

**For General Release**

<b>REPORT TO:</b>	<b>CABINET 19<sup>th</sup> January 2015</b>
<b>AGENDA ITEM:</b>	<b>6</b>
<b>SUBJECT:</b>	<i>Financial Inclusion</i>
<b>LEAD OFFICER:</b>	<i>Graham Cadle, Director of customer, transformation and communications</i>
<b>CABINET MEMBER:</b>	<i>Cllr Mark Watson</i>
<b>WARDS:</b>	

**CORPORATE PRIORITY/POLICY CONTEXT:**

To support the wider welfare reform programme, this paper details the principles around financial inclusion and its intended impact on the residents of Croydon.

The paper references the key principles and activities proposed that will help tackle the cost of living challenges being faced by residents. This particularly focuses on the impact of:

- The roll out of Universal Credit ;
- Pay Day loan companies;
- Opportunities with Credit Union;
- The advice and support provided to customers;
- How the Council undertakes, and can improve, its service delivery in collaboration with 3<sup>rd</sup> party partners and the wider community and voluntary sectors.

The report supports the current policies and aims with the London Living Wage for Council employees and new contractors, but also longer term drivers, as an enabler for residents to maximise their income

The principles and activities proposed are closely aligned to the Equality & Inclusion Policy 2014-16 published in October 2014, building on many of those core principles. Once these key principles are agreed a detailed plan will be developed to shape and deliver against each opportunity.

**AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:**

The purpose of financial inclusion is to provide the right skills and tools that allow residents of Croydon to make their own financial choices live an independent life and grow their finances.

Financial inclusion is defined as the ability of an individual, household or group to access appropriate financial services or products. Without this ability people are often referred to as financially excluded. People that are financially excluded might:

- Not be able to access affordable credit;
- Not want of have difficulty obtaining 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
- Be unable to sustain suitable housing.

Increasing customers' financial capability will be a key aspect of supporting residents through the introduction of Universal Credit; as a minimum customers will need a bank account facility to receive their benefits. Principally this will ensure that customers have access to financial guidance and budgeting support that maximises and supports them to be financially independent.

This builds on the individual workstreams that are already being undertaken across the Council's services and its partners to provide a consolidated package of measures that will make a real change. It also builds on a number of the lessons learned from other Authorities about how they tackled financial inclusion. Key to this is will be how to identify specific needs of customers; greatly improving the Council's offer to those that can help themselves; including a comprehensive website allowing resources to be invested in face to face contact for the most vulnerable residents .

### **FINANCIAL IMPACT**

The key element of this report is equipping customers with the skills and knowledge to make the right financial decisions for their circumstances. This will reduce the costs associated with collection and management of Council Tax arrears, rent arrears and also the draw on the various discretionary funding pots. It will also potentially reduce costs and future demand on housing and homelessness support. Further, where customers have greater budgetary control they are typically less likely to draw on others council services, such as social care.

**KEY DECISION REFERENCE NO.: this is not a key decision**

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

## **1. RECOMMENDATIONS**

The Cabinet is recommended to

- 1.1 Approve the adoption of the Financial Inclusion principles detailed in 3.3.1 of the report
- 1.2 Agree that the Director of Customer, Transformation and Communications, in consultation with the Cabinet Member for Safety and Justice, be delegated authority to undertake any actions necessary to implement the Financial Inclusion principles

## **2. EXECUTIVE SUMMARY**

- 2.1 Anyone can be financially excluded as a result of the economic downturn, many more people than usual are struggling financially. The key to the Council's work in this area is catching problems before they become larger and helping people become more prepared and better equipped for the future.
- 2.2 Financial inclusion means stability of a residents household budget; making educated financial decisions that are right for their needs and developing their skills to realise their personal ambitions in employment - making employment work for them. For the Council financial inclusion represents providing the infrastructure that enables customers to maximise each of these aims; utilising engaging digital services, closer 3rd party partnerships, the local community and volunteer groups. Promoting proactive intervention to all, but also responding where customers are in most need.
- 2.3 Realising financial inclusion for customers will have significant wider social and economic benefits; greater capacity generated from a their income can be moved away from high interest debt repayments into spend within the local economy and also reduced effects from the mental health issues caused through debt<sup>1</sup>. This report details the key principles the Council will develop in order to best support local residents.. The approach will be built to support those directly accessing council services, to improve links and referrals from other local support and public bodies and where the council pro-actively aims to support local residents
- 2.4 Key elements of Universal Credit will change how those in need receive and use their benefit entitlements. As an example of the changes required a minimum

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<sup>1</sup> MIND report "Still in the Red – Update on debt and mental health" in 2011 showed that 1 in 4 adults with a mental health problem is living with debt or arrears. The report also states that "debt can be a catalyst of mental health problems"

requirement is to have a basic bank account. A Post Office Card Account, which is currently often used to receive welfare payments do not have a direct debit facility which is one way of assisting tenants to ensure rent is paid on time. In many instances residents will receive large monthly payments for their rent, where they would have never received the payment directly previously and therefore appropriate support to assist that change is critical. There are still customers that do not have access to a basic bank account; the estimated figure is nearly 8,000 in Croydon of which 2,000 are the most vulnerable residents.

