

Authored by



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# Financial Inclusion In East Sussex

An Overview and  
Recommendations for Action

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East Sussex Advice Plus





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## **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 **ex**clusion 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 for local authorities open 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, rather than 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 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.

## Introduction

In February 2010, East Sussex Advice Plus commissioned Nick Hopkins Consulting to deliver a needs analysis in relation to financial inclusion in the East Sussex area, and based on that analysis, and on the engagement of ESAP partners and other stakeholders, to develop thinking around potential priorities for action. The report below sets out the consultant's findings.

### What is Financial Inclusion?

Financial inclusion has been defined in any number of ways since the term became current in the mid to late 1990s. The most effective way of understanding what it means is probably to focus on the characteristics of someone who is financially included.

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 promote financial inclusion 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, mainstream financial services.
- Supporting the development of individuals' financial capability.
- Supporting people to make good consumer choices.

### A Challenging Context.

There are a number of **long term dynamics** in our economy, population and society that have increased, and in many cases are still increasing, the extent to which the East Sussex population is at risk of financial exclusion:

- Growing levels of personal debt, both consumer and mortgage related debt, which have increased at a faster rate than incomes, thus increasing the financial exposure of households.
- An ageing population, many of whom will need advice to access their state support entitlements.
- Polarising changes in the labour market, with pay at the top running away whilst it stagnates at the bottom, mean that general progress on tackling poverty and social exclusion remains slow and difficult.
- Greater complexity in the financial products on offer to consumers, and a greater, and potentially confusing, range of sources of advice and information about those products, some of which are only available to those who are digitally included.
- Increased emphasis on the need for people to take responsibility for planning ahead for their future, in particular for their future after retirement.

***In the shorter term***, the recession and credit crunch are also driving up financial exclusion, and leaving more people more exposed to its consequences.

- Unemployment is making many previously affordable debts unmanageable. *Underemployment* is making previous marginally affordable debts problematic.
- The growth of financial pressure on households increases the other stresses and strains that they face.
- Reduced access to existing credit may increase the numbers of people seeking to meet their credit needs from poorer value sources.
- Erosion of the value of savings and pensions, the use of savings to fill gaps in household budgets, or the ceasing of expenditure on insurance and other protective financial products, can leave people more exposed to hardship in both the short term and longer term.

The financial inclusion sector, those organisations working on the five sets of issues discussed above, therefore faces increased calls on its resources, compounded by other changes such as the introduction of Debt Relief Orders. Such increased pressure is being felt at a time when expenditure constraints are about to affect all parts of the public sector, ***with the consequence that the sector will be asked to do more with less at a time when capacity is already insufficient to meet existing demand.***

#### **A Case for Sustaining and Growing the Sector.**

In this broader context, the strategy lays out a case for sustaining, and, where possible, expanding the financial and human resources devoted to financial inclusion work.

This case has two parts;

- Developing the offer of the financial inclusion sector so that those asked to invest resources know that they are investing in organisations that will use their resources as effectively possible, and can prove that they are doing so.
- Developing partnership working between the sector and other organisations in the public, private and voluntary sectors, increasing the effectiveness of financial inclusion work both in achieving its own direct objectives, and supporting the achievement of key policy objectives across a whole range of other areas.

#### ***Improving the Financial Inclusion Sector's Offer.***

There are a number of areas in which the financial inclusion sector is working, and can work further, to increase the effectiveness of the services that it offers.

- Triage and referral- making sure that those accessing services are able to get quickly to the most appropriate person to deal with their problems and needs.
- Up-skilling- making sure that those working within the sector have the requisite skills to deal with the issues with which clients present, and that the operating systems within the sector are fit for purpose.
- Monitoring and evaluation- making sure that the sector can demonstrate the impact of what it does on service users and more broadly on the work of other agencies, something particularly important in the light of some of the moves to formalise relationships with stakeholders implied by this report.
- Supporting self help amongst service users- enabling those who can help themselves to do so, releasing resources to be devoted to those who need a higher level of assistance.

### **Partnership Working.**

Working in partnership with other organisations offers benefits to both the financial inclusion sector and its stakeholders.

Many people miss out because they do not currently access the sector's services:

- Word of mouth remains the main route by which people access services. In one sense this is a good thing, reflecting the positive experiences of service users who recommend services to friends and family. However, it also risks leaving access to be triggered by 'happy accidents', by happening to know someone else who has used services before.
- An 'inverse care law' operates in the financial inclusion field as elsewhere, *those with the most need for advice are often those least likely to seek help.*
- Those in need of help often do not, whether through ignorance of entitlement/ of the services available, or through avoiding dealing with their problems, seek help until their problems have become intractable or reached crisis point.

The sector is working with precisely the people other organisations most wants to reach. Their client facing staff can be perfectly placed to identify those in need of financial inclusion support and refer them on to relevant services or, where they are appropriately trained by the sector, to provide basic advice and information themselves.

Working with stakeholders who are 'trusted intermediaries' means that the sector can reach service users earlier, or where it would not otherwise have managed to do so. In turn, by helping their own service users become more financially included, stakeholders can better achieve their own objectives. Both these objectives fit with the emphasis on early intervention within East Sussex's 'Pride of Place' strategy.

Reaching more people through better and earlier intervention creates capacity challenges for the sector. Extra demand will be generated, certainly in the short term, and, in most areas of work, also in the longer term. Some of this can be met by increased efficiency, that is by improvements in the 'offer' made by the sector, but the investment of additional resources is also likely to be needed.

This places a responsibility back on stakeholders to:

- Work to maintain existing levels of funding to protect achievement of their own objectives, the costs of cutting financial inclusion services would be felt very widely.
- Consider the redirection of existing resources to financial inclusion services if that would help the achievement of their objectives/ offer the opportunity for returns in terms of 'non cashable' efficiency gains.
- Spend to save, investing their own additional resources in financial inclusion services, if that offers them the prospect of a return in terms of cashable efficiency savings, i.e. that there is a direct financial return.
- Where limited pots of additional resources are available, consider the potential for the investment of these resources in financial inclusion services, where necessary piloting services to explore the business case for greater/ longer term investment.
- Be prepared to provide replacement funding for existing financial inclusion services where current funding is drying up, or where current funders can reinvest resources in other financial inclusion activities.

# Understanding Financial Exclusion

## Financial Exclusion, Poverty and Social Exclusion

Financial exclusion is both a cause and effect of poverty and social exclusion.

Those who are financially excluded may have lower disposable income as a consequence of:

- Missing out on the benefit income to which they are entitled.
- Being in problematic debt, a situation which may be worsened by charges for missed payments and borrowing from high cost lenders such as home credit providers.
- Being unable to cope well with the cost of financial shocks, for example damage to/ theft of property, due to lacking financial products such as household insurance.
- Lacking the understanding, skills or motivation to manage money effectively.
- Paying a 'poverty premium' for goods and services, for example through not being able to afford to buy in bulk, not being able to pay for goods and services by direct debit due to a lack of a bank account, or lacking the confidence to manage an existing account.

Those in poverty and social exclusion are more likely to be financially excluded, being:

- At greater risk of being in problematic debt, finding themselves forced to borrow to meet basic household expenditures or tempted by consumer goods that they can't afford.
- Less attractive customers to banks and other financial institutions, with mainstream products often not designed with their needs in mind, and those financial products that are available to them often being 'sub-prime' in terms of the charges/ interest levelled and the conditions attached.
- More likely to have a family background involving a degree of instability, in which they may not have learnt independent living skills such as budgeting.
- More likely to experience problems with literacy and numeracy skills, inhibiting their access to, use of, and decisions about, financial services.

Those in lower paid work are:

- More likely to be in irregular employment and to be affected by longer periods of unemployment, with consequences for their ability to manage household borrowings.
- Likely to need in work benefits or tax credits to top up their income to an acceptable level, which they may not claim.

Particular groups within the population may have increased vulnerability to financial exclusion, for example:

- Women experiencing domestic violence may have been left with a partner's debts, have experienced financial abuse as part of the broader picture of abuse, and be unfamiliar with a benefit system that they may be forced to rely on at least in the short term.
- People with mental health problems may be more focused on those issues than financial concerns. Some mental health problems may be associated with particular

negative financial behaviours, for example bi polar disorder may be associated with excessive spending at certain times.

- People who have been homeless may struggle to access financial products and credit, due to being unable to establish their address, or due to having a poor credit rating.
- Economic migrants and refugees may be unfamiliar with the range of financial products available to them locally, and with the most effective way of managing their finances in a system that is unfamiliar to them.

### **The Dynamics of Financial Exclusion.**

People's experience of financial exclusion is not static. A variety of changes in personal/household circumstances can push people into, or lift people out of, financial exclusion. Some changes may affect some aspects of people being financially excluded whilst leaving others untouched.

The most significant changes in circumstances triggering financial exclusion are those reducing disposable income. For example, previously manageable debt may become unmanageable because of:

- Loss of employment or reduction in hours worked.
- Relationship breakdown.
- Increase in household size without a commensurate increase in household income.
- Ill health triggering loss of employment or sustained work absence on reduced pay.
- Sudden necessary expenditure requirements, for example as a consequence of equipment breakdowns, fire or theft.

One key element of the analysis in this report is a focus on these trigger events, the necessity of intervening early in response to them, and the opportunities that they provide to respond early to the onset of financial exclusion.

## Financial Exclusion in East Sussex

This part of the report is divided into two parts.

- Part 1 looks at socio economic and demographic data for East Sussex and the districts within it. It shows how the particular characteristics of East Sussex might be expected to influence levels of financial exclusion in the area, and the appropriate response to it.
- Part 2 looks at direct data relating to levels of financial exclusion in East Sussex, or in the UK/ Great Britain/ England where East Sussex is not available.

A note on sources. Unless indicated otherwise, statistics in this report are taken from the East Sussex in figures website.

### Part 1

#### The East Sussex Population.

##### Age Structure.

Table 1 sets out the age structure of the population in East Sussex and its districts.

