

	<p style="text-align: center;">Cabinet</p> <p style="text-align: center;">16 November 2015</p> <p style="text-align: center;">Report from the Chief Operating Officer</p>
<p>For Action</p>	<p style="text-align: right;">Wards Affected: ALL</p>
<p>Brent Financial Inclusion Strategy</p>	

1.0 Summary

- 1.1 Financial services play an important part of people's everyday lives. However, having access to mainstream financial products and services is not enough. Having the requisite financial capability to plan for and make the right decisions is equally important in determining financial health.
- 1.2 Increasingly, being financially excluded can also mean incurring further costs which makes the cost of living even more expensive, particularly for those on low incomes or on benefits. This is often referred to as the poverty premium.
- 1.3 Those most likely to experience financial exclusion include: households on low income; lone parents; young people (aged 18-24); the over 60s; people with disabilities; households in social housing; and homeless households.
- 1.4 Recent changes to the benefits system and the introduction of Universal Credit (UC) make the need to ensure residents are as well informed and capable to deal with these changes as possible all the more pressing. For example, UC recipients will be required to have a transactional bank account and some will need to learn budgeting skills as UC will only be paid to households – not individuals – on a monthly basis, and in arrears.
- 1.5 This report draws on a number of issues for Brent in relation financial inclusion and sets out the strategic objectives, as informed by our consultation with partners, to deliver the attached Financial Inclusion Strategy and Action Plan.

2.0 Recommendations

- 2.1 That Cabinet endorse the strategic approach as set out in the Financial Inclusion Strategy and Action Plan at Appendix 1.
- 2.2 That Cabinet consider and note the content of the Equality Impact Assessment which is set out in Appendix 2 to this report.

3.0 Detailed considerations

- 3.1 It cannot be underestimated how important financial products and service are and how bad the impact of being excluded can be. Most people have bank accounts, into which regular salaries, wages and benefits payments are made, and from which bills are paid. People rely on mortgages to buy a home, savings and pensions to plan for the future and build resilience in case of an unexpected expense or emergency. Many people also have insurance policies to safeguard their home, possessions, income in case of illness, injury and death.
- 3.2 Some residents, either by choice or through lack of access, find themselves excluded from such mainstream financial products and services. Moreover, many residents – for a variety of reasons – may also need access to credit, sometimes to deal with unexpected expenses or simply because they are struggling on low incomes or benefits. Financial exclusion, however, is not limited to helping residents to gain access to financial products and services. Whilst this is important, it is only one part of the problem. It is important to simultaneously, help residents to help themselves by building their financial capability – that is to understand their household budget, how they can save money by shopping online or paying bills by direct debit and what impact certain types of credit can have on their finances – so that they are more able to make the right choices for themselves and their families.
- 3.3 Those most likely to experience financial exclusion include: households on low incomes or benefits; lone parents; young people (aged 18-24); the over 60s; people with disabilities; households in social housing; households in the private rent sector; and the homeless. Other groups, particularly vulnerable to financial exclusion include those who operate solely on a cash budget. Those without - or not using through self-exclusion - transactional bank accounts and electronic payment methods are unable to make savings via direct debits on utility bills, are more vulnerable to loss or theft and they are far more likely to use the alternative credit market and pay interest several times higher than standard personal loan, often leading to unmanageable debt.
- 3.4 Research on those experiencing financial exclusion also reveals that those were also at risk of facing multiple disadvantages, effectively locking them in a cycle of over-indebtedness and poverty, including:
 - Reliance on illegal or doorstep lenders with excessively high interest rates;
 - Difficulty in securing employment because they do not have a bank account into which a wages can be paid;
 - Paying more for utilities as they are unable to take advantage of savings from setting up a direct debit or other automated payment methods;
 - Lack of information or access to insurance to help deal with unexpected financial demands;

- Lack of access to appropriate financial advice; and
- Poor physical and mental health brought on by distress from financial worries.

3.5 This strategy proposes to tackle financial exclusion by building a partnership to:

- Join-up existing work programmes and projects from inside the council, such as those in employment, housing and welfare reforms;
- Help external organisations, either in the community and voluntary sector or in the social housing sector, to better provide a wide-range of advice, guidance and support; and
- To work with those in financial services sector – banks, credit unions and debt management companies to ensure residents have access to mainstream products and services.

3.6 To ensure that a holistic approach is taken, this strategy will build on the ‘ABCDEF’ methodology championed by Toynbee Hall, the leading financial inclusion experts, and include the following:

Advice – This includes generalist and specialist advice to help people to deal with problems of debt, legal problems, money management, housing and fuel poverty.

Banking – Financial products and services are now a basic function of everyday life. As shown above, those excluded often find themselves paying more for basic services such as cheque cashing.