- 2.5 An initial analysis of the likely impact of Universal Credit and of residents currently experiencing financial difficulty indicates 19,000 families require or would benefit from support in the short/medium term. These details are further referenced from 3.5.1 and 3.5.2 below.
- 2.6 Enhancing residents' opportunities to utilise on-line/digital services is a key element of helping many families. It is estimated that household's offline are missing out on savings of £560 per year from shopping and paying bills online, or being able to keep in touch with family members and friends. The internet also provides improved job prospects as being digitally capable is critical in finding and securing a job.
- 2.7 Enhancing the Council's digital services will then be a key enabler to supporting customers' own skills, knowledge and adoption of how to manage their money and make the most of their income through maximising the wider digital services on offer. Key to the success of this digital service will be support to:
  - appropriate sources of credit such as Credit Unions (other than pay day loans and door-step lending);
  - websites offering free products and services from within the community;
  - foodbanks, freegle and similar;
  - charity shops;
  - energy switching and ways to save on energy bills;
  - financial support and budgetary planning.
- 2.8 A digital inclusion approach is being developed as part of the Councils Digital and Enabling project which will align to and support the work described in this report.
- 2.9 As an example, Birmingham City Council have seen a broad saving of £250,000 following the introduction of their "Digital Logbook" which helps tenants manage, pay and monitor their financial commitments on line just

through administrative cost savings. Through engaging claimants to apply and manage their benefits on line there were immediate savings. Using the logbook as a central resource with their customers, they also saved £400,000 by helping 60 people avoid eviction through better money management skills.

- 2.10 The approach to Financial Inclusion will be led by the Council although it is recognised that in order to best reach out to those most in need and to provide the broadest range of support it will ensure the right engagement and support with third party partners and local community organisations. The council is already providing financial support to a number of local organisations such as Advice Services Croydon(a Consortium led by AgeUK Croydon) who provide the type of support that will most benefit those who may not be familiar/comfortable with digital services
- 2.11 Engagement with 3<sup>rd</sup> party partners, community links and volunteer groups will be a significant enabler of delivering wider change to residents; there is a need to maximise these links, develop and grow new community led opportunities and establish a wider range of partners, understanding which organisation is best placed to provide the support that is required.
- 2.12 A full cost based assessment of deploying the key elements outlined in this report has not yet been produced. Instead it is considered that the key principles and activities detailed in the report should influence and shape the services delivered through other Council change programmes, projects and policy work (such as Digital and enabling and Welfare Reform projects)

### **3. DETAIL**

#### **3.1 How have we supported residents to date?**

- 3.1.1 The Council already does a lot in providing support to customers through measures such as; reasonable payment plans to help clear their arrears, housing support to a wide variety of residents, whether directly through the Council or through 3<sup>rd</sup> party associations.
- 3.1.2 The Council provide front line support to many of its customers who present as being in need, and offer a number interventions that are aimed at supporting customers, particularly to better manage money owed to the Council (rent arrears, Council Tax arrears etc.).
- 3.1.3 Following the introduction of the benefit cap in April 2013, through its modelling work, the Council proactively targeted those residents who were at risk of being affected. This engagement led to resolving in the region of 1,300 customers potential issues; supporting those customers in budgeting saw an average saving on their household budgets of £21 per week. Furthermore, the Council worked with council tenants who were affected by the Housing Benefit size criteria to enable them to reduce rent arrears. At 3<sup>rd</sup> November

2014 the arrears owed by council tenants were £8,415 lower than they had been when the measure was introduced in April 2013.

- 3.1.4 The Council currently provide funding to 3<sup>rd</sup> party organisations that provide, amongst other general services, support to their customers in their own financial capability. Broadly it commits to £725,000 pa to its partners. Included in this annual commitment is the promotion of the small grant scheme to around 2,000 community and voluntary organisations as well as providing support in the considerations these groups need to undertake to submit an application.
- 3.1.5 Customers response to the Council's communications has been evaluated from the period up to Christmas 2013. Learning from this feedback the "12 Saves of Christmas" giving practical cost saving tips has been redesigned and will be issued to all customers. Around 1,200 residents who were affected by the welfare reform changes will also be specifically targeted. This will outline the support that is available to them particularly through the winter months, and how they can sign up for insulation and/or energy saving tips.
- 3.1.6 The Council have enabled its customers who are looking at their housing options, these can be reviewed online with a dedicated self-help tool. In addition there is provision to support customers looking to exchange their council property, transfers and assisted private purchase scheme and right to buy information to allow them to make the right decisions for their household.
- 3.1.7 The Council are working with the local Credit Union to ensure their service offer best meets local need including the ease and speed of support available and provision of information and advice.
- 3.1.8 Investigations are also being undertaken to understand the gateway opportunities – how customers can get access to financial support and guidance that may be available. For example there could be opportunities to signpost customers to guidance and support who have been referred to food banks.

