Association: **Origin**

Meeting: **Exec**

Date:

Officer Responsible: **Ann Beatty**

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TITLE: **Managing Money – Financial Inclusion Strategy 2010 - 2013**

INTRODUCTION

Financial Inclusion, also referred to as "Managing Money", is one of Origin Housing's key strategic themes for Community Development. The aim is to support residents to manage their money more effectively by helping them gain access to affordable financial services, such as banking and loans. It is also about providing advice and guidance to enable people to make smart choices, thus helping them to protect their tenancies, manage their household finances, access benefits, maximise income and ultimately to safeguard themselves and their families against the stresses and pressures of financial exclusion.

1. SCOPE

HM Treasury defines Financial Exclusion as:

"The inability of individuals, households or groups to access financial products or services in an appropriate form, such as a bank account, affordable credit, savings, insurance, assets, financial education and money advice".

People may be unable to access these services for a number of reasons, including:

- Prohibitive cost of services
- Lack of knowledge about services
- Fear of being refused services
- Services unavailable in geographical area

These barriers often go hand-in-hand with each other, thus exacerbating the experience and incidence of financial exclusion.

Interestingly, research also shows that whilst anyone can experience financial exclusion, people in the following groups are more likely to be financially excluded:

- Social housing tenants
- People in receipt of state benefits – including elderly people
- Those who are unemployed or on a low income
- Lone parents

These groups of people often experience the above barriers to financial inclusion disproportionately within the general population, due to their circumstances.

It is therefore apparent that any strategy seeking to address financial exclusion will need to consider a broad definition of the term, also taking into account the many, varied reasons for its occurrence and the fact that it is likely to affect some people more than others.

2. OVERALL AIMS

The aim of this strategy is to identify the main financial issues for Origin's customers and to then propose strategic objectives for promoting and achieving financial inclusion. These objectives will focus on core areas of delivery however there will necessarily be some overlap. The ultimate aim is to get these key strategic objectives agreed, so that they can form the basis of a detailed Financial Inclusion Delivery Plan which clearly sets out who is going to do what to promote financial inclusion within the Origin Group.

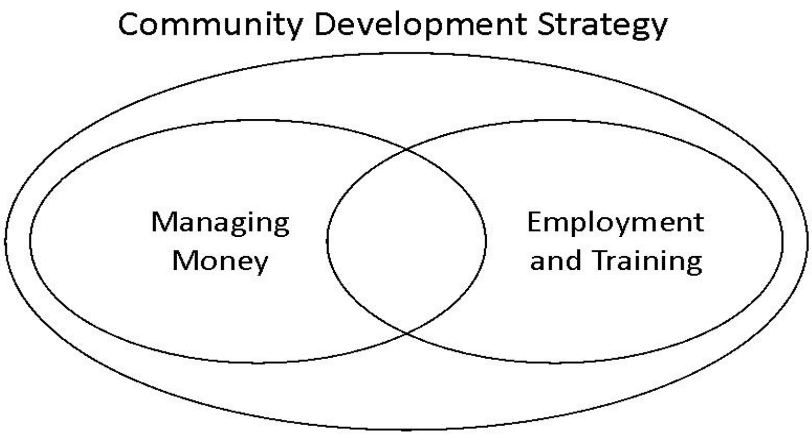
3. WHERE ARE WE NOW?

3.1 Community Development Context

The Financial Inclusion Strategy – "Managing Money" - is part of Origin's wider Community Development Strategy which includes the key strategic themes of:

- Developing Leaders
- Strengthening Communities
- Financial Inclusion (Managing Money)
- Tackling Worklessness (Supporting Employment and Training)
- Promoting health and wellbeing

Whilst all of these themes have some overlap, there is significant crossover with the area of "Employment and Training".



The Employment and Training Strategy, which is also being developed, will seek to support residents into employment through a range of methods including training, volunteering opportunities, work placements, job brokerage, CV support, interview techniques and general information and advice, all of which would contribute to an individual's ability to earn money and thus improve financial inclusion.

