

## **APPG on Poverty – Poverty Premium Inquiry Response**

Orbit welcomes the opportunity to respond to this important inquiry. With an increase in the number of children growing up poor by 100,000 since last year, the rise in in-work poverty and the growing impact of welfare reform, this inquiry can't come at a more important time.

Our response focuses on the practical steps we take to support low-income households who are affected by the poverty premium. Some of these aim to challenge the poverty premium directly.

### **About Orbit**

As one of the UK's largest housing providers, Orbit has over 50 years' experience providing more than 40,000 affordable homes and a range of advice and support services to over 100,000 people across the Midlands, East Anglia and South East, including areas of London.

Our ethical approach to business means that we reinvest our profits into our mission of building communities, ensuring all generations can live in a home they can afford. This profit for a purpose culture enables us to build around 1,900 homes a year (increasing to 2,000 each year post-2020), from market sale and shared ownership to affordable rent and independent living with care options for people aged 55-plus. Over the next 30 years, we will invest £2.7bn in maintaining our properties and £1.9bn in building new homes.

Building homes is just the start of our offer to customers. We also work closely with partners to provide a network of support services to enable choice and opportunities through employment and training, health and wellbeing, digital inclusion and financial inclusion. Our combined investment in supporting communities is worth around £3m a year.

In 2016-17 alone:

- 6,183 people received financial and energy advice
- 2,862 people supported through wellbeing programmes
- 1,480 people supported into employment related training
- 324 people supported into jobs
- 365 people helped to build and improve the online skills

### **Our customers**

Although we do not hold detailed information on customers' financial circumstances, we know that many of our customers are on low-incomes. Around half are in receipt of housing benefit (19.5% partial, 29% full). We estimate that around 5,000 of our

customers are struggling with money at any given time. As such, many of our customers will experience the poverty premium first hand. Research by the [University of Bristol's Personal Finance Research](#) Centre in 2016 showed that single households are hardest hit by the poverty premium, followed by lone parents. Our data shows that these groups are distinctive segments amongst our customer base.

- One-fifth of our customers are working-age singles and couples, classed as living in 'hardship', with the majority likely to have an income of less than £20k. A high proportion of these customers will be in receipt of full housing benefit and owe moderate amounts of arrears (£121 on average).
- Around 10% of our customers are young families, of which two-thirds are single parent households. Of these around 40% are likely to have an income of less than £10k. This group also has the highest levels of arrears (£243 on average).

Moreover, we estimate that around 4,000 (25%) of children in our homes are growing up in poverty.

### **Tackling the poverty premium**

Housing associations can make a real difference to the lives of low-income households. The fact that one in ten households (2.4m) across England are living in a housing association home demonstrates the sector's wide-reaching influence. In addition, our well-established relationships with customers and the communities in which we operate, makes housing associations an important stakeholder in supporting low-income households and challenging the poverty premium.

We have created an innovative approach to engagement, providing a positive customer-focused approach to service provision, with an emphasis on choice under the banner of [Better Days](#). This followed research in 2015 to gather insight into customers' lives on how engagement with our support offer could be re-designed. The term 'Better Days' was selected in collaboration with customers to bring in focus our aim to support customers in ways which 'helps them to have a good day, every day'. This has seen engagement in areas such as our website improve considerably, from 600 users a month to several thousands.

Our areas of activities to support low-income household and challenge the poverty premium fall broadly under three headings, namely:

1. **Access to (financial) products**
  2. **Putting cash in people's pockets**
  3. **Building capacity of social enterprises to disrupt existing markets**
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1. **Access to (financial) products**

### ***Home contents insurance***

We offer two bespoke home contents insurance products for our customers. Both products don't carry a poverty premium.

- Home contents insurance for our 'general needs' customers (underwritten by Aviva). As of the beginning of February 2018, 4% of our customers have bought this product. Key features include:
  - cover starts from as low as £3.42 per month
  - no excess on any claim
  - monthly Direct Debit at no extra cost
  - first month's premium free
  - 1,094 members – 4% (as of beginning of Feb)
  
- Home contents insurance product for over-55s who live in our sheltered accommodation. At present, 18% of eligible customers have bought this product. Key features include:
  - cover starts from as low as £26.07 per year
  - no increase in premium since product was launched at Orbit in 1998, other than reflecting Insurance Premium Tax
  - automatically provides £1,000 worth of cover for valuables
  - high value items can be added for £1 per £100 of value
  - mobility scooters, including public liability insurance can be added for £1.24 per £100 of value
  - excess: contents (first £15 of each claim); accidental damage (first £25 of each claim)

