

Subject: Financial Inclusion
Date of Meeting: 15th March 2012
Report of: David Murray, Strategic Director - Communities
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Key Decision: Yes Forward Plan No. 27945
Wards Affected: All

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report outlines the progress made so far in terms of developing a strategic approach to financial inclusion through a wide-ranging set of actions and interventions and the plans to embed this work through the development of a framework for financial inclusion.
- 1.2 The Corporate Plan (2011/15) sets out 3 key priorities, one of which is to 'tackle inequality and work to create a fairer city', with a focus on tackling financial inclusion. This is also one of the priorities set out in the City's Sustainable Community Strategy through which the Advice Partnership (one of the family of partnerships of the Local Strategic Partnership) has been tasked with delivering on a range of actions to promote financial inclusion.
- 1.3 At Budget Council In March 2011 a one off budget of £400,000 was agreed for the promotion of financial inclusion. This budget allows investment in financial inclusion interventions and new ways of working over the next three years.
- 1.4 The Council is also working towards to a corporate response to a range of other significant challenges important for the City, including welfare reform and "Troubled Families" issues initiated by central Government, to gain a better understanding of the extent of the risks and issues and to develop a coherent response.
- 1.5 The proposed new Equality and Inclusion Policy describes the council's vision and high level measurable objectives to promote, deliver and report progress on equality within the council and in the city. It uses existing measures to enable reporting on progress, and will be supported by key actions that teams across the Council are and will be taking to deliver the objectives. Financial inclusion works links to and sits within this policy context.

2. RECOMMENDATIONS

- 2.1 That Cabinet notes the progress so far achieved on the co-production of advice outcomes as part of a community-led commissioning programme between the Council and the Advice Partnership;

- 2.2 That the Cabinet support the development of the intelligent commissioning process for financial inclusion, and that the Strategic Director Communities leads the development of the work across the partnership;
- 2.3 That the Cabinet acknowledge the pivotal role of local advice services in promoting financial inclusion, the acute challenges faced by those services and that the cabinet support the work of the advice partnership in supporting those services to transition to a sustainable footing;
- 2.4 That the Cabinet support the integrated approach to commissioning Financial Inclusion outcomes illustrated by the proposals from the Housing and Social Inclusion Delivery Unit (see Report, Appendix 1);
- 2.5 That the Cabinet notes the linkages between this work and similar work underway across the Council to deal with the impact of the Welfare Reform changes and the potential introduction of new ways of dealing with “wraparound” services for “troubled families”.

3. RELEVANT BACKGROUND INFORMATION

- 3.1 The previous Government launched a Financial Inclusion Task Force in 2005, which highlighted the need for people to have access to banking, access to affordable credit and access to free face-to-face advice.
- 3.2 The Task Force recognised that, in the United Kingdom, society is polarised, with income and asset gaps widening. Many people are financially excluded, unable to access financial products and services such as bank accounts and affordable credit. A significant number of people often operate on a cash-only basis, paying considerably more for utilities and often having to resort to gaining credit through loan sharks and high cost lenders. In this way the debt burden disproportionately affects the most vulnerable members of society.
- 3.3 Financial exclusion remains, now, a key concern, as financial institutions abandon unprofitable/riskier consumers and as the cost of fuel and other utilities increase at an unprecedented rate. Against this backdrop, financial resources for supplying money advice are being reduced through the reductions in the Legal Aid budget. Welfare benefit reforms will soon impact on low income households, and in work families will be adversely affected with the lowering and/or removal of some benefits. Within this context, the demand for advice and information, and alternative banking models, looks very likely to increase further.
- 3.4 From April 2013 local authorities are required to have designed and implemented a new local council tax support system to replace the current integrated housing and council tax benefit system). The government is reducing the total expenditure on council tax benefits by 10% as part of this process although it is requiring pensioners to be protected through this change. The funding reductions potentially affect over 17,000 households in Brighton & Hove and on average a 10% reduction for those households in their council tax support would equate to around £150 less per annum. At a time of major change to other aspects of welfare benefits the council will

have to be particularly mindful of the cumulative impact on households of any new system it designs and to ensure that those affected can access high quality timely financial advice.