Area	0-14	% Pop	15-29	% Pop	30-44	% Pop	45-64	% Pop
Eastbourne	15,578	15.8%	17,653	18.0%	17,683	18.0%	24,471	25.0%
Hastings	15,376	17.7%	15,631	18.0%	16,881	19.5%	23,525	27.1%
Lewes	15,501	16.2%	14,009	14.7%	16,259	17.0%	27,421	28.7%
Rother	13,327	14.9%	11,679	13.1%	12,966	14.5%	25,975	29.1%
Wealden	24,654	16.9%	19,927	13.7%	24,873	17.1%	43,205	29.7%
<b>East Sussex</b>	<b>84,436</b>	<b>16.4%</b>	<b>78,899</b>	<b>15.3%</b>	<b>88,662</b>	<b>17.2%</b>	<b>144,597</b>	<b>28.1%</b>
<b>Great Britain</b>		<b>17.3%</b>		<b>20.2%</b>		<b>20.8%</b>		<b>25.3%</b>

Area	65-74	% Pop	75-84	% Pop	85+	% Pop
Eastbourne	10,050	10.3%	8,402	8.6%	4,155	4.2%
Hastings	7,622	8.8%	5,099	5.9%	2,561	3.0%
Lewes	10,698	11.2%	7,874	8.0%	3,853	4.0%
Rother	12,061	13.5%	8,981	10.1%	4,311	4.8%
Wealden	16,747	11.5%	11,225	7.7%	4,937	3.4%
<b>East Sussex</b>	<b>57,178</b>	<b>11.1%</b>	<b>41,581</b>	<b>8.1%</b>	<b>19,817</b>	<b>3.8%</b>
<b>Great Britain</b>		<b>8.6%</b>		<b>5.6%</b>		<b>2.2%</b>

The most striking aspect of the tables presented above is that the East Sussex population is substantially older than the population of Great Britain as whole. That difference is at its greatest in Rother, with those 85+ making up over twice the proportion of the population in that district as they do across the whole of Great Britain. Eastbourne's population is also noticeable for the high proportion of those who are 75 and older.

This age structure is significant in two ways:

- There are few things a local authority can do to tackle the poverty facing older people in its area, other than promote benefit take up and tackle fuel poverty.
- Older people's experience of financial exclusion and its consequences tends to differ from the rest of the population:
  - Older people are more likely to underclaim the income based benefits to which they are entitled, and around 4 in 10 do not claim the disability benefits they are due (see below).
  - Older people are less likely to be in debt than other groups.
  - Older people tend to score higher in relation to financial capability than younger people, and their preferences for ways of managing money may have been set for a long time.
  - However, conditions such as dementia can mean that some older people experience a reduced capacity to manage their own financial affairs.

### Number of Births.

In 2008 there were 5,157 live births in East Sussex. Of these, 1,092 were in Eastbourne, 1,153 in Hastings, 910 in Lewes, 698 in Rother and 1,304 in Wealden.

Births are a significant event in financial inclusion terms:

- Young children place considerable pressure on a household in terms of extra expenditure.
- This pressure is exacerbated where there are interruptions to, or reductions in, the level of income of parents.

### Lone Parents

Table 2 sets out the number and percentage of lone parent households in East Sussex.

Area	Number of Lone Parent Households	Percentage of Lone Parent Households
Eastbourne	2,473	6.0%
Hastings	2,990	7.9%
Lewes	1,871	4.7%
Rother	1,733	4.7%
Wealden	2,411	4.1%
<b>East Sussex</b>	<b>11,478</b>	<b>5.3%</b>

Lone parenthood has significant implications for household poverty, which in turn has implications for levels of financial exclusion. Particular challenges facing lone parents also create an enhanced risk of financial exclusion:

- The determination to provide a reasonable standard of living for children can push lone parents into expenditure and borrowing that objectively they cannot afford. People can be particularly vulnerable at times of high need for expenditure shortly after the birth of a child or when moving house.
- More general challenges involved in child raising and coping without a partner may be more immediately pressing than those of managing money effectively.
- Relationship breakdown is a major trigger for problematic debt as household income falls. Particular problems may result where a lone parent is left responsible for debts.

## Ethnicity

Table 3 below sets information relating to the number of people from minority ethnic communities in East Sussex:

Area	% of Population White/ Mixed Race	% Population Asian/ Asian British	% Population Black or Black British	% Population Chinese/ Other Ethnic Group
Eastbourne	94.9	1.6	1.2	1.1
Hastings	95.1	1.9	1.7	0.9
Lewes	96.2	1.6	1.0	1.2
Rother	96.5	1.2	1.1	0.7
Wealden	96.8	1.2	1.1	1.0
East Sussex	96.1	1.6	1.2	1.1
South East	93.5	3.5	1.6	1.4
England	89.9	5.7	2.8	1.5

Table 4 sets out the number of East European migrants who have applied for National Insurance Numbers in the UK between May 2004 and December 2009:

Area	May 2004- December 2004	2005	2006	2007	2008	2009	Total
Eastbourne	135	200	215	170	170	135	1,025
Hastings	280	290	355	130	60	75	1,190
Lewes	190	160	90	75	80	65	660
Rother	60	95	70	90	70	30	415
Wealden	130	140	120	140	90	65	685
East Sussex	795	885	850	605	470	370	3,975
South East	17,320	25,570	26,950	26,095	20,315	15,970	132,220
UK	108,785	185,620	214,050	208,830	151,870	118,675	987,830

From these figures it is clear that:

- The minority ethnic community population in East Sussex is much smaller than that in the UK as a whole, and particularly low in Rother and Wealden.
- There has been much less migration from Eastern Europe into East Sussex over the last 5/6 years than into the rest of the South East and the UK.
- The rate of migration has been declining for at least two years in East Sussex and elsewhere.

It should be recognised that the figures in table 4 only give a sense of the formal migrant labour work force, other workers will be engaged in illegal/ black market work.

People from minority ethnic communities and migrant workers may face a number of particular financial inclusion challenges:

- Language barriers may hinder their access to information about their rights and entitlements, and support to exercise their rights.
- Those more newly arrived in the UK, may lack familiarity with financial and benefit systems, products and services, and struggle to identify the most appropriate way forward for themselves.
- Those uncertain about their status, or those without recourse to public funds may be particularly vulnerable to exploitation in the labour market.
- Some religions, for example Islam, may place restrictions on access to particular forms of financial services.

The size of East Sussex’s minority ethnic communities suggest that an effective service response to the needs of these communities will not involve the need for the creation of a specific separate targeted service. It is more likely to involve work with relevant community organisations both to provide outreach services and to create referral routes, and the maintenance of appropriate knowledge and capacity within existing services.

Services will need to ensure that information about their provision is available in community languages, and that they maintain the capability of calling upon interpretation and translation services when required.

## **Disadvantage and Household Income.**

### **Household Income and Poverty**

Table 5 sets out the levels of household income and poverty in East Sussex in 2009.

Area	Mean Household Income	Median Household Income	% Below 60% of Median Income	Number of Households below 60% of Median Income
Eastbourne	£32,406	£27,646	25%	11,611
Hastings	£30,794	£26,176	28%	11,281
Lewes	£35,671	£30,489	21%	9,002
Rother	£32,939	£28,029	25%	10,171
Wealden	£38,296	£32,591	19%	11,798
East Sussex	£34,495	£29,153	23%	53,864
South East	£39,231	£33,291	18%	
Great Britain	£35,006	£29,363	23%	

The table makes it clear that any assumptions about East Sussex being a typically affluent part of the South East are wide of the mark:

- Each of the districts within East Sussex has a median household income lower than the South East as whole.
- Each of the districts has a higher proportion of people in poverty (living in a household at below 60% of median income) than the South East as whole.
- East Sussex as a whole, and three of the districts within it, Eastbourne, Hastings and Rother, have a median household income below the Great Britain level.

- The percentage of households living in poverty is also higher in each of these three districts than the Great Britain level. The level of East Sussex as a whole is equal to that of Great Britain.
- Over 50,000 households in East Sussex are living in poverty. Even though Wealden is an affluent district by British standards, there are still nearly 12,000 families living in poverty in the area, the largest number of any of the districts in East Sussex.

### **Child Poverty**

Child poverty has always been the primary focus of efforts to tackle poverty, given its broader impact on the children affected in terms of education, health and opportunity.

Table 6 sets out the extent of child poverty in East Sussex:

<b>Area</b>	<b>Numbers of Children Living in Poverty</b>	<b>Percentage of Children Living in Poverty</b>
Eastbourne	3,853	23.6%
Hastings	5,057	29.7%
Lewes	2,620	15.4%
Rother	2,602	18.0%
Wealden	2,911	10.7%
East Sussex	17,043	18.5%
South East England		15.4%
England		22.4%

### **Older People's Poverty**

Table 7 sets out the number of older people living in poverty in East Sussex and its districts.

<b>Area</b>	<b>Numbers of Older People Living in Poverty</b>	<b>Percentage of Older People Living in Poverty</b>
Eastbourne	3,758	13.9%
Hastings	3,851	19.6%
Lewes	2,945	10.8%
Rother	3,417	11.2%
Wealden	3,827	9.5%
East Sussex	17,828	12.3%

Even in the most affluent district of Wealden, substantial numbers of children and older people are living in poverty.

## Distribution of Deprivation of Poverty

Table 8 sets out the 10 wards in East Sussex with the highest proportions of people living in deprivation, and in poverty <sup>1</sup>.

Ward	Percentage of Population Living in Deprivation	Ward	Percentage of Population Living in Poverty
Central St Leonards	55	Hailsham East	38%
Castle (Hastings)	45	Central St Leonards	36%
Gensing	44	Sidley	35%
Tressell	43	Wishing Tree	34%
Hollington	41	Baird	33%
Baird	39	Central (Rother)	33%
Conquest	37	Hollington	33%
Wishing Tree	35	Sackville	33%
Devonshire	34	Devonshire	32%
Sidley	34	Hampden Park	32%

Pride of Place sets out further key statistics relating to the distribution of poverty and disadvantage in East Sussex.

- 15 of the 327 Super Output Areas (SOAs) in East Sussex sit within the worst 10% in England. This number increased from 2004-2007.
- These constitute 5% of East Sussex's SOAs. 2% of SOAs in the broader South East sit within the worst 10%.
- 14 of the worst SOAs are in Hastings, the most disadvantaged part of the county. 1 in 7 of the most disadvantaged SOAs in the South East of England are in Hastings.
- Nearly 1 in 5 young people live in households in poverty in East Sussex, 30% of young people in Hastings are in this position.
- 14% of older people in East Sussex live in lower income households, a rise from 11% in 2004.
- However, it should be recognised that the majority of those experience poverty do not live in disadvantaged areas, across England only 23% of those on working age benefits live in the most deprived 10% of SOAs.

<sup>1</sup> Taken from unpublished paper: All together for Better Advice- Mapping and Gap Analysis of Advice Services in East Sussex, October 2009

## Rural Poverty

No analysis of poverty in East Sussex can ignore the rural dimension to the issue within the county.

