FINANCIAL INCLUSION NEEDS ASSESSMENT

March 2013

BRIGHTON & HOVE CITY COUNCIL

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Introduction and background

Purpose of Document

This needs assessment has been produced to describe the current profile of need in relation to financial inclusion.

The document provides a framework for the Council's new Financial Inclusion Programme as led by the Policy, Performance and Analysis Team (further details regarding the full programme are available on request).

It is envisaged that this needs assessment will enable the council to focus its resources on those most (and disproportionately) vulnerable to the cumulative impacts of public spending changes. The council aims to produce a new Financial Inclusion Strategy, together with recommendations for commissioning and an associated action plan by April 2013. Timescales are therefore tight and this assessment has been produced quickly. Consultation on its findings is therefore important.

Background – The 'Perfect Storm'

Nationally and locally there a number of interlocking challenges that set the context for this needs assessment. These include the Government's Programme of Welfare Reform (such as changes to benefits and crisis support such as the Social Fund), the impact of recession (on issues such as jobs and housing), rising costs of living (for example the significant increases in the price of essential such as food and fuel), changes to public services and funding for community and voluntary sector organisations. This includes significant changes to legal aid meaning that some key city community and voluntary sector advice providers are facing extremely challenging financial pressures. This picture has been increasingly described as 'the perfect storm'.

The response from Brighton and Hove City Council

In March 2010, the Council agreed a one-off budget of £400,000 as part of an approach to tackling financial inclusion in the city. This budget allows investment in financial inclusion interventions over the next three years and more importantly underpins a financial inclusion strategy that recognises the systemic problems and solutions that should be addressed for financial health.

In addition, the Council's Corporate Plan (2011/15) sets out three key priorities, one of which is to *'tackle inequality and work to create a fairer city'*. Financial Inclusion is also one of the priorities set out in the city's Sustainable Community Strategy through which the Advice Partnership has been tasked to deliver on a range of actions to improve information and advice services within the city, including promoting financial inclusion.

At its meeting in March 2012, Cabinet acknowledged the pivotal role of local advice services in promoting financial inclusion; the acute challenges faced by those services and furthermore endorsed the work of the Advice Partnership, encouraging them to collaborate with the Council and other agencies such as the Credit Union to explore the options of a Community Banking Partnership (CBP).

Since that time the Advice Partnership has progressed a number of initiatives to address financial inclusion and sustain the advice sector. This has included pathfinder projects and collaboration with the Council's Housing and Social Inclusion Unit to commission advice services for those likely to be affected by welfare reform.

In October 2012, the Council commissioned Toynbee Hall[1] to conduct a local review looking at the supply and demand of basic financial services, specifically:

- Provision and promotion of basic bank accounts;
- Provision and promotion of low cost loans; and
- Incentives to save.

This review focussed on the East Sussex Credit Union (though not exclusively), as the most likely provider of community banking facilities. Other key stakeholders included Advice Partnership members who were consulted on the concept of establishing a Community Banking Partnership (CBP) with the aim of meeting the needs of the local authority in addressing some of the issues prompted by welfare reforms.

Next Steps

The council is seeking contributions comments and submissions to this document and the full programme.

Please contact Nicky Cambridge, Communities and Equality Team on 01273 296827 or nicky.cambridge@brighton-hove.gov.uk if you would like further details of the programme.

[1] Toynbee Hall has been a practice, policy and research leader in Financial Inclusion since the 1990s

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1.1 What is Financial Inclusion?

The Brighton & Hove Strategic Partnership defines Financial Inclusion as:

“Having enough resources to meet basic needs adequately and to be able to make choices over a prolonged period to maintain physical and mental well-being and participate in community/society”.

This is much broader than the common definition of financial inclusion which focuses on those who do not have access to financial products and services, often referred to as the ‘unbanked’. To be aware of the distinction and to avoid confusion, the definition used by Transact[2], the national forum for financial inclusion, is:

“A state in which all people have access to appropriate, desired financial products and services in order to manage their money effectively. It is achieved by financial literacy and financial capability on the part of the consumer and access on the part of financial product, services and advice suppliers”.

Taking a broader local definition of is useful as it allows a wider consideration of the issues that lead to people experiencing financial exclusion, the subsequent impacts and what it means for their support needs. Key aspects will include:

- financial capability
- economic/workforce participation
- access to joined up support services
- access to appropriate financial products

‘Financial capability’ has grown out of the idea of ‘financial literacy’. The Treasury defined it in 2007 as ‘a broad concept encompassing peoples’ knowledge and skills to understand their own financial circumstances, along with the motivation to take action’.

In addition, the Financial Services Authority (FSA) identifies 5 key areas of financial capability:

1. Being able to manage money
2. Keeping track of finances
3. Planning ahead
4. Choosing financial products
5. Staying informed about financial matters

Furthermore, the following indicators are employed by government agencies to measure financial inclusion and this data is collected by the agencies providing Debt Advice via the government’s Financial Inclusion Fund:

- Client has no bank account
- Client holds no savings
- Client uses high interest credit
- Client owes priority debts (e.g. rent, council tax, utilities)
- Client has an annual individual income <£14,500 or household income <£15,600
- Client has no home Contents insurance.

[2] Transact is a free and independent UK-wide network for people committed to practising and promoting financial inclusion

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1.2 Issues

Financial exclusion is closely associated with poverty and social exclusion, and imposes significant costs on individuals. Those who are unable to access basic financial services often pay more to manage their money, pay more for products and services (for example, not being able to access cheaper on-line delivery services either for larger household purchases or for supermarket delivery), find it difficult to plan for the future, and are more likely to become over indebted.

Banking

A critical issue for those financial excluded and on benefits will be the impact of Universal Credit (UC). UC recipients will require a transactional account, currently not available to many.[3] The main types of products suitable for making and receiving UC payments are:

- Basic Bank Account (BBA): can receive and make payments but no access to credit, and most have reduced access to branches and the ATM network;
- Jam Jar or Budget Accounts: can receive and make payments and allow customer to segregate their money according to pre-specified commitments;
- Pre-paid cards: can be loaded up with funds and used to make electronic payments, typically at PayPoints.

Within Brighton and Hove, mainstream banks do provide BBAs, but coverage is patchy and unlikely to meet local need (see Appendix C). In particular, mainstream banks are unable to meet low-income families' need for affordable credit.

It is therefore vital that a community banking provider, such as a Credit Union or Community Development Finance Institution (CDFI) is active within the area to provide access to banking facilities, saving options and access to affordable credit which mainstream providers are unable to provide. Nonetheless for some people a high-street bank account is either preferable or more suitable than a Credit Union account.

Social inclusion, issues around health, mental health, housing, employment, caring and family responsibilities are all exacerbated by financial exclusion but can also contribute to people experiencing financial exclusion. It can have a profound effect on people and provoke relationship breakdown, absenteeism from school, stress, anxiety and depression, poor physical health, anti-social behaviour and homelessness. Its impact can be suffered by their families and wider communities creating a cumulative impact for many more people.

There is also a geographical element to financial exclusion, with large numbers of financially excluded people living in areas of multiple deprivation, which often means they lack access to other key services, including banks and cash-points, and pay more for basic commodities such as food and utilities. Locally, organisations are reporting a similar picture, e.g. an increase in the number of people regularly skipping meals for financial reasons; and a sharp increase in the number of food banks.[4]

[3] A bank account from which payments can be made to a third party. Perhaps the most common type of transaction account is a checking account where one can write a check or use a debit card to deduct an amount from the account and give it to a third party without having to go personally to the bank to make a withdrawal
[4] Food Poverty, the Local Picture, Brighton & Hove Food Partnership, November 2012

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However, financial exclusion does not always just affect the poorest. Since the credit crunch, debt problems have spread to the more affluent. The Consumer Credit Counselling Service reported that 12% of those seeking help have a net household income of more than £30,000 and nearly half (47.7%) were homeowners.[5]

Tackling financial inclusion is an essential part of any strategy advanced to address inequality.

1.3 Current policy

The Government believes that tackling financial exclusion will help alleviate some of the problems faced by many low-income families who are currently unable to use mainstream banking services.

The benefits of which include being able to receive payments through a variety of channels, having a more secure place to keep money and reducing the cost of household bills. The Government also suggests that consumers should be able to trust the products and services available to them and have a wide range of choice"[6].

The Social Justice Cabinet Committee has responsibility to ensure Departments thoroughly examine the overall impact of policies to avoid unintended consequences and the poorest being hit hardest.

Their 'Financial Inclusion Taskforce' issued a final conclusions paper when it was wound up in April 2011.[7] Key findings included:

- High quality impartial debt advice reduces the costs to the public purse of over-indebtedness, as well as helping vulnerable households to resolve their serious financial problems. The demand for debt advice which has been caused by the recession is likely to persist for several years and is likely to correlate directly with changes in interest rates and unemployment;
- Financial inclusion has been considerably strengthened by partnership working at a local level, including important lessons about ensuring that local services can work in a coordinated and responsive way;
- Post Office Card Account (POCA)[8] is a key service for many of the 'unbanked' but remains highly restricted and now effectively acts as a barrier to financial inclusion as it can only be used for benefits payment and cash withdrawals;
- 'Jam Jar' accounts that provide assisted budgeting are commercially viable and service providers such as energy companies, landlords and local authorities have a role to play in developing such services.

1.4 The national and strategic contexts

Since the economic crisis of 2008, those already in poverty have seen their poverty deepen, and millions more have become vulnerable.

The 'perfect storm' has been described by agencies such as Oxfam, (in the UK), who have reported increased demand on their services, just as the resources to provide that support are

[5] Statistical Yearbook 2009 (CCCS), cited in Debt Facts & Figures 2009, Credit Action
[6] HM Treasury, Dec 2010 http://www.hm-treasury.gov.uk/fin_fit_index.htm
[7] Concluding Thoughts and Recommendations, Financial Inclusion Taskforce, April 2011
[8] The Post Office™ card account is an ultra simple account that can only be used to receive benefit, state pensions and tax credit payments. No other payments, such as Housing Benefit, occupational pensions, or wages can be paid into it.

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being stretched. They report evidence of people using unhealthy coping mechanisms such increased debt (mostly through sub-prime lenders), more people relying on food parcels, and women acting as 'shock absorbers', managing budgets and debt and going without in order to ensure that their families have what they need[9].

Debt has increased massively over the last twenty years, standing at almost £1.5 trillion today, and is predicted by the Government's independent financial watchdog, the Office for Budget Responsibility (OBR) to begin growing again from 2011 onwards. It is predicted to reach £2.1 trillion by 2015, an increase in 40 percent. Economic growth over the period is predicted to be around 12 percent cumulatively. The OBR also predicts that household debt will equal 175 percent of household income in 2015; up from 160 percent in 2011.[10]

In July 2010, the Coalition published *'21st Century Welfare'*, a consultation document restating a Budget commitment to reform the benefits system. The principles and proposals set out in the consultation paper were detailed further in the white paper, *'Universal Credit: Welfare that Works',* and enshrined in law when the Welfare Reform Act 2012 received royal assent in March 2012.

1.5 The roles of legislation and policy

The Welfare Reform Act 2012

Since June 2012, changes to the benefit system have already seen amendments to the way local housing allowance (LHA) is calculated, and there have been increases in levels of non-dependant deductions and a cap on household benefits of £26,000 per year. However the main welfare reforms will be introduced in 2013.

Universal Credit

The cornerstone of the welfare reform proposals is the introduction of 'Universal Credit' (UC), a new integrated benefit for people of working age, which will come into effect from October 2013, (UC pathfinders beginning April 2013). However, the reforms are wide-reaching and include freezes and changes to established arrangements such as Child Benefit. Welfare Reform is described further in section 4 of this report.

Brighton and Hove City Council has been informed that UC must be implemented by the end of September 2013. UC is a single payment, replacing a range of income related in-work and out of work benefits, including Housing Benefit. Claimants will receive a single monthly payment, simplifying the current system whilst also, it is hoped, encouraging greater responsibility among people to manage their benefits and rent payments and making - Ministers assert - 'work pay'.

In the social rented sector this represents a significant change for both landlords and tenants as currently, in the majority of cases, Housing Benefit is paid directly to landlords. The new regime will see benefit paid to claimants.

