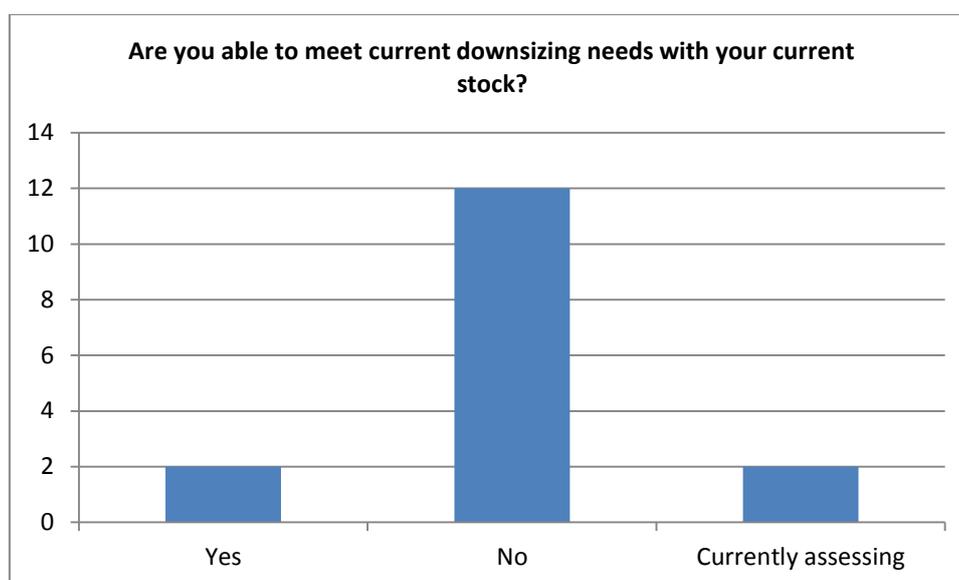
These associations have worked creatively, gathering data from a number of sources, including tenant profiling, and where available, DWP and local authority figures. The responses indicated average under-occupation levels of 21.6%, with the majority of responses falling between 15 and 25%. However, one association's response indicated that 42% of their stock was under-occupied, while another indicated just 1% fell into this category. The level of under-occupation in any association is dependent upon the profile of the stock and tenants of each individual organisation, and there was no clear trend dependent upon the size or location of any association, as demonstrated in the graph below.



Downsizing

Members are continuing to work on options to alleviate the problems caused by the under-occupation deductions, but the option of tenants downsizing would prove difficult in almost all cases. While one association indicated that on a purely numerical basis, they would be able to downsize tenants to appropriate property where they were under-occupying, they said that it would prove extremely difficult in practice and that they fully expect issues to arise once tenants' personal and geographical constraints are taken into consideration.

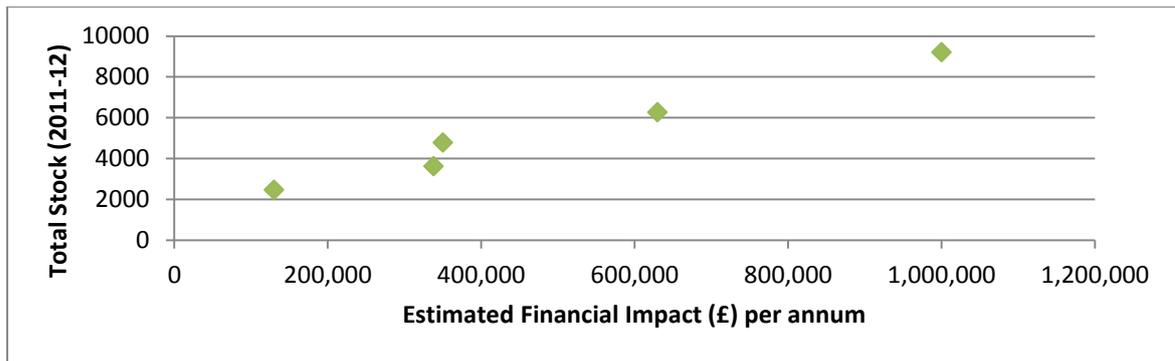
Members are working creatively with CHC and their respective local authorities, to overcome these issues, and there are examples of good practice emerging.