3.2 Feasibility Study

In June 2008, Origin commissioned an independent consultant[1] to carry out a Financial Inclusion Feasibility Study, the findings of which form the basis of much of this strategy. The study was completed in March 2009 and provides a detailed insight into financial exclusion and inclusion in both a national context and that of

[1] Gareth Evans of GRE Consulting

SPH tenants (but not including Griffin Homes' residents). A range of different research methods were employed, including:

- Resident telephone survey (interviewing 200 residents from across SPH, including sheltered and supported housing)
- Resident focus groups:
    - Enfield residents
    - Camden residents
    - Hertfordshire residents
    - Young People (Youth Forum)
    - Older residents – sheltered accommodation
    - Supported Needs residents
    - Bangladeshi community

3.3 Status Surveys

Another important source of information is the SPH Housing STATUS Survey 2008 and also the Griffin Homes STATUS Survey 2007. It is important to note that whilst Origin is currently in the process of amalgamating SPH and Griffin into one organisation, the statistics presented in this report make a distinction between SPH and Griffin, as that is how they were collected at the time.

Information in the SPH STATUS Survey was gathered from postal surveys from SPH general needs and sheltered housing tenants and some face-to-face interviews. The total number of surveys completed was 1047 (497 general needs, 416 sheltered and 134 supported).

The Griffin Homes STATUS Survey carried out in 2007 breaks down respondents into two categories: shared owners and other leaseholders. Some questions had more relevance for some people than others, hence the response rate on the different questions varies from 23 respondents when asked to rate the information and advice provided on purchasing one's property, to 275 respondents when expressing a preference for methods of communication.

3.4 Income Management

The new Income Management Team has been established for over a year and now incorporates arrears management. Paying rent and service charges is the most significant way in which our tenants interact with us on financial matters and it is appropriate to ensure that the way we undertake these functions does not contribute to financial exclusion and, wherever possible acts as a gateway for our customers to access other advice and services. There is scope to extend the approach to tackling arrears to develop ways of preventing arrears arising and/or escalating.

3.5 Existing Financial Inclusion Work

As a backdrop to developing the Financial Inclusion Strategy, it is important to review what we do already. Our activities sit within the following main headings:

3.5.1 Advice and support

- Direct referrals to CHAS CL – welfare benefits advice
- CHAS CL advice surgery – Stevenage
- Sign-posting to Capitalise – debt advice
- Other sign-posting – e.g. Citizens Advice Bureaus
- Floating support
- CAB training for SPH staff
- Information DVD and pack – funded by Abbey

3.5.2 Financial services

- Home contents insurance
- Origin Time Bank
- SPH Friends Hardship Grants

3.5.3 Rent Arrears Policy & Income Management Strategy – increasing options for paying rent and presenting ways of preventing and tackling arrears

3.5.4 Other services

- SPH Gold – rent incentive scheme
- Household visits for new residents
- Community Development activities
- "Work Matters" project in partnership with One Housing, Camden – providing support and training to help people into employment

These services are generally well-received and future financial inclusion work would seek to build on these services, further developing partnerships with external providers and expanding the range of services available. It would, however, be worth carrying out an evaluation of these services in the future, to ensure that they remain useful and continue to represent value for money.

4. WHAT OUR CUSTOMERS WANT AND NEED

The following demographics give some valuable insight into the extent of financial exclusion experienced by Origin's customers and they also provide a useful context when developing ideas and methods for reducing financial exclusion through a broad range of initiatives.

4.1 Who are our customers?

4.1.1 SPH Tenants

SPH's 3,743 households can be broken down as follows:[2]

- 3,095 General needs
- 689 Sheltered
- 174 Supported

There is a generally stable population with 84% of residents living in their properties for over 2 years.

Of these 3,743 households 1197 of them (32%) are adult only, 1273 of them (34 %) are pensioner only and a further 1273 of them (34%) are households with children, so the household composition is quite evenly distributed between these three categories.

The 2008 STATUS survey reports that 42% of SPH households have a disabled member.

As far as ethnicity is concerned, 37% of households represent ethnic minority communities.

