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# Financial Inclusion In East Sussex

## Executive Summary

July 2010

East Sussex Advice Plus



## Financial Exclusion in East Sussex- At a Glance

- Upwards of £64m income related benefit, £70m disability related benefit, and £26m tax credit entitlements are unclaimed annually by East Sussex residents.
- Households in East Sussex may have as much as £1.9bn of consumer debt. An estimated 18,000 households are in problem debt, often working but on low incomes.
- 40% of low income families locally may not have any savings; about a third of those in low waged work may lack home contents insurance.
- Many of the 52,000 people on the lowest incomes in East Sussex will have to rely on expensive sources of credit, lending at 188% APR and more.
- More than one in six households in East Sussex may be in fuel poverty.

### Impact on Vulnerable Groups.

#### **Older People.**

- There are 120,000 people over 65 in East Sussex, 23% of the population. 18,000 of those older people live in poverty.
- Older people may be missing out on upwards of £50m of benefit in Pension Credit and Attendance Allowance alone.

#### **People with Mental Health Problems.**

- 52,000 people in East Sussex face stress related problems at any one time.
- As many as 40% of people in debt experience physical/ mental health problems.

#### **Small Business Owners.**

- 80% of East Sussex businesses have between one and five employees.
- 31% of local small businesses are not satisfied that they have enough cash flow to last the next six months.
- Small businesses are twice as likely to use personal credit cards to raise finance than larger firms, leaving them vulnerable to the consequences of business failure.

#### **Children**

- Over 17,000 (18.5%) children in East Sussex live in poverty. Even in the county's most affluent district, Wealden, there are nearly 3,000 children living in poverty.

#### **Unemployed People.**

- Unemployment is a major trigger of problem debt.
- On upwards of 48,000 occasions in the first two years of the recession, people were put at risk of problem debt through losing their jobs.
- Key sectors in the East Sussex economy have struggled severely in the recession, any future job cuts in the public sector will cause further problems.

#### **Squeezed Renters and Owner Occupiers.**

- 25,000 people live in the social rented, and 32,000 in the private rented, sectors in East Sussex, with vulnerability to eviction/ tenancy loss if they can't pay their rent.

- East Sussex owner occupiers are being squeezed. Average house prices are one sixth higher than the rest of England, and nearly 9,000 households may be struggling to meet mortgage repayments.

## Executive Summary

### Introduction.

Someone who is financially included:

- Claims the benefits they are due.
- Is in manageable not problem debt- and borrows amounts they can afford from the best value source available.
- Has access to mainstream financial services; credit, banking, saving, insurance etc; and uses them appropriately.
- Budgets effectively, and has the understanding, skills, motivation, to take appropriate action relating to their own finances.
- Purchases goods and services that give good value for money.

Based on this, action to tackle financial exclusion can be grouped under the following headings:

- Providing income maximization/ welfare rights/ benefits advice.
- Providing money/ debt advice.
- Supporting access to, and the provision of, appropriate financial services.
- Supporting the development of individuals' financial capability.
- Supporting people to make good consumer choices.

Financial **exclusion** is both a cause and symptom of poverty and social exclusion. It reduces disposable incomes, whilst being a greater risk for particular groups in the population including those on low incomes, in low paid work, with mental health problems, young families, women experiencing domestic violence, and those who are insecurely housed.

Levels of financial exclusion in East Sussex are being driven up by both long and short term dynamics:

- Growth in personal debt, an ageing population, polarisation in the labour market, and a more complex financial system.
- The impact of the credit crunch and recession, particularly the growth in unemployment.

However, the public sector funding environment means that the financial inclusion sector will be asked to do more with the same, or more with less. This will be a challenge for services that do not have the capacity to meet existing levels of demand.

Building an effective response to the challenges faced will involve:

- 'Improving the offer' from the financial inclusion sector by increasing its effectiveness through better training, referral and triage.
- Better partnership working between the sector and its stakeholders, intervening earlier and with more people, helping stakeholders to achieve their objectives and to benefit from efficiency and cashable returns on their investment of funding.



- Protecting current investment as far as possible, and identifying opportunities to develop or pilot approaches backed by a clear potential business case.