Overall take-up of these products among our customers is relatively low (although some customers might have taken out another product). Nationwide, only around half of all social housing tenants have home contents cover (YouGov, 2013). The same survey found that only around one-third think contents insurance is 'nice to have but not essential'. Since there is no immediate gain from having insurance, coupled with competing and more essential spending priorities, as well as the ever present stresses and strains from coping on a low-income on a daily basis, this shouldn't come as a surprise. Focus groups research commissioned by Orbit in 2015 to improve customer engagement around our community investment offer supports this assertion. Customers were very much pre-occupied and concerned with the 'here and now', rather than planning for the medium, let alone long-term. The focus on basic needs and stability is the principal driver for decision-making. This echoes the aforementioned research by Bristol University, highlighting the the poverty premium often occurs due to individuals 'choice', such as staying with an energy provider, rather than shopping around for then best deal.

We seek to increase take-up of home contents insurance cover amongst our customers, actively promoting it at various trigger/contact points.

### ***Sources of affordable credit***

We actively signpost customers and promote alternative sources of low-cost credit which cater for the needs of low-income households. One such provider is the social enterprise **Fair For You**, an affordable and ethical alternative to high-cost rent-to-own companies such as Brighthouse.

Fair For You doesn't charge any (hidden) fees, doesn't require a deposit and provides a free delivery and removal service. Customers can choose from a wide range of branded products, including white goods, furniture, and electrical items. Interest is charged at 3% a month (42.6% APR). While this is still higher than mainstream products it compares favourably to the likes of Brighthouse which charge 69.9% APR, rising to 99.9% APR for hoovers, laptops and other electrical items.

We also operate a **Hardship Fund** which provides assistance to financially vulnerable customers with essential furniture and household appliances, thereby avoiding expenditure that could otherwise force them into unmanageable debt. These could be new customers at the start of their tenancy, or existing ones experiencing life changing circumstances. It further assists customers in severe debt with little or no prospect of being able to clear that debt and who are unable to raise the fees to apply for bankruptcy or a debt relief order, enabling them to clear debts and sustain their tenancy by putting in place an achievable rent arrears payment agreement that would otherwise not be achievable. So far this financial year, 170 households benefitted from a hardship grant.

Eligible customers, based on their needs, have access to the following items (max. £400):

- essential appliances including freestanding electric/ gas cooker, mini oven and hob, fridge-freezer, washing machine, vacuum cleaner
- debt relief order (£90)
- contribution towards bankruptcy
- contribution towards removal costs in exceptional cases, such as domestic abuse
- carpets or vinyl floor in exceptional circumstances

### ***Fairbanking Mark***

We have recently partnered with the **Fairbanking Foundation** to provide our customers access to guidance and advice whether financial products are genuinely built around the financial needs of low-income households. Our money advisers have the ability to check which provider carries the [Fairbanking Mark](#) and signpost customers accordingly. We aren't financial advisors, and as such it is important to notice that we do not recommend nor endorse any particular products. The aim is to empower and educate customers, so they can make informed decisions.

Orbit has funded and led this work with the Foundation, to provide a publicly facing route to utilise the Foundations Fairbanking Mark to enable better customer choice. We believe that this simple step can make a real difference to the financial wellbeing

of low-income households, and we would like to see other housing associations take the same approach.

## 1. Putting cash in people's pockets

### ***'Earn it don't burn it'***

This is an innovative online-based initiative of financial support, offering tips on reducing spend and increasing income. Customers have also access to face-to-face or over the phone advice to make the most of opportunities, such as negotiating bills down and earning money online. The overarching aim is to engage with and educate customers by ways of interesting and innovative means, such as budgeting apps, before they reach crisis point. By the end of this calendar year, 1,400 customers will have received support through this initiative.

This programme has driven the work of We Are Digital in the financial inclusion sector, recognised by one of the first investments from the Fair By Design, Poverty Premium Fund in 2017.

### ***'Carpets and curtains'***

Historically across the sector, all furnishings, flooring and window coverings are removed from a property regardless of quality when a customer moves out and the property becomes void. Furnishing a new home has the potential to leave more and more customers debt-ridden.