Income deprivation is very high amongst SPH households, with 60% of households having a weekly income of under £200 per week. Unsurprisingly then, levels of state benefit recipients are high at 57%, whilst only 38% of head of households are

[2] All figures from 2008 STATUS Survey, unless stated otherwise

reported to be in some kind of paid employment. Furthermore, 18% are in receipt of a state pension, with just 8% in receipt of a private pension from a former employer.

4.1.2 Griffin Homes Residents

Of the 150 Griffin residents who responded to the household information question in the 2007 STATUS survey, 64 were shared owners, whilst the remaining 86 came under the broad category of “other leaseholder”. As a percentage of the total Griffin households for whom we have statistics, 48% were adult only, 35% were pensioner households and just 17% were households with children. It is clear therefore that the household distribution within SPH is more even than within Griffin Homes, where less than 20% have child dependents.

26% of Griffin residents who responded to the survey report that they have someone in their household with a long-standing illness or disability.

28% of Griffin respondents are from ethnic minority communities; a smaller proportion than for SPH tenants.

In stark contrast to the percentage of SPH households with a weekly income of under £200 (60%), just 14% of Griffin residents reported the same. As one might expect, 86% of shared owners reported being in full-time employment, whilst 44% of other leaseholders also reported being in full time employment. The difference between shared owners and other leaseholders can mostly be explained by the significant number (45%) of other leaseholders in retirement.

4.1.3 Non-resident service users

Another key client group for Origin Housing is that of non-resident service users, particularly those who receive assistance from our Care and Support team, but who are not Origin tenants. In particular we provide floating support for adults with learning difficulties of which budgeting and money management forms a significant part. We will work closely with those who provide this floating support service to identify specific needs and to subsequently develop targeted initiatives within the detailed financial inclusion delivery plan.

4.2 Prioritisation of work

Having reviewed some of the key findings of the SPH STATUS Survey (2008) and the Griffin Homes STATUS Survey (2007), it is clear that a strong emphasis needs to be placed on the needs of SPH tenants, who experience financial exclusion to a greater extent. We also need to prioritise our work with non-resident services users who are often vulnerable and in need of specialist support to manage their finances. Services should also be available to shared owners and other leaseholders and particular emphasis should be given to supporting such residents to pay their mortgages and service charges, especially within the current financial climate.

4.3 Key issues for SPH tenants

4.3.1 Bank accounts

The telephone survey highlighted that whilst 87% of those questioned already had a bank account, 13% indicated that they had no form of account, including savings and current accounts. This figure closely matches the findings of the STATUS survey which shows that almost 15% of general needs residents do not have a bank or building society account. These figures therefore suggest that over 500 households do not have access to a bank account, a significant indicator of financial exclusion.

4.3.2 Debt issues

Representative figures from November 2009 recorded that over 755 (20%) of households had rent areas above £500. These figures can be broken down as follows:

- Rent arrears between £500 - £999 413 households (11% of households)
- Rent arrears above £1000 342 households (9% of households)

These figures cause particular concern as it is widely recognised that if a tenant is in arrears with their rent payments, they are also likely to have other significant debts.

4.3.3 High-interest borrowing

Whilst the telephone survey identified that just 13% of residents were aware of home credit companies, and only 54 residents (1.5% of SPH residents) admitted using such services, this is actually likely to be much higher, given the tendency not to admit to using such services. The survey further identified that in addition to home credit companies, SPH residents do use a range of other high-interest methods of borrowing money and financing purchases, including pawnbrokers, hire purchase, cheque cashing shops and Money shops. By using such methods of borrowing, residents can get stuck in a cycle of paying off extortionate interest rather than payments going directly towards the costs of household expenses.

4.3.4 Insurance levels

Take-up of home insurance, a measure of financial inclusion, was found to be very low, with 73% of residents having no cover. Similarly 80% of residents were found to have no life or funeral insurance.

4.4 Key Issues for Griffin Residents

4.4.1 Unable to pay bills

When asked if they had experienced any financial difficulties in paying regular household payments/bills in the previous 6 months, 12% of Griffin residents responded “yes”. Of those who said yes, 60% confirmed that the costs of being a home owner were higher than anticipated.