### **The Extent of Financial Exclusion in East Sussex.**

Levels of financial exclusion in the area can be looked at both directly and indirectly, through:

- Looking at the socio-economic and demographic characteristics of East Sussex's population, and drawing out the implications for financial exclusion, and responses to it.
- Analysing data directly relating to levels of financial exclusion in East Sussex, or in the UK/ Great Britain/ England where data for East Sussex is not available.

### **Socio- Economic and Demographic Issues**

#### ***Population.***

- East Sussex has an older population than the rest of England, with around 120,000 people over the age of 65, about 23% of the population.
- There are few options open to local authorities to reduce the poverty of older people other than to promote their take up of benefits.
- Over 5,000 babies are born in East Sussex per year, creating financial vulnerabilities for those families on stretched budgets.
- There are over 11,000 lone parents in East Sussex, many of whom will be vulnerable to financial exclusion, often because of their best efforts to provide for their children.
- Both existing minority ethnic communities and numbers of economic migrants in East Sussex are comparatively small. Responses to their needs are likely to take the form of delivery by mainstream organisations rather than the development of specific projects.

#### ***Household Income and Poverty.***

- East Sussex is not an affluent county. All the districts have lower average incomes and higher levels of poverty than the broader South East of England, and Eastbourne, Hastings and Rother have lower average incomes and higher levels of poverty than Great Britain.
- There are concentrations of poverty in certain areas, particularly Hastings. However, people on low incomes are distributed widely across the county. There are particular challenges reaching people in rural poverty in Rother, Wealden and to a lesser extent, Lewes.
- Over 17,000, (18.5% of all) children in East Sussex live in poverty, the proportion in Hastings rising to just under 30%. Even in the most affluent district within the county, Wealden, there are nearly 3,000 children living in poverty.
- Nearly 18,000 (12.3% of all) older people live in poverty in East Sussex, almost one in five older people in Hastings live in poverty. Again, there are substantial numbers of older people in poverty even in the most affluent districts, 3,800 in Wealden.

### **Employment.**

- East Sussex has higher levels of economic activity and employment than the Great Britain average, although it is marginally behind the performance of the South East on these measures.
- Levels of self employment are higher in East Sussex (16.0%) than the South East (10.2%) and Great Britain as a whole.
- Fewer people in East Sussex work in higher level occupations, and large numbers of people work in areas which are poorly paid, or vulnerable to the ongoing impact of the recession and future public spending cuts.
- Levels of pay are substantially lower in East Sussex than the South East of England, and lower than Great Britain as whole.
- Levels of part time working are higher.
- There is clear evidence that those in low paid employment are particularly 'squeezed' in the current economic climate, being especially exposed to problematic debt and other forms of financial exclusion.
- Unemployment has risen since the start of the recession, with over 10,000 people now claiming Job Seekers Allowance in the area. This obscures the fact that there were nearly 50,000 moves onto JSA over the last two years, each move a potential trigger of problematic debt for a household.
- Those not affected by unemployment may still find themselves under financial pressure because of cuts in hours or cuts/ freezes in pay rates.

### **The Business Sector.**

- The East Sussex economy is particularly reliant on small businesses; 80% of businesses in East Sussex have 1-5 employees, compared to 67% in the UK.
- Many small businesses are currently under severe pressure. Small business owners are more likely to mix and match personal and business finance than those running larger concerns, for example meeting capital or revenue requirements with mortgages raised on their homes.
- Financial exclusion can inhibit business growth and start up, cause business failure, and be a particularly severe consequence of business failure.

### **Housing.**

- East Sussex has lower levels of social rented housing than the British average (10.9% of households live in the sector), but 25,000 people still rent from social landlords across the county.
- Social rented tenants are over-represented amongst people who are financially excluded. Financial exclusion is associated with higher levels of tenancy failure.
- Eastbourne (19%) and Hastings (24%) have levels of private rented homes substantially above the English average (11%).
- Renting privately is associated with financial exclusion, and private renters are at particular risk of the consequences of financial exclusion.
- There are considerable affordability problems facing people living across East Sussex (although these are less acute in Hastings) given the local combination of lower than average incomes, and higher than average house prices.