Those living in rural areas are less likely to be poor than those living in urban areas; rural areas in East Sussex have 27.7% of the population, but 17.3% of those living in poverty<sup>2</sup>. However:

- There are 11,630 income deprived people living in rural areas in East Sussex.
- 2,585 children live in income deprived households in rural East Sussex (15.2% of all those who are income deprived in East Sussex as whole).
- 5,145 households in rural East Sussex are getting Pension Credit, (20.8% of all Pension Credit claimants in East Sussex as a whole).
- 4,330 older people in rural East Sussex are claiming Attendance Allowance.

Table 9 sets out information on the distribution of poverty in rural areas.

Area	Percentage of the Population in Poverty that Live in Rural Areas	Number of Children in Poverty in Rural Areas	Number of People in Poverty in Rural Areas
Lewes	13.6%	310	1,425
Rother	45.7%	1,190	4,985
Wealden	42.5%	1,085	5,220
East Sussex	17.3%	2,585	11,630
England	10.9%		

There are some larger concentrations of poverty in East Sussex.

- Five lower Super Output Areas, in Rye, Eastern Rother, Battle Town and Pevensey and Wentham (areas including 1,500 people) are within the worst 40% in England.
- Looking at the next smallest level of geographical analysis (output areas), there are substantial concentrations of people affected by income deprivation in Rye, Heathfield, Battle Town and Horam.

The isolated nature of many of the communities in East Sussex is illustrated by the fact that 44,510 people live more than 10km from a Job Centre, and it can be assumed, from main centres of advice provision. This isolation is compounded by a lack of access to transport, 6,800 people in East Sussex, likely to be the poorest and most vulnerable, have no access to a car or van.

Advice agencies working in Rother and Wealden, and to a lesser extent Lewes, face particular challenges in trying to reach the most disadvantaged potential service users, in comparison to other local colleagues, and those working elsewhere in England.

<sup>2</sup> All the statistics used in this section from 'The Rural Share', series of research papers from Action in Rural Sussex, 2010.

## **The Labour Market**

The labour market in East Sussex differs significantly from that of the rest of the South East region, and from that of Great Britain as whole. Many of these differences have relevance to the levels of financial exclusion affecting residents.

### **Size of the Labour Market:**

Adults of working age are a substantially lower proportion of the population in East Sussex (55.8%) than in the broader South East (61%) and Great Britain (62.0%).

### **Levels of Economic Activity:**

Amongst adults of working age levels of economic activity are higher (81.9%) than the GB average (78.9%), though slightly below the overall South East figure. Those who are economically inactive are more likely to want a job in East Sussex (5.9% of the total working age population) than those in the South East (5.2%) or Great Britain (5.6%).

### **Employment and Self Employment.**

The employment rate in East Sussex is higher than the GB rate, 77.3% against 73.3%, but lower than that for the South East as whole, 78.1%.

Levels of self employment in East Sussex are strikingly above those in the broader South East and Great Britain as whole. East Sussex has 49,500 self employed people, 16.0% of the working age population, as against levels of 10.2% and 9.1% for the South East and Great Britain respectively.

### **Occupation Classifications**

East Sussex has lower proportions of the working population in higher occupation classifications (39.2%) than either the South East as a whole (46.3%) or Great Britain more generally (43.8%). It has relatively more people in administrative and secretarial and skilled trades occupations, 26.8% as against 21.8% for the South East and 21.9% for Great Britain.

There is also a distinctiveness about the sectors in which East Sussex workers are involved.

- 56,800 work in the public sector, a higher proportion (33.9%) than in the South East (25.6%) and Great Britain (27.0%).
- 16,700 work in tourism, a higher proportion (9.9%) than in the South East (8.2%) and Great Britain (8.2%).
- 9,600 work in construction a higher proportion (5.7%) than in the South East (4.5%) and Great Britain (4.8%).
- 45,700 work in distribution, hotels and restaurants a higher proportion (27.2%) than in the South East (24.6%) and Great Britain (23.4%).

The East Sussex workforce therefore has large numbers of people working in areas that are:

- Low paid e.g. tourism, distribution, hotels and restaurants.
- Particularly vulnerable to the ongoing effect of the recession e.g. construction.
- Particularly vulnerable to the impact of future fiscal restraint at a national level i.e. the public sector.

**Pay.**

Reflecting the discussion above, full time earnings are substantially lower in East Sussex than in the South East of England, and lower than in Great Britain as a whole, as shown in the table 10.

Category	East Sussex	South East	Great Britain
Full Time Weekly Pay	£477.00	£536.60	£491.00
Male Full Time Weekly Pay	£528.00	£589.30	£534.40
Female Full Time Weekly Pay	£416.00	£454.00	£426.60
Full Time Hourly Pay	£12.32	£13.73	£12.47
Male Full Time Hourly Pay	£13.03	£14.66	£13.16
Female Full Time Hourly Pay	£11.27	£12.11	£11.45

**Part Time Employment**

Part time employment is high in East Sussex, as shown in table 11.

Area	Numbers in Part Time Employment	Women in Part Time Employment	Percentage of Workforce in Part Time Employment
Eastbourne	14,200	10,400	37.2%
Hastings	10,600	7,800	36.4%
Lewes	10,700	7,800	33.4%
Rother	9,300	6,600	36.8%
Wealden	15,000	10,800	33.3%
East Sussex	59,200	43,200	35.3%
South East	1,164,200	841,600	31.0%
Great Britain	8,319,000	6,118,000	31.2%

**'Squeezed' in East Sussex.**

East Sussex may be characterised as having a high employment, low wage economy, with a high percentage of people over retirement age.

The Resolution Foundation recently produced a report 'Squeezed- the Low Earners Audit'<sup>3</sup>, focusing on the needs of those who it describes as being too poor to benefit fully from the range of opportunities provided by the market and too rich get help from the state, i.e. those in the poorest 20-30% with a gross household income of between £11,650 and £27,150.

This group is not static, people leave it as their earnings increase, and enter/ re-enter it as they become retired. The Foundation estimates that 7.6 million households or 13.4 million adults are within this group, of whom 9 million are of working age and 4.4 million are retired.

<sup>3</sup>'Squeezed- the Low Earners Audit', The Resolution Foundation, 2009.

Financial issues are affecting this group in a number of ways:

- 78% of those in this group may be described as being in poor financial health.
- 51% of those with unsecured debt see the debt as burdensome, 20% see it as heavy, rising from 13% in 2005. In 2005 12% of this group spent more than a quarter of their income on debts, a figure that has risen to 24% in 2008.
- Repayment of debts is more a struggle for this group than for higher earners; 4% as against 2% are falling behind, 13% as against 8% are facing a constant struggle to repay, and 52%, as against 38% are experiencing some problems.
- The main causes of such problems, unexpected bills (37%) and lack of cash flow, (27%) indicate the stretched nature of many household budgets.
- Members of this group may not be seen as typical CAB customers.
- A third of this group have no savings, with a further 26% having less than £1,500.
- Pension provision is poor for this group, many of whom are employed in SMEs (cf the make up of the private sector in East Sussex below).
- Many have cut back on financial expenditure, savings/ insurance etc, creating further risks.
- Just over a quarter of this group have experienced difficulties in accessing credit.
- Increases in the cost of fuel and food have been substantially above rates of increases in wages and other prices in the economy. Higher proportions of the budgets of lower earners go on food and fuel than those of higher earners, putting the already stretched budgets of this group of people under further pressure. Many find it very difficult to economise any further.

## **Unemployment**

The Labour Force survey records that in mid 2008, 13,700 people were out of work but economically active in East Sussex, 5.5% of the working age population, a lower level than that for Great Britain (6.9%) but higher than that for the South East.

The claimant count for Job Seekers Allowance provides a way of tracking the local impact of the recession. In October 2007 the number of claimants reached its lowest level, with 4,883 claimants in the area. In May 2009 this had reached 10,480, falling back to 10,164 by December 2009. The greatest month on month rise occurred between January and February 2009, when the figures rose from 8,552 to 10,064<sup>4</sup>.

The overall level of JSA claimants obscures the amount of movement on and off this benefit, largely resulting from people moving in and out of work. Between January 2008 and December 2009, there were 42,890 moves off JSA, and 48,123 onto benefit.

Not all of these moves will have created financial exclusion related problems for those undergoing that experience. However:

- Losing a job is:
  - A major trigger for problematic debt as repayments that were previously affordable, even if only marginally so, become unmanageable. Over a quarter of people who have a major and unexpected drop in income may find themselves in serious (3 months) arrears on credit arrangements<sup>5</sup>.

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<sup>4</sup> Figures from [www.nomisweb.co.uk](http://www.nomisweb.co.uk)

<sup>5</sup> *Financial Capability in the UK: Establishing a Baseline*, Financial Services Authority, 2006.

- A potential trigger for the underclaiming of benefit, particularly for those without previous experience of being unemployed who are unfamiliar with the benefit system.
- A challenge to people's financial capability.
- Gaining a job can:
  - Cause creditors to pursue debts more vigorously than previously.
  - Leave the newly employed facing unexpected costs associated with work.
  - Create vulnerability to underclaiming in work state support such as Housing Benefit and tax credits.
- Those moving in and out of work on a frequent basis are particularly vulnerable to underclaiming both in and out of work support from the state, and may experience particular difficulties when periods out of work become longer in a recessionary context.

### **Surviving the Recession, Underemployment and Wage Restraint.**

Whilst the economic outlook remains uncertain, unemployment has not yet risen within to levels associated with past recessions.

Two particular aspects of the current recession might explain why more pessimistic predictions seem to have been awry; the response of companies wishing to retain staff has often been to reduce hours (with concomitant falls in pay) or freeze or cut pay/ reduce pay rises rather than to make redundancies.

- A recent ONS survey reports that 3.5m workers currently wish to increase the hours that they work, and estimates that 2.8m workers, just under 1 in 10 of the workforce can be characterised as 'underemployed'.
- Average regular pay (not including bonuses) only rose by 1.1% in the year to the end of November 2009 <sup>6</sup>.

Those whose pay has been cut as a result of reduced hours, or whose pay has been cut nominally or in real terms, are at risk of problematic debt. Some may be newly entitled to income based benefits/ tax credits, something of which they may not be aware leaving them underclaiming as a consequence. Others may find themselves falling below the hours worked qualifying threshold for some tax credits, leaving them with radically reduced incomes, with no entitlement to other benefits to help them fill the financial gap that has opened up as a consequence.