Recognising the change for tenants and the importance of stable income streams for landlords, the Government is designing UC to include support for tenants (including assistance with budgeting and money management) and safeguards for landlords (for example, a mechanism for 'switching back' the payment of Housing Benefit to the landlord, or exemption from direct

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[9] The perfect Storm: Economic Stagnation, the rising cost of living, Public Spending cuts and the impact on UK poverty, Oxfam Briefing Paper, June 2012
[10] "Living on the Edge – Financial Inclusion and Social Housing, The Human City Institute, May 2011

payments for people particularly vulnerable to accruing arrears).

These changes place new and significant challenges on the council and other social housing providers. The size of the social and rented sector in the city is unusually high and the consequences for Brighton & Hove likely to be greater than those experienced elsewhere. This is particularly so for residents receiving state benefits.

Residents in social housing are significantly more likely to be financially excluded. 70% of the households that are excluded from mainstream banking and financial services are living in social rented housing. Additionally, they have disproportionately poorer financial health than the rest of the general population, illustrated by the fact that:

- Of the poorest 10% of households in the UK, over half live in social rented housing[11];
- 61% of households living in social housing have no one working within the household, compared to 35% nationally[12];
- 39% of tenants are of working age and claiming either Jobseekers Allowance or Employment and support Allowance[13];
- Social housing residents earn on average half as much as private renters with a median annual income of £10,900[14] - 81% have no savings account and 91% have no insurance cover to fall back on in the event of an unexpected bill making them reliant on short term debt[15];
- Lower income households are more likely to be exposed to unfair practices in the sub-prime lending sector - 20% of people living in social housing have used doorstep lenders;
- The proportion of social rented residents amongst their debt service users is twice as high as the general population[16]; and
- 83% of social housing residents fail to make sufficient plans for their future and 94% are making poor financial product choices[17].

The outlook for those financially vulnerable and receiving benefits looks set to deteriorate even further in the face of the on-going adverse economic conditions. Communities in social housing are amongst the most affected by unemployment, reduced job vacancies, pay freezes, reductions to working hours and high inflation. Financially excluded households have less room to manoeuvre with lower levels of access to financial products and services, savings and/or insurance. Furthermore, the restriction of mainstream lending to consumers considered as low risk is leaving marginalised consumers finding it harder to get access to fair, affordable credit and they are increasingly turning to high cost sub-prime lenders, or illegal loan sharks when they need to borrow. Over a quarter of British households are not able to use mainstream financial services and have no savings to meet future needs; these are the poorest households. This financial exclusion means that they are often charged excessive rates and penalties – a 'Poverty Premium'.

Local authorities play a vital role in supporting the development of services for financially excluded people, and in particular support the essential networks & partnerships which link

[11] Demos and Toynbee Hall (2005) – Widening the Safety Net: Learning the Lessons of Insurance With Rent Schemes
[12] Department for Communities and Government (2009) – Housing in England
[13] Chartered Institute of Housing (2011) – Improving Financial Capability in Social Housing)
[14] Department for Communities and Government (2009) – Housing in England
[15] NHF (2007) – Data Analysis of Family Expenditure Survey
[16] CAB 2006, Deeper in Debt: The Profile of CAB Debt Clients
[17] FSA (2006) Financial Capability in the UK

together Third Sector providers of support to the financially excluded. Authorities also have a critical role to maximise the economic, social & environmental well-being of their area.

More broadly, some key impacts of welfare reform will be:

- The majority of benefit recipients will probably see a net fall in their benefits;
- Many people who have previously received a full council tax rebate will in future only get a partial one;
- Residents will receive their housing costs into their own bank accounts rather than as a credit to their rent account and will have to pay their rent to their landlord;
- 4,800 people in Brighton & Hove may lose incapacity benefit;
- 300 families with no one working will be subject to a benefit cap of £26,000;
- Families will need to learn to manage much greater sums of money as a single "economic unit" rather than managing money in smaller amounts spread throughout the month; and
- UC will be paid directly to claimants every month and administered online. Instead of being paid to individuals (as benefits are at the moment), UC will be paid to households[18].

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.

The council will have new responsibilities as a consequence of UC. This will include the administration of discretionary awards, probably Discretionary Housing Payments (DHP) and Social Fund equivalents (discretionary payments for vulnerable people when base benefits are reduced) as well as variants on the existing responsibilities such as free school meals.

BHCC have a DHP budget of £633,236 p.a. (up from £387,835 pa last year) as a grant from Central Government. Although this seems a relatively generous increase, it should be seen in the context of an estimated eventual net reduction of £9.6m per annum in benefit paid out (this is the full year effect of the changes planned for this calendar year). For each pound of extra DHP the council has been given to spend, there may be a reduction of £12 in housing benefit entitlement.

Other legislation relevant to financial inclusion is mentioned below, however the broader legislative framework of promoting wellbeing will be pertinent to this work.

[18] 12 million individual claimants will be converted to 8 million household claimants over the 2013- 2017 transitional period

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The Legislative Reform Act 2012 (Credit Unions)

The Legislative Reform Order (LRO) came into force on 8 January 2012 and provides an ideal opportunity to evaluate the current approach and look at the way in which the local authority and other partners work with the Credit Union. In fact the LRO provides an opportunity not just for Credit Unions but also for partners to work with their local Credit Union in a completely different way. The key points are:

- The LRO offers the chance for social housing providers to work collaboratively with either a single or selected number of Credit Unions to provide unilateral coverage for their residents (and staff);
- The LRO also provides new and more diverse methods of partnership support, from increasing payroll deduction facilities for all BHCC staff, to becoming a corporate member of the local Credit Union;
- Key to the changes is the ability for Credit Unions to work with housing and local authority partners and provide specific services to and for them;
- The LRO also enables Credit Unions to charge for additional services, there is relaxation on age restrictions for Directors and members can still receive services from the Credit Union if they move from their location of work or residence; and
- Some Credit Unions will be able to, if they choose, pay a guaranteed rate of interest instead of a dividend.

The Child Poverty Act 2010

The Child Poverty Act, 2010 commits Government to eradicate child poverty in the UK by 2020. In order to help bring this about, the Act places duties on local authorities to work with partners to produce both a local Child Poverty Needs Assessment and from this a local strategy which proposes how they collectively will work to reduce and mitigate the effects of child poverty.

Prior to the introduction of Child Poverty Act there was already a commitment to reduce child poverty in Brighton & Hove. One of the strategic priorities of the Children & Young People's Plan 2009-2012 is to reduce both child poverty and health inequality, recognizing the link between family income and life chances[19].

The Equality Act 2010

The Equality Act 2010 requires all public sector organisations work to eliminate discrimination, advance equality of opportunity and foster good relations between groups (*'community cohesion'*). The law says this must be done across a range of 'protected characteristics': age, disability, ethnicity (or race), gender (or sex), gender reassignment, religion or belief, sexual orientation, marriage or civil partnership, pregnancy or maternity. The council assessments also cover other relevant groups and the overall effect on Families and Children.

The Financial Inclusion Programme, therefore, must be subject to a full Equalities Impact Assessment.

[19] see www.bhlis.org/Custom/_NEW_CP_Introduction_Page.aspx for Brighton and Hove's Child Poverty Needs Assessment

1.6 The cost of the issue in the UK

The cost of dealing with the issue and impact of financial exclusion, in particular on child poverty is considerable.

According to research from the Joseph Rowntree Foundation (2008), child poverty is costing Britain at least £25bn a year. Researchers have found that the government spends £12bn a year on services to remedy consequences of childhood deprivation such as poor health, low educational attainment, crime and antisocial behaviour. According to Hirsch's[20] estimates, child poverty adds £2.8m to the social services budget, £2.7bn to the NHS, £2.9bn to education, and £1.2bn to the police and criminal justice system and £2.5bn for other services.

The Treasury commits an additional £2bn in benefits and forgoes £5bn in taxes and national insurance contributions from adults who do not get jobs as a direct result of an impoverished upbringing. The economy loses a further £8bn from their lack of productive output, the foundation says.

The National Housing Federation believes that the removal of direct payment alone could see arrears rise by £320m across the sector. This is based on a pilot study by London & Quadrant Housing Trust where arrears as a proportion of the total rent roll increased from 3% to 7% following direct payment with additional transaction costs of £300,000 for its 16,500 tenants on housing benefit if 90% were to move to direct payment[21]. This current year is likely to be dominated by the need for housing providers to start planning for the changes and their implications in advance. It will be essential to ensure residents are prepared for these changes and properly supported and informed.

Furthermore, there are health costs associated with the rising cost of food poverty: poor diet costs the NHS in Brighton & Hove £78.1m in 2010. Research shows that consumption of healthy foods – particularly fruit and vegetables – is dropping starkly amongst the poorest consumers as prices rise disproportionately for these products.[22]

The Cost for Brighton and Hove

Locally, this means that if the Welfare Reform measures are not managed appropriately it will lead to increased hardship for Brighton and Hove's financially excluded residents (including BHCC tenants). For the city council (and its partners), this could mean increased costs, which far outweigh the value of investments in tackling the problem, examples of which are described in the Table One below.

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[20] Advisor on Poverty, Joseph Rowntree Foundation
[21] NHF (2011a) – Briefing on Welfare Reform Bill (Second Reading).
[22] NHS Brighton & Hove Public Health Directorate (2011); Food Prices and food poverty: Some Key Facts, Martin Caraher, Centre for Food Policy, City University London 2012

Table One: Cost/Benefits of Financial Inclusion in Brighton and Hove

Cost of Financial Exclusion	**Benefit of Financial Inclusion**
Arrears recovery.	- A reduction in the level of rent arrears and sustained income generation and cash flow for the council. - A reduction in the number of evictions, bailiff visits and court actions as a result of rent or council tax arrears. - A reduction in the number of failed tenancy rates, abandoned properties and housing void costs
Legal costs and challenges.	A reduction in the number of court cases and therefore costs associated with this.
Additional demands on 'high end' expensive statutory services & increased pressure on other agencies including third sector	Increased resilience leading to reduction in demand for support services
Transactional costs.	Increase in use of the most efficient collection methods e.g. direct debit and other automated payments
Rising debt levels.	Access to basic banking facilities and improved skills and knowledge in relation to money management.
Costs of temporary accommodation.	A reduction in the number of people presenting as homeless

The City Council has approximated the introduction of the Welfare Reform Act to have a considerable negative impact on the local economy. Forecasts suggest this could be as high as £13.35m in loss to the economy.

The wider costs to the city council and other public bodies have not been quantified as part of this needs assessment but will include those costs described above and ultimately therefore impact on the local authority's work with the city's most disadvantaged individuals and families. It is recommended that these costs be assessed in order to determine the cost benefit analysis of funding financial inclusion work.

1.7 The scope of this needs assessment

The scope of this assessment is limited to a summary of the available information and data. This has included national and local data; council reports and other internal documents; desk-based research into how other local authorities are delivering interventions to reduce financial exclusion; data collected from consultation events; data from other government reports and research commissioned by the city council.

In particular, the needs assessment and recommendations have been informed by research undertaken for Brighton & Hove City Council by Toynbee Hall (2012).

The Council is positively encouraging contributions to this document and the ongoing process for creating a new financial inclusion strategy and all stakeholders are encouraged to take part.

The first draft has been widely circulated for consultation and the current draft takes into account feedback and other comments from a range of partners. Contributors are set out in section 7.

2. Recommendations for Consideration

Toynbee Hall set out a number of recommendations in relation to its review of accessible banking facilities locally and these are briefly described below:

- The creation a commissioning plan to integrate currently diverse services into a single offer within a Community Banking Partnership (CBP) framework, incorporating the provision of:
    - Money and Debt Advice
    - Affordable Credit, Basic Banking and Savings facilities
    - Financial Education
- Recommendations for ensuring services within the framework are able to effectively identify and meet changing needs;
- Recommendations for linkages between the CBP delivery model and services aimed at the relief of Food and Fuel Poverty;
- Recommendations for embedding the principles of Financial Inclusion within the policies and practices of the Council and consideration of how this might extend to other public sector partners in the city.

Furthermore the council's Financial Inclusion Board has identified a set of financial inclusion outcomes which will its financial inclusion strategy will seek to address. These are subject to consultation but are set out in Table 2 below.