## 3.2 **Background**

- 3.2.1 It is known that many residents are finding it difficult to balance their income and expenditure; particularly those in receipt of benefits and/or those on low paid income. This can be seen through some of these customers falling into arrears with payments to the Council along with other household bills. The squeeze seen through the tightening of entitlements to benefits have enhanced the challenges they face. There are some key drivers around why many residents are facing these difficulties. This is not specific to Croydon; but this is a national issue. This report outlines the national drivers and

challenges, and critically how these affect Croydon's residents. This report builds on the Council's Equality and Inclusion Policy 2014-16<sup>2</sup>

3.2.2 There are a number of principles and approaches that have been identified to improve how residents can be supported. Once agreed officers will develop the detailed delivery against these principles as part of its overall approach to supporting local people:

- Build the culture and capability of all Council staff in understanding how and with what tools, they can proactively support customers
- Develop the Council webpage to promote services and opportunities that promote the awareness of financial inclusion and how this helps households.
- Deliver a digital solution which supports and promotes FI to its fullest potential
- Enhance existing relationships and build new links into local communities facilitating access to support and guidance on FI that can be delivered into the heart of communities, and to those that need it most at the right time
- Review and maximise links into local education allowing Children to understand the basic elements of financial budgeting, how and where they can find ways of saving money, the cost of credit and of equal importance the value of employment.
- Enhance existing relationships and build new links with the Councils third sector partners in communities to develop residents skills to enter, or enhance, employment

3.2.3 The Council will communicate to its customers about the key principles of building their financial capabilities. There has been success in the past in communicating with communities through different channels and providers, particularly around welfare reform changes. Wider communications will also need to be led following areas of upskilling, particularly, front line staff in basic budgeting and debt guidance.

3.2.4 The measures of success for this approach are provided below. By the end of 2015/16 the Council will ensure:

- 50,000 customers will have access to budgeting support
- 1,500 vulnerable customers will have set up a bank account
- Provide a digital service that can be accessed by 145,000 households<sup>3</sup> that will support residents to:
  - Budget and manage their cashflow and spend arrangements
  - Utilize online financial offers and savings opportunities
  - Identify employment opportunities and the skills required

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<sup>2</sup> Published in October 2014

<sup>3</sup> Data obtained from Office for National Statistics - Households, 2011 Census; exact figure is 145,010

- Promote the availability of food banks and how to efficient cheap household items
  - Help them to utilise facilities such as the local Credit Union in order to try to save to future expenditure needs
  - Be part of forums and community groups to support, assist and share ideas
- The Council will aspire to support 95% of its customers to be ready for Universal Credit and will have appropriate support in place for the 5% who are unable to manage the initial transition

3.2.5 Appendix 3 provides an initial guideline for the phasing and timing of the development and delivery of each principle.

### 3.3 What do we need to do?

3.3.1 Develop a detailed delivery plan against each of the principles that will support Financial Inclusion for all residents; particularly in these challenging economic times. This work will be pulled together through the proposed approach below being aligned to and supporting the Croydon Challenge Welfare Support project, the Croydon challenge Digital and enabling (and digital inclusion approach) and the project to support pathways to employment.

These financial inclusion principles are:

<b>Principle</b>	<b>What does this mean</b>
Ensuring customers have access to financial products; such as bank accounts and insurance	Allowing customers to maximise the most of financial products; receive faster payment, direct debit cost savings (and to assist budget management) and cover for unexpected events
Educate and develop the skills for all residents to allow them to budget and manage money, or plan for the unexpected	Through budgeting each resident can understand the reality of their income and expenditure, ways to maximise their income, prioritise debts, make lifestyle choices, understanding ways of saving money – food banks, charity shops, energy suppliers, transport etc.
Enabling people to make the most of their money through digital services	Each customer to recognise and have access to the financial benefits of using digital services (paying rent online, requesting benefits) and opportunities to save money through internet deals; freegle, uSwitch, shopping deals, ways to eat healthily for less
Ensuring there is access to affordable credit	Residents can source the credit that is required for unplanned unexpected events

	and what impact does this have on their budget. Promotion of Credit Unions, or social fund as an alternative to high interest credit (pay day lenders etc)
Provide skills and opportunity to enter and own their future in employment	Residents understand their capability and the skills required to realise their ambitions. Having access to employment opportunities that match their skills, and keenly recognise the value of employment to them and society.