The Financial Impact

A number of associations had difficulty in assessing this figure. Some organisations who know how many tenants are under-occupying indicated a worst-case scenario, based on tenants not being able to absorb the extra housing costs and not being able to downsize their home.

Five associations have calculated figures ranging from £172,000 per annum to £1,000,000 per annum, with an average of £328,000pa impact upon businesses. All associations indicated that they expect a large increase in rent arrears, while one association, which is unable to meet all tenants' downsizing needs, calculated that their tenants will lose £1.3m per year in housing benefits.



A simple division of estimated financial impact over total stock puts the impact at around £93 per home. Applying this figure to current total stock of RSLs in Wales would see the total financial impact of under-occupation at around £13.85m.

The above graph shows that there is a similar trend throughout different organisations, therefore small and large organisations will be proportionally disadvantaged by welfare reform.

Mitigating the impact

Housing associations are carrying out a huge range of work to mitigate the impacts of the penalties for those who are under-occupying their home. Initiatives include:

- Reviewing the Common Allocations Policy with partner organisations
- Increased financial inclusion schemes, including:
 - o Full benefits checks
 - o Assisting with form completion
 - o Debt advice
 - o Employing extra money advisers
 - o Discussions with Credit Unions
- Increased tenant profiling
- Promoting Home-Swapper and HouseShare Wales
- Reviewing rent collection policy

Case Study – An Under-Occupancy Pilot

One stock transfer organisation in North Wales is piloting a new under-occupation policy to attempt to work around the problem and relocate tenants who are under-occupying to suitable properties. The policy sets out that where appropriate, a range of options will be offered to tenants to assist them to move including a named officer to manage the move, an incentive payment to cover moving and packing where necessary, assistance with decorating, reconnection of utilities and a moving allowance up to a value of £500.

As there is a shortage of smaller homes, the housing association also promotes partnership working by co-ordinating its activities with other organisations to ensure that the needs of its Tenants are met and to make the best use of its assets. This may include planning and co-ordinating allocations policies across local landlords, facilitating mutual exchanges and chains of moves.

The pilot was initially intended to help older people downsize and release family homes, and saw 10 tenants successfully downsize their properties in summer 2012.

Non-dependent deductions

Changes to non-dependent deductions were one of the first housing benefit reforms to be brought in by the current UK Government. Although not a part of the Welfare Reform Act, they were the starting point of the changes which follow from the legislation.

From the members' responses, an average of 102 tenants per association are having housing benefit deducted due to non-dependents living with them. Associations indicated increased support and advice, especially around financial capability, were being used to tackle the problems of a shortfall in income due to non-dependent deductions.

However, members highlighted problems in being made aware of when tenants are having their payments reduced due to non-dependents. This further raises the issue of communication with local authorities and/or the DWP on communicating the changes and their affects.

Direct Payments

Nearly two-thirds of members indicated that they had already assessed, or were currently assessing the impact of direct payments on their businesses, and members are working pro-actively to calculate the effects of direct payments on income streams, arrears etc.

Increased arrears?

In a Direct Payment pilot scheme, London & Quadrant Housing Association saw an 80% increase in arrears. Based on the London & Quadrant experience, here are some examples of the effect housing associations expect direct payments to have on their organisation:

- £417,000pa, increasing to £750,000pa
- £210,000pa, increasing to £378,450pa
- An additional £245,000pa in arrears
- Increasing of arrears to over £700,000

A number of organisations indicated that they expected the reality of direct payments to be different to the London & Quadrant experience, with one association expecting a doubling of arrears due to the change. Other responses to the question included:

"53% of our rental income comes from the direct payment of housing benefit. Using the data supplied by London & Quadrant we have estimated that our arrears as a % of GCD for those that would be affected by this reform would increase from 1.2% to 4.4%."

"We currently have the lowest rent arrears for HA's in Wales. Our area officers are very proactive in dealing with rent arrears before they become a major problem. We have a range of ways tenants can pay their rent."

Mitigating the impact

Housing associations showed in their responses to our questionnaire that they are deeply concerned about the impact of direct payments, and every association responded positively to the

questionnaire in this area, indicating that they are carrying out various pieces of work to reduce or mitigate the impact of direct payments. Associations demonstrated a number of creative and innovative ideas on how to mitigate the impact upon both their tenants and their businesses.