- 3.5 A presentation on child poverty in Brighton and Hove in 2011 highlighted that 22% of all children live in poverty, 72.8% of children in poverty live in lone parent families and 22.5% of children in poverty live in families where one or more parent works. The government estimates that around 660-690 families have multiple problems in Brighton and Hove, 260-270 of which also have a child with Special Educational Needs or behavioural problems.ⁱ
- 3.6 High rent costs and the housing system in general are putting a squeeze on low-middle income families. Many are only just coping with the current cost of housing and are vulnerable to any change in their situation or reduction to their income. This group is increasingly held-back, frustrated and excluded:
 - 2 out of 3 young people believe they have no chance of owning a home
 - 1 in 5 low-middle earners struggle to keep up with their mortgage or rent
 - The cost of housing has pushed three million households into povertyⁱⁱ
- 3.7 This is a particularly significant issue for Brighton and Hove, where housing costs are very highⁱⁱⁱ, and struggles to pay rent can lead to escalating debts. Whilst the local figure is not known, nationally almost 1 million people have turned to high cost payday loans to cover mortgage and rent, and a further 6 million used other types of credit, including unauthorised overdrafts and credit cards to pay for housing costs.^{iv}
- 3.8 Alongside this Government figures show an increase in rough sleeping of 23% from 2010 – 2011.^v This figure is likely to rise once the welfare reforms are in place. Local counts also show increasing numbers of rough sleepers.
- 3.9 In order to provide a coherent approach to financial inclusion the Advice Partnership and Council organised a series of workshops aimed at bringing together all the advice providers across the City to consider their approach to financial inclusion, new initiatives and ways of working to maximise shrinking resources, and to inform the Intelligent Commissioning process.
- 3.10 The Partnership held two cross sector workshops in June 2011, the outcomes of which were as follows:
 - A sector-wide agreement to the definition of financial Inclusion and the range of interventions that help achieve it
 - An agreement to identify and reduce duplication, co-deliver and co-locate where possible
 - An agreement to testing new ways of working through a 'pathfinder programme' looking at areas such as self help, online advice giving and a new hub and spoke model
- 3.11 Recognising both the importance of the issue and the corporate, cross cutting solutions needed, the Council has worked closely with the Advice Partnership throughout this process in a clear example of needs driven intelligent commissioning to provide expertise in setting up the workshops, working on a

needs-driven analysis with providers to enable the development of pathfinder projects aimed at testing new ways of working that make a real difference to those who need these services.

4. A STRATEGIC APPROACH TO FINANCIAL INCLUSION

4.1 Current Actions and Interventions

4.1.1. The Council and the Advice Partnership have worked together in a co-production process to collaborate with individuals or communities in the development, delivery and appraisal of policy and services. This approach aimed to:

- Support the advice communities to take a more active role in shaping their own areas of work;
- Improve transparency of service delivery decisions;
- Improve service efficiency and effectiveness and local outcomes by generating user group buy-in;
- Broaden the social reach of projects and valuing of the contributions that people make.

This approach has led the advice partnership to:

A. Development of an Advice Hub

A working group to develop proposals for a potential 'Advice Hub' promoting financial inclusion has been established and the city's two largest advice providers– Brighton Housing Trust and the Citizen's Advice Bureau - have agreed a 'vision statement' for the development of the hub. Exploration of the use of Community Base to provide this hub is also underway with a feasibility study looking at practical issues.

B. Pathfinder Projects

Two projects have been awarded funding to help test new models of advice provision. The first, led by Money Advice and Community Support and The Bridge Community Education Centre will trial the use of 'online self help' resources aimed at supporting clients with debt problems. The second, led by the Citizens Advice Bureau seeks to integrate services through the use of an online referral system.

Two other projects developed through the process aimed at engaging residents in service design and supporting residents recently discharged from hospital will be funded through the lottery and public health respectively.

C. Quality Standards

A working group has also been established to agree recommendations for embedding quality standards into commissioning and to formulate an action plan for implementing a quality accreditation standard across a potential consortium.

4.1.2. The Council will be supporting local organisations to help ensure that their bids to the Strategic Grants Programme 2013-16 are aligned to these developments. Guidance has been issued advising that organisations

requesting support for provision of advice at the outline bid stage will be invited to discuss options for coordination prior to submission of final bids.

4.1.3. Alongside this work, there are a number of other significant initiatives and activities underway through the Council and its partners to promote financial inclusion. These include:

- BHCC libraries leading a pilot project focusing on online information provision in public libraries to support financial inclusion. The pilot runs until end of March or April 2012 and involves other library authorities in the region, and advice and guidance agencies in the city. This is one of 8 across the country, involving over 60 library authorities and a number of national and regional partners, looking at online information provision to support a range of life critical issues such as job seeking, careers, small businesses/social enterprise development, health issues, personal finance, benefits etc. Project has identified the most useful online sources of information (e.g. Money Advice Service, etc) and is developing supporting information and training to help library staff and volunteers help the public with this info. This training will include identifying when libraries need to refer people on to other services or local advice and guidance agencies. The Council is leading on the national and well as the local project, funded through Arts Council England, and is a crucial test of issues associated with digital inclusion.
- Very successful and far-reaching child poverty needs assessment which has demonstrated that many of our families, in particular lone parents, are living in poverty. This research identified that timely, high quality advice can be critical in lifting children from poverty.
- Within ASC the "financial assessment" team work with all of the clients who come into our services to maximise income through benefit take up.
- The strategic response to welfare reform is ensuring that the Council assesses the impact of welfare reform and develops actions plans to mitigate the impact for the most vulnerable citizens.
- The Welfare Rights Unit training programme for community and voluntary organisations and volunteer advisors and the CYPT Family Learning Team and the Family Information Service.
- A new Child Poverty Task Group has been established with responsibility to drive forward actions to mitigate the effects of poverty and reduce child poverty over the short, medium and long term. It has adopted 4 strategic