**3.4 Principle 1; access to financial products**

- 3.4.1 The Council will proactively identify and engage with those customers that do not have a bank account. Developing relationships with the high street banks the Council will consider providing a “brokering” service to enable customers to identify the right provider for them.
- 3.4.2 A particular focus of having a bank account relates to Universal Credit. Universal Credit will see customers receive their benefits as “direct payments”. One of the key elements of this is to have a bank account so that these payments can be paid, but principally this will allow customers to set up payments out of their accounts for rent and other outgoings.
- 3.4.3 Engaging with residents who do not have a bank account at the moment will also provide the opportunity to promote the savings that can be made through paying for household bills through direct debits as well as demonstrating how to manage their finances.
- 3.4.4 The Council’s digital solution will help promote the value of having insurance cover were something unexpected were to happen; whether this be life insurance or household insurances.

**3.5 Principle 2; education**

- 3.5.1 One of the key challenges is how the Council can upskill the basic elements of financial management across all demographics. A significant part of this work will be supported by schools and communities and partnerships with financial institutions; providing basic financial skills to all school leavers. This can be supported through the Councils development of its digital services; particularly advice and support to help manage and make the most of their money.
- 3.5.2 Step Change Debt Charity reported that round 45% of all their clients would have avoided unmanageable debt if they received more financial education at

school; of the 300,000 people Step Change supported, a focus on financial education at school would have almost halved the number of their clients.

- 3.5.3 This is a twofold issue; 1) around half of those in debt do not have the skills and understanding to have informed their decisions and subsequently prevented themselves falling into debt, and 2) without an intervention at an early age, giving young people the basic skills of financial awareness, what the realities are of their budget, will see almost 1 in 2 of school leavers falling into unmanageable (treatable) debt problems. It is typical to see a family trend here; where the household as a whole does not take the appropriate steps to control their budgets, and execute the right financial decisions, will evolve into a multi-generational family in a cycle of debt and linked mental and health difficulties.
- 3.5.4 Education around financial inclusion is limited, particularly for those young people who are close to leaving education. Initiatives seen elsewhere that, for example, see high street banks going into schools to provide basic support and understanding have been successful. Furthermore engaging with 3<sup>rd</sup> parties can be a successful way of improving adult skills in managing household budgets; some Housing Associations already provide some guidance and CAB have provided around 8 capability sessions in communities.
- 3.5.5 A key element of educating residents is more than just understanding how to budget. How to make the most of their money and how to plan for the unexpected is an intrinsic aspect of building customers financial capability. As part of the Councils revised digital service, it will provide information and advice around that will enable all customers to make decisions based on their specific financial circumstances. These will include the promotion of foodbanks, credit unions through to simple tips on saving money.

### **3.6 Principle 3; digital**

- 3.6.1 The Council will focus on the development of the “My Account” and Council website.
- 3.6.2 My Account will continue to grow in customers signing up and will increase the services that are offered as part of this. It will be integrated with the Council’ website (in respect of information and advice) and will be developed to be more personal to the customer’s needs.
- 3.6.3 The Council’s website will be redeveloped and provide a number of key tools (budgeting, training, jobs, home swap) and increased but focused information and advice around the promotion of credit unions, how to save money, how to get the best energy deals, food banks and much more. A key aspect of this digital solution will be how it relates and builds with social media platforms and also will be the basis for the Councils partners to use this service in their interactions with customers. MyAccount will become a place residents can use to help budget and manage their finances.

3.6.4 The Council's digital service "My Account" shows over 54,000 residents have been signed up, and by the end of March we aim to increase this to around 80,000 (i.e. half of the boroughs households). There have also been nearly 5,500 downloads of the "My Croydon" app, which will soon link through into a user's "My Account". Through My Account there is a mix of services provided at the moment and these are outlined below. We now see around 95% of all Council Tax Support and Housing Benefit applications received digitally.

<b>Service</b>	<b>Examples</b>
Customer ordering	Bins, bulky waste
Report it	Missed bin collection
Pay for it	Rent
Book it	Planning
Applications	Housing register, school admissions

3.6.5 Since July 2013, there have been around £4,500,000 of payments through the My Account option.

### **3.7 Principle 4; affordable credit**

3.7.1 The Council will continue to work with the local Credit Union to improve the range of services and access to credit for customers as a more credible alternative to pay lenders.

3.7.2 The Council will continue its work in reducing the visibility of pay day loan providers through occupation and advertising within any Council property

3.7.3 Initial discussions are already underway to a) improve the online offer, b) provide local hubs to improve awareness and take up and c) to develop the offer to better suit those residents already in financial need.

3.7.4 12% of clients seen by Step Change Debt Charity have pay day loans with an average debt owing of c£1650. Following the announcement by the FCA<sup>4</sup> on 11<sup>th</sup> November 2014, a cap on pay day lenders will be introduced from January 2015; no customer will pay back more than twice what they borrowed, a cap of 0.8% interest per day, and charges for defaults will be set at £15. This news will be welcome but could drive the activity off loan sharks if alternative options are not immediately available to those who need it.