Looking for practical actions to tackle child poverty as part of our [Happy Healthy Starts](#) campaign, we provide incoming customers with the choice of keeping any good flooring and window coverings left by outgoing customers. Items are 'gifted', so that the responsibility for maintenance and disposal lies with the incoming customer. Customers sign a disclaimer at the start of the tenancy, confirming that the specified items have been gifted. An initial 12-month pilot in Stratford-upon-Avon supported 50 customers, with the median replacement value of gifted item in the region of £500. It has now been rolled out to all our operating areas. We are the first housing association in the country to pioneer this approach. Following the launch of our child poverty report at the beginning of March, we have already been approached by a number of large housing associations to replicate this approach. We believe that this relatively simple action has the potential to be transformative for thousands of new social tenants up and down the country.

### ***Tackling fuel poverty***

As last year's University of Bristol Personal Finance Research Centre's practical guide on tackling the poverty premium notes, sectors which are not directly responsible for charging a poverty premium also need to be involved in the solutions. The example given is that of high energy cost of heating poor-quality housing. As tenants can't affect the energy efficiency of their homes, they are penalised with excess energy costs. While on the whole, homes owned by housing associations

have higher energy efficiency ratings (average standard assessment procedure (SAP) score of 66.2) than their owner-occupied and private rented counterparts (average SAP of 58.7 and 58.8 respectively), the issues of fuel poverty is still an acute problem across the sector.

Orbit is committed to improving energy efficiency of all our stock to Energy Performance Certificate (EPC) Band C by 2031. To date, we have invested more than £13m to tackle fuel poverty and aim to invest more than £66m by 2030.

### **1. Building capacity of social enterprises – disrupting existing markets**

Orbit is at the forefront of supporting and investing in social enterprises, which have the potential to disrupt existing markets for the benefit of low-income households. For example, we commissioned leading digital and financial inclusion provider We Are Digital (WAD) to develop the aforementioned 'Earn it don't burn it' initiative. WAD has been selected as one of the first start-ups to receive funding from Big Society Capital's newly established £20m 'Fair By Design Fund' to eliminate the poverty premium within the next 10 years. The fund has been set up to disrupt the energy, finance and insurance market to provide alternative services for those on low-income.

***Community Impact Partnership*** Later this year we will launch a £3m investment fund to support projects to enable new intermediaries gain access to the social investment markets. Orbit has joined forces with Clarion, Peabody and L&Q and together, as four of the UK's largest housing providers, we have created the Community Impact Partnership. As a collective we will provide repayable finance and grants, to support and scale-up social enterprises and charities which can demonstrate a positive impact on society.

Alongside the financial investment, successful applicants to the fund will have access to dedicated mentoring and support to become contract-ready in working within the Partnership's £2billion a year supply chain.

Investment loans of £25,000 - £150,000 at an unsecured 7% fixed interest rate are repayable on a five-year term. Within this investment there is also potential for up to 50% grant alongside the loan and the added benefit of a one year capital repayment holiday.

The Partnership has a combined portfolio of 400,000 homes and already invests £30m back into the communities it operates in through advice and support services year on year.

### **Concluding remarks**

Our varied support offer makes a tangible difference to the lives of low-income households who are faced with structural inequalities, such as the poverty premium.

Some of our recent initiatives, such as leaving good quality 'carpets and curtains' in our properties has the potential to be wide-reaching once other housing associations follow suit. Similarly, the soon-to-be launched 'Community Impact Partnership' has the potential to be truly transformative for many social enterprises unable to access mainstream finance.

We continue to challenge ourselves as a sector to do more and seek out where we can make a positive difference to the lives of those individuals and families that live in our properties. Our work on 'carpets and curtains' arose from this challenge. With the support of Government we believe we are well-placed to support the work of the Fair by Design Programme in eradicating the Poverty Premium.

However, it is important to note that we can only do this work if we are able to generate enough surpluses. Reduced Government grant for social housing provision means that we are heavily reliant on cross-subsiding our activities from market sales, which creates its own challenges in the current economic climate. Moreover, welfare reform has the potential to further undermine our support work, since increasing arrears levels affects our revenue stream. While we want to do more, it has to be recognised that housing associations have to navigate more and more competing priorities, while at the same time Government and other stakeholders expect us to plug the gap left by an increasingly fragmented welfare state.