- Many low income owner occupiers are very exposed to a 'squeeze' due to having stretched their finances to get on the property ladder.

### **Health.**

- Nearly 90,000 people in East Sussex report that they have a Long Term Limiting illness, of whom 35,000 are of working age.
- They may require extra financial help from the state, their ability to work may be reduced, or they may struggle to manage their money in the light of other concerns.
- Over 60,000 people in East Sussex may be experiencing mental health problems at any one time, of whom 52,000 are affected by stress related problems.
- Debt can both cause mental health problems and be the result of mental health problems. As many as 40% of those experiencing debt problems may be at risk of suffering mental or physical health issues as a consequence.

## **Direct Evidence on Financial Exclusion**

### **Benefit Take Up**

Very substantial amounts of income related (means tested) benefits are not claimed each year by large numbers of people in East Sussex that are entitled to them.

- Between 22,000 and 29,000 people miss out on between £16.4 and £22.5 million of Council Tax Benefit each year.
- Between 8,000 and 14,000 people miss out on between £23.8 and £46.6 million of Housing Benefit each year, the vast majority of them in the private rented sector.
- Between nearly 11,000 and nearly 16,000 older people miss out on between £19.5 and £29.6 million of Pension Credit each year.
- Between almost 2,000 and almost 4,000 people miss out on between £4.6 and £10.8 million of Income Support each year.

Similarly substantial amounts of key disability related benefits are also underclaimed each year:

- Between 9,300 and 11,500 older people miss out on between £29 and £36 million of Attendance Allowance each year.
- Around 10,900 people under 65 miss out on nearly £38 million of Disability Living Allowance each year.

Tax credits are designed to support people in work but on lower incomes.

- For those tax credits for which relevant local information is available, between 11,500 and 14,400 people are underclaiming between £26.4 and £40.43 million per year.
- The claiming of some tax credits reduces the entitlement to income related benefits, so these figures cannot be simply added to the underclaiming identified above.

A small scale, tightly focused benefit take up project concentrating on older people living in social rented housing could generate over £6 million in previously unclaimed benefit, and create 120 jobs locally.



### ***Problematic Debt.***

- Levels of consumer debt have risen hugely across the UK since the early 1990s.
- Households in East Sussex may owe as much as £1.9 billion in consumer debt.
- An estimated 18,000 households in East Sussex are likely to be in problematic debt.
- The current recession puts people at risk of having their homes repossessed and of being declared bankrupt.
- Extrapolating from national figures, nearly 2,000 people in East Sussex may be in arrears to over 2.5% of their property's value.
- The number of bankruptcies across the UK grew by 10.7% between 2008 and 2009.

### ***Access to Financial Services.***

Local figures are not available on access to financial services. At a national level:

- One fifth of those with a household income of between £100 and £200 do not have a bank account.
- One fifth of those around median income lack household contents insurance, over one third of those with an income of £200-£300 (many of whom will be in low waged employment) are in this position.
- Over 4 in 10 of those with an income of below £300 per week have no savings, even for those with close to a median income the level is 30%.
- Provident Financial Services and other Home Credit Companies, who lend at rates of 188% APR and more, are active across East Sussex. Many of the 52,000 East Sussex residents who are in poverty, and a substantial number of those just above the poverty line, will use their services.

### ***Financial Capability.***

Financial capability concerns the knowledge, skills and motivation required to manage finances effectively. National surveys suggest that:

- Substantial numbers of people do not keep good track of their finances.
- Those on lower incomes generally perform better on this dimension of financial capability than those on higher incomes, a position that is reversed for other dimensions.
- A considerable proportion of the population do not plan ahead financially, for example to cover unexpected expenditures. Many refer to themselves as 'living for today' financially.
- When choosing financial products people often do not understand the relationship between risk and return, and often do not choose on the basis of price.
- More people get their information on financial issues from general media sources, and from friends and family, than from specialist sources of information.

### ***Paying a Poverty Premium.***

- 17% of people in England are in fuel poverty, with the problem increasing due to rising fuel prices.