4.4.2 Unable to increase share in own home

Shared owners were asked if there was anything preventing them from buying an increased share in their home. Various reasons were given with the highest percentages being: 33% who said they couldn’t afford to, 12% who felt that the staircasing increments are too high and 11% who were worried about taking on a bigger mortgage.

4.5 SPH Residents – Services Requested

Whilst both the SPH and Griffin STATUS Surveys identified some of the key issues for residents, the SPH feasibility study also suggested some of the services which residents felt would enable them to become more financially included.

4.5.1 Credit Unions

Whilst almost half (46%) of the residents questioned in the telephone survey were aware of credit unions, only 4% were already a member. The STATUS survey similarly found that only 2.8% of residents already had a credit union account. What was encouraging was that the research identified that at least 4% of SPH households (approx 160 households) wanted to join a credit union. This figure is likely to increase further with greater publicity for credit unions and their services.

4.5.2 Debt advice

Surprisingly, when asked what SPH should do to help residents with debt problems, 77% expressed a preference for specialist debt advice from SPH staff, as opposed to from an independent debt advice organisation. However, in reality residents often have difficulty discussing their financial problems with staff, as was raised in the in-depth focus groups. This suggests a need for SPH staff to be trained not only in giving debt advice and guidance, but also for the same staff to be aware of the need for empathy and understanding, in order to encourage residents to use the service.

4.5.3 Financial education

A number of the telephone survey questions asked if residents would be interested in learning more about their finances, to which there was a very positive response. Topics which proved to be popular include:

- Energy efficiency
- Household budgeting
- Borrowing money

Respondents indicated that a range of methods and media for delivering this information would be useful, including one-to-one sessions and DVDs, although group sessions were less popular.

5. WHAT THE BUSINESS NEEDS

Having identified the key issues for our customers we now need to consider how these will be addressed. The key strategic objectives (presented in section 6) need to be agreed, so that a comprehensive delivery plan can be put in place.

5.1 Inter-departmental working

Fundamental to the success of this strategy is the need for all departments within Origin Housing to work together in its implementation. Financial Inclusion is everyone's business and by working together we can ensure that all opportunities are maximised.

5.2 Resourcing

In order to address the needs identified, appropriate resources (both staffing and financial) will also need to be identified. In most cases the work will fall within current remits and resources will be easily identifiable. However there may be a need to secure additional resources and even apply for external support and funding to enable us to realise the full potential of this strategy. This will become more apparent as the detailed delivery plan is developed.

5.3 Best Practice Reviews

As always within the Housing sector, there is value in seeking out good practice and learning from other organisations. Origin therefore needs to consider what other organisations are doing to address financial exclusion so that we can learn from others and also exploit opportunities for potential partnership-working.

5.4 Partnership Working and Sign-Posting

In addition to reviewing the work of other organisations there is substantial value in developing mutually beneficial partnerships with other service-providers in order to deliver effective financial inclusion services to our customers. There is also the need to identify where services are already available, so as to maximise opportunities for sign-posting.

6. THE STRATEGIC OBJECTIVES

Based on the findings of the research into the extent of financial exclusion experienced by Origin's residents and on the work already being carried out, the key strategic objectives proposed for future delivery under this Financial Inclusion Strategy are:

6.1 Objective 1: Reducing debt

A large part of reducing debt is about tackling rent arrears, ensuring that income management activities respond appropriately to individual's financial circumstances and, in particular, takes action to prevent arrears from arising and escalating. In addition to proactive income management, another significant part of this objective focuses on the provision of quality information and advice, both in-house and by specialist agencies. This information and advice should not only be available on a reactionary basis when residents have already got themselves into financial difficulty, it should also seek to proactively educate people as to the implications of rent arrears and other debts, e.g. the long term repercussions of a County Court Judgement, before such a debt is incurred.

6.2 Objective 2: Improving access to affordable financial services

This objective, often cited as the main indicator of financial inclusion, is about raising awareness of and access to services such as credit unions, affordable loans, mortgages, insurance and banking services. A large part of this work is about promotion and information dissemination, helping residents to realise that there are affordable options available to them and making them aware of the less scrupulous providers who exploit those who find it difficult to secure services elsewhere.