Increased resources are being spent on improving the financial capability of tenants, with increased financial advice and financial inclusion initiatives, as well as further staffing resources, tenant profiling and increased resources to monitor and collect payments. One association indicated that they are considering increasing funding to write off some arrears, while another has set up an internal welfare reform working group, and many others have indicated a variety of communications campaigns being undertaken across Wales.

Benefit Cap

DWP figures indicate that approximately 3,000 adults and 7,000 children in Wales will be affected the overall household benefit cap of £26,000, with a large concentration in Cardiff, and this was reflected in our research. Around 25% of members who responded indicated that they were aware of tenants being affected by this change, with an average of 34 households per organisation.

Overall Impact

How many tenants are affected?

Calculations from our questionnaire show that 84.3% of tenants of our members will be affected by changes to housing benefit, through the Welfare Reform Act. Three associations indicated that they believe all of their tenants will be affected, and none of our members were able to indicate that this would affect less than 60% of their tenants.

The financial impact

Calculating the full financial impact of the reforms has proved difficult for a number of organisations. As well as a lack of knowledge of how exactly tenants will respond to the changes in how they pay their rent, organisations do not have all of the data required to make the full calculations. With better data-sharing arrangements with the DWP and local authorities, members will be better equipped to calculate the full impact.

One association commented that 'there is a lack of data-sharing between those who have the data that we need (local authorities/DWP) and those who need the data (housing providers). This means that we are struggling to identify and communicate with those who will be affected. These barriers should be relaxed or local authorities should take the lead on reducing their bureaucracy'.

Twelve associations were unable to calculate the impact, or were waiting for further information on certain elements of the reforms before they could comprehensively review the impacts of everything on their business.

One organisation indicated an impact of at least £130,000pa on their business, while others calculated potential losses to their tenants of £342,000 and £1,000,000 per annum, and another estimated that they would expect to lose £8.3million of 'guaranteed income' each year, as they currently 53% of all rental income through the direct payment of Housing Benefit.

Despite the uncertainty, 88.5% of members indicated they were likely to spend extra resources on initiatives to reduce the impact of the reforms on their tenants, with extra training for staff, improved communications strategies and further staffing resources all mentioned.

Conclusions

The figures relating to the impact of the welfare reforms do not make for easy reading for housing associations, and further cuts to the welfare budget currently are already being mooted by the Treasury. However, it is clear that our members are doing huge amounts of work to mitigate the impact of the reforms.

We fear that pressures on revenue and the increased amount that tenants will be required to pay towards their rents whilst their income is decreasing will inevitably lead to evictions and more homelessness.

CHC will continue to support our members through these changes; lobbying against changes that will hit both housing associations and their tenants; holding further strategic events on welfare reform; developing a case for tenant employment; offering training and support; and working with DWP. We have established a working group on welfare reform, including members involved in the direct payment pilot projects in Torfaen.

Moneyline Cymru, which was developed by and continues to be supported by the sector, helps thousands of social housing and private sector tenants every year to manage their finances by increasing accessibility to financial products and money advice. CHC delivers money advice via branches in Cardiff, Bridgend, Merthyr Tydfil, Pontypridd, Cwmbran and Newport with funding from the Big Lottery and Dwr Cymru. Moneyline Cymru provides services to those who are most vulnerable to the impact of welfare reform.

CHC is also working in partnership with Wales Cooperative Centre and i2i to map digital inclusion activities in Welsh housing associations. Members will require support in this area to ensure tenants are able to make claims once the Universal Credit system is introduced. Citizens Advice has warned that the Universal Credit system "risks causing difficulties to the 8.5 million people who have never used the internet and a further 14.5 million who have virtually no ICT skills".

Throughout this report, we have seen that Housing Associations are investing money in jobs, training and support for the most vulnerable tenants, and it is important that they receive the recognition they deserve for this. Having fed into the Welsh Government's review of advice services, it will be clear to Welsh Government that the housing sector is playing both a preventative and a supporting role in helping their tenants through financial difficulties, but with questions over revenue streams being brought about by the welfare reforms, it is important that they receive funding and support to allow them to continue these roles.