



EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

Title of Report:	Proposal to Introduce 'Jam Jar' Bank Accounts
Meeting of:	Cabinet
Date:	15 May 2017
Is this an Executive Decision:	YES
Is this a Key Decision:	NO
Is the Report Confidential:	NO
If so, please state relevant paragraph from Schedule 12A LGA 1972:	[]

Essential Signatories:

ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE

Monitoring Officer: **Angela Wakefield**

Date Signature

Chief Finance Officer: **Sal Khan**

Date Signature

EAST STAFFORDSHIRE BOROUGH COUNCIL

Report to Cabinet

Date: 15th May 2017

REPORT TITLE: Proposal to Introduce 'Jam Jar' Bank Accounts

PORTFOLIO: Enterprise and Environment

HEAD OF SERVICE: Sal Khan

CONTACT OFFICER: Brett Atkinson **Ext. No.** x1123

WARD(S) AFFECTED: None

1. **Purpose of the Report**

1.1. To obtain agreement for expenditure of £6,500.00 plus VAT from homelessness reserves to facilitate the purchase of 'Jam Jar Account' (JJA) software by Fusion Credit Union (FCU).¹ The purchase of this software will enable the residents of East Staffordshire who are having difficulty managing their priority debts to access a bespoke solution which will protect their position and manage their debt.

2. **Executive Summary**

2.1. The Government's Universal Credit (UC) reforms will be the most significant changes to the benefits system in a generation². UC is being introduced in stages, in East Staffordshire UC has only been rolled out to single jobseekers so far³. UC's key features are as follows⁴:

2.1.1. One payment per household per month to be paid in arrears.

2.1.2. Payment of rent direct to landlords will generally not be awarded except for the most vulnerable⁵.

¹ <https://fusioncreditunion.co.uk/>

² <http://www.smf.co.uk/wp-content/uploads/2012/09/Publication-Sink-or-Swim-The-impact-of-Universal-Credit.pdf>

³ <https://www.gov.uk/guidance/jobcentres-where-you-can-claim-universal-credit>

⁴ <https://www.gov.uk/government/publications/universal-credit-an-introduction/an-introduction-to-universal-credit>

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/541512/pbs-and-apa-guidance.pdf

- 2.2. This marks a significant departure from the current system where different benefits were awarded and paid separately, frequently on a fortnightly basis. Housing Benefit (HB) can be paid direct to social landlords on the tenant's request; whilst private tenants have to meet certain criteria to be awarded direct payments but this decision is made by the relevant local authority (Appendix A).
- 2.3. The purpose of the UC reforms is to increase personal responsibility and smooth the transition into work (where 75% of people receive a monthly salary). As a result the guidance document sets out a very firm line on when direct payments to landlords are likely to be implemented and the period for which the direct payments arrangement will be in place⁶.
- 2.4. There is a range of evidence that claimants will require additional support in order to manage rental payments upon switching to UC:
 - 2.4.1. The DWP commissioned research to pioneer the payment of HB direct to tenants in 6 areas⁷. Overall rent repayment rates for the 18 months of the study were 95.5% amongst tenants receiving the rent themselves, compared with a comparator sample of tenants who were not receiving the rent themselves who paid 99.1% of rent owed. Furthermore payments were erratic, with only 10% of the sample paying all their rent.
 - 2.4.2. The Association of Retained Council Housing conducted a survey of their members which found that at 30 September 2016 85% of UC claimants living in council owned homes were in arrears compared to 39% of tenants overall, and the average arrears total of a UC claimant was more than twice that of tenants overall⁸.
- 2.5. Therefore the evidence is clear that direct payment of HB poses a risk to tenants and the Council of increased homelessness resulting from non payment of rent. The cost of providing temporary accommodation can be substantial, a significant emotional cost and there are considerable difficulties of securing alternative accommodation in such circumstances.
- 2.6. The Government has recently secured agreement to ensure that High St Banks make available basic bank accounts with no overdraft facility⁹. This measure is crucial to the operation of the Jam Jar account scheme, but doesn't negate the need for it. Direct Debits are favoured by landlords but carry significant disadvantages for tenants; a small miscalculation can lead to a declined payment which incurs bank charges and this approach does not permit 'compartmentalised'¹⁰ budgeting (the favoured approach amongst the DWP sample above).

⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/541512/pbs-and-apa-guidance.pdf

⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388712/summary-direct-payment-demonstration-projects-18-month-reports.pdf

⁸ www.almos.org.uk/include/getDoc.php?did=7759&fid=9086

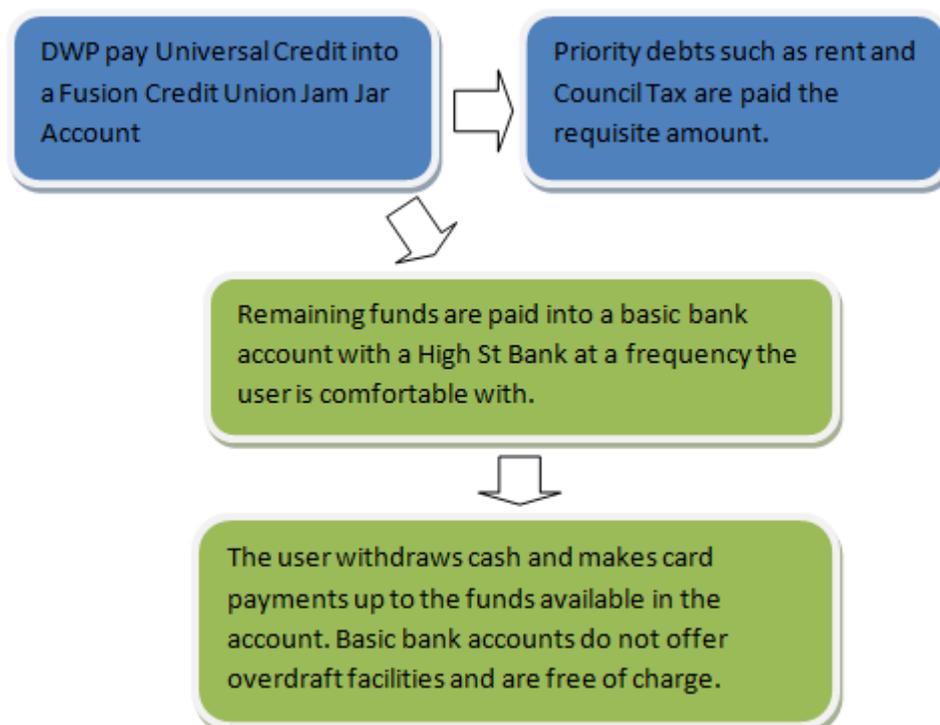
⁹ <https://www.gov.uk/government/news/new-basic-fee-free-bank-accounts-to-help-millions-manage-their-money>

¹⁰ Short budgeting cycles directing income to a specific outgoing

2.7. JJA are a bespoke budgeting tool which protects the position of users by ensuring priority debts are paid when money arrives in the account replicating the 'compartmentalised' budgeting process in a formal way. This enables users to spend the remaining available funds confident in the knowledge that this money is available for discretionary spend. JJA will work regardless of whether income is paid from an employer, the DWP or both; complementing the UC objective of easing the transition into work. The proposal for JJA is supported by key local providers of debt advice such as the CA and Trent & Dove HA.

2.8. JJA facilitate multiple bill payments with the user (alongside a debt advisor if appropriate) determining the amount that is to be paid to each recipient. Thus the amount to be paid can include a repayment towards pre-existing debt such as rent arrears. Ensuring payments arrive on time in this way will ensure that no further action is taken by the recipient of the debt repayments, as the user will be adhering to the terms of any repayment plan¹¹.