It is also about developing and encouraging a savings culture, whether through Credit Unions, banks and building societies or other means. It also encourages take-up of such opportunities as the Child Trust Fund.

6.3 Objective 3: Raising financial skills and literacy

This objective is about identifying where there is a need for information, advice, guidance and training, and then providing that information in the form most appropriate to the intended audience. Whether providing general budgeting advice or information on specific services such as home insurance or credit unions, this information can take many forms and can be disseminated in various contexts, e.g.:

- DVDs
- Information sheets provided at sign-ups
- Posters
- Leaflets from external agencies
- Training sessions
- One-to-one support and advice

It is also important for staff to be proactive, carrying out financial health checks where appropriate and delivering training, such as household budgeting, for residents to enable them to manage their finances effectively.

6.4 Objective 4: Increasing incomes

This objective is about maximising household incomes through a variety of means including general advice and guidance sessions, increasing specialist staff knowledge, especially in the area of welfare benefits, and also improving employment and training opportunities. This work could even involve short-term emergency measures such as hardship funds, designed to assist those in immediate financial difficulty.

6.5 Targeting the work

In line with these four key objectives, financial inclusion work could be targeted at specific groups, including young people, elderly residents, those seeking employment, families, shared-owners, leaseholders, non-resident service users and certainly at those identified earlier as being at greater risk of financial exclusion. As part of the Neighbourhood Management Strategy, which seeks to identify and address customers' needs on a neighbourhood level, any financial inclusion services or initiatives would also be planned and targeted at a local level to ensure that they are responsive to real community needs.

7. ACHIEVING THE STRATEGIC OBJECTIVES

The following outlines some of the key action points required to achieve the strategic objectives outlined above.

7.1 Reducing debt

- Establish inter-departmental financial inclusion working group
- Develop comprehensive debt reduction/income management plan
- Identify customers' debt issues – whether rent arrears or other debt – on an individual basis
- Identify and promote resources and services available
- Identify and address gaps in service provision

7.2 Improving access to affordable financial services

- Identify need for services on a neighbourhood level
- Research services available to customers
- Develop plan for communicating information on services to our customers
- Disseminate information as per communication plan

7.3 Raising financial skills and literacy

- Identify customers' needs on a neighbourhood level
- Research and promote existing information and services available
- Identify and address gaps in information/ service–provision
- Develop partnerships for service–delivery
- Plan and resource new initiatives

7.4 Increasing incomes

- Identify customers' needs on a neighbourhood level
- Research and promote existing information and services available
- Identify and address gaps in information/service–provision
- Develop partnerships for service–delivery
- Plan and resource new initiatives
- Develop and implement comprehensive Employment and Training Strategy

- Research availability and accessibility of emergency hardship funds and promote findings

It is important to note that the proposed objectives have significant cross-over and that many services and initiatives to be identified within the detailed delivery plan will meet multiple objectives. By setting up an inter-departmental financial inclusion working group the intention is that this group will pool ideas, information and resources, working together to maximise opportunities to address the financial inclusion objectives.

With all of these objectives there is a need to research best-practice, so as to learn from work being carried out by other organisations. There is also the need to identify and evaluate existing work in each area and finally to get feedback from residents, either formally through the Residents' Forum or via informal contact, to ensure that our financial inclusion work is effectively meeting the needs of our customers.

8. IMPLEMENTATION, MONITORING AND REVIEW

Whilst implementation of the strategy will take place across Origin, it is proposed that the Community Development Team, within Neighbourhood Management, retains ownership of the strategy and monitors its progress. Following approval of the strategy, the Financial Inclusion working group will be established and a detailed delivery plan developed, with the intention of fully implementing the strategy in the 2010/11 financial year.

The working group will agree how progress against each objective will be monitored and Community Development will be responsible for collecting and disseminating performance data on a monthly basis.

The strategy will be reviewed on an annual basis by the Community Development Team at the end of each financial year to ensure that it remains reflective of the key issues and responsive to the needs of our customers

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Author	Esther Archer Community Development Manager
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