3.7.5 Current legislation<sup>5</sup> has been used to support communities by preventing occupation of properties by pay day loan providers and betting shops

### **3.8 Principle 5; employment opportunities**

<sup>4</sup> Financial Conduct Authority

<sup>5</sup> Article 4 of Town and Country Planning Order 1995

- 3.8.1 The Council will continue to work with existing and new businesses in the borough to understand the employment skills required. The creation of an Employment brokerage service will support this activity and as part of the wider work with the Council's partners and community groups, provide the appropriate training to residents to fulfil these skills. This work will be key to giving residents greater stability and control of their finances.
- 3.8.2 Part of the work with existing and new businesses will be to encourage these businesses to pay the London Living Wage. As an employer, the Council have led by example by committing to pay the London Living Wage and have started to engage with businesses in the Croydon area to align with this policy which can make a real difference to employees.
- 3.8.3 In addition to this one of the key criteria to receive retail relief for Business Rates for small business is that they pay the London Living Wage to its employees. The Council currently have 20 small businesses in receipt of this relief, with a regular flow of applications as more business become aware of this scheme through the Council's promotion activity.

### **3.9 Preparing for Universal Credit**

- 3.9.1 The Council will work with communities and partners to reach the most vulnerable groups across communities.
- 3.9.2 The Council will educate and support customers in how to adapt to managing their money as Direct Payments.
- 3.9.3 The Universal Support - Delivered Locally (USDL) framework, as part of Universal Credit (UC)<sup>6</sup> outlines the framework and partnership opportunities that help shape the landscape to enable UC delivery recognises the different methods of engagement for different customer groups; notably those most in need<sup>7</sup>. As part of Financial Inclusion this requires a drive to proactively engage the Council's customer groups and intervene before an individual presents as being in difficulty. This should be a joint approach particularly with vulnerable groups working with 3<sup>rd</sup> sector partners and using these established relationships into communities and customer groups.
- 3.9.4 One of the notable implications of UC was around direct payments and the following quotes typify feedback<sup>8</sup>:

*"I would find it very hard if my children were hungry and the electric gone, knowing I have money in the bank for my rent, they go hungry or I pay rent, very tempting not to pay rent and feed my children"*

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6 Universal Credit – Universal Support – delivered locally published October 2014 (replaces Local Support Service Framework published in February 2013)

7 Universal Credit – Universal Support – delivered locally published October 2014 (replaces Local Support Service Framework published in February 2013) – Appendix 2

8 Feedback quotes pulled from Direct Payment Demonstration Project: learning and payment figures May 2013; London Project – London Borough Southwark and Family Mosaic

*“I suffer from substance abuse and would not be good on the scheme as I’m in a lot of debt etc., why put temptation in front of my eyes. I don’t want any more debt”*

3.9.5 Feedback from Direct Payment projects has varied. Family Mosaic<sup>9</sup> saw an increase in rent collection rates, compared with Southwark who experienced a reduction with an increase in rent arrears. From the feedback both organisations approached Direct Payments differently; Family Mosaic proactively engaged with customers early in the process to raise awareness and work with customers regarding the impact. Southwark adopted a more reactive approach. Adopting a proactive engagement with customers around Direct Payments appears demonstrate how the risks (seen by Southwark) can be mitigated.

3.9.6 Lessons that can be learnt from some key local authorities help to shape the direction of travel. A contrast of current online services provided from such authorities is attached as Appendix 1. Recognising influences of UC and Financial Inclusion but also the Governments Digital Strategy<sup>10</sup> has seen Authorities take subtly different paths. The following provide a summary of the main directions and headlines for some key Authorities:

- Birmingham City Council – introduced Digital Logbook; as part of UC pilot funding provided to help create a digital footprint for all but focusing on those that receive benefits. Significant success in take up, even for vulnerable groups and is a key enabler to promote influence on budget support and saving ideas
- Oldham Council – deployed a “money matters” web page promoted highly on Council’s website that provides the basic FI links but also how to save money; free car parking sites, freegle sites etc.
- Lewisham – developing their strategies to support employment, working with schools to improve education on financial capability, working with third partners (CAB), financial inclusion champions across council services and partner organisations, developing Lewisham/Lambeth/Southwark growth and skills partnership, amongst other initiatives

### **3.10 Partners, communities and voluntary groups**

3.10.1 The Council recognise the influence and impact that partners, community and voluntary groups have with residents around maximising income, benefit entitlement and budgeting support. The Council will work with these partners to develop a consistent set of tools that can universally be applied to all customers. As part of wider reforms, the Council will consider the current funding arrangements to ensure that value for money is being achieved with a focus on the right support and interventions being delivered by these partners.