<u>Table Two: Draft Commissioning Outcomes for Financial Inclusion</u>

OUTCOMES AND ACTIONS TABLE – FINANCIAL INCLUSION	
Strategic Outcome: The residents of Brighton and Hove are able to maintain and improve their financial wellbeing and resilience.	
Delivery Principle: Those most disadvantaged and at risk of exclusion will receive the greatest support in achieving better financial wellbeing and resilience	
Strategic Actions	**Aims and activities for achieving strategic actions**
Commissioning a Community Banking Partnership	The establishment of a sustainable Community Banking Partnership aimed at ensuring residents most disadvantaged and most at risk of experiencing financial exclusion are able to achieve better financial wellbeing and resilience. Specifically these diverse services will incorporate the provision and development of: • Money Advice • Affordable Credit, Basic Banking and savings facilities; and • Financial Education. The commissioning plan will include measures to ensuring services within the framework are able to:

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	• effectively identify and meet changing needs through, for example, consistent service delivery data capture and analysis; and • establish strong and effective links between the CBP delivery model and services aimed at the relief of Food and Fuel Poverty.
Brighton and Hove City Council will review its organisational culture, policy and practice to ensure it better supports financial wellbeing and resilience.	This will include an organisational health check to review policies and practice. Resulting actions could include: • Development of a training programme for frontline workers • Development of effective referral routes from frontline services in to CBP services
City partners will work collaboratively together to better utilise city resources and promote financial wellbeing and resilience.	Likely to include • Explore an advice 'hub' • Explore volunteering options • Increase business and profile of credit union.

3. Timeframe

This needs assessment commenced in December 2012 and is a starting point to inform the broader Financial Inclusion programme and commission and will develop throughout the lifetime of that project.

It is intended that a final version can be available to support commissioning in the next financial year (2013/2014) and that the programme will continue to ensure that future needs are identified through the use of improved monitoring and data collection.

4. Who's at risk and why?

The links between low educational attainment, unemployment, poverty and financial exclusion are well documented. Research data confirms that more people are falling into poverty as a result of the increases in the cost of living, cuts to public services and welfare reform. However, there are a number of specific reasons why people are particularly at risk now.

Personal Debt
There appears to be a consensus that personal debt and over-indebtedness in the UK is a growing problem. From 1993 to 2009 there was a steady increase in total credit card debt and total consumer lending (Ford & Wallace, 2009). Including mortgages, the current average household debt in the UK, as of August 2012, was £53,706; with average consumer borrowing (including credit cards, motor and retail finance deals, overdrafts and unsecured loans) at £3,185 per UK adult (Creditaction, 2012). Based on August 2012 trends, the UK's total interest repayments on personal debt over the previous 12 month period have been £60.1 billion (£164 million per day). This has resulted in UK households paying an average of £2,284 in annual interest repayments. Moreover, it has been suggested that total household debt is predicted to grow to reach £2.1tr by 2015 from its current level of 1.5tr (Gulliver & Morris, 2011). Indeed this figure is more than double that of a decade ago (Mewse et al 2010). While the financial crisis has decreased the size of the UK loan market over the past 5 years by about 6%, consumer borrowing still amounts to approximately 43% of the gross domestic product (Kamleitner, 2012).

This increase in personal debt is associated with an increase in problematic personal debt or 'over-indebtedness'. For example, The Citizens Advice Bureaux in England and Wales dealt with 8,465 new debt problems every working day during the year ending June 2012 (Creditaction, 2012). Recent research by UNITE found 82% of people reported their wages cannot last the month, with many working people turning to payday lenders to maintain household finances.[23]

> *Another reason why people are in debt is just because of low income. Most of the people we work with are out of work or they are in low income jobs and they take credit just to live.* ***MACS worker***[24]

The increasing cost of living
Food prices have risen by 30.5% over the last five years, particularly in 2008 and 2011 when food prices rose rapidly. The National Minimum Wage has risen only by 12.1% in the same period. This inflation has been driven by food and fuel prices, both of which account for a high proportion of the spending of people living in poverty. In addition, people living in poverty have to pay more for basic necessities such as gas, electricity, banking and food. This 'poverty premium' is estimated to cost them an additional £1,170 a year. Finally, tax rises have been significant affecting people living in poverty more. The poorest 10% pay twice as much of their income in VAT as the richest 10%. The Institute for Fiscal Studies (IFS) has calculated that, between 2008 and 2010, the poorest fifth of households experienced an inflation rate of 4.3%, against 2.7% for the richest fifth. The Joseph Rowntree Foundation estimates that the cost of achieving a Minimum Income Standard – a minimum standard of living, based on a broad survey of what members of the public think constitutes the basic requirements of life – has risen by 43 per cent over the past decade, compared with 27 per cent for general prices.

Public Service Funding
Changes in public spending tend to affect the poorest tenth of the population thirteen times more than those doing well. The Government plan to achieve the majority of their deficit reduction programme through public spending reductions; which roughly equates to an income reduction of a fifth for vulnerable people.

Changes to public services are likely to mean reductions in health care and social care, and the loss of smaller services such as counselling support, care homes, school crossing patrols, and youth clubs.

Reductions in public service have a particularly strong impact on gender equality, as women are more likely to be reliant on public services than men. Changes to the Sure Start programme in England and the thinner spreading of cash support for childcare support under Universal Credit, will particularly affect women. Public service cuts also have an impact on unemployment. Public sector employment levels are in steep decline, and women form the majority of public sector employees.

Welfare Reform and Benefit Changes
The Welfare Reforms will have two significant consequences for those affected:

- Reduced household incomes (as claimants receive less overall welfare benefits); and

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[23] Responsible individuals and irresponsible institutions? A report into Mental Health and the UK credit industry; Carl Walker, Liz Cunningham, Paul Hanna, Peter Ambrose; University of Brighton, December 2012
[24] ibid page 19

- Wholesale changes to the way benefits payments are received, requiring significant adjustment to household budget management.

72% of the cost of the changes to benefits announced in 2010 will be borne paid by women on the lowest incomes. One of the largest contributions has come from reductions in benefits for working-age people, accounting for £18bn per year by 2014–15.

According to the House of Commons Library, 72% of reductions announced in the 2010 Emergency Budget will be met from women's incomes, against 28% from men's. The introduction of Universal Credit will simplify the benefits system, making it easier for people currently on benefits to transition between unemployment and work. Yet, just as the system is simplified, so eligibility is being tightened for many claimants.

Changing Labour Market
Since the recession started, 830,000 permanent full-time jobs have been lost, and half a million new part-time jobs created. The number of people in temporary work job has risen by 73%

For a substantial number of people in the UK, work is characterised by insecurity, uncertainty over hours, underpayment, a succession of short-term jobs, or a combination of these. There are estimated to be two million 'vulnerable workers' in the UK; and it now has the third lowest level of employment protection legislation in the Organisation for Economic Co-operation and Development (OECD) – trailing Greece, Turkey, and Mexico.

The UK has the highest number of zero-hours contracts in Europe (contracts in which a person is required to be on call for work, but has no guaranteed hours of work and is only paid for the hours they do work)

Women are in the most precarious and vulnerable position and taking into account the loose labour market and the shortage of jobs means that more are being forced to turn to insecure work, with few rights – or to waive the rights they do have.

The number of 'frustrated part-timers' – those who want and need full-time work – is at a record high, which is particularly significant as such work is generally low-paid and less secure. A very high proportion of jobs created since the first recession have been part-time, and one in three is a temporary job.

Educational Attainment and Employment
At the start of 2011, 7.5% of the city's young people aged 16 to 18 (between 400 & 500 young people) were not in education, employment or training (NEET), down from 9% in 2010. The highest numbers of NEET young people are found in Moulsecoomb & Bevendean, Whitehawk, Queen's Park and Craven Vale. Although educational attainment at Key Stage 4 has improved over the last two years, attainment at this level is still low compared to the rest of the South East, resulting in high numbers of young people who are NEET, increasing the likelihood of their becoming financially excluded. Data on unemployment are set out in subsequent sections.

4.1 Profile of affected population

There are a number of key groups that will be affected by these changes.

Single People under the age of 35
Single people who are under 35 will have the amount of housing benefit they can claim restricted to the amount for a room in a shared house rather than a self-contained flat. This

means a reduction from about £150 per week to about £80 per week. The changes commenced in January 2012 and affect approximately 650 people across the City, the majority of whom live in the wards of St Peters and North Laine, Brunswick and Adelaide, Regency, Queens Park, Central Hove and Goldsmid.

Local Housing Allowance (LHA) recipients
The reduced rate of benefit which applied to new applicants from April 2011 will begin to apply to all LHA cases. Most of these reductions are relatively small and in the region of £5 to £15 per week, however they are still likely to feel very significant to those affected because of their generally low weekly income. In Brighton and Hove, 6500 people will be affected by the changes. The majority of these people live in the Goldsmid, St Peters and North Laine and other central Brighton and Hove wards.

Non-working families
Beyond these changes, there are a raft of further proposals that will erode levels of housing benefit across the City. Amongst key concerns is a reduction of income for the most vulnerable households; the total benefit cap~~s~~ is £26,000 per annum for a family household and £18,200 for a single person. The family cap applies regardless of the number of children or other dependents in the family; larger families will therefore be particularly affected[25]. Over 80% of households likely to be affected by the cap will include three or more children. The Children's Society has produced research showing that 75% of people affected by the cap will be children - 210,000 children in all – and that children are nine times more likely than adults to be affected[26]. The degree of effect will depend upon the number of children in the family and other factors including housing costs. Notably, child benefit is included within the cap.

In Brighton and Hove, these changes will affect 300 families and must be implemented by the end of September 2013. The council and JobCentre Plus will be working directly with the affected families to support them through this transition including support into employment. The majority of those affected by these changes are residents in the following wards:

- Moulsecoomb and Bevendean (the most affected ward)
- East Brighton
- Hangleton and Knoll
- Hollingdean and Stanmer

Working age people
Universal Credit (UC) is designed for people of working age and the Government states that its aim is to make work pay. From April 2014 onwards UC will include payments that are currently made through Income Support, Job Seeker's Allowance, Employment & Support Allowance, Child Tax Credit, Working Tax Credit and Housing Benefit. UC will be:

- One payment per month in arrears mimicking salary payments;
- 1 payment made per household (rather than per individual);
- Housing Benefit paid directly to recipient;
- 1st payment in arrears; and
- Made to a transactional account.

The combined proposals are projected to impact severely in the City because of the high proportion of private rented sector accommodation. The highest concentration of the private

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25 Department for Work and Pensions, *Household Benefit Cap: Equality Impact Assessment*, October 2011
26 The Children's Society, *The distributional impact of the benefit cap*, September 2011

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rented sector is in the St Peters and North Laine, Goldsmid, Queens Park and Brunswick and Adelaide wards. It is probable that there will be added homelessness potential if the rental market is unable to meet the demand for affordable accommodation. This may result in migration away from the City because, for some, living in Brighton & Hove on benefits may no longer be affordable.

Households living in Fuel Poverty

In December 2012, the Fuel Poverty Advisory Group (FPAG) warned that up to 300,000 households could fall into fuel poverty this winter, and the nation's total number of fuel poor homes is expected to reach nine million by 2016. A household is considered fuel poor if it spends more than 10% of its income on heating costs.

The average direct debit cost of heating a home is now £1,247 per year, having risen 7% in 2012, and increased costs seem likely.

The Carbon Tax imposed on bills currently adds £25.00 to an annual electricity bill. Rising costs will push this number up to £54 per consumer by 2020, doubling the current total of carbon tax revenue from £2bn to £4bn over that same time. FPAG is urging the use of some of the £4bn of carbon tax money to offset the cost of home insulation, a measure they believe is a one time cost that offers a long time solution to rising fuel bills. According to FPAG, proper home insulation can reduce fuel bills by as much as 45%.

The number of households living in fuel poverty in Brighton and Hove has increased over the last three years. In 2010 approximately 16,000 households were calculated by the Department of Energy and Climate Change (DECC) to be in fuel poverty. On the basis of the proportion of households in fuel poverty, the city is in the worst-performing 10% of Local Authorities in the South East including London. Rates of fuel poverty range from 1 in 17.5 households in parts of North Portslade to 1 in 4.6 households in parts of Moulsecoomb and Bevendean.

Map One below shows the fuel poverty levels in each ward based on Local Super Output Areas (LSOA).