Credit (Affordable Loans) – Those experiencing financial exclusion also struggle to access affordable credit, making high cost (or illegal) credit the only means of obtaining a loan.

Debt – The other side of credit is debt. Residents can find themselves in high levels of debt, often to multiple lenders, and sometimes with unrealistic repayment plans.

Deposits (Savings) – Developing a culture of saving is crucial to enabling families on low incomes to prepare for large, regular expenses such as Christmas and better withstand unexpected expenses such as home appliance replacements. There is also growing research on the psychological advantages linked to regular saving.

Employment, Education and Empowerment – There is a strong link to the Employment, Skills and Enterprise Strategy for improving employment outcomes in Brent. The education and training delivered through this strategy will have a strong focus on building up people’s understanding of money management and financial products and services (financial literacy). Perhaps more importantly, however, it will empower them to make the most appropriate choices (financial capability) for their family, engendering resilience. Digital by design means that digital inclusion is also necessary for individuals to reap all the benefits of financial inclusion, enabling them to keep up with finances through online banking and search the internet when shopping for the best deals.

Food and Fuel – Since the change in classification of fuel poverty, using the Low income, high cost indicator, we know that 14% of Brent residents now live in fuel poverty, up 4% from using the 10% definition. Since the economic crisis in 2008, the number of Brent residents requiring assistance from food banks has soared, leaving

many households to choose between heating and eating. As evidenced in this strategy's action plan, fuel poverty will need to be addressed in tandem with financial inclusion.

- 3.7 The Financial Inclusion Strategy has been co-produced with partners in the voluntary and community sector, housing associations and with local high street banks and credit unions through individual consultations as well as a an event which took place in July 2015 to gather thoughts on our strategic approach. As the strategy has now been approved by CMT, this version has now been circulated to our partners for final comments.
- 3.8 It has been proposed that a high level Financial Inclusion Partnership be created and that the council facilitate working groups as far reasonably practical. At the strategic level, a representative board should be established which would report quarterly to the Partners for Brent (Local Strategic Partnership) against an agreed Action Plan. Operationally, it is proposed that a Financial Inclusion Coordinator be appointed to set up the partnership and develop the work plan, develop effective partnership pathways and scope new projects to be undertaken by the partnership.

4.0 Financial Implications

- 4.1 The cost of one FTE Coordinator and other associated set-up costs will be covered within the existing COO budget envelope.

5.0 Legal Implications

- 5.1 The Council has the power to prepare and implement a financial inclusion strategy and to carry out the actions proposed therein under the general power of competence as set out in section 1 of the Localism Act 2011 and also under its subsidiary powers under section 111 of the Local Government Act 1972. A financial inclusion strategy will assist the Council in discharging more effectively a number of its other statutory functions, including the child poverty duty under sections 21 to 24 of the Child Poverty Act 2010 and section 11 of the Children Act 2004, where the Council has to ensure that their functions are discharged having regard to the need to safeguard and promote the welfare of children.
- 5.2 In considering and deciding upon the content of a financial inclusion strategy, the Council must have due regard under section 149 of the Equality Act 2010 (also known as the Public Sector Equality Duty) to the need to: (a) eliminate discrimination, harassment or other conduct prohibited by or under the Equality Act 2010 ("the 2010 Act"), (b) advance equality of opportunity between persons who share a protected characteristic under the 2010 Act and persons who do not share it and (c) foster good relations between persons who share a protected characteristic and persons who do not share it.
- 5.3 In relation to tackling illegal money lending, Brent Council has delegated its function in relation to the enforcement of Part III of the Consumer Credit Act 1974 within the borough to Birmingham City Council, including the power to institute criminal proceedings for any matters associated with illegal money lending or discovered by the Illegal Money Lending Team at Birmingham City Council.

6.0 Diversity Implications

- 6.1 As with all commissioned services, the financial resilience strategy will be subject to the public sector equality duty, meaning it must make adequate provisions to be fully inclusive of the nine groups protected by the Equality Act 2010. Research has shown that a number of groups protected by the Equality Act are more vulnerable to financial exclusion than the rest of the population. For example, women and those from BAME backgrounds are more likely to seek debt advice from the CAB. Consequently, developing and implementing a robust financial inclusion strategy would have a positive equalities outcome for both the council and Brent's residents.

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 It is recommended that one FTE Coordinator be appointed for 12 months.

8.0 Background Papers

- 8.1 Draft Financial Inclusion Strategy and Draft Action Plan

9.0 Contact Officers

Christopher Young
Senior Policy Officer
christopher.Young@brent.gov.uk

Cathy Tyson
Head of Policy and Scrutiny
cathy.tyson@brent.gov.uk

LORRAINE LANGHAM
Chief Operating Officer