2.9. Figure 1: Operation of the Jam Jar Account



2.10. A credit union is a self-help co-operative whose members pool their savings to provide each other with credit at a low interest rate. To be part of a credit union you have to share a common bond with other members¹², e.g. live and work in the same area. The services of credit unions are regulated by both the

¹¹ Such as in the case of a 'Suspended Possession Order', this is an order of the court requiring repayment of rent arrears to avoid eviction.

¹² <https://www.citizensadvice.org.uk/debt-and-money/borrowing-money/types-of-borrowing/loans/credit-union-loans/>

Financial Conduct Authority and by the Prudential Regulation Authority.¹³ It is believed that a credit union is best placed to offer this service to the groups most likely to benefit given their status as voluntary community-focussed organisations. The monthly charge of £3 to credit union customers is necessary to maintain licensing payments for the software and to cover the administration required in the set up of the JJA.

- 2.11. There is an internet based Jam Jar Account offering,¹⁴ however this requires computer literacy and a greater level of 'self service' than is likely to be realised within the vulnerable groups likely to derive the most benefit from this service.
- 2.12. FCU offers a number of advantages as a provider of this service:
 - 2.12.1. FCU are based in Lichfield, but have strong and long standing links with the locally based Money Spider Credit Union. FCU plan to deliver the service in partnership with Money Spider.
 - 2.12.2. The Council and the Money Spider are already partners in the 'New Tenancy Finance Scheme'.¹⁵
 - 2.12.3. The face-to-face service offered by the FCU ensures that the user understands the service they are signing up to and that the account is administered correctly.
 - 2.12.4. FCU are a responsible lender of reasonably priced credit for those requiring loans.
 - 2.12.5. Monthly cost of £3 is extremely competitive, and cheaper than the monthly charge of £3.99 imposed by the internet based provider.
- 2.13. Thus it is believed that the proposal to introduce JJA represents good value for money and a proportionate response to the transition to UC in light of the evidence that this change will increase rent arrears and homelessness.

3. **Background**

- 3.1. The UC single monthly payment is intended to mimic a typical salary, and will taper off as a claimant's earnings increase at a slower rate than was the case under the previous system to increase incentives to take up work.¹⁶ As a result the single monthly payment is seen as crucial to the overall success of UC, and the redirection of the HB element of UC to the landlord will be available in exceptional circumstances only.
- 3.2. A redirection of funds to the landlord is in principle offered as part of a system of 'Alternative Payment Arrangements' (APA) under UC. However the guidance document¹⁷ for awarding APAs makes it clear that such arrangements will be difficult to obtain. For example the case studies set out

¹³ <https://www.fca.org.uk/firms/credit-unions>

¹⁴ <https://squirrel.me/>

¹⁵ The New Tenancy Finance scheme offers a loan towards the upfront costs of securing a private rented sector tenancy.

¹⁶ https://england.shelter.org.uk/__data/assets/pdf_file/0019/706501/Universal_Credit_and_APAs.pdf

¹⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/541512/pbs-and-apa-guidance.pdf

in the document describe a person with learning disabilities who receives assistance from his brother as ineligible for an APA, and an individual with a uncontrolled drug problem being awarded an APA for an initial period of 9 months. The case to secure an APA where a tenant is in 2 month's rent arrears is more straight forward, but equally unattractive.