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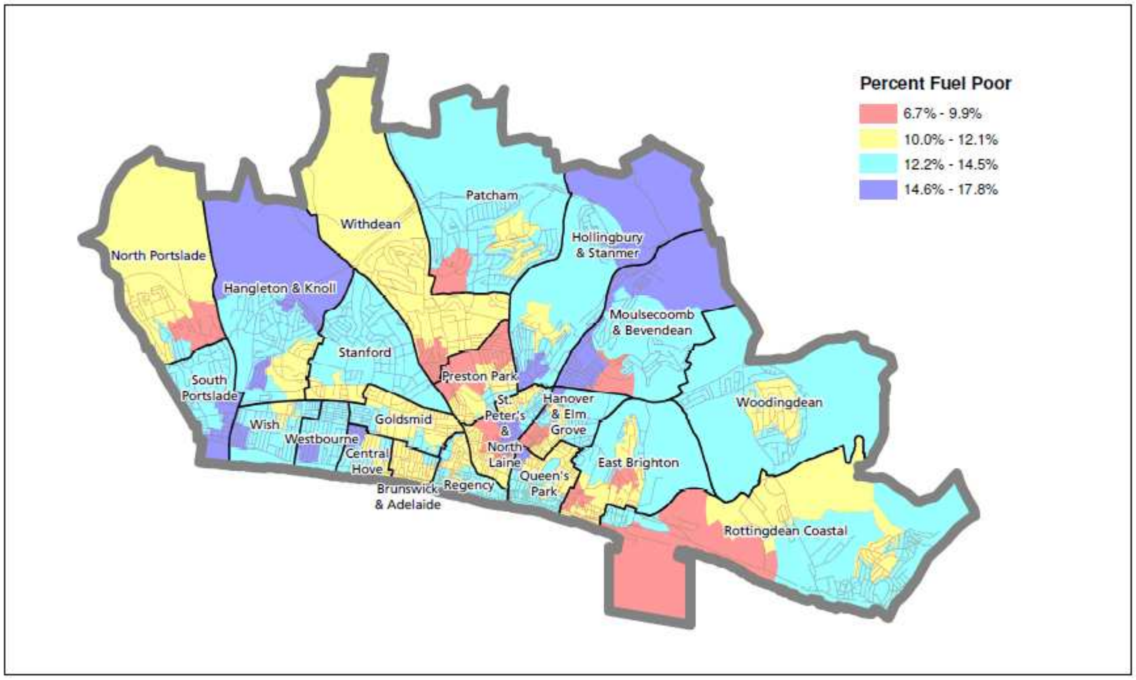

Households living in food poverty

As well as increasing demand from local food banks, it is reported that an increasing number of households are regularly skipping meals – or eating cheap but nutritionally inadequate food – for financial reasons. The full reasons are complex and can also relate to other factors such as cooking skills and access to cooking or storage facilities. There is little hard data relating to the city but it is clear that food is often the 'flexible' item in a household budget when fixed costs such as utilities or rent etc increase; or when household income goes down.

It is also established that there is a strong link between food and fuel poverty, with households often faced with a 'heat or eat' choice. Food poverty is an important factor because diet has such a significant impact on health, as well as having established links with children's educational performance and even the incidence of antisocial behaviour.[27]

4.2 Financial Exclusion in Brighton and Hove by Ward

Research carried out for the Government's Financial Inclusion Taskforce in 2010 on likely levels of financial exclusion in the UK ranked Moulsecoomb and Bevendean ward as one of the most financially excluded wards in the country; Without a concerted financial inclusion effort there is unlikely to have been any absolute improvement in Brighton and Hove's financial exclusion levels, and focussed programmes elsewhere in the UK will have left Brighton and Hove residents more financially excluded compared to other areas than in 2010.

The same study ranked a further 9 wards across Brighton and Hove within the most financially excluded half of the UK's population.

[27] Food Poverty, The Local Picture, Brighton & Hove Food Partnership, November 2012

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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. This is set out in Table 3 below.

Table 3: Financial Exclusion in Brighton and Hove by Ward

Census Wards	Household estimate 2009	Population estimate 2009	Financial Exclusion Septile Ranking (1-7)	Financial Exclusion Ranking (1-10,000)
Moulsecoomb and Bevendean	5905	15,422	7	1424
East Brighton	6569	14,110	6	1839
Hollingbury and Stanmer	5176	13,900	6	2312
Queen's Park	7571	14,085	6	2423
Hanover and Elm Grove	6388	14,338	5	2976
St. Peter's and North Laine	8227	16,168	5	3467
Brunswick and Adelaide	5693	10,459	5	3926
North Portslade	4120	9,857	5	4143
Regency	5176	9,727	5	4201
Hangleton and Knoll	5957	13,634	5	4274
South Portslade	3911	9,191	4	5011
Central Hove	5472	9,789	4	5130
Goldsmid	7876	15,010	3	5792
Woodingdean	3882	8,987	3	5976
Preston Park	6481	13,973	3	6432
Wish	4108	8,929	3	6766
Patcham	5752	13,025	2	7315
Westbourne	4646	9,747	2	7538
Withdean	6153	12,726	2	8462
Rottingdean Coastal	6455	13,239	1	9195
Stanford	4098	9,730	1	9452

Source: Experian, Financial Inclusion Taskforce Research 2010

Septile ranking: 1 = least likely to be financially excluded; 7 = most likely to be financially excluded. For the purpose of this mapping, financial exclusion is defined through identifying those people, households and communities which display behavioural, attitudinal and demographic characteristics that collectively indicate a requirement for, and exclusion from, mainstream financial services; such indicators include income, financial products holdings, affluence, outstanding borrowings and proportion of disposable income spent on household fuel.

Data from the 2011 Census and other local research highlights other pertinent issues in the city.

Child Poverty

Brighton and Hove's child poverty rate is in line with the national level but significantly higher than the regional level. 22 per cent of the city's dependent children (10,555) aged up to 19 lived in poverty in 2008, compared to 21 per cent at the national level and 15 per cent in the South East. East Brighton had the highest proportion of dependent children & young people in poverty at 47 per cent in 2008; Moulsecoomb & Bevendean had 45 per cent.

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Over half of Brighton and Hove residents, 55 per cent (139,600 people), live in some of the 40 per cent most deprived areas of England in 2010. The city is ranked the 66th most deprived authority out of 326 in England using the 2010 Indices of Multiple Deprivation.

Areas of Deprivation
Two of the city's 164 areas are in the most deprived one per cent of areas in England; one in East Brighton & one in Queen's Park. Two of the city's areas, both in Hollingbury & Stanmer, are in the 20 per cent most deprived in England for all seven domains on the Index of Deprivation.

East Brighton and Moulsecoomb & Bevendean experience the greatest concentration of family poverty, whether or not parents are working. However figures show that there are other wards in the city, such as Patcham and Goldsmid, where out of work poverty is relatively low but, by contrast, working poverty is a higher percentage of total poverty.

Unemployment
The city has a slightly higher rate than the national rate of people claiming out of work benefits. 12.8 per cent of residents (22,910) are in receipt of out of work benefits compared to 12.2 per cent nationally. 96 per cent of claims for lone parent benefits in 2010 were made by females. Younger and older age groups experience higher levels of worklessness compared to middle aged groups, aged 25 to 49 years[28].

Brighton and Hove has higher than average unemployment of 6.8% in Brighton & Hove compared to the national average of 5.7%. In Brighton & Hove there has been a steady increase in youth unemployment. Figures for 16-24 year olds show an increase from 1505 in June 2011, to 1815 in January 2012.

- In 2010 average weekly earnings were below the national average for men but above the national average for women;
- In August 2010 the percentage of residents claiming key out of work benefits was 13.1%, compared to the England average of 12.3%;
- In September 2010 the percentage of economically inactive people who wanted a job was 6.8%, compared to national average of 5.7%;
- In Quarter 4 of 2010 the average price of a 3 bedroom home was £320,946, requiring an income of £74,064 to secure a mortgage;
- In 2010 house prices rose by 4.8% compared to 1.5% nationally, making them 36% higher than the national average;
- In 2010 the average monthly rental price for a 3 bedroom home was £1,350. The cost of renting in the city is now the highest in the country after London;
- Of local concern are proposals to reduce the maximum Local Housing Allowance that will leave some families at risk of a shortfall in payments;
- Homelessness applications and acceptances to the Council's Housing Options team have risen over the last two years[29].

In Brighton and Hove, 11,000 (23%) of children live in households where all adults are out of work, compared to 15% in the South East and 20% in England. In seven Super Output Areas (SOA) across Brighton and Hove more than half of all children live in families with all adults out of work. In the Lower SOAs which are among the 20% most deprived in England, over 45% of children live in families where both parents and carers are out of work. These are all in the east

[28] State of the City Report 2011
[29] Brighton & Hove Child Poverty Needs Assessment 2010/11

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of the city in the wards of East Brighton, Moulsecoomb, Bevendean, Hollingbury, Stanmer Park and Queen's Park[30].

Working Poor

Brighton & Hove experiences higher living costs compared to many other parts of the UK, especially with regard to housing costs, and some key sectors of the local economy are based on low wage employment. Lower-paid employees in the city therefore face even greater pressure to meet living costs on current wages than those in other parts of the country.

Shelter's index of housing affordability reflects this position, showing that the ratio of housing costs to pay is 50% higher in Brighton & Hove than the UK average and substantially higher even than in some London boroughs.

4.3 Financial Inclusion & Equalities

There is a range of evidence from both national and local research and the 2011 Census data to show that people who are already at risk of social exclusion or discrimination, are more likely to be financially excluded than other groups.

Age – older people

Financial exclusion increases with age. For example, 12% of people over 85 do not have a bank account[31] and financial exploitation is one of the most prevalent forms of elder abuse[32]*.* In Brighton and Hove, three per cent (6,500 residents) are aged 85 or more, and 2,400 are aged 90 or older. The number of residents aged 90 years or more is expected to increase from 2,400 to 3,400 people, an increase of 42 per cent, over the next decade.

According to Age UK, lower income couples where one partner is working and the other has reached Pension credit Age, in future will end up with an income of up to £100 less a week than other pensioner couples because of the Welfare Reform changes.

Age – Children and Young People

The Census 2011 estimates that there are 47,100 young people in Brighton and Hove aged between 16 and 24, representing 16% of the city's population against an England average of 12%.

Financial Services Authority surveys show that young people are likely to be less financially capable than older people. Also, Current Account use is lower for people aged 18-24 year olds at 88% than the national average of 92%. Home contents insurance take up is 79% overall in England, but only 41% for 16-24 year olds[33].

Child poverty data for Brighton & Hove shows that 10,555 children and young people are raised in poverty. This represents 22% of the total population of children and young people under the age of twenty in the city.

In May and June 2009, MyBnk[34] and the Aldridge Foundation undertook an assessment of the financial education needs of young people in the Brighton and Hove Area. The target group for

[30] OCSI, Educe Ltd, 2007
[31] Help the Aged: Response to the Treasury Select Committee, 2006
[32] Help the Aged: The Financial Abuse of Older People, 2008
[33] Family Resources Survey, 2008
[34] MyBnk is a national charity that delivers financial and enterprise education to young people aged 11-25 in schools and youth organisations

the study were young people from primary school age to 25. The research study found that when participants considered their relationship with money: stress, confusion, concern, fear, isolation and a lack of understanding were reoccurring themes brought forward. Increased confidence and more financial education were their solutions for improving their relationship with money. The study found a clear need for greater financial education in the most deprived areas of Brighton and Hove. Understanding the circumstances and issues affecting young people in these areas will help identify those who would benefit most from greater access to financial education.

The study also found that access to financial services was relatively limited. Three of the nine participants from Stopover [35]did not have a bank account. This was either out of personal choice having been misled by banks in the past, or as a result of having a bad credit history. Two of the older participants had a very bad experience with banks when they were younger.

Also, financial exclusion can be a consequence of young peoples' lack of confidence in dealing with banks and financial services. Most participants explained that banks offered them things they did not need, or want, like travel insurance. Only two participants had a bank account that they regularly used and felt comfortable with.

At the Connexions Centre all of the participants had a bank account. The bank's location seemed to be an issue as the nearest bank was 25 minutes away from their area. All the banks in the Brighton and Hove area are situated in town or on the University campuses. It was discussed that one of the biggest factors influencing financial exclusion was that they lacked the confidence and ability to go to these locations[36].