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<sup>9</sup> Family Mosaic are a Housing Association who have around 24,000 homes for rent across London, Essex and the South East

<sup>10</sup> Government Digital Strategy published in November 2012

3.10.2 Successfully engaging these principles within the Council, through partners and within the community and voluntary sectors will be key. The Council cannot deliver these principles to customers in isolation. Principally many customers rely on established relationships within the community or through the Council's partners and may not see the Council as the first point of contact.

#### **4. CONSULTATION**

4.1 Not applicable

#### **5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

5.1.1 This work will impact the levels paid out in CTS, use of discretionary pots, current debt levels from arrears, spend on preventative B&B. Specific impacts will be worked through as part of the Croydon challenge welfare support project.

5.1.2 A sample of Council Tenants and the result of the current processes and procedures. Identifying the triggers early for these customers and engaging and proactively supporting the management of their household finances could have reduced these outcomes for both (cost) to the Council and the disruption and personal challenges for the customer. Of note there are:

- 56% who have rent arrears (Council Tenants) are Housing Benefit claimants
- 28% of customers who are in B&B have rent arrears
- 648 of (nearly 14,000) Council Tenant customers have Housing Benefit overpayments

#### **6. Risks**

6..1 Residents will not engage direct with the Council; many of whom are in debt with payment to the Council, and maintain a reactive mindset. This will mirror the findings from StepChange Debt Charity where 50% of their clients wait over 1 year to seek financial support. This can be mitigated through building on existing and new partnerships who would be a traditional first point of contact for debt support. Further, improving My Account & web based services will provide the foundations for customers to engage with the Council.

6..2 Community groups, new and existing 3<sup>rd</sup> sector partners with the Council do not have access to the infrastructure that supports their segment of society or even funding to exist. Many community and voluntary organisations do not receive funding directly from the Council, however the Council can provide access to tools and advice through an improved digital presence.

6..3 Fragmented services across the Council do not recognize the signposts of where intervention could be made (particularly across other council services); maintaining the status quo of service delivery and unnecessary distress on

customers and preventable cost to the council. To mitigate this risk will require providing training and support for all customer facing staff, providing them with the tools, services and knowledge for them to engage directly with customers around budgeting, maximizing benefits, access to bank accounts etc consistently and regardless of which Council service is being accessed by the customer.

- 6..4 There is a risk that school leavers will adopt their household culture on budget planning, credit sourcing and apathy towards developing their skills to enter employment; breeding a further generation moving into cycles of debt and associated mental health issues as a result. This can be mitigated through the education of households on financial capabilities, but the council will build on the work that is undertaken with our education partners to support our young residents leaving school. A key element of this is through engaging with possible 3<sup>rd</sup> parties, i.e. high street banks, could provide greater youth engagement. The Council recognise the use of digital tools by young residents and supporting their understanding through the improved website and My Account facilities.
- 6..5 Residents that are most in need of support do not have access to maximise their income through the use of bank accounts and engaging with digital opportunities; the most vulnerable in society continually remain on the cusp, or have fallen into, financial difficulties. A significant proportion of these most vulnerable residents already have contact with the Council through various services. Upskilling all front line staff to recognise these signposts but more importantly support these customers (or their appointees) to take the steps required. Working jointly with key customer group organisations will be another facet to how this risk will be mitigated; using their customer network to reach out to directly or indirectly provide the support, advice and guidance that is required.

## **7. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 7.1 The Council Solicitor comments that there are no direct legal implications arising from this report.

(Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor & Monitoring Officer)

## **8. HUMAN RESOURCES IMPACT**

- 8.1 An important part of these programmes is to actively consult with key stakeholders to shape the options and final solutions. As such any HR implications will be identified during the detailed development of the proposals and will be managed in accordance to Council policy and employment legislation.

(Approved by: Hansa Bharadia on behalf of the Director of Human Resources)

## **9. EQUALITIES IMPACT**

- 9.1 This report sets out the key principles and activities around financial inclusion that the Council is proposing to use to better support residents especially the most vulnerable (including those that share a protected characteristic) who are facing economic challenges and financial exclusion. These principles will be used to achieve a financially inclusive Croydon where residents have access to a comprehensive range of appropriate financial and money advice services, as well as the knowledge, skills and confidence to maximise their own financial well-being.
- 9.2 An equality analysis will be undertaken as part of the development of the business case and the delivery plan for the key principles that the Council will use to promote financial inclusion. The equality analysis will assess the likely positive or adverse impact the delivery of proposed financial inclusion principles and related projects may have on equality groups that share a “protected characteristic” and those groups that are most vulnerable. The equality analysis will be completed by 26<sup>th</sup> anuary 2015 and mitigating actions will be developed, delivered and monitored through the mainstream service monitoring framework.
- 9.3 In carrying out the equality analysis of the financial inclusion principles / strategy, an assessment of equalities data will be considered using the Universal Support-Delivered Locally (USDL) framework vulnerability criteria. The equality analysis will also be used to:
- Understand how residents might be particularly vulnerable because of one or more of their personal or “protected characteristics” and support will be planned to meet these specific needs such as those related to debt and budgeting advice
  - Identify specialised support to benefit claimants with complex needs and the cases where specific arrangements need to be in place
  - Ensure that the findings from the equality analysis are integrated into the USDL Framework for universal credit (and other welfare reform)
  - Identify different communication and delivery channels to meet the specific needs of residents (especially those with protected characteristics), with a particular focus on actions that can help promote digital inclusion
- 9.4 The Council will use a customer focused approach to support the delivery of financial inclusion for all of our residents. The Council will also engage with key partners including community and voluntary sector organisations to enable the delivery of financial inclusion. In delivering the financial inclusion principles, the Council will ensure all residents including those from protected