- 3.3. Households who become homeless as a result of not paying rent that was affordable to them can be found to be intentionally homeless.¹⁸ The duties owed by the Council in such cases are as follows:
 - 3.3.1. To make a well reasoned decision set out in writing to the applicant,¹⁹ such decisions are subject to a statutory right of review²⁰ and subsequently judicial review²¹ on a point of law.
 - 3.3.2. To secure suitable temporary accommodation for a period that will give the applicant a reasonable opportunity of securing his or her own accommodation.²² The period provided should take account of local housing conditions, the needs of the applicant and the resources available to him or her.
 - 3.3.3. To provide advice and assistance in the applicants search for his or her own accommodation.²³
- 3.4. Councils have been encouraged to undertake homelessness prevention activity for some years.²⁴ However following the introduction of duty to prevent homelessness in Wales²⁵ the Homelessness Reduction Bill²⁶ is currently making its way through parliament and will introduce similar legislation in England. Although the Bill will be subject to further changes which cannot be known at this time; JJA could, if introduced, be a valuable tool in performance of this new duty.
- 3.5. The DWP surveyed 4,315 households receiving benefits in 2012 and evaluated budgeting behaviour amongst claimants.²⁷ 34% of respondents said that they run out of money before the end of the week / month always or most of the time, whilst a further 33% said this happens more often than not or sometimes. Of the cohort who stated they run out of money 76% stated they borrow money, with 32% of the cohort using a bank overdraft to borrow.

4. **Contribution to Corporate Priorities**

4.1. Protecting and Strengthening Communities.

¹⁸ Housing Act 1996 Part VII s191(1)

¹⁹ Housing Act 1996 Part VII s184(3)

²⁰ Housing Act 1996 Part VII s202

²¹ Housing Act 1996 Part VII s204

²² Housing Act 1996 Part VII s190(2)(a)

²³ English Code of Guidance paras 14.27 – 14.29

²⁴ <https://www.gov.uk/government/publications/homelessness-code-of-guidance-for-councils-july-2006>

²⁵ Housing (Wales) Act 2014

²⁶ <http://services.parliament.uk/bills/2016-17/homelessnessreduction.html>

²⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/193471/rrep800.pdf

5. **Local Context**

- 5.1. There is good reason to believe that local residents who are vulnerable will struggle and a broader group, by virtue of being on a low income, will also struggle. Benefit claimants are on an income which does not leave room for error or miscalculation. There are no excess funds to act as 'buffer' to allow a margin of error, so a shortfall in one area can quickly spiral.
- 5.2. Arrears under UC could occur in the following circumstances:
 - 5.2.1. Miscalculation resulting in a failed direct debit.
 - 5.2.2. Miscalculation resulting in spending which is not supported by the available funds.
 - 5.2.3. 'Borrowing' from allocated funds to cope with an unexpected cost with the intention of replenishing the funds later.
 - 5.2.4. The loss of a named 'Housing Benefit' under UC may make it less likely that money intended for rent will be spent on housing costs.
- 5.3. DWP research found that under direct payments of HB to the tenant payment behaviour was erratic with only 10% paying all their rent. Erratic payments were often tied to an income shock or unexpected life event²⁸. Furthermore 46% of this group were behind with rent or other debt repayments prior to taking part in the research. The research also found that engaging with tenants, providing support and collecting rent are frequently resource intensive and unlikely to be scalable when UC is rolled out.
- 5.4. There is every reason to believe that East Staffordshire residents and housing providers will be similarly impacted. In 2015/16 the Citizens Advice East Staffordshire (CA) had 8718 unique clients, of these 41% of the issues related to welfare benefits and debt.²⁹ In 2016 the Council's Housing Options Team had 95 enquiries from people with rent or mortgage arrears, whilst Trent and Dove³⁰ had in excess of 1000 tenants who were in arrears during 2016, many of whom will be in the process of making or adhering to repayment arrangements.
- 5.5. JJA could be beneficial in supporting Council Tax collection activity. It is estimated that Council Tax contributions to be collected from a typical household's UC in normal circumstances will be in excess of £20pcm based on a 12 month payment arrangement.

²⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388712/summary-direct-payment-demonstration-projects-18-month-reports.pdf

²⁹ http://escab.co.uk/sites/default/files/Impact%20Report%202015-16_0.pdf

³⁰ Information received from the Income Manager at Trent and Dove in 2016

5.6. Figure 3: Typical Council Tax Costs

Property in Burton	Band	Council Tax	75% reduction	Tenant Pays	Per Month
1-bedroom flat	Band A	£1,016.08	£762.06	£254.02	£21.17
2-or 3- bedroom house	Band B	£1,185.41	£889.06	£296.35	£24.70
4-bedroom house	Band B	£1,185.41	£889.06	£296.35	£24.70

6. **Access to Jam Jar Accounts**

6.1. As mentioned in paragraph 5.1, there are two main groups likely to be most suitable for the JJA product:

6.1.1. Households which have specific characteristics likely to make them vulnerable, to be determined on a case by case basis (e.g. previous rent arrears, substance misuse, learning disability etc.)

6.1.2. Households whose budgets are so constrained that there is no contingency.

6.2. Of course other households may decide that they would like to use the JJA product to alleviate money worries, and it will be available to them on equal terms.

6.3. The product could be recommended to households likely to benefit by a number of organisations:

6.3.1. Housing Options applicants where rent arrears and debt are a contributory cause of the housing problem.

6.3.2. Trent and Dove at both the pre-tenancy and rent collection stage.

6.3.3. CA as part of debt advice work where appropriate.

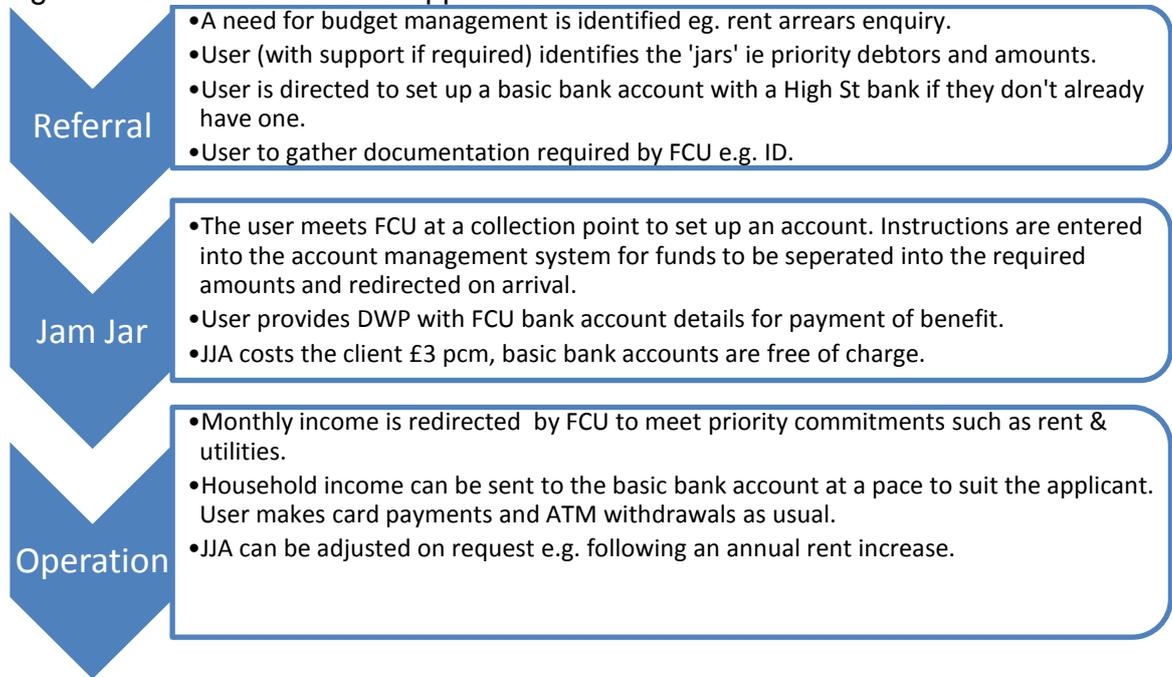
6.3.4. Existing members of Money Spider and FCU.