The same study found a lack of awareness about the different providers of financial advice in the area. At StopOver, they all agreed on the inefficiency of the JobCentre, and few released that the Citizens Advice Bureau was a place where they could seek financial advice. There is a need to raise awareness of the existing providers so that young people can benefit from more than one source of financial advice. There is also a lot of value in ensuring services are personalised and friendly, so that young people decide to access them.

Benefit rules for young people in general, and for 16-18 year olds in particular, are extremely complex and intervention from an experienced advisor is often needed to secure entitlement.

Research undertaken by the Money Advice and Community Service (MACSS) further supports this needs for advice amongst young people. MACCS acknowledges that young people are more likely to be over-indebted that older age groups, but less likely to seek advice, suggesting "a high latent demand for debt advice amongst young people". Furthermore, the Consumer Credit Counselling Service's report '*Debt and the Generations*'[37] confirms that young people are getting into more debt, earlier in life and will be unlikely to acquire assets in the same way their parents and grandparents did. Almost three-quarters of people aged 18-39 now have unsecured debts, compared to around 60% of the 40-54 age group. Young people clearly need better money advice and help to improve their financial capability.

[35] Stopover is run by Impact Initiatives for young women who are homeless and need a safe place to live

[36] An assessment of the financial education needs of young people in the Brighton and Hove Area, MyBnk and the Aldridge Foundation, 2009

[37] Debt and the family series; Report 2: Debt and the generations, The Financial Inclusion Centre; commissioned by the Consumer Credit Counselling Service

According to Youth Access[38], young people's access to advice is disturbingly poor. Their report confirms the need for young people to get advice from services that are informal, confidential and focused on young people. Young people are also less likely to make successful use of the Internet to get advice that older age groups, preferring face-to-face contact. Providing advice in this way leads to improvements in young people's physical, mental, social and emotional well-being including their ability to manage money.[39]

Those leaving the Armed Forces

In the recent NHS Veterans Health Needs Assessment it was found that veterans have a number of additional disadvantages in relation to financial exclusion. In the past this has included proving a local connection in order to be accepted onto a local housing register or receive homelessness relief and establishing a credit history to access financial products.

Black and Minority Ethnic (BME) Communities

Some BME communities are already at increased risk of social exclusion and poverty resulting in increased financial exclusion. E.g. Pakistani and Bangladeshi men earn on average £150 per week less than White British men and national research shows that Bangladeshi and Pakistani communities are twice as likely not to have a bank or building society account than the rest of the population[40].

The recession has left almost half of young black people unemployed, according to a study by the *Institute for Public Policy Research* (January 2010). Unemployment among this group is up by 13% from 35% since the recession began and is well over twice the rate of unemployment among white young people which stands at 20%. Home contents insurance take up is 79% overall in England, but 45% for Black British, Pakistani and Bangladeshi households[41].

Financial inclusion services may be inaccessible due to:

- not being sufficiently or appropriately promoted or targeted to BME communities (and therefore being perceived as not being "for everyone");
- not being offered in areas where BME communities live;
- lack of translation / interpretation facilities for people who have limited English skills; and
- lack of engagement of BME communities in planning and developing services.

Similarly, in terms of religion and belief, financial inclusion services may be inaccessible due to, for example: not being sufficiently or appropriately promoted or targeted to different religious groups; lack of religious or cultural awareness of providers; or lack of Sharia compliant products. There is also likely to be deep cultural issues in terms of seeking help and advice from amongst the community or religious leaders rather than charities or local authorities.

At the time of the 2011 Census, in Brighton and Hove 0.2% (649 people) were Pakistani; 0.5% (1,367 people) were Bangladeshi.

Carers

The number of carers struggling financially has risen dramatically since 2007. Two-thirds are in fuel poverty; over half in debt; over half cutting back on essentials like food or heating to make

[38] *Young People's Access to Advice – The Evidence,* J. Kendrick, Youth Access, 2009
[39] *Young People's Access to Advice – The Evidence,* J. Kendrick, Youth Access, 2009
[40] Family Resources Survey 2008
[41] Family Resources Survey, 2008

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ends meet[42]. At the time of the 2011 Census, the first time data on carers was collected, almost 22,000 people of all ages said that they provided some informal care. Over 4,000 people (19% of unpaid carers) spent 50 hours or more a week caring. Over half (52%) were aged 50 or over. The economic value of the contribution made by carers is estimated at £223 million in Brighton & Hove. In the city, there are 1,460 carers[43].

Young Carers

The Child Poverty Needs Assessment 2010/11 identifies that children and young people caring for sick or disabled family members are more likely to have reduced educational, social and employment opportunities. They are more likely to live in families reliant on out of work benefits and face greater barriers to getting work as young adults. A recent enquiry led by Baroness Tanni Grey-Thompson and supported by the Children's Society, Citizens Advice and Disability Rights UK points to an increased burden on young carers as a result of the changes to the Severe Disability Premium.[44] In 2001 there were almost 500 carers aged 8-17 years in the city.

Digital Exclusion

The introduction of Universal Credit has implications for those who are digitally excluded. UC is intended to be a predominantly web-enabled benefit; the UC business plan anticipates 80% of activity to be conducted online which will present potential challenges for those working with the digitally excluded.

The Office for National Statistics recently published the 2012 statistics around Internet access for the UK which showed that 85.3% of people living in the area of Surrey, East and West Sussex had used the Internet at some point. This is down from 2011 when it was 87.1%. However this is still higher than the national average of 83.7%. This also shows that 14.7% of people living in the area claim to have never used the Internet

The 2011 Census showed that out of all the census returns received in Brighton & Hove, 18.5% of returns were made online. This is slightly above the average of 16% across the rest of the country.

Brighton JobCentre Plus carried out an online survey of new claims customers in which all were given the opportunity to complete the survey, but not all took up the offer. 125 completed surveys were received, and showed the following:

- 80% had access to the Internet;
- Of those, 75% completed their application on line;
- Of those, 90% of those completing the online application found the experience generally problem free; and
- 25%of those completing the survey did not claim online despite having access to the Internet.

The Local Authority Tenants Survey from December 2011 found that among all tenants, over 56% had access to the Internet at home or elsewhere. More than two out of five tenants (44%) had no access to the Internet. However, Internet access varied considerably by demographic group. For example:

- 79% of those aged between 21 and 64 had access to the Internet either at home or elsewhere;

[42] Carers UK: The Cost of Caring, 2008
[43] Source: DWP benefit claimants - working age client group
[44] 'Holes in the safety net: the impact of universal credit on disabled people and their families' October 2012

- 93% of households with children had access to the Internet either at home or elsewhere;
- 72% of those aged 65 and over claimed to have no access to the Internet either at home or elsewhere.

Some of the barriers that people stated within the Local Authority Tenants Survey regarding what stops them from having an Internet connection included:

- Specific barriers preventing them from investing in a household Internet connection;
- 19% indicated that equipment costs were too high;
- 21% stated that lack of skills prevented them from getting the Internet; and
- 50% of those without a household Internet connection said they didn't have one because they "don't need the Internet".

A study by the Money Advice and Community Services (MACSS) on digital inclusion as it related to financial inclusion[45] found that although there were a plethora of websites for accessing information, they were not appropriate for providing advice. The study also found that people don't know where to look for help online and don't know how trustworthy websites are, particularly when found using a search engine. The majority of those surveyed preferred to receive advice face-to-face, using online information as a complement to that advice.

To address the confusion regarding the variety of money and debt advice websites, the report recommends more publicising of useful money websites among Brighton & Hove's client-facing workforce across all sectors, e.g. support workers, housing officers, Job Centre staff, employability advisers, community workers, health visitors, library staff and access point staff. The report suggests using The Wave, the SCIP list, the CVSF list and Frontliners to share the useful money websites poster. Given the universality of financial problems this would be of benefit to staff as well as clients.

Overall, there is insufficient data to demonstrate that digital exclusion is a critical issue in Brighton and Hove. It may be that those least able to access or have the skills to use IT will be those who are already receiving a high level of support from a range of agencies. Furthermore, there also appears to be a lack of awareness in terms of free access to computers at a range of locations across the city including in all 15 neighbourhood libraries and many community centres, particularly those in the two areas where multiple deprivation is highest: East Brighton (The Whitehawk Inn), Moulsecoomb (The Bridge) and Hangleton and Knoll (Hangleton and Knoll Community Centres). Details of the work being undertaken by the Library Service is included in section 13.

Disability

Disability often goes hand in hand with unstable income, poverty and debt, which are all linked with financial exclusion[46]. People with disabilities may find it difficult to access basic financial services – e.g. travelling to get debt advice or waiting in a long queue when they get there[47]. Current Account take up is 68% for disabled people, against a national average of 92%[48]. In Brighton and Hove, nine per cent of adult residents (15,600) are thought to have a physical disability of some kind[49]. Families with a disabled child or adult have a 42 percent risk of living in poverty. It costs three times as much to bring up a disabled child, and parents often take on the

[45] Financial Inclusion Pathfinder, MACSS August 2012
[46] New Philanthropy Capital: Short Changed, 2008
[47] Joseph Rowntree Foundation: Financial Exclusion in the UK, 2008
[48] Family Resources Survey, 2008
[49] State of the City Report 2011

role of primary carer which makes employment difficult[50].

Impact of universal credit on couples who are both disabled and entitled to the severe disability premium (SDP)
Couples, where both partners are disabled people and both are in receipt of at least the middle rate of the care component of DLA, are currently both entitled to an SDP addition so will lose considerably more than £100 a week under the new system. They are more than £100 worse off on universal credit than in the present system even when one is in work and earning anywhere up to about £300 a week.

Domestic Violence
Research by REFUGE shows that many victims of domestic abuse are financially excluded and that being financially excluded decreases women's ability to leave abusive partners. Significantly, the research also suggested that if women experiencing domestic violence are made aware that there is financial support available to them when leaving a violent partner then this may help them leave[51].

The Children's Commissioner's Impact Assessment of the Welfare Reform Bill[52] expresses particular concerns at the potential impact on children living in domestic violence refuges, where rents tend to be higher: Refuge have stated that 'the cap should be based on actual cost and set accommodation'; they highlight that 'due to the nature of their services, refuges are often in more expensive residential areas and need to be close to amenities' and have warned of the risk of closure of refuges if costs cannot be met[53]. The Commission welcomes the Department of Work & Pensions (DWP) intention to continue to make provision for families in these circumstances reflecting the higher costs involved seeing this as essential for the protection of children's rights to allow children fleeing domestic violence to continue to be accommodated in this specialist accommodation and to prevent closure of refuges, and further to prevent a disproportionate impact on children in refuges' standard of living through the diversion of living cost benefits to meet the costs of such accommodation.

A recent British Crime Survey found an associated risk between poverty (though not social class) and people living in poor households and financially insecure households, and experiences of domestic violence. However, the correlation between poverty and domestic violence does not mean that domestic violence is not found in better off households as well. Domestic violence can also lead to poverty as it makes it more difficult for the victim to hold down jobs and can increase ill health. Furthermore, unemployment and lack of economic resources may make it harder for them to leave a violent partner.

Studies indicate that between 43 per cent and 89 per cent of women experience economic abuse as part of domestic violence, irrespective of their class or economic status, and the experience of economic abuse, as part of domestic violence, leads many women to become 'financially excluded'[54].

The same research found that around one in three abused women at the point of accessing domestic violence services does not have a bank account; this compares with one in twenty

[50] Child Poverty Needs Assessment 2010/11
[51] Addressing the Financial needs of Women and Children experiencing Domestic Violence, Refuge
[52] A Child's Rights Assessment of the Welfare Reform Bill, The Children's Commissioner, January 2012
[53] Refuge, *Housing Benefit Reform – Supported Housing*, October 2011
[54] Sharp, N., (2008) *'What's yours is mine': The different forms of economic abuse and its impact on women and children experiencing domestic violence,* Refuge

households in the UK not having a bank account, and one in nine low-income households not having a bank account.

Gypsy and Traveller Community

Travellers are identified as being the most disadvantaged ethnic group in the country, suffering a high level of inequality. Travellers die younger, experience more chronic health conditions, have a poor level of education, and regularly experience discrimination and racial hatred. Lack of suitable, secure accommodation underpins many of these inequalities as access to employment, health, education and other services is made easier when people are living in settled accommodation.

