

WIRRAL COUNCIL

CABINET

3 FEBRUARY 2011

SUBJECT:	LOCAL HOUSING ALLOWANCE POST OFFICE PAYOUT
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR J.E. GREEN
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 Post office 'Payout' is a service facilitating secure cash payments to the public. This report outlines the key principles of 'Payout' and advises Members of the need to enter into a service agreement with the Post Office in order to make payment of Local Housing Allowance for certain claimants through this service.

2.0 RECOMMENDATION

- 2.1 That Members support a contract with the Post Office to use Payout which will benefit approximately 230 of the LHA caseload claimants. This number will increase as LHA roll-out continues.

3.0 REASON FOR RECOMMENDATION

- 3.1 To acknowledge the change in payment method to those Local Housing Allowance recipients who do not have access to a bank account and the use of the Post Office as the point of payment.

4.0 BACKGROUND AND KEY ISSUES

- 4.1 People who need help with their rent and who are tenants or private sector landlords, receive that help through the receipt of either 'Housing Benefit' (HB) or 'Local Housing Allowance' (LHA). In cases where LHA is claimed, the legislation requires, with certain exceptions, payment of benefit directly to the claimant. This is contrary to HB where payment may be made directly to the landlord. As not all claimants have bank accounts, with the introduction of LHA it was necessary to make payment by cheque. This arrangement is not satisfactory and for sometime an alternative has been sought.

- 4.2 Before the introduction of LHA (April 2008), Housing Benefit was paid either directly to the claimant or upon request, to the landlord in both instances into a bank account with the majority of payments going directly to the landlord. Wirral had withdrawn the option of (giro) cheque payment to either some years earlier.
- 4.3 The requirement under LHA to pay the claimant as opposed to the landlord, necessitated the need to reintroduce cheques as a method of payment because:-
- Not all claimants have bank accounts (despite the availability of the 'basic bank account', nor do they necessarily respond to positive promotion of the benefit of having such an account)
 - Where a bank account is held, as not all claimants want their benefit to be paid into that account they fail to advise the Authority of the existence of the account when making the application for HB/LHA.
- 4.4 The approximate cost per cheque is £4/£5 (end to end process) and cheques are not particularly secure.
- 4.5 Although the Authority is able to open and cash cheques, from the claimant's perspective the process of cashing the LHA cheque, where a bank account is not held is cumbersome in that it requires the claimant to attend both the Conway One Stop Shop and then the Treasury Building. Clearly this is not good customer service, especially for those who live in other parts of the Wirral, or who have mobility problems. Nor is this process an efficient use of resource. However with the inception of LHA, there was no alternative where the claimant did not provide bank account details into which benefit could be paid.
- 4.6 In practice, many claimants are accessing 'cash converter' outlets to cash their LHA cheques, incurring a fees which means they lose a percentage of their benefit payment. These fees substantially reduce the amount of benefit realised, invariably a handling fee is charged of around £3.00, and then a percentage of the payment due is taken by way of commission, rates varying between 5.5% and 6% of the cheque face value. In some cases an initial 'registration fee' is also applied. The net result being that the claimant receives a reduced amount of LHA, which in turn affects cash flow, disposable income and their ability to pay their rent.
- 4.7 Based on current caseload profiles, of the 9100 LHA case count, the approximately 230 claimants, currently paid by cheque, will be converted to the Payout scheme and will in future receive their LHA through this service.
- 4.8 'Payout' is a relatively new service which enables organisations to offer cash payments to customers. It uses bar code technology which ensures that payment can only be made once and a range of robust identity verification options meaning that the organisation can be sure who has collected the payment.

- 4.9 From a customer perspective it is simple and convenient to use. The customer receives a bar coded letter, takes the letter to a Post Office of their choice, and as a bar code holds details of the payment due, the customer collects the cash. Significantly the claimant is not charged by the Post Office and realises the full face value of their LHA payment.
- 4.10 For the Authority it is cheaper per transaction than cheques, and offers a comprehensive suite of management information reports which enables the progress of payments to be tracked and reconciled.
- 4.11 There is no long term contractual commitment as the agreement is reviewed on an annual basis. Other benefits to the Authority include use of the Post Office message service, for example for take-up and to encourage claimants to report changes in their circumstances. The Post Office has also agreed to remind claimants using this service of the benefit of having a bank account into which they can have their LHA paid.
- 4.12 'Payout' meets the need of the Benefits Service in terms of an alternative to making payment by cheque. It is flexible and offers the opportunity to contact claimants through a variety of access channels (e-mail, sms texting, white mail).
- 4.13 The ability to time limit payment offers control in terms of budget monitoring and also additional security.
- 4.14 Payout could be used in other service areas such as Council Tax refunds and payment of Education Welfare Benefit grants. Essentially it could be used wherever the Authority is required to make payments to individuals, either on a regular or ad hoc basis.

5.0 RELEVANT RISKS

- 5.1 The risks in the current system are that people will use commercial cheque encashment facilities and thus reduce their income.
- 5.2. This risk is eliminated in the proposed system by using the Post Office, which is also more convenient to claimants. Prior to implementation, the Authority has ensured that matters of identity verification at the point of payment (the Post Office) are to the standard that both organisations require.
- 5.3. The process for paying landlords is unaltered by these proposals.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 The Post Office is the only provider of this service. It is a regulated public body and other than for the purposes of proving value for money, there is no requirement to consider competition.
- 6.2 By entering into a service agreement with the Post Office the Authority is actively supporting local Post Office services.

7.0 CONSULTATION

- 7.1 The Benefits Service has kept stakeholders such as the Voluntary Sector and Private Landlords informed, through their representatives, as the initiative has progressed.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 None

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 9.1 Costs incurred are set-up and transactional. For Wirral a non recurring 'set-up' charge of approximately £1,000 will be incurred, with recurring charges for transactions and weekly file transfers. For example; a transaction (cashing the voucher) costs approximately 60p and the cancellation of a payment prior to encashment is 50p. The annual cost to the service is not expected to exceed £5,000.

- 9.2. The cost of the initiative has to be measured against the duty to the claimant in terms of customer service and doing the best to minimise hardship (i.e. in reduced Benefit through fees taken by high street 'cash converters/money shops').

- 9.3. **IT** - There has been protracted IT development to ensure that the information being passed to the Post Office is in the right format and that it is secure. This was achieved quickly by the Authority.

- 9.4. **STAFFING** - There are no direct staffing implications

- 9.5. **ASSETS** - There are no direct asset implications

10.0 LEGAL IMPLICATIONS

- 10.1 The agreement to use this service is annual and reviewed by both parties along with an agreed notice period of 90 days.

11.0 EQUALITIES IMPLICATIONS

- 11.1 An equality impact assessment has been undertaken and positive impacts were identified for disabled people, older people and younger persons groups in terms of improved accessibility to payments and financial inclusion. No negative impacts on any group were identified.

- 11.2 Equality Impact Assessment (EIA)

- | | |
|---------------------------------------|-----|
| (a) Is an EIA required? | Yes |
| (b) If 'yes', has one been completed? | Yes |

12.0 CARBON REDUCTION IMPLICATIONS

12.1 The use of a more locally based option will reduce travel for claimants

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 NONE

REPORT AUTHOR: Malcolm Flanagan

Head of Revenues, Benefits & Customer Services

telephone: (0151) 666 3260

email: malcolmflanagan@wirral.gov.uk

APPENDICES

NONE

REFERENCE MATERIAL

Paypoint agreement documentation with Post Office held by Director of Finance.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Council Excellence Overview & Scrutiny Committee	8 July 2010