6.3.5. Other organisations such as Children Services, Harvey Girls, MIND etc could be approached as part of the product launch.

7. **Process and Application of a Jam Jar Account**

7.1. JJA compartmentalises income in 'jars' effectively setting a limit for each type of expenditure. Priority debts such as rent are paid first so that the user knows how much is available for discretionary household spending.

7.2. Figure 3: User Process and Application



7.3. Thus the JJA replicates direct payments to landlords because the funds are paid to the tenant but pass through the account briefly, unseen by the user. The user can determine how many 'jars' or regular payments are made e.g. 'jars' could include rent, utilities and council tax or other combinations.

7.4. The JJA works in harmony with UC's objective around easing the transition into work as the JJA would work in the same way with wages, UC or a mix of the two.

8. **Procurement and Review**

8.1. Credit Unions are most commonly registered with the FCA under the 'common bond'³¹ criteria restricting their area of operation; hence there is not a competitive market for the Council to tap into. Credit Unions are voluntary organisations whose primary objective is to promote financial inclusivity; as a result they are the ideal partner in the proposed venture. On this basis the 'Exemption to Contract Procedure Rules' could be invoked to issue the one off payment to FCU.

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<https://webcache.googleusercontent.com/search?q=cache:iiwxz4rlymMJ:https://www.fca.org.uk/publication/forms/mutuals-cu-common-bond-specimen-wording.doc+&cd=10&hl=en&ct=clnk&gl=uk>

- 8.2. FCU have offered to meet half of the £13k upfront cost of the software required to offer the JJA product, and they have also registered a larger area of operation to include East Staffordshire with the relevant authorities. FCU have committed to operate the scheme in East Staffordshire on an ongoing basis, as once the software is in place they cannot foresee an impediment to the long term operation of the JJA product. This demonstration of commitment from FCU presents a unique opportunity for the Council.
- 8.3. FCU have stated that upon receipt of the funds it will take 3 months to mobilise the scheme. FCU are strongly affiliated with the local Money Spider Credit Union and intend to utilise Money Spider staff to administer the scheme. Money Spider have an existing local presence at their regular community collection points³² and a strong customer base amongst the target client group.
- 8.4. During the 3 months mobilisation the Council will have the opportunity to approach local partners to link the scheme with existing debt advice provision. We can also approach local banks who offer the basic bank account³³ to see if they want to formally take part in the scheme as a community engagement exercise. The hope is that this will 'smooth the path' for applicants who don't have bank accounts, because the local branch will dedicate a member of staff to be our single point of contact in administering the scheme.
- 8.5. The Council will aim to have 40 users of the JJA product at the end of the first year of operation. Following introduction of the scheme interested partners will meet on a quarterly basis initially to review take up and the need for any improvements.

9. **Financial Considerations**

This section has been approved by the following member of the Financial Management Unit: Anya Murray

- 9.1. There is no financial impact on the revenue budget as this one off payment will be met from out of the Homeless Prevention Reserve.

Revenue	2017/18	2018/19	2019/20
Homeless Prevention Expenditure	£6,500.00	0	0
Homeless Prevention Reserve	(£6,500.00)	0	0
Net impact on Revenue Budget	0	0	0

³² <http://www.moneyspidercu.org.uk/Collectionpts.htm>

³³ <https://www.gov.uk/government/news/fee-free-bank-accounts-launched>

10. **Risk Assessment and Management**

10.1. The main risks to this Report and the Council achieving its objectives are as follows:

10.2. **Positive** (Opportunities/Benefits):

10.2.1. Minimise any potential increase in homelessness resulting from welfare reform.

10.2.2. Introduce a new and useful budgeting tool for low income families.

10.2.3. Potential to improve Council Tax collection amongst users of the product.

10.3. **Negative** (Threats):

10.3.1. The fee of £3 per month may result in limited take up.

10.3.2. Fusion Credit Union may cease operation for an as yet unforeseen reason.

10.4. The risks do not need to be entered in the Risk Register. Any financial implications to mitigate against these risks are considered above.

