

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**REPORT TO CABINET**

**25<sup>th</sup> March 2015**

1. **REPORT TITLE** Financial Inclusion Update
- Submitted by:** Sarah Moore - Partnerships Manager
- Portfolio:** Communications, Policy and Partnerships
- Ward(s) affected:** All

**Purpose of the Report**

To advise members of the extent of financial exclusion and over indebtedness in Newcastle under Lyme.

To update members on work being delivered by the Council and its partners contributing to the financial inclusion agenda.

To seek approval for continuation and further development of work that will tackle both the causes and consequences of financial exclusion and over indebtedness in the Borough.

**Recommendations**

**Cabinet is asked to:**

- **Continue to support Officers to represent the Council and contribute to the work of the North Staffordshire Financial Inclusion Group (FIG) in order to ensure that the Borough benefits from the work set out in the FIG action plan.**
- **Endorse Officers in continuing to build on the work already undertaken to address issues faced by some of our most disadvantaged residents and to help to address wider social issues leading to positive outcomes. This focus of this work can be categorised into the following priorities;**
  - **Planning and responding effectively to the challenges of welfare reform;**
  - **Contributing to and improving financial education**
  - **Improving the access to financial services and affordable credit**
  - **Improving the awareness of and access to quality debt advice and the promotion of savings and insurance.**

**Reasons**

Poor financial health exacerbates poverty and increases disadvantage. It can have a profound effect on life choices which in turn can lead to wider issues such as family breakdown, ill health and crime. Improving financial inclusion will not only bring better outcomes for individuals and families in the Borough but could also lead to benefits for the Council in terms of reduced costs in supporting those affected by crime and anti-social behaviour. Ultimately better financial health amongst residents could increase revenue for the Council as a result of higher council tax collection rates and a reduction in support for housing costs. The development of further work to contribute to the financial inclusion agenda contributes to all of the Borough Council priorities and the two priorities of the Newcastle Partnership Sustainable Communities Strategy 2014 -17, which are vulnerability and economic growth.



1. **Background**

- 1.1 There are many definitions of, and approaches to, financial inclusion across the UK. It is commonly defined as 'the ability of an individual or household to access appropriate financial services or products'. Lack of this access leads to people being referred to as 'financially excluded'.
- 1.2 Those who are financially excluded are often those who are in poverty or are experiencing disadvantage and as a result might:
  - not be able to access affordable credit
  - not want, or have difficulty in obtaining and maintaining a bank account
  - be financially at risk through not having home insurance
  - struggle to budget and manage money or plan for the unexpected
  - not know how to make the most of their money
- 1.3 Research suggests that around 8.8 million people in the UK are 'over-indebted'. These are individuals who have been at least three months behind with their bills in the last six months or have said that they feel that their debts are a heavy burden. This large and diverse group represents 18% of the adult population and comprises a range of different levels of knowledge and skills, and different attitudes and behaviours towards debt and seeking advice. Understanding these differences is key to providing appropriate advice, education and support to those dealing with problem debt.
- 1.4 This is a period of rapid change in providing services to residents, including reductions in public service funding, welfare reform and reductions in legal aid. Rising costs of living in relation to basic needs such as fuel and food, combined with high unemployment and housing costs amount to significant risks for many of our residents in respect to financial exclusion.
- 1.5 The Council currently commissions debt, benefit and consumer advice services through a collaborative arrangement with Staffordshire County Council at a cost of £131,386 per annum. The contract, with Citizen's Advice Bureau (CAB), ends on 1st March 2016 with an option to extend for a further two years. The CAB provides services from its district base in Newcastle and also via a telephone contact centre and through outreach sessions in Kidsgrove and Madeley.
- 1.6 There is a statutory duty for the Council to ensure that advice and assistance is available to households who are homeless or at risk of homelessness. The current contract for this service expires on 31st March 2015 and the Council is in the process of evaluating bids from interested parties submitted via the Newcastle Partnership Commissioning Prospectus to provide advice for two days a week from a town centre location at a cost of c£16,000 per annum.
- 1.7 There is a statutory duty for the Council to administer housing benefit and welfare services. Part of the government's long-term economic plan has involved a major overhaul of the benefit and pensions systems to make them fairer and more sustainable. These changes have included changes to council tax and housing benefit relief, the introduction of the Housing Benefit size criteria and the on-going introduction of Universal Credit. Research by the Joseph Rowntree Foundation suggests that social housing tenants are finding these

changes particularly difficult to deal with financially and as a result many are cutting back on both fuel and food costs.