outcomes, one of which includes 'families have enough resources to enable them to meet their day to day needs and to make positive choices to ensure their family's wellbeing'.

- At the root of much financial exclusion lies joblessness. As part of the work on the impact of wider welfare reform, specific thought will be given to addressing joblessness and its impact on individuals and families. These interventions will draw upon good practice elsewhere. So for example, simple and non-judgemental checks on a person's work situation during financial advice sessions may be one solution to help ease what can be for some a complex web of referrals.
- The Council's Housing Management have developed set of proposals to promote financial inclusion amongst Council housing tenants (see report, Appendix 1). This is potentially a pilot project for the new initiative which supports the Council's framework for financial inclusion.
- Mapping of Council 'spend' on advice services in order to maximise the resources available within the Intelligent Commissioning process, as well as noting the range of Council-delivered services that promote financial inclusion. This is likely to uncover duplication and opportunities for joint commissioning. This is a critical process in order that 'mainstream' commissioning resources are redirected appropriately. It also fits with work emerging from the "Improving Customer Experience" programme as it develops into a "Customer Access programme" and helps analyse channel strategies for reaching people most effectively. So, for example, where it is essential to offer face to face, where is the best place to do this (the local library?) Does telephone advice work best for many, or is an interactive web solution a more effective tool? This work will be one of the issues that drive the emerging focus because there is real impact on real people trying to access services – and the costs are high.
- The Council is launching its 3 year discretionary grants programme which benefits many of the agencies providing advice. These grants will be used to support the strategic aims to promote financial inclusion.
- There remains some £350,000 in the "financial inclusion" budget. The scoping for the intelligent commissioning of the remainder of this transition funding for financial inclusion is very well-advanced and will seek to deliver a longer term, sustainable outcome for those across the City who badly need support.

4.2 A Framework for Financial Inclusion

4.2.1 It has long been recognised that the current systems of support to promote financial inclusion are not working. The Government's Task Force on Financial Inclusion developed the ABCDE model which sets out 5 areas of focus for a co-ordinated, integrated and holistic approach to achieving financial inclusion outcomes. These are:

4.2.2

- Advice
- Banking
- Credit
- Deposits (savings)
- Education

4.2.2 The advice partnership has been researching new models of financial inclusion service delivery and has identified a Community Banking Partnership^{vi} as the most appropriate delivery model which integrates the ABCDEs of financial inclusion.

4.2.3 The Community Banking Partnership approach is a well tested delivery model for financial inclusion. It came out of extensive work in both the USA and Ireland. This model has been adapted in Britain and was piloted across 7 geographical areas. It has now been extended into at least six other areas.

4.2.4 CBP is a social enterprise model, bringing in partners from a range of public and third sector providers. This aligns with the Council's corporate commitment to work with the Advice Sector to reconfigure services into a sustainable 'hub and spoke' model of provision, and supports the Council's commitment to the development of Credit Unions.

4.2.5 This report proposes the development of a Community Banking Partnership in Brighton and Hove to provide a framework for financial inclusion in the City using transition funding to invest in a model that can have a significant impact for local people.

4.2.6 This approach will bring together a range of agencies to provide the following support:

Advice: Specialist debt and money advice to help people to deal with problems of debt, money and fuel poverty.

- This would be provided by a range of advice agencies.

Banking: Access to basic banking, bill and debt repayment services

- This would be provided through the Credit Union

Credit: Access to affordable loans

- This would be provided through the Credit Union

Deposits: Access to savings facilities and incentives to save

- This would be provided through the Credit Union

Education: Developing a range of education and information options to encourage financial literacy and money management and supporting people to use on-line money advice websites. This approach would

maximise the use of free learning resources that are available from specialist organisations.

- This could be delivered through a variety of outreach bases, such as the Bridge Community Education Centre and Whitehawk Inn, and could build on the project focusing on online information provision piloted by BHCC Libraries.

4.2.7 As can be seen in the Report, Appendix 1, the Housing and Social Inclusion Delivery Unit is proposing this integrated approach for Council tenants and has identified funding to support this. This approach has been developed with the advice partnership, and could provide a pathfinder during the development of the CBP. Linked to this, the Council will also explore the new opportunities for investment in credit unions as part of this process, and the options around working more closely with housing associations to mirror the work that the Council is proposing.