Employment rates are low and poverty high amongst the Gypsy and Traveller communities in the UK and studies have reported that some Gypsies and Travellers face difficulties accessing financial products and services; for example, difficulties providing suitable ID (identification documents) and difficulties providing evidence of a stable address which can be a barrier to opening a bank account. Gypsies and Travellers have also reported concerns that financial services would be hostile towards them[55]. For highly mobile individuals and families, the requirement to prove their previous addresses or sufficient credit-worthiness to obtain a bank account, can be an enormous hurdle. In addition, anecdotal evidence from Scottish research (Lomax et al, 2004, p. 3) notes that having a site address is seen as a problem for finding work or opening a bank account.

Evidence received by the Commission for Racial Equality in 2004 indicated that Gypsies and Travellers rarely make use of New Deal or Jobseeker Plus and feel that services are inadequately tailored to their needs, echoing Webster and Millar's (2001) findings in respect of New Travellers. Employment service providers (both public and private) show little, if any, understanding of the barriers that Gypsies and Travellers face, or of ways of tailoring services to meet their needs. The CRE noted in 2004 that research into the take-up of benefits and benefit fraud failed to consider Gypsies' and Travellers' experiences, but stated that 'many of them may be missing out on benefits they are entitled to, due to low levels of adult literacy, lack of support and suspicion of benefits fraud' (2004, p. 12).

A recent positive development in widening the financial services market for Gypsies and Travellers has been the establishment of a home and contents insurance policy directly targeting Gypsies and Travellers living on authorised traveller sites. Meanwhile, DWP has been working across Government to ensure communities are aware of the services credit unions offer.

To help clarify ID requirements, the Financial Inclusion Team at the DWP worked with the banking industry to arrange a comprehensive list of what ID is needed to open a range of basic bank accounts. This is now available on the Money Advice Service website[56].

According to Friends Families and Travellers (FFT), there are high levels of illiteracy and low educational attainment amongst these communities, representing a further barrier to inclusion.[57] FFT, in their response, also cite the issue of fuel poverty amongst the travelling community as a result of the increasing costs of propane gas and the poor insulation of caravans.

[55] Irish Traveller Movement in Britain; *Roads to Success,*(2010), p52; p108
[56] Progress Report by the Ministerial Working Group on tackling inequalities experienced by Gypsies and Travellers (Department for Communities and Local Government, April 2012)
[57] Feedback on the draft Needs Assessment from Friends Families and Travellers, January 2013

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The Gypsy / Traveller population in Brighton and Hove is estimated at 0.1% (198 people).

Learning Disabilities
Many people with learning disabilities have little control over their own resources. They are mostly given “pocket money”, which they spend on small non-essential items. Before living independently, very few are encouraged to consider managing a budget for essential items[58]. In Brighton and Hove, it is estimated that two per cent of the population (5,033 people) has a learning disability.

LGB Communities
According to the Lesbian, Gay and Bisexual (LGB) charity, Stonewall:

> *Lesbian, gay and bisexual (LGB) people are just as likely to be from low-income backgrounds as any other demographic. However, as it is well documented that discrimination can lead to social exclusion, LGB people are in fact likely to experience greater economic deprivation and social exclusion in some circumstances precisely because of their sexual orientation.*

Discrimination can impact on mental health and well-being, employment, and homelessness;

It is important that all public and private services are accessible, welcoming, and non-discriminative to LGB customers and clients. Prior to the 2007 Equality Act (Sexual Orientation) Regulations, private sector services could discriminate based on sexual orientation (for example, Stonewall points to the example that some banks used to deny joint bank accounts to same-sex couples, which is now illegal). Stonewall’s survey of LGB people[59] found that gay people expect poorer treatment from public services as well - including social housing, criminal justice and health services.

Single LGB people under the age of 35 are likely to be particularly affected by the change to housing benefit entitlement as many choose to live alone due to family breakdown or discrimination or harassment.

Mental Health
The Brighton & Hove Commissioning Strategy for Working Age Mental Health Services estimates that there are between 37,000 and 42,500 people aged 16-65 who suffer from common or severe mental health problems in Brighton & Hove.

Mental health problems can be a cause and a consequence of financial exclusion and there is a strong association between debt and poor mental health. One in four people with mental health problems is also in debt[60]. A recent report by the Royal College of Psychiatrists[61] found that the more debts people have, the more likely they may be to have a mental disorder. Different types of debt may also have a different impact on individuals’ mental health, though this requires further research and analysis. The study also found that debt may have indirect effects on household psychological wellbeing over time, as it impacts on feelings of economic pressure, parental depression, conflict based family relationships, and potential mental health problems among children.

[58] Financial Services Authority, 2007
[59] *Serves You Right*: *Lesbian and gay people's expectations of discrimination,* Stonewall (2008)
[60] FSA/Royal College of Psychiatrists: Final Demand, 2009
[61] *Debt and Mental Health: What do we know? What should we do?*

A similar study by the Financial Services Authority also found poor financial capability is associated with greater mental stress, lower reported life satisfaction, and a greater likelihood of reporting problems associated with anxiety or depression.

Very recent research by the University of Brighton[62] reiterates this link between debt and mental health. The authors identify that debt and "a failure to be able to maintain payment for essential living expenses, such as food, rent and bills, was clearly important, it was also clear that debt clients frequently felt humiliated, disconnected and entrapped and that the processes of debt collection had a clear impact on people's mental health. The harassment and the feeling of being uncontrollably entrapped in these practices of harassment related to experiences of despair, depression, suicidal ideation and what was frequently referred to as 'breakdown'."

As a result of growing debt, the already high number of people in the city suffering from mental health problems is likely to increase, placing further strain on both health and mental health services within the city.

Offenders

Financial inclusion remains a major issue for offenders and the Prison Reform Trust has been working with UNLOCK, The British Bankers Association, the Association of British Insurers and St Giles Trust to address this. There are more than the 80,000 or so people in prison but also the 9.2 million people in the country with criminal records, as recorded on the police national computer. Many people in prison don't have a bank account, or lose it during the process of the criminal justice system. The Prison Reform Trust is piloting a number of schemes across the country to address this issue and the needs of prisoners should be taken account of when providing advice, including, possibly, working within prisons to support prisoners to access financial products prior to their release.

In response to the consultation on the draft needs assessment, Brighton Women's Centre has highlighted the impact of financial exclusion on women offenders. Anecdotal evidence from their work on the Inspire Project (supporting women offenders to prevent re-offending), suggests that women offenders:

- Can only get a basic bank account (which won't be sufficient for receiving benefits and making payments);
- Often have no photo ID, making accessing financial products difficult; and
- Will no longer be able to access crisis loan funding from the new Social Fund to cover benefits delays.[63]

Refugees and Migrants

The Habitual Residence Test including the rules around Right to Reside will apply to all parts of Universal Credit, meaning refugees and migrants will need to provide evidence before qualifying. Sanctions within the system have increased considerably in 2012, but understanding the requirements attached to each benefit and complying with those requirements is increasingly challenging. It presents particular problems for people who are new to the system and who may not have English as their first language.

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[62] Responsible individuals and irresponsible institutions? A report into Mental Health and the UK credit industry; Carl Walker, Liz Cunningham, Paul Hanna, Peter Ambrose; University of Brighton, December 2012

[63] Response to the consultation from Brighton Women's Centre, February 2013

Furthermore changes to immigration law together with reductions in legal aid funding for refugees, migrants and asylum seekers mean that access to free independent legal advice will be severely restricted in the City.

Transgender People

The severe levels of discrimination faced by Trans people (as highlighted in Brighton and Hove City Council's recent Scrutiny Committee's 'emerging themes' report) are such that they are more likely to experience 'Social welfare' related legal problems and therefore need advice. This is because:

- Trans people face significant barriers to employment and discrimination in the work place and many will have advice needs relating to this;
- As a result of the barriers to employment, they may be more likely to be on lower incomes & be reliant on benefits and therefore also experience problems related to debt, benefits and access to suitable housing; and
- In addition, many Trans people experience specific problems in relation to the provision of healthcare services.

The impact of the Single Room Rate (SRR) Restrictions to Local Housing Allowance on Trans People is likely to be high:

- The Single Room Rate restricts the maximum Benefit certain claimants in the private rented sector can receive to the rate for a single room in a shared house, rather than a self-contained studio flat, or one-bedroom property. The SRR was originally introduced for claimants aged 25 and under in the mid 1990's. Since 1st January 2012 it has applied to claimants aged 35 and under;
- The 'emerging themes' report indicates that the rules – which effectively force claimants into shared accommodation – have a particularly negative impact on the Trans community due to issues around privacy and safety. In addition, there is evidence from the advice sector that confirm this: BHT (the main provider of housing advice in the city) were able to cite two recent cases where clients identifying as Trans had reported this as a key barrier.

Gender Trust[64] briefings on supporting transgender clients list financial services as one of the services which people undergoing gender transition may be in need of accessing.

Women and Lone Parent Families

Women (particularly lone parents) are already at increased risk of poverty. Women make up 90% of lone parent households and 43% of children living in poverty are found in lone parent families[65]. Treasury statistics show that between July 2006 and June 2007, 72% of loans made as a result of the Growth Fund (small loans to people on low incomes who can't get alternative affordable credit) were made to women, and 46% were made to lone parents. The Family Resources Survey (2008) found an underuse of bank accounts by lone parents (primarily women) with only 81% using a current account compared to Current Account use in England of 92% overall.

Lone parent families account for the majority of children and young people living in poverty (72.8%) when compared to couple families (27.2%). Again this is similar to the national picture,

[64] The Gender Trust is the largest registered charity (no. 1088150) helping Trans People and all those affected by gender identity issues
[65] Fawcett Society report March 2009

68.2% and 31.8% respectively. The Reducing Inequality Review 2007 showed that 90% of lone parent households in Brighton & Hove were headed by women.

The large majority of children living in poverty in Brighton & Hove live in lone parent families. For these families in particular there are major barriers to entering employment, such as low paid and non-secure jobs, inflexibility of working hours and the cost of childcare among other factors.

For some parents, particularly those looking to return to work after raising children, the overall loss in benefits on entering employment can make it more difficult to meet living costs. Once the current changes to benefit entitlement are introduced there is concern that while more people will have to enter work, where jobs are available, working poverty will inevitably increase as a result.

Lone parents with a disabled child will be particularly affected by the introduction of Universal Credit. Families with disabled children in which someone can work fulltime without incurring childcare costs are likely to be better off under universal credit, despite the reduction in the child disability addition.

Families with no one who can work or where the earner has high childcare costs compared to their income are likely to be worse off under universal credit, whether in or out of work. Families in this position, who are not entitled to the carer addition, are likely to experience even greater losses in work compared to the present system.

The introduction of universal credit will also impact on a disabled lone parent and young carers:

- Loss of the severe disability premium (£58) means that lone parents with young carers will be much worse off in the new system, even if they are placed in the support group. They will have less to spend on care so will have to rely even more on their children; and
- Couples, where one is both the carer and working, will be better off as the partner who is the carer will be able to claim the carer premium even if they work full-time – they will be able to afford more help with care.

4.4 Summary and analysis of the data

In terms of geography, all the data confirms that those most financially excluded are residents in the wards of Moulsecoomb and Bevendean, East Brighton, Hollingbury and Stanmer and Queens Park and advice services need to target these populations. Some research suggests that travelling to access advice services can be a barrier for many people and therefore greater outreach to these communities should be considered. These residents are also those who are most in need of financial literacy and education.

The data suggests that large numbers of residents in Brighton and Hove do not have bank accounts and the need to address this is critical. Further work needs to be done to identify those people who will move to Universal Credit who do not have a transactional bank account. These are the residents who will need advice and support to access appropriate financial products and services and a Community Banking Partnership model is likely to be the most effective way of meeting these needs. Funding support to the East Sussex Credit Union to enable them to offer transactional bank accounts would be the most expedient way of meeting this increasing need.

Women, particularly lone parents who are either on low incomes or in receipt of benefits, are particularly at risk and advice services need to target these residents. Again, a CBP model

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would be beneficial in enabling better referrals from a range of services to money advice providers for these families.