groups are supported by enhancing existing relationships and building new links into local communities and facilitating access to support and guidance on financial inclusion so that it can be delivered into the heart of communities and to those that need it most. This will be achieved by strengthening existing relationships and building new links with our voluntary and community sector partner's and ensuring that communication with local communities is accessible and takes place through different channels and providers.

(Approved by: Sharon Godman Head of Communities)

## **10. ENVIRONMENTAL IMPACT**

10.1 Not applicable

## **11. CRIME AND DISORDER REDUCTION IMPACT**

11.1 Not applicable

## **12. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

12.1 Financial Inclusion embraces all residents; understanding how to budget, paying their bills and making the most of their money which enable them to take educated decisions when they require access to credit, and utilising the opportunities that being online has to offer.

12.2 However for some residents these basic principles are not in place, particularly for the most vulnerable in communities. It is estimated that around 2,000 of the most vulnerable residents (from c20,000 identified from the UCDL framework) do not have a bank account, let alone access to online products that can make a real difference to their outgoings.

12.3 These customers can be supported to understand how they can manage their money, how they can exploit opportunities to reduce spend on household bills and most important of all can be educated as to how to avoid falling into debt. A high proportion of those that need support are identifiable through their access to various council services. Most notably those customers who are in arrears and/or have had recourse to access other funding pots, or where they present to us as homeless.

12.4 It is intended to utilise the infrastructure and access points already known to customers and provide the insight and skills to provide a consistent service through partners to them. This will maintain continuity of contact for customers and will see a reduction in the overall cost of implementation across this framework.

12.5 There is a need to build on the current website and My Account service, learning lessons from other Authorities and organisations, to help deliver a

simplified digital solution, maximising the sources and opportunities to support people in managing and making the most of their money.

- 12.6 There is a need to know how the proposed changes are likely to affect customers through the deployment of Universal Credit and a need to ensure that customers have been supported to adapt to these changes. Working with customers in providing what these changes are likely to be, what tools and support are available will be essential. Part of this will require a joint approach with partners, particularly, to reach out to the most vulnerable customers.

### **13. OPTIONS CONSIDERED AND REJECTED**

13.1 Not applicable

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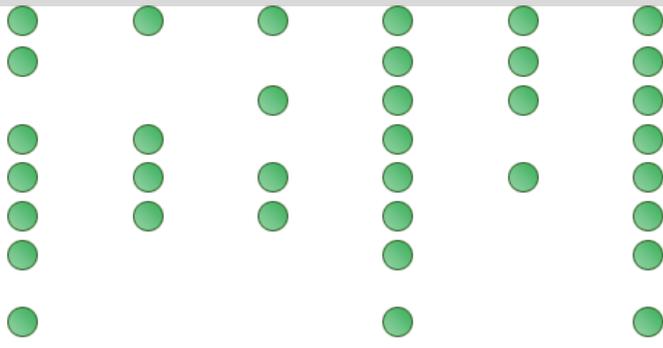
**CONTACT OFFICER:** Mark Fowler Head of Income & Benefits - ext 88470

**BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972:** None

## Appendix 1

Financial Inclusion services (Services provided online/digitally)	Lewisham	Lambeth	Croydon	Oldham	Leeds	Birmingham
<b>Employment and training</b>	●	●	●	●	●	●
Council job vacancies	●	●	●	●	●	
Teaching career/job vacancies	●	●	●	●	●	
Volunteering				●	●	
Apprenticeships	●		●	●	●	
Work experience				●		
Council traineeship				●		
Career advice				●		
Employment rights education and training				●	●	
<b>Budgeting and saving money</b>	●	●	●	●	●	●
Maximising benefit entitlement	●		●	●	●	●
Prioritisation of outgoings			●	●		●
Exploit online deals				●		
Healthy eating on a budget				●		
Energy saving measures				●		
Travel options	●			●		
Discount bus fares				●		
Free town centre parking independent MOTs				●		
Free activities				●		
School meals				●		
Help managing money - appointeeship				●		
<b>Access to Credit</b>	●	●	●	●	●	●
Debt advice			●	●		●
Payment plans				●		●
Promotion of Credit Union				●	●	●
Loan sharks/Pay Day loans				●	●	●
<b>Bank accounts</b>	●	●	●	●	●	●
Online/internet banking				●		●
Get a basic bank account				●		●
<b>Family &amp; Emotional Support</b>	●	●	●	●	●	●
Relationship support				●		
Gambling, drug and drink support				●		
Domestic violence	●	●	●	●	●	
<b>Housing and affordable living</b>	●	●	●	●	●	●