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<sup>6</sup> *Consumer Credit Counselling Services Statistical Yearbook, CCCS, 2009*

## The Business Sector in East Sussex

### Structure of the Business Sector

**Table 12** demonstrates that the private sector in East Sussex differs substantially from that of the rest of the UK, with small businesses assuming a greater importance as a percentage of the business population<sup>7</sup>.

	<b>No. Businesses 1-5</b>	<b>% Businesses 1-5</b>	<b>No. Businesses 5-9</b>	<b>% Businesses 5-9</b>
<b>Eastbourne</b>	2,445	75.9	425	13.2
<b>Hastings</b>	2,080	77.8	300	11.2
<b>Lewes</b>	3,400	80.1	465	11.0
<b>Rother</b>	3,275	82.3	430	10.8
<b>Wealden</b>	6,595	81.6	835	10.3
<b>East Sussex</b>	17,795	80.1	2,455	11.1
<b>South East</b>	297,360	79.8	40,095	10.8
<b>UK</b>	1,807,985	67.0	274,200	11.8

	<b>No. Businesses 10-19</b>	<b>% Businesses 10-19</b>	<b>No. Businesses 20+</b>	<b>% Businesses 20+</b>
Eastbourne	205	6.4	145	4.5
Hastings	175	6.5	120	4.5
Lewes	215	5.1	165	3.9
Rother	150	3.8	125	3.1
Wealden	390	4.8	265	3.3
East Sussex	1,135	5.1	820	3.7
South East	19,230	5.2	16,125	4.3
UK	131,820	5.7	111,765	4.8

### Business Survival Rates.

**Table 13** sets out the survival rates for businesses formed between 2003 and 2007 and shows that each year there is a substantial turnover of businesses.

	% firms founded in 2003 surviving in 2008	% firms founded in 2004 surviving in 2008	% firms founded in 2005 surviving in 2008	% firms founded in 2006 surviving in 2008	% firms founded in 2007 surviving in 2008
Eastbourne	47.6	58.1	69.1	82.4	95.7
Hastings	50.0	53.9	66.1	83.1	96.5
Lewes	52.7	60.8	71.3	81.8	96.5
Rother	49.5	56.4	70.0	80.2	94.1
Wealden	52.0	61.7	76.2	84.3	96.9
East Sussex	50.7	58.9	72.5	82.6	96.1
South East	49.1	56.4	67.4	82.7	96.3
UK	46.6	54.7	64.7	80.7	95.5

<sup>7</sup> Business Demography Statistics 2008 available at [www.statistics.gov.uk](http://www.statistics.gov.uk)

Business survival rates have been relatively good across East Sussex over the last five years compared to performance across the UK, although the broader South East region now appears to be performing better. That said, nearly half of East Sussex's businesses fail within 5 years with consequences in terms of debt, unemployment and stress for those involved.

### **Strains on Businesses**

East Sussex County Council's Business Survey of 2009<sup>8</sup> provides a portrait of some of the stresses and strains that businesses are currently facing, many of which have been exacerbated by the current recession, and many of which have implications for financial inclusion.

- 13.5% of East Sussex businesses were categorised as struggling, 17.1% as vulnerable. The concern exists that with a prolonged recession, the numbers in the more vulnerable categories will increase.
- 30% of businesses were not satisfied that they had sufficient cash flow for the next 6 months, 31% of small businesses (under 10 employees), 16% of medium sized businesses (11-49 employees) and 6% of large businesses (50+) employees.

The survey also provides a snapshot of the sources of advice and information used by businesses:

- 41% of all businesses sought advice from their accountant, 30% from business associates/ friends/ family, 14% from banks, 27% from private sector agencies, 28% from public bodies.
- Small businesses are much less likely to seek advice from banks, more likely to seek advice from business associates/ friends/ family, and appear less plugged into the support provided by private agencies, and public bodies than medium sized enterprises.

Access to finance is a perpetual issue for businesses, particularly small businesses, with implications for financial inclusion and is one that appears to be becoming more difficult:

- 19% of businesses usually raise business finance through their personal credit card, 26% through loans and mortgages. Small businesses are twice as likely to use personal credit cards as larger businesses.
- 17% of businesses had sought credit from banks in the last 6 months.
- Of those requesting new credit from banks, 41% was due to be secured, with 54% of that secured against private accommodation.
- 37% of those requests were declined, 15% of those because of a poor credit history. Small business (38% requests declined) were three times more likely to have credit refused than larger businesses.
- The consequences for businesses include redundancies, the shelving of growth plans and cutting back on capital expenditure.
- 16% of businesses have changed the way that they finance their business as a result of the recession:
  - 22% are using personal credit cards.
  - 20% are using loans and mortgages.

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<sup>8</sup> *East Sussex Business Survey Recession 2009*, ESCC, 2009.

## Financial Exclusion Impacts

- Those using personal credit to finance businesses face considerable consequences if their business fails, which may include the loss of a home if finance is secured against a home.
- The intertwining of personal and business debt can in itself put small businesses at risk and act as a constraint on growth.
- Those with poor personal credit records are likely to struggle to access finance to start new enterprises.
- Particularly difficult personal experiences of debt can prevent small business owners from starting new enterprises.
- Potential small business starters from excluded groups can be put off self employment by concerns about the impact of doing so on their benefit entitlement.

## Housing

### The Social Rented Sector.

East Sussex has lower levels of social housing than the Great Britain average, but still has a substantial social rented sector. **Table 14** shows the size of the social rented sector in each area.

Local Authority	Number of Social Rented Homes	Social Rented Homes as Percentage of Households
Eastbourne	5,915	12.9%
Hastings	5,620	13.9%
Lewes	4,548	10.6%
Rother	4,383	10.7%
Wealden	4,839	7.8%
<b>East Sussex Total</b>	<b>25,305</b>	<b>10.9%</b>

Hastings and Rother Councils have transferred their housing stock to housing associations, 1066 Housing Association and Rother Housing Association respectively, both now part of the Amicus Horizon Group. The other three local authorities have retained their stock, that of Eastbourne council is managed through an ALMO, Eastbourne Homes.

The respective stock sizes are as follows;

- Eastbourne Homes: 3,767.
- Former 1066 Housing Association stock: 3,385.
- Lewes Council: 3,303.
- Rother Housing Association: 2487.
- Wealden: 3,165.

Nine housing associations have over 200 properties in the East Sussex area; Downland (848 properties), Home (360), Hyde (274), Moat (480), Orbit South (1159), Place for People (588), Raglan HA (626), Southern Horizon (246) and Southern (247).

Each of these is a part of a national/ regional group structure, or has substantial stock holdings elsewhere.

Social rented tenants are overrepresented amongst customers of high cost credit, those who lack bank accounts and other basic mainstream financial products, and those who use debt as a way of meeting basic household expenditures, although financial exclusion is largely correlated with, rather than caused by, the simple fact of being a social rented tenant.

### **Performance of Local Landlords.**

The consequences of financial exclusion for social rented tenants can include problematic rent arrears, court action and eviction and tenancy failure.

Looking at the performance related statistics for those housing associations detailed above, it is clear that a number of them are experiencing difficulties in the management of their rent arrears, with several having arrears levels above national averages. Several, including 1066 HA and Rother Housing Association, saw a substantial rise in arrears between 2008 and 2009.

### **The Private Rented Sector.**

East Sussex as a whole has a substantial private rented sector. However, there are considerable variations between districts. These are shown in **table 15** below.

The table also shows the number of private rented sector tenants who may be entitled to Housing Benefit in each area, based on a mid range estimate of the take up of Housing Benefit in each area. This may be seen as an estimate of the number of those most likely to be affected by poverty and financial exclusion within the private rented sector.

<b>Area</b>	<b>Number of households within Private Rented Sector</b>	<b>Percentage of households within Private Rented Sector.</b>	<b>Number of Private Rented Tenants Entitled to Housing Benefit</b>
Eastbourne	8,740	19%	6,820
Hastings	9,730	24%	8,890
Lewes	4,300	10%	3,850
Rother	4,940	12%	3,770
Wealden	4,360	7%	3,830
England		11%	
<b>East Sussex</b>	<b>32,070</b>	<b>13.8%</b>	<b>27,160</b>

Private renters are at risk from financial exclusion in three key ways:

- They are more likely to underclaim income related benefits, in particular Housing Benefit, than those in the social rented sector.
- They generally (like social rented tenants) lack substantial assets against which they can borrow.
- They have fewer tenancy rights, and are therefore even more likely to experience negative housing consequences if financial exclusion pushes them into rent arrears.

## The Owner Occupied Sector

**Table 16** sets out the median cost of housing at the most recent peak of the housing market in January 2008. Prices then fell, although there has been something of a rebound since June 2009. Table 17 sets out the cost of housing at the lowest quartile, i.e. those houses more likely to be affordable for those on lower incomes, in 2007 at the peak of the market and in 1998.

Area	Median House Price
Eastbourne	£185,000
Hastings	£148,000
Lewes	£235,000
Rother	£215,000
Wealden	£239,000
East Sussex	£203,000
South East	£217,000
England and Wales	£173,500

Area	Lower Quartile House Price 1998	Lower Quartile House Price 2007	Percentage growth
Eastbourne	£43,500	£143,000	229%
Hastings	£32,000	£115,000	259%
Lewes	£57,000	£179,000	214%
Rother	£49,500	£158,740	221%
Wealden	£65,000	£176,000	171%
East Sussex	£48,750	£150,000	208%
South East	£59,000	£165,000	180%
England and Wales	£45,000	£125,000	177%

It can be seen that:

- Average house prices are higher in East Sussex than in England and Wales as a whole, and in each district within the area apart from Hastings.
- The same is true of lower quartile house prices, i.e. the prices of houses that lower earners in the area are most likely to look to purchase.
- The percentage growth in house prices over the decade prior to the peak of the housing market is substantial, and far in excess of the growth in lower income earnings over that period.
- House prices have grown considerably faster in East Sussex over this period than in the South East or England and Wales as a whole, with the exception of prices in Wealden.

Taken together with the income figures quoted above this suggests that affordability of housing is likely to be a major, and growing, issue for local residents.

### **'Squeezed' Owner Occupiers?**

Those on lower incomes have not always responded to rapidly rising house prices by seeking to rent privately or from the highly pressured social rented sector. Many have stretched household budgets as far as they can go to get on the property ladder. When unexpected expenditures arise, or incomes drop for any reason, these households can rapidly fall into mortgage arrears, and risk the loss of their home.