- The level of fuel poverty in East Sussex is likely to be higher, based on income levels in the county, its older population, the poor quality of its private rented and lower income owner occupied stock, and a lack of access to mains gas in some areas.
- Many people in East Sussex will pay more than they should for their fuel because they do not access/ are not made aware of 'social tariffs' offering cheaper deals for vulnerable groups.
- Many of the cheapest deals for fuel, telecoms or financial products are only available over the internet, either direct through providers or through price comparison websites. As many as 35% of adults in East Sussex may be 'digitally excluded' i.e. may lack easy access to the internet at home or work.

### **Recommendations for Action.**

Key objectives for action have been set out under 6 different themes.

- Improving the offer of the sector.
- Increasing access to welfare rights and debt advice.
- Beating the poverty premium.
- Building financial capability.
- Developing a 'No Wrong Door' approach across agencies.
- Overseeing strategy delivery.

It is not necessarily realistic to expect major progress across each of these themes, but each of the objectives is worthy, and should be considered seriously as partners identify their priorities. Under several of the objectives key issues have been identified that will need to be resolved as progress is made.

Each of the actions will also build on existing/ learn from past activity from the partners, activity discussed in the main section of the report.

### **Theme 1: Improving the Offer from the Financial Inclusion Sector.**

- ***Overarching objective 1: To increase the effectiveness with which the resources invested in the sector are used, achieving better value for money and better outcomes for service users.***
- *Objective 1.1: To improve triage and referral systems within the financial inclusion sector to make sure that service users access the most appropriate level of support for the problems they are experiencing.*
- *Objective 1.2 To develop the skills of those working in the sector to ensure that they are able to meet the demands placed upon them.*
- *Objective 1.3 To ensure that the impact of existing and new initiatives can be demonstrated through effective monitoring and evaluation procedures.*



Effective use of the human resources in the sector requires that those presenting with a problem are triaged to the most appropriate level of support required to resolve their problem, allowing those workers with the greatest level of specialist skill to deal with the most complex cases.

East Sussex Advice Plus and Citizens Advice East Sussex will continue to work to support their partners to deliver a service that meets national standards through events, training, information sharing and mutual support.

Demonstrating the impact of the work of the sector is essential if it is to make a case to its stakeholders, and if it is enable its stakeholders to make a case within their own organisations, for ongoing investment in the services provided. Work is ongoing to support the advice sector to develop its capacity to demonstrate the social impact of its work. Consideration will be required of the most appropriate mechanism for creating the capacity to do this.

## **Theme 2: Welfare Rights and Debt Advice.**

- ***Overarching Objective 2: To work proactively to improve the access of specific groups within the population to welfare rights and debt advice; older people, people with mental health problems, small businesses, children, people who are unemployed, and those in particular types of housing.***
- *Objective 2.1 To increase benefit take up amongst **older people** through a proactive campaign based on a short term intensive effort, and longer term changes to practice.*

A time limited, proactive benefit take up campaign targeted at older people offers one of the few opportunities available to local agencies to tackle poverty amongst this group. If staff working on the campaign work alongside intermediary agencies, they can leave a legacy behind of improved practice amongst frontline staff to respond to triggers for new entitlements, and reduce benefit underclaiming amongst older people in the longer term.

Progress on this action must build on existing work, involve the full range of specialist advice agencies working locally, and fully engage intermediary organisations. It may require additional resources, but would have a positive impact on the local economy and generate a variety of other benefits to stakeholders.

- *Objective 2.2 To maximise the contribution of advice agencies to improving the well being of **people with both mild and enduring mental health problems** through the provision of debt advice.*

Improving the access of people with mental health problems to benefit and debt advice through strong referral systems, or a dedicated resource, will probably bring therapeutic

benefits, and may generate financial and efficiency gains. It also fits with the direction of national and local policy on mental health.

Such work will increase the demand for services and therefore require resourcing. An initial pilot approach to explore the benefits for service users and mental health services may be appropriate.