11. **Legal Considerations**

*This section has been approved by the following member of the Legal Team:
John Kirkham*

11.1. There are no significant legal issues arising from this Report.

12. **Equalities and Health**

12.1. **Equality impacts:** The subject of this Report is a policy, strategy, function or service that is new or being revised. An equality and health impact assessment is not required.

12.2. **Health impacts:** The outcome of the health screening question does not require a full Health Impact Assessment to be completed. An equality and health impact assessment is not required.

13. **Human Rights**

13.1. There are no Human Rights issues arising from this Report.

14. **Sustainability** (including climate change and change adaptation measures)

14.1. Does the proposal result in an overall positive effect in terms of sustainability (including climate change and change adaptation measures) N/A

15. **Recommendation(s)**

- 15.1. To approve expenditure of £6,500.00 plus VAT from homelessness reserves to facilitate the purchase of 'Jam Jar Account' software by Fusion Credit Union.

16. **Background Papers**

- 16.1. Homelessness Strategy 2013
- 16.2. Council Tax Reduction Scheme

17. Appendix A



PAYMENT TO LANDLORD REQUEST FORM
(For completion by the tenant)

From April 2008, under the Local Housing Allowance (LHA) scheme, benefit payments will normally be sent direct to tenants.

If you think that receiving direct payments will cause you serious problems, please complete this form and return it to us, with the evidence we need.

Name: _____

Address: _____

Claim Ref: _____

Please tick the box or boxes that apply to you and provide the evidence required.

Reason direct payment is a problem	Evidence required
<input type="checkbox"/> I have learning disabilities that make it difficult to manage my finances.	Written evidence from Care Workers, your Doctor, Social Services, etc.
<input type="checkbox"/> I have a medical condition or mental health problem which makes it difficult to manage my finances.	Written evidence from Care Workers, your Doctor, Social Services, etc.
<input type="checkbox"/> I have serious difficulties with reading and writing.	Written evidence from Support Organisations.
<input type="checkbox"/> I do not speak English.	Written evidence from Support Organisations.
<input type="checkbox"/> I am dealing with addiction to drugs, alcohol or gambling.	Written evidence from Support Organisations, your Doctor, Social Services, Care Workers, Hospital, etc.
<input type="checkbox"/> I am fleeing domestic violence.	Written evidence from Support Organisations, Social Services, etc.
<input type="checkbox"/> I have recently been released from Prison.	Written evidence from the Prison or the Probation Service.
<input type="checkbox"/> I have severe debt problems.	Court Orders, County Court Judgements, evidence from Help Groups, Solicitors, creditors, debt advisers, etc.

<input type="checkbox"/> I am an undischarged bankrupt.	Copy of Court Order.
<input type="checkbox"/> I am unable to open a bank account.	Letters from banks or money advisers.
<input type="checkbox"/> I have a history of homelessness.	Evidence from Support Organisations, Homeless Charity, etc.
<input type="checkbox"/> None of the problems above apply to me, but direct payments will be difficult for me because:	

Declaration

Even if someone else has filled in this form for you, you must sign this declaration if you can.

I **declare** that the information I have given in this form is correct and I **authorise** you to make enquiries to check any of the information or evidence I have provided.

Signature

Date

If this form has been completed by someone other than the tenant, please complete this declaration

I **declare** that, as far as possible, I have confirmed with the tenant that the information I have written on this form is correct.

Name of the person who filled in the form

Relationship to the tenant

Signature

Date

If you require any help in completing this form please contact; Housing Benefits 01283 508425 or 508422

Customer Service Centre, Market Place, Burton upon Trent, Staffs. (Mon – Fri 9.00-5.00)