Lower earners are particularly vulnerable in the current market<sup>9</sup>:

- Mortgage costs for lower earners are typically in the range of 27-40% of their income, figures for higher earners in the range 19-28%.
- A higher proportion of lower earners have mortgages of 75% loan to value or more, and more are in negative equity.
- Access to credit has become more difficult, with increased deposits demanded by mortgage lenders. Where lower earners are on fixed rates they are generally finding themselves facing higher rates at renewal.
- Low income owner occupiers are particularly likely to underclaim benefits to which they are entitled.

The current situation also creates the potential for cross-generational inequality in asset acquisition. Family help is increasingly required for people to meet the cost of owner occupation. Lower earners are less likely to receive such help, and if they remain out of the property market, will be unable to support their children in turn get a foot on the property ladder.

## **Health**

### **Long Term Limiting Illness and Disability**

Table 18 sets out the number of people affected by long term limiting illness within various age groups within East Sussex.

<b>Area</b>	<b>All People</b>	<b>Aged 0-15</b>	<b>16-Pensionable</b>	<b>Pensioner</b>
Eastbourne	17,516	782	6,723	10,011
Hastings	16,648	953	8,333	7,412
Lewes	16,124	691	6,119	9,314
Rother	16,887	640	5,841	10,406
Wealden	21,758	944	8,063	12,751
East Sussex	88,983	4,010	35,079	49,894

Around 7.5% of men of working age, and 8% of women in East Sussex, around 37,500 people report having a moderate disability. Around 9,100 have a severe disability.

Estimates for the incidence of common types of long term conditions include:

- 63,900 people affected by osteoarthritis at any one time, 9,800 by rheumatoid arthritis<sup>10</sup>

<sup>9</sup> 'Squeezed- the Low Earners Audit', The Resolution Foundation, 2009.

<sup>10</sup> *Improving Life Chances The East Sussex Joint Commissioning Strategy for Adults with Physical Impairments, Sensory Impairments or Long term Conditions*, ESCC, 2009.

- 6,000 people having an acquired brain injury, with 900 people newly affected per year.
- 1,500- 2,000 people affected by ME at any one time.
- 1,000 people affected by Parkinson's disease, with 80 new cases per year.
- 5-600 people affected by MS, with 20-40 new cases per year.
- 930 people affected by cerebral palsy.

Long term illness and disability can leave individuals vulnerable to poverty and financial exclusion in a number of ways:

- Individuals directly experiencing long term illness and disability may not be able to work. Those with caring responsibilities for people with long term illness may similarly have their earning power restricted.
- Becoming ill/ disabled is, often through causing job loss, a major factor in triggering problematic debt.
- Those affected by illness/ disability may face a range of costs associated with care needs, transport, or aids and adaptations to their home.
- Those directly affected by illness/ disability, and those with caring responsibilities, may underclaim the benefit support available to them, it is noticeable that nearly 50,000 people of pensionable age are affected by some form of long term limiting illness in East Sussex, yet only 17,000 claim Attendance Allowance.

Financial capability relates not only to the capacity to take appropriate action on finances, but also the motivation to do so. Illness and disability may directly affect motivation to manage money, or be a problem that puts other life challenges in the shade.

### **Mental Health, Debt and Financial Capability.**

A substantial proportion of the East Sussex population experience some form of mental health problems.

- Around 52,000 people experience common mental health problems precipitated by stress<sup>11</sup>.
- Between 1,150 and 1,860 people experience problems related to schizophrenia.
- Between 6,500 and 7,500 people experience bipolar disorder.

The correlation between problematic debt and mental health problems is widely understood.<sup>12</sup> Qualitative research suggests strongly that causation works both ways; that debt causes mental health problems, and that mental health problems can result in debt, either directly, or through precipitating changes in circumstances.

Studies have suggested that:

- As many as 40% of people with debt problems experience physical or stress related health difficulties<sup>13</sup>
- Around one quarter of people with mental health problems experience debt compared with 8% in the general population<sup>14</sup>

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<sup>11</sup> *Joint Commissioning Strategy for Mental Health*, East Sussex County Council, East Sussex Downs and Wealden PCT, Hastings and Rother PCT, 2008

<sup>12</sup> Fitch et al, *Debt and Mental Health. What Do We Know? What Should We Do?* Money Advice Trust, 2009a.

<sup>13</sup> *London Capital of Debt*, London Health Forum, 2009

- Experience of debt increases the usage of health services<sup>15</sup>.
- A current longitudinal study of the impact of debt advice has found high levels of self reported mental health problems self identified as resulting from debt. This study also identified a positive impact of debt advice on mental health<sup>16</sup>.
- A recent study carried out by the Financial Services Authority demonstrated specific impacts of both financial difficulties and financial capability on a number of common mental health disorders<sup>17</sup>.

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<sup>14</sup> *London Capital of Debt*, London Health Forum, 2009 quoting Jenkins et al *Debt, Income and Mental Disorder in the General Population*, *Psychological Medicine*, 2008 38: 1485-1494

<sup>15</sup> Fitch et al, *ibid*.

<sup>16</sup> Orton, *The Long Term Impact of Debt Advice on Low Income Households, The Year 1 Report*, University of Warwick, 2009.

<sup>17</sup> Melhuish et al *An Investigation of the Relationship between Financial Capability and Psychological Well Being in Mothers of Young Children in Poor Areas of England*, Financial Services Authority, 2008

## **Part 2: Direct Financial Exclusion Data**

### **Benefit and Tax Credit Take Up.**

National estimates of the levels of underclaiming are produced, generally annually, for a range of benefits and tax credits. Estimates are given both in terms of caseload, the numbers of underclaimants, and expenditure, and the level of benefit underclaimed<sup>18</sup>. There is also information available at a county and district level relating to the number, and usually the average size of, current claims.

Using this information estimates can be generated for the numbers of underclaimants of particular benefits in East Sussex, and for the total level of benefit left unclaimed.

The estimates in the tables below have been calculated as follows:

- Estimates of the number of benefit underclaimants in East Sussex are simply worked out from the number of current claimants, and national lower and upper percentage estimates of underclaiming by caseload<sup>19</sup>.
- Estimates of amounts underclaimed are all annualised. The average claim of a particular benefit per week, using the district/ county figure where available, the national figure where not, is multiplied by 52 to give an annualised average claim per claimant. This is then multiplied by the number of claimants in East Sussex and its districts to give a figure for the total amount of that benefit claimed in the area. The national lower and upper percentage estimates for amounts claimed by expenditure are then used to generate estimates of the total amount underclaimed annually.

### **Income Based Benefits.**

The five key income based benefits are:

- Council Tax Benefit.
- Housing Benefit.
- Income Support.
- Job Seekers Allowance, Income Based.
- Pension Credit.

The Government estimates take up of income related benefits as being 77% to 85% by expenditure in 2007/08, with between £6.33 billion and £10.52 billion being underclaimed each year.

The sections that follow set out the numbers of underclaimants and levels of benefit underclaimed based on 2009 figures for the four following benefits in East Sussex; Council Tax Benefit, Housing Benefit, Income Support and Pension Credit.

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<sup>18</sup> All estimates from '*Income Related Benefits, Estimates of Take-Up*' in 2007-08, DWP 2009 unless stated

<sup>19</sup> All numbers of current claimants from [www.dwp.gov.uk](http://www.dwp.gov.uk)

The requisite figures are not obtainable to allow this calculation for Income Based Job Seekers Allowance. No accurate estimate is therefore obtainable through the route described above for the **total** level of underclaiming of income based benefits in East Sussex.

**Council Tax Benefit.**

Council Tax benefit is claimed by those on low incomes unable to afford to meet their council tax liability. Take up by caseload is estimated at 62-68%, and by expenditure at 63-70%. The national average amount claimed is £15.77.

There is strong reason to believe that the figures in the table below will be an underestimate of levels of benefit underclaimed; East Sussex has a higher proportion of older people than the national population, and pensioners are more likely to underclaim benefit than non pensioners. However, statistics relating to the age of Council Tax Benefit claimants in each LA area are not available from the DWP website.

**Table 19** shows estimates relating the number of people underclaiming Council Tax Benefit, and the levels of Council Tax Benefit underclaimed.

<b>Local Authority</b>	<b>Lower Limit Underclaimants</b>	<b>Lower Limit Benefit Underclaimed</b>	<b>Upper Limit Underclaimants</b>	<b>Upper Limit Benefit Underclaimed</b>
Eastbourne	4,750	£3.55m	6,190	£4.86m
Hastings	5,640	£4.21m	7,340	£5.77m
Lewes	3,620	£2.71m	4,720	£3.71m
Rother	3,770	£2.81m	4,900	£3.85m
Wealden	4,170	£3.12m	5,440	£4.27m
<b>East Sussex Total</b>	<b>21,950</b>	<b>£16.4m</b>	<b>28,590</b>	<b>£22.46m</b>

**Housing Benefit.**

Levels of take up of Housing Benefit vary between tenants resident in the social rented sector, and those resident in the private rented sector. In the social rented sector take up by caseload is estimated at 87%-92%, by expenditure at 91-96%. The national average amount claimed is £72.52. In the private rented sector take up by caseload is 62-73%, by expenditure, 72-83%. The national average amount claimed is £108.49. The figures below may be an underestimate given the greater propensity of older people to underclaim Housing Benefit.

**Table 20** shows estimates relating the number of people underclaiming Housing Benefit, and the levels of Housing Benefit underclaimed.

<b>Local Authority</b>	<b>Lower Estimate of Underclaimants</b>	<b>Lower Estimate of Benefit Underclaimed</b>	<b>Upper Estimate of Underclaimants</b>	<b>Upper Estimate of Benefit Underclaimed</b>
Eastbourne Soc. Rented Sector	360	£650K	620	£1.55m
Eastbourne Priv. Rented Sector	1,690	£5.28m	2,800	£10.02m
Hastings Social Rented Sector	390	£700K	670	£1.67m
Hastings Private Rented Sector	2,200	£6.89m	3,650	£13.07m
Lewes Social Rented Sector	270	£480K	460	£1.15m
Lewes Private Rented Sector	950	£2.98m	1,580	£5.66m
Rother Social Rented Sector	270	£490K	470	£1.17m
Rother Private Rented Sector	940	£2.92m	1,550	£5.55m
Wealden Social Rented Sector	260	£480K	450	£1.13m
Wealden Private Rented Sector	950	£2.97m	1,580	£5.64m
<b>East Sussex Soc. Rented Sector</b>	<b>1,280</b>	<b>£2.8m</b>	<b>2,670</b>	<b>£6.67m</b>
<b>East Sussex Priv. Rented Sector</b>	<b>6,730</b>	<b>£21,040m</b>	<b>11,160</b>	<b>£39,940m</b>
<b>East Sussex Total</b>	<b>8,010</b>	<b>£23.840m</b>	<b>13,830</b>	<b>£46,610m</b>

### ***Pension Credit***

Pension Credit is used to top up the income of those people entitled to the basic state pension. Take up by caseload is estimated at 61-70%, by expenditure at 70-78%. There is reason to suspect that the estimates below may be on the low side, given the tenure mix in East Sussex and the fact that owner occupiers are less likely to claim their Pension Credit entitlement than others.