- 1.8 The UK Foodbank network was launched in 2004 and provides short-term support for people facing hunger as a result of a sudden crisis. Since 2008, reliance on Foodbanks has increased dramatically with over 900,000 people across the country receiving 3 days' worth of emergency food and support during 2013/14 compared to around 25,000 in 2008/09. The Newcastle Foodbank is based in Silverdale and operates distribution centres across the borough.
- 1.9 The Staffordshire Local Crisis Support Scheme assists people in Staffordshire who are in exceptional need in order to address immediate hardship where they are unable to access other types of support. The scheme provides assistance to those people over the age of 16 with the highest levels of need where they are unable to meet their immediate short term needs or where they require assistance to maintain their independence in the community.

Awards are not made in the form of cash, however if the applicant is assessed as needing help, support will be provided in the form of food, clothing, furniture, heating etc. and there is no expectation for the support to be repaid.

- 1.10 The Financial Inclusion Group (FIG) is a multi-agency partnership whose aim is to ensure that action is taken to address problems related to financial exclusion in North Staffordshire. Agencies involved in the Group include Stoke on Trent City Council, the CAB, the Credit Union, MoneyLine, Aspire Housing, Midland Heart and Severn Trent Water. The Council has been involved with the group for a number of years. The focus of the group is a partnership approach to tackling financial exclusion in the area with some specific actions around affordable credit, financial education and debt advice.

## 2. **Issues**

- 2.1 Universal Credit goes live in Newcastle on 20th April 2015, it is anticipated that the most immediate impact will be for residents receiving housing benefit and their landlords as the benefit will be paid directly to the claimant. Residents who are already financially excluded are likely to find this change the most difficult, making the need for access to appropriate advice, education and support even more important
- 2.2 Prior to the introduction of welfare reform measures in 2013, the Council received around £38,000 in Discretionary Housing Payments (DHP) to support residents who were struggling with their finances. During 2013/14 funding for DHP increased to just over £135,000 – almost all of this funding was allocated.
- 2.3 Research from the Money Advice Service suggests that around 24.9% of adults (about 24,500 people) in Newcastle are 'over-indebted'. This percentage means that the borough has the highest percentage of over-indebted residents in the County.
- 2.4 Despite the significant level of funding available for debt advice services in the Borough, research from FIG partners suggests that there is an enormous gap in service provision compared to market demand.
- 2.5 Across the North Staffordshire area it is estimated that over 103,000 people are over-indebted, and from this there is anticipated demand for 35,000 loans per year. In contrast, the level of all 'money advice' services across the area offers the potential to support 15,000 clients and the two main community based lenders (Moneyline and Staffordshire Credit Union) have the capacity to offer 3,200 loans per year.



3. **Options Considered**

(i) **Withdraw funding for debt advice services, realising significant savings for the Council.**

Whilst the Council is under increasing pressure to realise more savings in order to meet budget shortfalls, withdrawing funding for debt advice would exacerbate the current situation and create further problems. Currently the services commissioned by the council provide advice for approximately 1,500 people on a quarterly basis. As previously mentioned, the current level of support provided in Newcastle only has the capacity to deal with a fraction of people affected by over indebtedness. (Not Recommended)

(ii) **Leave existing arrangements in place and do nothing.**

This would leave more residents vulnerable to financial exclusion. Whilst, as described above, the council is already addressing financial exclusion through its current activities, there is no doubt that more needs to be done. Without further actions such as those recommended in this report the situation for residents already dealing with over indebtedness could worsen and it is likely that the number of people affected will increase and the Council will be unable to address the existing shortfall in capacity. (Not Recommended).

(iii) **Implement the recommended actions detailed in this report.**

Continuing to build on the work already undertaken by officers will address the issues faced by some of our most disadvantaged residents. Good financial education, debt advice and income maximisation help to address wider social issues and could potentially lead to positive outcomes for the Council, as already described. (Recommended)

4. **Proposal and Reasons for Preferred Solution**

In order to strengthen the Council's approach to financial inclusion it is recommended that the following areas of work are developed:

- **Plan and respond effectively to welfare reform**

As discussed earlier in the report it is acknowledged that some of our most vulnerable residents have and will be affected most severely by changes to the welfare system. By responding appropriately the Council can help to mitigate this impact.

- The Council has already implemented changes to the welfare system including the introduction of the local council tax support scheme.
- It will be necessary to monitor and respond to the effects of the introduction of Universal Credit from April 2015.