Already financially excluded, many minority groups are particularly likely to suffer from the impact of Welfare Reforms and require face-to-face money advice, financial literacy training and support. Any provision should there seek to pro-actively engage and work with these groups.

- Families (again in particular lone parent families) with a disabled child;
- Older people, who are most likely to be living in fuel poverty and who do not have a bank account;
- Young people without bank accounts and for whom financial literacy training would be beneficial; services need to be focused on young people and face-to-face;
- Disabled people with mobility issues for whom travelling to access services is difficult;
- People with mental health issues, particularly those already in debt;
- Prisoners, prior to their release;
- Transgender people, particularly those who will be affected by the change to Single Room Rate restrictions;
- BME people on low incomes or in receipt of benefits particularly Pakistani and Bangladeshi residents and those with low English language skills.

With a few exceptions, all residents who will be affected by the Welfare Reform changes will see their income reduce and are likely to need advice and support to prevent them from falling into debt or resorting to illegal money lenders. An obvious route to raising awareness and making referrals is via Housing Workers both within the council and through Registered Social Landlords (RSL) in the city.

5. Projected needs in 3-5 years and 5-10 years in Brighton & Hove

Falling incomes and rising inequality are part of a longer-term trend. Between 2008-09, 40% of total income growth in society went to the richest tenth of people, and a decreasing proportion of gross domestic product went to wages. It is predicted that, on current trends, levels of inequality UK will rapidly increase.

Unemployment is rising and social mobility is the lowest it has been for almost 40 years and is forecast to increase further. This, coupled with the welfare reform changes is likely to mean more local residents falling into debt and an increase in the need for money advice and other financial inclusion support services.

The situation is further compounded by the Legal Aid reforms, resulting in an estimated loss of around £1.4m to the city of legal aid spend on independent legal advice (i.e. money, debt and housing advice) as well as a reduction in grant and other funding to the main advice agencies in the city.

6. Views of public

There are gaps in primary data from research relating to financial inclusion. However, in March 2011, the Advice Partnership facilitated a Family Finance Day. The Family Finance day was a joint initiative funded by the Big Lottery (via the Advice Strategy Project) and the Brighton and Hove Parents Forum. It was jointly coordinated by the city council's Family Information Service, the Brighton and Hove Parents Forum, the city council's Communities and Equality Team and the Advice Strategy Project Co-ordinator.

The aims of the day were to:

- Provide advice and information related to financial difficulty in a friendly environment to residents who may otherwise face barriers to accessing this; and
- Consult residents on the financial challenges they face and the support they need.

Around 300 residents attended the event. Questionnaires were given to residents and 79 were completed and analysed. Of these, 71 were from Brighton and Hove residents. Although a limited sample, analysis did highlight a number of interesting points worthy of further consideration by the Advice Partnership:

- 32% of respondents said they had run out of money for food bills or basic items at some point in the last 12 months. 41% were worried this might happen in the next 12 months;
- 31% of the total number of respondents in rented accommodation (private, council & housing association) confirmed that they have home contents insurance;
- 48% of the respondents in rented accommodation said they paid for bills via card or key meter. 74% of those with council tenancies indicated they paid for fuel in this way;
- 27% of respondents said that the cost of childcare had prevented them from taking up a work or training opportunity. More than half of these indicated that neither they nor their partner currently worked;
- 8% of those currently paying a mortgage said they would research the Internet to try to resolve a money related problem before ringing a helpline or trying to get a local face to face appointment (compared to only 8% of those in rented accommodation);
- 48% of respondents in rented accommodation said they would try to get a face to face appointment locally to try to resolve out a money problem before ringing a helpline or researching the Internet;
- 13% of all respondents said they would contact a helpline to try and resolve a money related problem.

It is clear from these findings that face to face advice is of particular importance to people in rented accommodation, particularly social housing. What was also highlighted during the day was that many people were unaware of the free money and debt advice available in the city with several people completely unaware of the fact that CAB offered specific money and debt advice. This highlighted the need for a campaign to raise awareness of the advice services available across the city.

It is also clear that the majority of council tenants were paying for fuel with card or key meters meaning that they are paying considerably more for their fuel than people paying through direct debit.

7. Views of professionals

The first draft Financial Inclusion Needs Assessment has been widely circulated as part of the on-going consultation for this work. The current draft takes account of, and includes, information and comments received as part of this consultation. Specifically, the following organisations and individuals have contributed to, commented on, or added to, the work:

- Advice Project
- BHT

- The Black and Minority Ethnic Community Partnership (BMECP)
- Brighton Women's Centre
- Citizens Advice Bureau
- The Federation of Disabled People (The Fed)
- The Food Partnership
- Friends Families and Travellers
- Good Money
- The Hangleton & Knoll Project
- MACSS
- Youth Access
- The Whitehawk Inn

- Officers within the city council from the following departments/teams:
    - Children, Youth and Families
    - Family Information service
    - Housing and Social Inclusion Team
    - Housing Commissioning Unit
    - Housing Sustainability
    - Libraries Service
    - Policy Development Unit
    - Welfare Reform Programme Manager

In addition to this, relevant Joint Strategic Needs Assessments (JSNA) for other services have been referred to and recommendations and views as they relate to financial inclusion have been referenced and included in the recommendations.

This needs assessment has highlighted a clear need for the collection of better monitoring data, ensuring the consistency of data collected.

The JSNA Child Poverty Needs Assessment 2010/11 recommends that adult services, and in particular advice services, should monitor where clients are parents. This will provide a more accurate picture of the associated risk to children and young people in families where adults require help, alongside the benefits to the whole family of high quality, timely advice.

It is recommended agencies (and possibly other council departments), as a minimum, should seek to record whether their clients have the following:

- A bank account;
- Savings;
- Use high interest credit;
- Owes priority debts (e.g. rent, council tax, utilities);
- An annual individual income of <£14,500 or household income of <£15,600 Home insurance; and
- The Food Partnership requests that data on food poverty be collected in addition to the above, suggesting the following question: "client reports running out of money to pay for food; or skipping a meal for financial reasons, in the last 6 weeks".

Collecting and monitoring of this data would help assess the overall level of need in the local population and enable services to prioritise those most in need.

Commissioners should bear this in mind and, once the type of data has been agreed, all commissions should include the requirement to collect specific monitoring data so that progress can be tracked and a better understanding of needs identified.

The Child Poverty Needs Assessment specifically identifies that Financial Inclusion is increased where people have access to legitimate financial products and more cost effective ways of paying for services and products. A key need for families in poverty is:

- Advice on benefit entitlement and increased take-up of benefit entitlement;
- Support to families on how to manage debt; and
- Support to reduce debt.

8. Evidence of effectiveness in addressing needs

There is evidence of considerable benefit from delivering financial inclusion through the framework of a Community Banking Partnership: The Community Banking Partnership developed by The New Economics Foundation (nef), the National Association of Credit Union Workers (NACUW) and Community Finance Solutions has drawn on the practical expertise of those working in the front line of financial exclusion and brings together credit unions, the community finance sector, mainstream banks and money advice agencies for the first time to deliver a 'one-stop-shop' approach to financial inclusion. The CBP approach offers the flexibility and regulatory rigour necessary to bring together through joint venture arrangements: the specialist expertise of credit unions, advice and support agencies, and community development finance institutions (CDFIs).

As a part of a national pilot finishing in 2010, seven Community Banking Partnership pathfinders[66] in England and Wales were funded to provide joined-up solutions to financial exclusion as part of a wider FI strategy. These pathfinders sought to identify how to join up services to provide low-income households with the ABCDE of financial inclusion:

A. ADVICE SERVICES
Access to appropriate money and debt advice involving help with household budgets and paying bills. Budgeting includes identifying both fuel and food costs.

B. BANKING SERVICES
Increasing the take up of basic bank accounts and other similar services such as those a credit union could provide.

C. CREDIT
Accessible affordable credit, based on the assumptions that the competition is doorstep lenders, and that the sustainability of the community finance lender is of paramount importance.

D. DEPOSITS
Access to a savings vehicle because asset building as a pathway to financial inclusion is important because it creates a ladder to financial inclusion and over time can prevent households and individuals becoming re-excluded.

E. EDUCATION

[66] The pathfinders were: Coventry & Warwickshire Community Banking; Sheffield Credit Union, MoneyLine Yorkshire and Financial Inclusion Services Yorkshire; Enterprise Credit Union and the Money Advice Budgeting Service in Merseyside; South Hampshire Community Banking Partnership; Robert Owen Community Banking Partnership in Mid Wales; South West Pound from 2009; Fair Finance and the Money Matters Project for East London.

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Numeracy, literacy and budgeting skills, are recognised as key to financial wellbeing and the provision of 'Financial Education' is generally considered to be a key competent to any 'Community Banking Partnership' service offer (and, indeed any wider Financial Inclusion Strategy). Furthermore, there may be some obvious synergies between services aimed at promoting financial wellbeing and support into employment and the development of other skills such as food preparation.

The following areas of provision have been highlighted as relevant to a coordinated, strategic approach to the promotion of Financial Inclusion and wellbeing and are areas for further consideration:

- Financial Education in schools;
- Statutory sector emergency assistance to people in financial crisis (specifically local authority 'Social Fund' post April 2013, Children Act payments, discretionary council tax and housing support etc);
- Voluntary sector emergency assistance to people in financial crisis (specifically, but not exclusively food bank provision); and
- Energy Advice (highlighted as essential integral component to a Community Banking Partnership offer in the assessment of the 2005-2008 pilots).

Within Brighton and Hove there are a number of excellent services and projects that show a demonstrable impact on financial exclusion. It is recommended that further work is done to look at more example of this to inform evidenced interventions. A good example of this is noted here:

Amaze Disability Living Allowance (DLA) Project, Brighton & Hove
The Amaze DLA project provides volunteers to support the City's most vulnerable families complete the difficult Disability Living Allowance claim form. The project costs £59,000 and in 2009/10 generated £2 million of DLA benefit (which is national funding and therefore additional income to the city) and £1 million of other passported benefits. Therefore for every £1 spent it generates £51 for households with disabled children.

9. Services in relation to need

Current provision for local services are summarized under the ABCDE of Financial Inclusion. Appendices A to E illustrate initial mapping undertaking as part of this process. The Advice Plus Project has undertaken most of this work and most is available to view at www.advicebrighton-hove.org.uk

ADVICE

Independent advice provision in Brighton and Hove
The information in the tables at Appendix A is taken from the Advice Strategy Projects 2009 mapping of provision (subsequently progressively updated). A map showing the location of the services (including some outreach provision) is available at www.advicebrighton-hove.org.uk/Site/Getting_Advice.html.

Substantial analysis of provision against need has proved difficult due to the myriad of data collection techniques and service definitions employed by the various agencies. A substantial number of the agencies detailed are in receipt of strategic grants from BHCC and will have reported on their activities- analysis of the evaluation reports may therefore provide useful further information (including details of other commissioners/funders for each service).

Independent 'Debt Management' Advice
'Debt Management' involves the identifying of all legitimate debts, maximisation of income, negotiation of payment plan and suspension of action with priority creditors, completion of household budgeting form and negotiation of payment plan and suspension of action with non-priority creditors.

Other independent advice for people on low incomes
Whilst the organisations listed at Appendix B have not been identified as providing debt management advice, they do provide independent advice in money related areas (in particular welfare benefit rights) to residents on low incomes.

Free access to Internet connected computers in Brighton and Hove (promoting digital inclusion)
There is increasing recognition of the link between a person's financial wellbeing and their ability to make effective use of online resources. The forthcoming introduction of universal credit has further focussed attention in this area as claims are to be predominantly made and managed online.

The Advice Strategy Project has undertaken some mapping of venues in the City that offer free access to the Internet (and in some instances, free support to help get online). Whilst this provision is not specifically 'Community Banking' or 'Financial Inclusion' focused, they may nonetheless be relevant to strategic planning of provision. An interactive map of the venues is available at www.advicebrighton-hove.org.uk/Site/Getting_Advice.html

BANKING, **C**REDIT AND **D**EPOSITS (savings)

The information on provision set out in Appendix C is intended as a supplement to the BHCC commissioned report completed by Toynbee Hall. It provides information on the basic bank accounts offered by providers with branches in Brighton and Hove.