- *Objective 2.3 i: To increase the availability of debt advice to potential **small business** owners- particularly those who are socially excluded, existing small businesses in trouble, and those whose businesses have collapsed, through the creation of specific capacity within the East Sussex advice sector.*
- *Objective 2.3 ii To increase the availability of impartial insolvency advice to **small businesses** and their owners through the creation of an insolvency practitioner service, whose advice is not incentivised in any way that might be detrimental to the client.*

Creating a dedicated source of advice for small businesses, or the better plugging of small business into existing resources, should assist work to improve business viability and the ability of small business owners to bounce back from business failure.

Progress on either action would need to explore different delivery mechanisms, and be clear that any new services created were genuinely additional to existing provision. At a time of some flux in the provision of business advice services, a pilot approach might again be the most appropriate way of going forward.

- *Objective 2.4 i To review current engagement with children's centres in the area, and identify ways in which this might be improved, for example through a greater focus on building the capacity of service users.*
- *Objective 2.4 ii To identify other opportunities to work with stakeholders to improve the capacity of the sector to reach out to **vulnerable children and young people and families.***

Considerable financial inclusion work is already being carried out in East Sussex targeted at vulnerable children and families, most notably in the county's children's centres. This is an appropriate time to consider how effectively such work engages existing agencies, how other partners might have a contribution to make to its success, and what other routes there might be to engage the most vulnerable.

- *Objective 2.5.i To maximise the ability of Job Centre Plus to act as a gateway to advice services, and ability of the advice sector to meet the needs of **unemployed** people.*

Job Centre Plus has a crucial role as a gateway to advice services through frontline staff identifying and referring clients to support, precisely at the point at which vulnerability to financial exclusion might be triggered by loss of a job.

Closer working relationships and better referral systems will generate more demand for services, raising capacity issues. Progressing this action will also require an assessment of JCP staff's current activity in this role and the role of the financial inclusion sector in strengthening that capacity.

- *Objective 2.5.ii To ensure that any financial inclusion related barriers to work facing people who are **long term unemployed** are dealt with effectively through the development of effective joint working between the advice, financial inclusion and employability sectors.*

Better access to benefit and debt advice can have a positive impact on people's transition from long term unemployment into work, and generate business gains for employability providers.

Progressing this action will involve taking a clear view on the balance between the time, resource, capability and capacity constraints on both the employability and financial inclusion sectors. Again, piloting different approaches might be an appropriate way of proceeding.

- *Objective 2.6.i. To improve the access of **social rented tenants** to welfare rights and debt advice through local social landlords playing their full role in promotion of services and identification and referral of tenants.*

Social landlords are almost uniquely well placed to help tackle financial exclusion amongst their tenants, and stand to benefit in business terms from this involvement, including through reductions in rent arrears and tenancy failure.

Key questions involved in developing enhanced services for social rented tenants focus on the extent to which business gains from such work can be demonstrated, and the extent to which social landlords may be prepared to invest to save. Again, pilot projects focused on demonstrating business gains may be the most effective way of proceeding.

- *Objective 2.6.ii. To explore with stakeholders effective means of responding to triggers for advice need experienced by **private renters** and **owner occupiers**.*

There are few examples of good practice targeting people in these tenures with advice services, yet it is clear that low income private renters and owner occupiers are highly vulnerable to financial exclusion, and a high proportion of East Sussex residents are included within these groups.

### Theme 3: Beating the Poverty Premium

- **Overarching Objective 3. To reduce the 'poverty premium' paid by low income people for goods and services by improving access to mainstream financial services, and supporting them to make better consumer choices.**
- *Objective 3.1i To increase the membership and geographical reach of the new larger East Sussex Credit Union by engaging public and voluntary sector organisations as promotional partners.*
- *Objective 3.1 ii To increase the customer base and geographical reach of Innovative Finance by engaging public and voluntary sector organisations as promotional partners.*

East Sussex Credit Union, Hastings and Rother Credit Union, and Innovative Finance- a Hastings based CDFI (Community Development Finance Institution) all work to increase the access of local people to cheaper and better credit than is available from expensive companies such as Provident Financial Services. Each provider is now seeking to grow their customer base, and expand across East Sussex.

Public and voluntary organisations, including the advice sector should play a key role in promoting these providers. This requires better joint working and the development of better understanding between partners. This should include consideration of the potential for the sharing of premises and delivery of outreach surgeries.