- **Financial education**

Financial education is key to giving people the confidence to make informed decisions about their finances and helps build resilience to ensure that those affected by financial problems can respond appropriately.

- Provide links on the Council website to a range of appropriate financial support and advisory resources.

- Remove access to inappropriate money lending services from publically accessible computers.
- Revising criteria for the Council's community grants to ensure there is an increased focus on financial education.
- Support the implementation of preventative activities to ensure residents are less likely to be vulnerable to financial exclusion.
- Work with voluntary organisations to take financial education out into communities.
- Work with FIG partners to develop financial awareness training and products.

- **Access to financial services and affordable credit**

At a time of reducing income, individuals can become more likely to use high cost or illegal money lending. By supporting affordable loans the Council can give people helpful alternatives that do not result in a spiral of debt.

- Support the continued development of the Credit Union to enhance their sustainability and development.
- Work with FIG partners to develop fit for purpose affordable financial products.
- Explore the possibility of a financial inclusion hub for providers of financial inclusion services.

- **Access to debt advice and promotion of savings and insurance**

Free to access advice is key to supporting residents who are struggling with problem debt or are financially vulnerable. As previously discussed, these services are provided through the Council's third sector commissioning arrangements. Other areas for development include:

- Ensure that Council staff have the knowledge and information to enable them to refer customers to appropriate debt advice and support where appropriate.
- Develop marketing and promotional materials and information for residents regarding financial inclusion.
- Commission appropriate financial inclusion services with available funding.
- Work with appropriate partners to encourage and support savings and the take up of insurance services.

## 5. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 5.1 The recommendations above contribute to all of the Council's Corporate Priorities namely; Healthy and Active Communities, a Cleaner, Safer and Sustainable Borough, a Borough of Opportunity and Delivering a Co-operative Council.
- 5.2 The recommendations also contribute to the work of the Newcastle Partnership, for which the Borough Council is the lead partner. The Partnership's Sustainable Communities Strategy 2014-17 has two overarching priorities of tackling vulnerability and economic growth, which further development of financial inclusion activity supports.

## 6. **Legal and Statutory Implications**

- 6.1 The recommendations in this report are within the general power of competence under Section 1 of the Localism Act 2011. Under this power, Council's may do anything that will benefit the authority or its residents and service users, as long as the proposed actions are not forbidden by any legislation and are carried out in accordance with general administrative law principles. In the case of the recommendations set out in this report there is no legislation which would limit the use of this general power.

6.2 The Council has statutory duties in relation to housing and the prevention of homelessness and the administration of Housing Benefit (soon to be Universal Credit) and welfare services, all of which can be benefited by the further development of the financial inclusion agenda.

7. **Equality Impact Assessment**

7.1 An equality impact assessment (EIA) is currently being undertaken in order to identify any differential impact to protected groups who may be subject to financial exclusion.

7.2 It is likely that findings will show that those disproportionately affected are women (particularly lone parents who are female), older people and those with disabilities. There are also significant issues for those who are considered to be 'chronically excluded', for example homeless people.

8. **Financial and Resource Implications**

8.1 There are no additional specific financial implications or commitments required for the implementation of these recommendations.

8.2 There are resource implications for Borough Council Officers and Members as part of their substantive duties who will continue to provide support to contribute to the development of the financial inclusion agenda in relation to these recommendations. These implications include officer time in both the Business Improvement and Partnerships Team and the Benefits Team and also in other departments across the Borough Council.

9. **Major Risks**

9.1 The recommendations in this report support the Council's corporate priorities and will support the resilience of the borough and its most vulnerable residents. There are potential risks relating to not developing our approach to financial inclusion and a full risk profile is currently in development.

10. **Key Decision Information**

10.1 This report can be considered key in the following ways: -

- It results in the Borough Council committing existing resources for the function to which the decision relates and;
- It is significant because it affects more than two or more electoral wards in the Borough.

11. **Earlier Cabinet/Committee Resolutions**

11.1 None

12. **List of Appendices**

12.1 None

13. **Background Papers**

13.1 None

<b>Implications included</b>	<b>Head of Service agreed report, signed &amp; dated</b>	<b>Financial Implications signed &amp; dated</b>	<b>Legal &amp; risk implications signed &amp; dated</b>
<b>Financial</b>			
<b>Legal</b>			
<b>Risk</b>			
<b>Director Sign Off</b>			