**Table 21** shows estimates relating the number of people underclaiming Pension Credit, and the levels of Pension Credit underclaimed.

<b>Local Authority</b>	<b>Lower Level Estimate- Number of Underclaimants</b>	<b>Lower Level Estimate- Amount Underclaimed</b>	<b>Upper Level Estimate- Number of Underclaimants</b>	<b>Upper Level Estimate- Amount Underclaimed</b>
Eastbourne	2250	£4.08m	3350	£6.21m
Hastings	2220	£4.49m	3310	£6.82m
Lewes	1770	£3.18m	2650	£4.83m
Rother	2050	£3.71m	3060	£5.64m
Wealden	2340	£4.01m	3480	£6.08m
<b>East Sussex</b>	<b>10,620</b>	<b>£19.47m</b>	<b>15,850</b>	<b>£29.58m</b>

### **Income Support.**

Income support is used to support those who are not required to work, such as lone parents with young children, carers or people who are sick/disabled. Take up of Income Support is estimated at 78-88% by caseload, 85 -93% by expenditure.

**Table 22** shows estimates relating the number of people underclaiming Income Support, and the levels of Income Support underclaimed.

<b>Local Authority</b>	<b>Lower Level Estimate- Number of Underclaimants</b>	<b>Lower Level Estimate- Amount Underclaimed</b>	<b>Upper Level Estimate- Number of Underclaimants</b>	<b>Upper Level Estimate- Amount Underclaimed</b>
Eastbourne	440	£1.05m	910	£2.46m
Hastings	630	£1.60m	1300	£3.76m
Lewes	270	£650K	560	£1.51m
Rother	300	£700K	620	£1.64m
Wealden	280	£610K	570	£1.43m
<b>East Sussex</b>	<b>1920</b>	<b>£4.61m</b>	<b>3,960</b>	<b>£10.8m</b>

### **Disability Benefits**

This section outlines figures relating to two key disability related benefits; Attendance Allowance and Disability Living Allowance.

#### **Attendance Allowance**

Attendance Allowance is paid to people over the age of 65 who are considered to need support for the performance of everyday living tasks, such as bathing and getting dressed. It is paid at lower and higher rates depending on the level of support required by an individual. It is not means tested and acts as a passport to other benefits/ enhanced levels of other benefits, for example the severe disablement premium paid on top of Pension Credit.

There is no annual official estimate of take up rates for Attendance Allowance. The most recent (1998!) comprehensive effort at generating such an estimate produced a result suggesting between 40 and 60% of older people entitled to the benefit did not claim it<sup>20</sup>. There are some indications that the proportion of those entitled to the benefit may have risen since that time, particularly in East Sussex. The calculations below are therefore based on the assumptions that take up rates for Attendance Allowance are 60% and 65% respectively for both caseload and expenditure<sup>21</sup>.

**Table 23** shows estimates relating the number of people underclaiming Attendance Allowance, and the levels of Attendance Allowance underclaimed.

<sup>20</sup> *First findings from the disability follow-up to the family resources survey. Research summary no 5.* Craig P, Greenslade M. Analytical services division social research branch, London: DSS. HMSO, 1998.

<sup>21</sup> In the reverse of the situation with income based benefits, it is likely that entitled non recipients of Attendance Allowance are missing out on higher average levels of benefit, than the average claimed by entitled recipients. Take up by caseload would therefore be higher than take up by expenditure. The estimate of amount of AA unclaimed annually given above is therefore likely to be conservative.

Local Authority	Number of People Underclaiming Attendance Allowance 60% Assumption	Level of Attendance Allowance Going Underclaimed- 60% Assumption	Number of People Underclaiming Attendance Allowance 65% Assumption	Level of Attendance Allowance Going Underclaimed- 65% Assumption
Eastbourne	2340	£7.31m	1,890	£5.91m
Hastings	1630	£5.11m	1,310	£4.13m
Lewes	2050	£6.37m	1,660	£5.14m
Rother	2530	£8.00m	2,050	£6.46m
Wealden	2950	£9.18m	2,380	£7.41m
<b>East Sussex</b>	<b>11,500</b>	<b>£35.97m</b>	<b>9,290</b>	<b>£29.05m</b>

### Disability Living Allowance.

Calculation of the numbers of Disability Living Allowance underclaimants, and level of Disability Living Allowance underclaimed is complicated by the nature of the benefit, which has two components, care and mobility element, and by the fact that take up rates for the former are estimated at 30-50%, for the latter at 50-70%.

For simplicity's sake, the assumption will be made that take up for DLA considered as a whole sits at 60%, conservative in the case of the care element, mid range in the case of the mobility element.

**Table 24** shows estimates relating the number of people underclaiming DLA, and the levels of DLA underclaimed.

Local Authority	Number of u16 U'claiming	Amount u'claimed each year by U16s	Number of working age adults u'claiming	Amount u'claimed each year by working age adults	Total Number U'claiming	Total Amount U'claimed
Eastbourne	330	£1.30m	1,970	£6.84m	2,300	£8.14m
Hastings	460	£1.68m	2,370	£8.05m	2,830	£9.73m
Lewes	280	£1.04m	1,480	£5.20m	1,760	£6.24m
Rother	340	£1.33m	1,540	£5.37m	1,880	£6.70m
Wealden	390	£1.44m	1,710	£5.91m	2,100	£7.35m
<b>East Sussex</b>	<b>1800</b>	<b>£6.79m</b>	<b>9,070</b>	<b>£31.37m</b>	<b>10,870</b>	<b>£38.16m</b>

## Tax Credits.

Tax credits are used to give extra support to families in and out of work, and to low income working households without children.

There are several different types of Tax Credit. Information is not available relating to all of them at a local authority level, which means that it is not possible to generate figures for the total of tax credit underclaimers and tax credits unclaimed for East Sussex and its districts. The tables below set out information relating to the three types of tax credit for which this calculation is possible.

**Table 25 a** Underclaiming of Tax Credits by Families without Children

Local Authority	Lower Level Estimate- Number of Underclaimants	Upper Level Estimate- Number of Underclaimants	Lower Level Estimate- Amount Underclaimed	Upper Level Estimate- Amount Underclaimed
Eastbourne	1920	2040	£2.89m	£3.58m
Hastings	2480	2640	£4.01m	£4.96m
Lewes	1240	1320	£2.10m	£2.60m
Rother	1390	1480	£2.36m	£2.92m
Wealden	1580	1680	£2.60m	£3.22m
<b>East Sussex Total</b>	8610	9160	£13.96m	£17.28m

**Table 25 b** Underclaiming by Working Families with Children Claiming Working Tax Credit and Child Tax Credit.

Local Authority	Lower Level Estimate- Number of Underclaimants	Upper Level Estimate- Number of Underclaimants	Lower Level Estimate- Amount Underclaimed	Upper Level Estimate- Amount Underclaimed
Eastbourne	320	550	£1.98m	£3.54m
Hastings	320	550	£1.97m	£3.51m
Lewes	230	400	£1.49m	£2.53m
Rother	230	390	£1.39m	£2.48m
Wealden	310	530	£1.91m	£3.40m
<b>East Sussex Total</b>	1410	2420	£8.74m	£15.46m

**Table 25 c** Underclaiming by Working Families with Children Claiming Child Tax Credit Only, Greater than the Family Element.

Local Authority	Lower Level Estimate- Number of Underclaimants	Upper Level Estimate- Number of Underclaimants	Lower Level Estimate- Amount Underclaimed	Upper Level Estimate- Amount Underclaimed
Eastbourne	290	570	£720K	£1.51m
Hastings	280	550	£700k	£1.47m
Lewes	290	560	£700K	£1.48m
Rother	220	430	£570K	£1.20m
Wealden	400	770	£970K	£2.03m
<b>East Sussex</b>	1480	2880	£3.66m	£7.69m

The claiming of some tax credits reduces the entitlement to income related benefits, so these figures cannot simply be added to the underclaiming identified above to give an overall total for those not receiving their full entitlement to state support.

### **The Economic Impact of Tackling Benefit and Tax Credit Underclaiming.**

Increasing the level of benefit take up in an area clearly increases the flow of income into it. The impact of this can be explored in two ways, through looking at the local need multiplier, and looking at impact on jobs.

The concept of the local multiplier suggests that for every one pound brought into the economy, a further three are spent<sup>22</sup>. Given the patterns of expenditure amongst lower income communities who are more likely to be in receipt of benefits, even more of that cash is likely to initially be spent in the local economy.

A 2003 Fraser of Allander Institute report focused on the success of Glasgow City Council Social Work Services staff bringing in £10.8m in a single year extra to people on low incomes within the city, calculating that this would result in the creation of 180 extra jobs in Glasgow, part of a total of 258 new jobs across Scotland. This suggests that 1 job was created in Scotland, and 1 job in Glasgow, for every £42,000 and £60,000 respectively generated in previously unclaimed benefit<sup>23</sup>.

Given that inflation will increase the amount needed to generate a single job, £71,000 might now be a reasonable estimate of the amount of money required to generate a single job in the East Sussex area, £50,000 to generate a single job in the broader South East region.

To gain an impression of the potential impact of such work, the results were modelled on small scale, focused benefit take up campaign, targeting older people living in social rented housing.

A reasonable estimate of the number of households headed by older social rented tenants in East Sussex is 8,000. Experience from Glasgow suggests that at least 95% of older tenants contacted and offered a benefit check over the phone are prepared to engage, and that the average amount claimed per screened tenant is likely to be around £800.

Such a campaign might expect to generate around £6.08 million in previously unclaimed benefit. It would generate over £18million worth of spending in the local economy, and would create around 86 jobs in East Sussex, part of a total of 122 in the broader South East of England.

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<sup>22</sup> *The Money Trail, Measuring Your Impact on the Local Economy using LM3*, New Economics Foundation, 2002.

<sup>23</sup> *A Study of the Impact of Welfare Spending on the Glasgow Economy*, Fraser of Allander Institute, 2003.