Grants loans and benefits  
Homelessness  
Find a property  
Private tenants & Landlords  
Housing advice  
Empty homes  
Help with rent, mortgage &  
repossession  
Energy (efficiency) smart homes



## Appendix 2

Using the USDL framework's vulnerability criteria the following provides an indicative breakdown of people affected in Croydon

<b>USDL Category</b>	<b>7481</b>	<b>USDL Category</b>	<b>11,817</b>
Drug/Alcohol or other addiction – <i>known through the Joint Strategic Needs Assessment</i>	2245	Claimant is refugee/asylum	1622
Learning difficulties, Inc. literacy/numeracy problems – <i>known to Strategic Intelligence team</i>	900	Other disability (physical, sensory) – <i>known to Revenue &amp; Benefits team</i>	2758
Severe Multiple Debt – <i>known to Welfare Rights team</i>	886	Claimant just left prison – <i>known to the Probation service</i>	351
Young (16/17) and/or care leaver – <i>known to care leaving team</i>	602	Language skills (English not first language) – <i>known to strategic intelligence team</i>	1206
Homeless – <i>known to housing performance team</i>	1875	Mental health conditions – <i>known to Public Health team</i>	5880
Domestic violence / abuse	973		

Further to the USDL categories identified above there are other customer groups that will require wider support which have been broadly categorised below:

<b>Additional Category</b>	<b>5,318</b>	<b>Additional Category</b>	<b>4,498</b>
In rent arrears +/- or threat of eviction / repossession – <i>South West London Law Centre</i>	1488	No bank account - <i>known to Revenue &amp; Benefits team</i>	328
Families with complex multiple needs – <i>known to the family resilience service</i>	606	Third party deductions in place (e.g. fines, utility arrears) – <i>known to Housing team</i>	2013
In Temp Accommodation or supported accommodation (Note. not represented across other categories) – <i>known to Supporting People team and Temporary Accommodation team</i>	2887	Claimant just left hospital – <i>known to Croydon Clinical Commissioning Group</i>	1662
NEET (Not in Education, Employment or Training)	337	Recently bereaved - <i>known to Revenue &amp; Benefits team</i>	470



## Appendix 1 – Indicative timetable for the development of delivery against key principles

		Elapsed days																																									
		January							February							March							April							May							June						
Milestone #	Key tasks	05-Jan	12-Jan	19-Jan	26-Jan	02-Feb	09-Feb	16-Feb	23-Feb	02-Mar	09-Mar	16-Mar	23-Mar	30-Mar	06-Apr	13-Apr	20-Apr	27-Apr	04-May	11-May	18-May	25-May	01-Jun	08-Jun	15-Jun	22-Jun	29-Jun																
1	<b>Enable our staff to engage effectively with customers regarding Financial Inclusion</b>																																										
1.1	Train council employees in welfare, housing, customer services and benefits to provide basic budgeting support to customers							■	■	■	■	■	■	■	■	■	■	■	■	■	■	■																					
1.2	Explore key services to provide money saving support and debt guidance (cross referenced with appendix 3). After which the aim is to agree joint approach/sign positng							■	■	■	■	■	■	■	■	■	■	■																									
1.3	Identify and contact claimants that do not have a bank accounts actively work with them to put bank accounts in place					■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■																
1.4	Provide financial capability guidance to council staff who are in receipt of welfare payments			■	■	■	■																																				
2	<b>Undertake improvements to make tools and advice easier to navigate</b>																																										
2.1	Identify existing or new material to be consolidated within web re-design	■	■	■	■	■	■	■	■	■																																	
2.2	Review all self serve options regarding budgeting, consider usage, functionality and promotion	■	■	■	■	■	■	■	■	■																																	
2.3	Integrate tools from website into My Account/MyCroydon app												■	■	■	■	■	■	■	■	■	■																					
3	<b>Promote the adoption of London Living Wage across the boroughs businesses</b>																																										
3.1	Implement LLW across all directly employed Council staff						■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■																
3.2	Work with existing contractors to move towards LLW														■	■	■	■	■	■	■	■	■	■	■	■	■																
3.3	Implement LLW through the procurement & commissioning process															■	■	■	■	■	■	■	■	■	■	■	■																