- *Objective 3.2 Increase the public's access to, and awareness of, fuel poverty programmes in particular social tariffs and better value utility deals.*

This action can be set in the context of broader efforts to tackle fuel poverty, which may include income maximisation work, physical investment in properties and seeking to change behaviour around energy consumption.

Promoting access to these services requires that specialist capacity is maintained to work to increase the knowledge and awareness of intermediary organisations. Other issues include the extent to which access to privately provided information on energy tariffs can be supported, and links with fuel debt.

### Theme 4: Building Financial Capability

- **Overarching Objective 4: To increase people's financial capability, improving their ability to take appropriate decisions relating to their finances, to seek advice when needed, and to help themselves where possible.**
- *Objective 4.1: To identify and exploit suitable opportunities to do financial capability work with existing groups.*
- *Objective 4.2 To expand the financial capability inputs available through youth groups and schools.*



- *Objective 4.3 To communicate effective financial inclusion messages, and make relevant self help materials available through printed, broadcast, and electronic media.*

Frontline debt and benefits advisers do seek to leave a legacy of enhanced financial capability, but face considerable time pressures in doing so. There is a role for financial capability work, both with existing and potential service users and with others who may prefer to help themselves.

There are two key challenges in delivering financial capability work:

- To find the most appropriate mechanism for doing so.
- To create space for people to think about financial issues alongside all the other concerns that they have/ subjects that they have to deal with.

Opportunities should be taken to deliver group work with people receiving group based housing support, children at school, young people involved in youth groups, clients of employability services, and participants in adult education. There are opportunities to provide financial capability work through broadcast, web based and print media.

Although the ultimate ambition of financial capability work is to enable people to make the right decisions without recourse to advice and help themselves when they find themselves in difficulties, doing such work does involve resources and can generate increased short term demand for services.

Progressing this action must build on, or direct service users to, existing resources, and use existing materials wherever possible. It must take account of the different concerns and ways of accessing information of different groups. An appropriate balance must be struck between work being delivered by financial inclusion specialists and by those already engaged with target groups such as teachers, youth workers and employability providers.

### **Theme 5: A No Wrong Door Approach to Services.**

- ***Overarching Objective 5: To create a 'No Wrong Door' approach to services.***
- *Objective 5.1 To progress work to create a robust referral system involving the financial inclusion sector and frontline staff in the statutory sector*
- *Objective 5.2 To develop a training programme for front line staff aimed at building their capacity to play their full part in the 'No Wrong Door' approach.*

Service users do not always approach the right agency to deal with their problems. Intermediary organisations often become aware of problems, including financial inclusion problems, affecting their service users over the course of dealing with other difficulties. A 'No Wrong Door Approach' focuses on identification of people in need of support and referral to other agencies, and aims to stop them falling through holes in the system.

Key challenges in progressing these objectives will be to build on and co-ordinate existing initiatives, agree the phasing and resourcing of implementation, agree the appropriate level of

involvement of frontline staff in different agencies in the provision of basic advice/ identification and referral of those in need of support, secure strategic buy in from partners, and resource the involvement of practitioners in building the capacity of others.

### **Theme 6: Driving Progress on Financial Inclusion.**

- ***Overarching Objective 6: To create structures for overseeing and driving progress to tackle financial exclusion, in particular the objectives set out above in this plan.***

It is proposed that a steering group is created at a County wide level to oversee the delivery of the plan. This would:

- Involve all the statutory organisations with a clear interest in the effective promotion of financial inclusion in East Sussex/ with funding responsibility for financial inclusion activity.
- Involve representation from ESAP members, from other voluntary organisations involved in the provision of advice, and from local affordable credit providers.
- Avoid duplicating existing partnerships and working groups.
- Have clear reporting links with other partnerships and working groups as required, and communicate their agenda to other partnerships and working groups.
- Be led by a senior council manager, with facilitation support provided to the group by an identified council manager.
- Be complemented by a series of short life, flexible working groups to be established to pursue progress in particular areas of action, for example on specific themes/ objectives within this report.

Ongoing discussion is required about the need for replication of this group at a district level.