## **Problematic Debt.**

### **National Figures.**

Levels of outstanding consumer debt in the UK have been rising rapidly since the end of the last recession in the early 1990s, growing from £53.9 billion in 1993 to £91.2 billion in 1997, peaking at £233.2 billion at the end of 2008<sup>24</sup>.

Levels have fallen back by 2.7% in 2009 to £226.8 billion as households respond to the recession by reducing their financial outgoings. However, the Consumer Credit Counselling Service describe this as barely making an impact on the high level of exposure of UK households, and as leaving many people at risk in the context of a weak economic recovery.

Figures on the level of consumer debt are not available at a local authority level. Were the extent of consumer debt in East Sussex to reflect that which exists countrywide, it might be expected that local residents would currently owe £1.9 billion in consumer debt.

Credit Action, in a recent summary of debt related figures, notes a number of the consequences of these trends, reporting that:

- 11% of the UK adult population is spending more than they earn.
- 10% of GB adults are permanently overdrawn.
- 14 million people are using credit cards to cover day to day expenditures<sup>25</sup>.

Nationally, there are signs that levels of problematic debt may be falling back a little from their peak. The Bank of England carries out a quarterly survey of the experiences of lenders. In quarter one of 2009, 54.8% of those surveyed reported that default rates on unsecured lending were rising, by quarter four a plurality of 7.3% stated that default rates were falling<sup>26</sup>.

### **Estimates of Local Need.**

Estimating the level of debt in East Sussex is a challenge.

There are reasons to suggest that numbers of those in problematic debt run at above national levels:

- Each of the districts within East Sussex has a median household income lower than the South East as whole.
- Each of the districts has a higher proportion of people in poverty (living in a household at below 60% of median income) than the South East as whole.
- East Sussex as a whole, and three of the districts within it, Eastbourne, Hastings and Rother, have a median household income below the Great Britain level.
- The percentage of households living in poverty is also higher in each of these three districts than the Great Britain level. The level of East Sussex as a whole is equal to that of Great Britain.
- The prevalence within East Sussex of people in work but on low wages.

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<sup>24</sup> Consumer Credit Counselling Services Statistical Yearbook, 2009

<sup>25</sup> Debt statistics at [www.creditaction.org.uk](http://www.creditaction.org.uk)

<sup>26</sup> Quarterly Credit Conditions Survey at [www.bankofengland.co.uk](http://www.bankofengland.co.uk)

However, there is also a strong association between debt and age, with those of retirement much less likely to be in debt than those of working age.

Based on the assumption that these factors cancel each other out, **Table 26** contains estimates of the number of households in debt in East Sussex based on extrapolations from recent YouGov survey data relating to the proportion of the UK population in problematic debt<sup>27</sup>:

<b>Local Authority</b>	<b>Estimate of Number of Households in Debt- 7% Assumption</b>	<b>Estimate of Number of Households in Debt- 8% Assumption</b>
Eastbourne	3,220	3,680
Hastings	2,840	3,250
Lewes	3,010	3,440
Rother	2,880	3,290
Wealden	4,350	4,980
<b>East Sussex</b>	<b>16,300</b>	<b>18,640</b>

### **Mortgage Debt and Repossessions.**

The current recession has had a severe impact on levels of mortgage debt and the number of repossessions in the UK, although a lower impact than predicted by many commentators. 188,300 or 1.69% of mortgage holders in the UK ended the year more than 2.5% of the total value of the property in arrears, compared to a prediction from the Council for Mortgage Lenders of 360,000 or 3.24%. Around 1,600 mortgage holders in East Sussex are likely to be in serious mortgage difficulties, 8,700 under some pressure.

### **Personal Insolvencies**

There were 134,142 individual insolvencies in England and Wales in 2009, equating to 0.31% of adults<sup>28</sup>, an increase of 25.9% from 2008, where there was approximately 1 insolvency in every 400 adults (or 0.25%).

The 134,142 insolvencies in 2009 comprised 74,670 bankruptcies (which were up 10.7% on 2008), 47,641 Individual Voluntary Arrangements (IVAs), (which were up 21.8% on 2008) and 11,831 Debt Relief Orders (DROs).

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

#### **Bank Accounts, Savings and Home Contents Insurance.**

The Government has been concerned to reduce the number of people not accessing mainstream financial services such as bank accounts, savings products and home insurance, with particular attention paid to increasing the number of people with bank accounts.

**Table 27** sets out the number of people accessing each of these services in particular income bands, up to a level in the vicinity of the UK median income<sup>29</sup>.

<sup>27</sup> Information from YouGov's ongoing Debt Track survey, [www.yougov.co.uk](http://www.yougov.co.uk)

<sup>28</sup> Statistics from Insolvency Service, [www.insolvency.gov.uk](http://www.insolvency.gov.uk)

<sup>29</sup> DWP *Family Resources Survey 2007/08, 2009*.

Income Level	Percentage with Bank Account	Percentage with Home Contents Insurance	Percentage with No Savings
Under £100	86%	65%	41%
£100-200	78%	62%	44%
£200-300	84%	65%	41%
£300-400	89%	71%	34%
£400-500	93%	78%	30%

These figures have particular significance for East Sussex as they indicate that it is not just those on the very lowest incomes who may not access mainstream financial services. Significant proportions of those on slightly higher, but below average incomes, precisely those people described above as being a major part of the East Sussex population, are also in this position.

### **Use of Home Credit.**

It is estimated that over 2.3 million people in the UK are customers of Home Credit companies such as Provident Financial Services, borrowing at 189% APR or more <sup>30</sup>.

Despite the high rates of interest charged, the Provident reports that around 9 out of 10 of its customers would recommend it to someone else. The attractions of the service that it offers to low income consumers are:

- Immediate access to loans.
- Preparedness to lend to people with poor or no credit rating.
- Access to loans for small amounts of less than £1000 (i.e. below the amount that banks will offer).
- Loans that seem affordable on a weekly basis, the cost difference between home and more affordable credit being much more visible across the period of a loan, which tends to be longer than the budgeting horizon of low income consumers.

Provident Financial Services has more than 60% of the home credit market. Its business continues to grow; it was the only FTSE 250 financial services company to deliver a positive return to shareholders in 2008.

The typical characteristics of a customer of the Home Credit industry are<sup>31</sup>:

- Of working age but not working.
- Women under 34 years of age.
- Families with children.
- From social classes D and E, with 50% of Home Credit customers having incomes below £13,000 per year.
- Renting from a social landlord.
- Living within disadvantaged neighbourhoods.

Substantial numbers of the 52,000 people living in poverty in East Sussex will be borrowing from Home Credit companies and other sub prime sources of credit such as catalogues.

<sup>30</sup> Credit Where Credit's Due, Niall Alexander for National Housing Federation, 2007.

<sup>31</sup> *The Home Credit Market. A Detailed Analysis of Target Group Index Data*, BRMB 2006.

Some people on low incomes are considered too great a risk as customers even by home credit companies. They may find themselves using illegal moneylenders, 'loan sharks'. Loan sharks will charge very high rates of interest, and repayment may be enforced with threats or use of violence.

## **Financial Capability**

The most comprehensive assessment of levels of financial capability in the UK was carried out by the Financial Services Authority, and published as 'Financial Capability in the UK, Establishing the Baseline' in 2006<sup>32</sup>. All the figures in this section come from that source unless otherwise indicated.

This defined five dimensions of financial capability:

- Making ends meet.
- Keeping track of finances.
- Planning ahead.
- Choosing financial products.
- Staying informed.

This section sets out some of the findings in relation to the latter four dimensions, issues relating to the first are covered elsewhere, and are strongly influenced by the impact of the recession.

### ***Keeping track of finances.***

- 43% of people keep no record of withdrawals from their bank account.
- 10% make no provision for regular planned expenditure.
- 7% of people do not know to within £500, the level of money in their bank account.

Those on lower incomes, living in social housing, lone parents and people who are unemployed, are more likely to keep a good track of their finances than other people, although they score less well on other aspects of financial capability.

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<sup>32</sup> *Financial Capability in the UK, Establishing the Baseline* FSA, 2006

### ***Planning Ahead.***

- 39% of people believe that they live for today in financial terms, and let tomorrow take care of itself.
- 28% of people had recently experienced a large, unexpected drop in income, 21% a large unexpected expense, but 70% had made no personal provision to protect against loss of income, 55% have not done enough to deal with a sudden expense.
- 81% of people think that the state pension will not afford them a high enough level of income post retirement, but 37% of those have not made additional pension provision, only 28% of those because they are on too low an income.
- People also report their behaviour inaccurately in this area; 75% of people say they are saving for a rainy day, but 50% of people do not have savings.

### **Choosing Financial Products**

- People have a poor understanding of the relationship between risk and return.
- There is a considerable amount of inertia in the financial product market, with people staying with particular products whether or not they are delivering the best returns/ deal for them.
- People under 30 are particularly prone to making poor financial choices.
- People make choices based on potentially inaccurate information, 42% rely on product advice from friends, family and sales people.
- Only 21% of people consider carefully a range of options before buying a product, 13% buy without considering the options.
- 49% of savings account holders cannot estimate the current level of interest yielded by their accounts.
- Only 49% of people chose their credit card because of its interest rate.

### **Staying Informed about Financial Matters.**

- 72% of people think it is quite or very important to keep up with financial matters, but only 11% keep an eye on the cost of financial products.
- 78% of people keep an eye on at least one financial indicator.
- Only 19% keep themselves informed through specific sources of information, most rely on information gleaned from general sources in the print, broadcast or electronic media.

## The Poverty Premium

### Fuel Poverty

The UK Government defines fuel poverty as occurring when a household spends more than 10% of its income meeting fuel costs.

Levels of people in fuel poverty are affected by; household income, thermal efficiency of housing and heating systems, the price paid for fuel, and patterns of household energy use. Pensioner households, single parent households and households with disabled people are all more likely to experience fuel poverty because of reduced levels of income and spending more time within the home.

Many people from vulnerable groups, although treated by energy companies as a priority for 'social tariffs', often do not take advantage of such tariffs, and are less likely to take advantage of cheaper deals/ ways of paying for their electricity. Many rely on expensive forms of paying such as pre-payment meters, because they feel more under control of their usage if this is the case.

Although the UK Government has a commitment to end fuel poverty in England by 2016, it is very unlikely to meet this target, and fuel poverty has been on the rise in recent years, driven by the increases in fuel costs since 2003/04.

People on low incomes are likely to pay a 'poverty premium' for their fuel. Those without bank accounts will lack access to the direct debit monthly deals that are the cheapest way of paying for fuel, those without the internet may not find it as easy to access price comparison information relating to fuel costs. Many on low incomes use pre-payment meters, the pay-as-you-go nature of these can make them more manageable on a day to day basis, despite the extra expense involved.