Local ATM access (and in particular free ATM access) is frequently highlighted as an issue for those at risk of financial exclusion. Mapping this in practice is complex as different accounts have different restrictions on the use of ATM's. Furthermore, information regarding the location of ATM's that charge for withdrawals is not readily available. However, where possible, links to online 'ATM locators' associated with each account have been detailed.

The Department for Work and Pensions has recognised the need for suitable financial products for recipients of Universal Credit and is currently tendering for contracts with suppliers of banking/financial products. The Government is seeking providers who can supply products with extra budgeting functions to support claimants as they move to the new benefit Universal Credit. The Government expects interest from a wide range of financial providers, including high street Banks, mobile phone operators and pre pay card providers.

As part of the criteria any potential new accounts must have a series of essential features to help people on low incomes to budget, but the final design will be left open to the market to devise, including:

- Support for claimants to budget and manage their money
- Regular payments for housing and other main bills
- Options for multiple income streams from work and benefits
- Access to all claimants, irrespective of credit history

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- Options to build up a credit rating
- Availability to people once they have moved off Universal Credit

This is merely one of a range of options that the Government will be exploring to support UC claimants budget and manage their money.

EDUCATION

Promoting financial education amongst adults in Brighton and Hove (literacy, numeracy, budgeting skills etc.)
Numeracy, literacy and budgeting skills, are recognised as key to financial wellbeing and the provision of 'Financial Education' is generally considered to be a key competent to any 'Community Banking Partnership' service offer (and, indeed any wider Financial Inclusion Strategy). Furthermore, there may be some obvious synergies between services aimed at promoting financial wellbeing and support into employment and the development of other skills such as food preparation.

To ensure appropriate focus, it is recommended that any mapping of Adult Education provision is preceded by liaison with BHCC Housing Management (specifically Emma Gilbert, Social Inclusion Manager). It advance of that, it is worth highlighting that there has been work undertaken to date (for example through the 2009-10 BHCC Adult Advancement and Careers Service pilot) aimed at exploring the potential role of the 'Community Adult Education Centres' in the promotion of Social Inclusion.

It may also be worth highlighting that three of these centres are located in areas of the city that are known to have higher levels of deprivation, specifically:

- The Whitehawk Inn
- The Bridge Community Adult Education Centre
- The Hangleton and Knoll Project.

Other areas for further consideration
The following areas of provision have been highlighted as relevant to a coordinated, strategic approach to the promotion of Financial Inclusion and wellbeing:

- Financial Education in schools;
- Statutory sector emergency assistance to people in financial crisis (specifically local authority 'Social Fund' post April 2013, Children Act payments, discretionary council tax and housing support etc.);
- Voluntary sector emergency assistance to people in financial crisis (specifically, but not exclusively food bank provision); and
- Energy Advice (highlighted as essential integral component to a Community Banking Partnership offer in the assessment of the 2005-2008 pilots).

10. Funding

The following table sets out current funding levels from the city council's Three Year Strategic Grants programme to advice agencies and other organisations supporting financial inclusion including those set out in Appendices A and B:

Brighton and Hove City Council funding 2013 - 2016

Organisation	Annual BHCC Grant
MACSS	£15,000
Citizens Advice Bureau	£100,000
BHT Legal Advice Services	£80,000
St Lukes Advice Service	£8,000
Brighton Unemployed Centre Families Project	£41,000
Age UK Brighton & Hove	£30,000
RISE (women's Refuge)	£95,000
Federation of Disabled People	£20,000
Amaze	£5,000
Brighton Women's Centre	£12,000
YMCA Youth Advice Centre	£17,000
Young People's Centre	£19,000
MIND in Brighton & Hove	£10,000
LGBT Switchboard	£28,000
East Sussex Credit Union	£10,000
TOTAL ANNUAL FUNDING FROM BHCC	**£490,000**

It should be noted that these grants are to the organisation for a number of specific purposes, including core funding, and are not necessarily restricted to the provision of advice and support around financial inclusion. Furthermore, all these organisations receive funding from a wide variety of other sources, much of which will be specifically for delivering advice or other financial inclusion work. More work needs to be done to identify exactly how much funding is coming into the city to support FI work.

The council invests in other financial inclusion work across the city through both direct provision and commissioning. Mapping of this has commenced and early results are set out in Appendix E.

The Illegal Money Lending Team is a national service that includes Brighton and Hove through a regional team. The team provides staff training, advocacy training, support to victims, publicity materials and organizes events to help reduce the number of people resorting to Loan Sharks (illegal money lenders). It also works to prosecute wherever possible.

11. Issues related to workforce

There are implications for the council's frontline workforce in terms of training and development around financial inclusion. Frontline workers would benefit from training and development on debt and benefit advice as well as how systematically to collect and analyse monitoring data to ensure that those most at risk or in need are identified as early as possible and referred to appropriate advice agencies or other relevant services. This is already being done in some council departments; as these examples illustrate.

Brighton & Hove Link, Housing Options Service
An increase in applications for homelessness due to mortgage arrears led to staff undertaking refresher training on debt, benefit advice and preventing homelessness due to mortgage arrears. As a result, homelessness prevention for mortgage arrears cases increased by 140% and the number of households having to make homeless applications due to mortgage repossessions decreased by 27% (Child Poverty Needs Assessment 2010/11).

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Libraries Service
As part of the national libraries project detailed above, frontline staff were trained either in staff meetings, small groups of between four and six or one to one (or two) in the community libraries. The training was linked to other work that the service does to support digital inclusion, giving staff a local context in addition to that of the national project.

12. Unmet needs, service gaps and over-provision

A key gap in service has been identified in relation to access to appropriate financial services and products, notably basic bank accounts. This will be a critical issue to address prior to the introduction of Universal Credit for the reasons set out in this needs assessment. Many recipients will be unable to open basic bank accounts with high street providers. It is recommended that the council explores support for transactional banking and basic bank accounts through an ethnical financial organisation. In Brighton and Hove there is only one such organisation – the Credit Union. It is therefore suggested that this is progressed with reference to the LHO to ensure this is done within the boundaries of the law.

Access to ATM machines in areas of multiple deprivation and financial exclusion also need addressing.

Advice services are reporting an increase in demand for their services suggesting rising unmet needs. Data from some advice agencies suggests that demand for face-to-face advice is increasing and Money Advice and Community Support reported growing waiting lists in their Strategic Grants Funding application to the city council in October 2012. This, coupled with cuts to the Legal Aid budget and Grant funding reductions, is likely to result in unmet needs in terms of money and debt advice.

In recognition of this, the Housing Department is commissioning a further £100,000 or money and debt advice specifically for council tenants.

However, there is no information on advice and support services being either offered or developed to assist RSL tenants in the city and this information needs to be gathered.

In terms of education, there appears to be a gap in terms of financial literacy that needs to be addressed through appropriate training and education.

Overall, there appears to be more unmet need than overprovision.

13. Recommendations for further needs assessment

The recommendations focus on the need to gather further evidence as part of the mapping, identify the full extend of funding for financial inclusion work and to monitor better the work being undertaken. This should include:

- The requirement of all commissions or grant funding agreements to specify what data should be collected and reported so that this can be consistently collated and analysed to track progress and identify future or changing needs;
- The requirement for all council frontline staff (including staff jointly employed by the council and PCT/CCG) to gather information on the indicators of financial exclusion as set out in earlier sections;
- Gathering evidence on what provision for financial education is being delivered across the city, commencing with the Adult and Community Learning Team and other

evidence from the Adult Learning Group;

- Identifying precisely what each council department is investing in support services to financially excluded residents, what these services are and who can access them; and
- Identifying costs being incurred by the council as a result of financial exclusion (including rent arrears, legal costs, costs of housing families that become homeless etc) in order to ascertain a cost benefit analysis of future spend in this area.

14. Key contacts

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15. Key supporting documents

A range of local and national data sets, reports and research documents were used in the development of this assessment. These are referenced as footnotes throughout the report and listed below:

1. Toynbee Hall Report for Brighton and Hove City Council, 2012
2. Review of Youth Services in Brighton and Hove, 2013 (Authors: James Kendrick, Advice Services Development Manager, Youth Access and Kerry Clarke, Strategic Commissioner, BHCC)
3. Statistical Yearbook 2009 (Consumer Credit Counselling Service), cited in Debt Facts & Figures 2009, Credit Action
4. HM Treasury, Dec 2010 http://www.hm-treasury.gov.uk/fin_fit_index.htm
5. Concluding Thoughts and Recommendations, Financial Inclusion Taskforce, April 2011
6. Food Poverty, the Local Picture, Brighton & Hove Food Partnership, November 2012
7. The perfect Storm: Economic Stagnation, the rising cost of living, Public Spending cuts and the impact on UK poverty, Oxfam Briefing Paper, June 2012
8. Living on the Edge – Financial Inclusion and Social Housing, The Human City Institute, May 2011
9. Demos and Toynbee Hall (2005) – Widening the Safety Net: Learning the Lessons of Insurance With Rent Schemes
10. Department for Communities and Government (2009) – Housing in England
11. Chartered Institute of Housing (2011) – Improving Financial Capability in Social Housing
12. NHF (2007) – Data Analysis of Family Expenditure Survey
13. Citizens Advice Bureau 2006, Deeper in Debt: The Profile of CAB Debt Clients
14. Financial Services Authority report (2006) Financial Capability in the UK
15. Brighton and Hove's Child Poverty Joint Strategic Needs Assessment
16. Brighton and Hove's Domestic Violence Joint Strategic Needs Assessment
17. NHS Brighton & Hove Public Health Directorate (2011); Food Prices and food poverty: Some Key Facts, Martin Caraher, Centre for Food Policy, City University London 2012
18. Department for Work and Pensions, *Household Benefit Cap: Equality Impact Assessment*, October 2011
19. The Children's Society, *The distributional impact of the benefit cap*, September 2011
20. State of the City Report, Brighton and Hove City Council 2011
21. Help the Aged: Response to the Treasury Select Committee, report 2006
22. Help the Aged: The Financial Abuse of Older People, report 2008
23. An assessment of the financial education needs of young people in the Brighton and Hove Area, MyBnk and the Aldridge Foundation, 2009

24. Debt and the family series; Report 2: Debt and the generations, The Financial Inclusion Centre; commissioned by the Consumer Credit Counselling Service
25. *Young People's Access to Advice – The Evidence,* J. Kendrick, Youth Access, 2009
26. New Philanthropy Capital: Short Changed, 2008
27. Joseph Rowntree Foundation: Financial Exclusion in the UK, 2008
28. *Serves You Right*: *Lesbian and gay people's expectations of discrimination,* Stonewall (2008)
29. FSA/Royal College of Psychiatrists: Final Demand, 2009
30. Carers UK: The Cost of Caring, 2008
31. 'Holes in the safety net: the impact of universal credit on disabled people and their families' October 2012, joint report of the Children's Society, CAB and Disability UK
32. Addressing the Financial needs of Women and Children experiencing Domestic Violence, Refuge
33. A Child's Rights Assessment of the Welfare Reform Bill, The Children's Commissioner, January 2012
34. Refuge, *Housing Benefit Reform – Supported Housing Report*, October 2011
35. Sharp, N., (2008) *'What's yours is mine': The different forms of economic abuse and its impact on women and children experiencing domestic violence,* Refuge
36. Irish Traveller Movement in Britain; *Roads to Success* (2010)
37. Progress Report by the Ministerial Working Group on tackling inequalities experienced by Gypsies and Travellers (Department for Communities and Local Government, April 2012)
38. Financial Inclusion Pathfinder, MACSS report August 2012
39. Demos and Toynbee Hall (2005) – Widening the Safety Net: Learning the Lessons of Insurance With Rent Schemes
40. Chartered Institute of Housing (2011) – Improving Financial Capability in Social Housing
41. CAB 2006, Deeper in Debt: The Profile of CAB Debt Clients
42. Responsible individuals and irresponsible institutions? A report into Mental Health and the UK credit industry; Carl Walker, Liz Cunningham, Paul Hanna, Peter Ambrose; University of Brighton (December 2012)

16. Appendices

Appendix A: Independent social welfare advice provision in Brighton and Hove
Appendix B: Other independent advice for people on low incomes
Appendix C: Banking, credit and deposits
Appendix D: Mapping of BHCC council services
Appendix E: National review of local authority approach to financial inclusion

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