4.2.8 Alongside this Toynbee Hall and the National Centre for Social Research are in the process of developing a new outcome measurement tool for financial inclusion. It is intended that this tool, which will help service users to 'rate' their Financial Well being at key points, will provide a universal method for capturing the impact of a range of Financial Inclusion interventions.

4.2.9 The advice partnership has been actively involved in the development of this tool to date, and it is envisaged that the proposed Community Banking Partnership would pilot it at an early stage. Focusing partnership members on shared outcomes in this way from the outset (rather than the distinct outputs associated with individual services) will ensure that they are prepared to respond to the Intelligent Commissioning process.

4.2.10 This approach can be one of the key components of the strategy for supporting Troubled Families by helping families deal with some of the aspects of multiple deprivation by providing support on issues of low income and debt and supporting them to develop their financial capability.

4.2.11 If such an approach is supported by the Council, and the investment in the Community Banking Partnership is agreed, it is anticipated that the Partnership could be developed over a 4-5 month period.

4.2.12 In conclusion, the Community Banking Partnership approach is recommended as the best model for providing an integrated approach to financial inclusion in Brighton and Hove, because:

- It provides an integrated model of service delivery which will bring together the ABCDEs of financial inclusion;
- BHCC has made a clear commitment to the promotion of financial inclusion;
- Brighton and Hove have all the elements that will make the CBP approach work successfully;
- It is an inclusive partnership model;
- It will be a vibrant social enterprise;

- The outcome based measurement tool will supply all the information necessary for the Intelligent Commissioning model;
- It will support other strategies, i.e. Troubled Families;
- A pathfinder model has been identified;
- The CBP will have the expertise and knowledge to inform the content and timetable for the Intelligent Commissioning process for financial inclusion.

5. CONSULTATION

- 5.1 The Advice Partnership is a broad partnership of agencies offering advice across the City. The partnership holds regular meetings, and has developed a website.
- 5.2 The partnership facilitated a series of Financial Inclusion themed consultative working groups, workshops and events throughout 2011 involving over 30 local agencies and services and over 300 local residents. Information on the outcomes of these events have been distributed widely within the community and voluntary sector. In addition the advice partnership manager attended meetings of the BHCVSS to promote the work of the advice partnership and to seek input from other organisations.

6. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 6.1 Budget provision of £400k has been set aside to support the financial inclusion commission. £50k is expected to be spent in 2011/12 in support of third sector pathfinder projects aimed at testing new ways of providing advice. The remaining £350k will be allocated over three years to support the Council in the implementation of financial inclusion initiatives and to invest in the third sector advice provision as identified in partnership.

In addition there is an earmarked HRA reserve of £0.400 million to fund commissioning priorities in tackling financial exclusion and inequality, promoting access to services and improving support for vulnerable families and adults on low incomes. Other initiatives within the Council described in 4.1.3 contribute to the promotion of financial inclusion and are funded within service budgets.

The Strategic Grants Programme 2013-2016 will support local organisations in the provision of advice.

Finance Officer consulted: Anne Silley

Date 02/03/2012

Legal Implications:

- 6.2 The proposals in this report are within the Council's wellbeing powers as they are intended to promote the economic and social wellbeing of residents in the City, especially those who are economically disadvantaged. They are also conducive to the discharge of the Council's functions such as housing and social services.

The proposals do not involve the Council directly providing financial services or financial advice that requires special authorisation.

There are no adverse human rights implications arising from this report.

Legal Officer consulted: Abraham Ghebre-Ghiorghis Date: 02/03/2012

Equalities Implications:

- 6.3 The proposals within this report aim to directly address issues for those on benefits and/or a low income. This is most likely to affect people from minority groups and therefore the intelligent commissioning in this area will include an equalities impact assessment.

Sustainability Implications:

- 6.4 None directly arising from this report.

Crime & Disorder Implications:

- 6.5 None directly arising from this report.

Risk & Opportunity Management Implications:

- 6.6 None directly arising from this report.

Corporate / Citywide Implications:

- 6.7 The planned approach affects people across the city at the risk of financial exclusion.

7. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 7.1 The advice partnership has looked at different ways to deliver financial inclusion outcomes. However, this is the only model which has built on successful developments in other countries, and which has been so well developed across the country and which provide a seamless service model for delivery of financial inclusion outcomes and which integrate the ABCDEs of financial inclusion.

SUPPORTING DOCUMENTATION

Appendices:

1. Promoting Financial Inclusion amongst Council Housing Residents, report to the Housing Management Consultative Committee, March 2011

Documents in Members' Rooms

None

Background Documents

None