Current estimates suggest that about 17% of the population of England are in fuel poverty. Average household incomes in East Sussex, which are close to the English average, would suggest a similar figure across the area, meaning 88,000 people would be affected<sup>33</sup>.

However, there are reasons to suggest that fuel poverty in East Sussex may be higher than the English level:

- Older people are particularly vulnerable to fuel poverty and make up a higher proportion of the East Sussex population.
- Those reliant on oil for their fuel are more likely to be affected by fuel poverty, many of those in rural East Sussex have no access to mains gas.
- East Sussex has a high proportion of people housed in the private rented sector, and lowish income owner occupiers. Property conditions in the private rented sector and owner occupied sector nationally leave 15.6% and 10.6% respectively of households in those sectors at risk of fuel poverty<sup>34</sup>.

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<sup>33</sup> The Long Cold Winter, Beating Fuel Poverty, IPPR and National Energy Action, 2010.

<sup>34</sup> IPPR and NEA, *ibid*.

### **Internet Access.**

Those with easy/ private internet access are able to:

- Access deals only available to online shoppers.
- Access information through price comparison websites enabling them to make good consumer choices.

**Table 28** sets out figures relating to access to the internet for adults in East Sussex. Each of the districts within East Sussex sits below the Great Britain and South East levels of access.

<b>Area</b>	<b>Adults</b>	<b>Adults with Internet</b>	<b>Percentage Adults with Internet</b>
Eastbourne	60,998	39,449	64.7%
Hastings	53,337	31,617	59.3%
Lewes	57,151	40,350	70.6%
Rother	61,207	36,728	60.0%
Wealden	96,045	64,572	67.2%
East Sussex	328,738	212,716	64.7%
South East	5,191,501	3,805,298	73.3%
Great Britain	37,662,408	26,750,925	71.0%

## **Responding to the Challenges.**

The next section sets out the six key themes under which the financial inclusion sector in East Sussex and its stakeholders should consider taking actions which respond to the challenges identified above.

- 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' to service provision.
- Driving progress on financial inclusion.

It should be acknowledged that achieving progress on each of the objectives set out below would be very difficult, given the existing demands on ESAP partners and the current funding situation. However, the consultant believes that each of the ideas set out below is worthy of being pursued. It will be for those involved to identify those which should be prioritised. To aid this process of thinking about the issues, the consultant has set out the key challenges in taking forward action in each of these areas.

### **Theme 1: Improving the Offer of the Sector**

Protecting, sustaining or growing the current level of investment in financial inclusion services will require funders to be confident that financial inclusion services will maximise the impact of their investment.

Furthermore, the objectives set out under Theme 2 are about the expansion of the reach of services to engage more people. Those objectives cannot realistically be achieved solely through the investment of more resources, their delivery will require services to become more efficient and effective in the way that they work.

Three objectives have been set out under this theme:

- 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.
- To develop the skills of those working in the sector to ensure that they are able to meet the demands placed upon them.
- To ensure that the impact of existing and new initiatives can be demonstrated through effective monitoring and evaluation procedures.

Improving the capacity of the sector to support self help is also a key area for action, but that is covered in the theme below under building financial capability.

### **Themes 2-4: Action through Partnership Working**

As stated in the introduction, partnership working between the financial inclusion sector and intermediary organisations working with the same service users offers the sector opportunity for quicker and earlier access to service users, whilst improving the ability of intermediary organisations to meet their objectives, and achieve cost and efficiency savings.

The following three overarching objectives have been set out for these themes:

- 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 and vulnerable families, people who are unemployed, and those in particular types of housing;
- 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.
- 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.

**Theme 5: Developing a No Wrong Door Approach to Services.**

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.

**Theme 6: Structure for Overseeing the Delivery of the Strategy.**

If the objectives set out within this report are to be delivered, clear structures will have to be put in place for chasing progress, and clear leadership will be required to ensure that the importance of the strategy and associated work is widely understood amongst stakeholders.

This theme sets out suggestions for an appropriate working group structure to oversee delivery of the objectives within this report at both a county and district level, and for those who should be responsible for leading and facilitating the working groups.

## **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.**

Those working within the sector, whilst sharing a commitment to delivering a high quality service to service users, come from a variety of different professional backgrounds, and have a variety of different areas of expertise. Some will be paid workers and some will be volunteers, though both can be equally highly skilled.

Similarly, those seeking support from the sector come with a great variety of problems, of varying degrees of complexity, which may require very different levels of support if they are to be dealt with. Some may need intensive support over a period of time to resolve complex issues compounded by other problems in their lives, others may need shorter term and/or less intensive support, others still may require no more than basic information, or to be pointed in the direction of resources which enable them to help themselves.

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.

It is also the case that some of those seeking advice about particular financial issues may not at first go to the right agency within the sector, or that a wider range of problems are uncovered over the course of the support provided by one agency. For example, someone seeking debt advice may initially approach HARC, which only provides welfare rights advice, or a client of the East Sussex Credit Union may have complex money advice issues that require intensive support to resolve. The more cross referrals of people from agency to agency, the increased risk that they will fail to maintain contact with support, particularly if referrals are made without sufficient accuracy.

Considerable work is already being undertaken on these issues in East Sussex.

- As part of a national programme, all CABx in the area are introducing a 'Gateway' system. All clients are to receive a 'gateway' assessment interview and are then triaged in one or four ways:
  - Referred to/ provided with sources of self help, termed assisted information.
  - Booked an appointment with a generalist CAB adviser.
  - Booked an appointment with a specialist CAB adviser.
  - Referred to another, more appropriate agency.
- Where more than one provider works on relevant issues shared triage systems are under development.

Further progress in relation to this objective will be supported by Citizens Advice East Sussex and East Sussex Advice Plus, who will work to share good practice in the operation of Gateway services amongst partners. It will also be essential to involve the local credit unions and Innovative Finance as partners in the development of inter agency referrals.

**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.**

All of the ESAP partners must deliver services in accordance with National Standards, CABx in accordance with national CAB standards, and all providers working on the Legal Service Commission contract in accordance with their LSC required Quality Mark. All credit unions and CDFIs are regulated by the Financial Services Authority.

To ensure that they meet these standards, or in many cases as an explicit requirement of meeting these standards organisations in the sector must make a considerable investment of resources in the training and support of their staff.

This is an ongoing process within the sector. In particular Citizens Advice East Sussex and ESAP are working with partners to continue to raise standards through events, training, information sharing, and mutual support.

**Objective 1.3 To ensure that the impact of existing and new initiatives can be demonstrated through effective monitoring and evaluation procedures.**

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.

Building such a case requires demonstration of:

- The direct impact of services on service users, for example reduced levels of problem debt/ increased levels of benefit take up.
- The broader impact on service users' lives, for example evictions prevented, health improved.
- The impact on stakeholders in terms of objectives achieved, efficiencies achieved and cashable savings generated.

ESAP has been moving to increase understanding amongst partners of evaluating their work through looking at social impact assessments. They are also beginning discussions on the development of a set of common performance indicators across the sector. These efforts will continue.

Discussions of potential actions set out below consistently highlight the need for the new approaches suggested to be piloted. Piloting approaches should not be a cover for the opportunistic chasing of funding for short term projects, but should involve a genuine and in-depth evaluation of projects success.

Given the number of pilot approaches suggested, ESAP and its stakeholders should consider the most appropriate way of progressing on this action, given that existing staff are unlikely to have the time to do such work themselves. ESAP should consider whether progress is best, and most cost effectively, achieved by the creation of dedicated full or part time capacity to work across the area, by the commissioning of consultancy support, or by a partnership arrangement with a local agency with experience in this regard.

## **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.**

Welfare rights and debt advice are clearly different specialisms, often delivered by different staff. However, there is considerable crossover amongst their service users, and any improvements to services that are sought through improving partnership working are likely to engage a similar range of stakeholders.

Six priority groups have been identified by ESAP partners and stakeholders to be targeted by enhanced welfare rights and/or debt advice services.

- Older people.
- People with mental health problems.
- Small businesses.
- Children and vulnerable families.
- People in short and long term unemployment.
- Targeting by tenure.

No significance should be attached to the order in which these priorities are placed.

### **Priority Group A: Older People.**

#### ***Key issues***

- East Sussex has a comparatively large population of older and very old people.
- Many older people in East Sussex live in poverty.
- Benefit underclaiming is a major issue affecting older people in East Sussex,
- There are few tools in the possession of local government that can reduce older people's poverty other than the tackling of benefit underclaiming.

At the moment there is a pool of older people who are not claiming their benefit entitlement in East Sussex. People generally leave the pool only when they begin the claiming their entitlement, or when they die. The pool of underclaimants is continuously topped up as people reach the qualifying age for benefits/ become more frail, and do not act on their new entitlement.

#### ***Current work and policy focus***

Older people's poverty is acknowledged as being a key issue within a number of policy documents at an East Sussex and district level:

- Pride of Place, which highlights the recent rise in the numbers of older people in East Sussex living in low income households, and commits to encouraging the take up of grants and benefits.
- The Primary Care Trusts' Strategic Commissioning Plan and 'Time of Our Lives', the quality of life strategy for older people.

Furthermore, the objectives below set out most clearly in 'Time of Our Lives' cannot be achieved without tackling older people's poverty effectively:

- Staying healthy and active.
- Continuing to learn, develop and be culturally active.
- Getting out and about.
- Maintaining healthy finances.
- Maintaining the quality of life for older people who need help and support.

There is a considerable amount of effort already taking place in East Sussex to help people claim their entitlement, through:

- Existing specialist advice agencies working with older clients.
- Voluntary organisations working with older and disabled people, such as ESDA and Age Concern, the latter taking forward some work in partnership with local CABx.
- CAB Work with ex servicemen through the Royal British Legion (though this is not confined to work with older people.)
- Adult social care staff carrying out financial assessments prior to care packages being put into place.
- The work of the Pension Service's local team, which, amongst other work, delivers home visits to people referred from the national Pension Service Helpline and by other agencies, as well as event based outreach work in rural areas.

Current work has a real positive impact on the lives of those older people that it manages to reach. Data on the levels of benefit take up amongst older people over time suggests that progress in relation to increasing take up of Pension Credit has stalled. More substantial progress has been made in relation to Attendance Allowance, although a large number of underclaimants of this benefit remain. The 'inverse care law' suggests that many of those who are most vulnerable to underclaiming may not be reached by existing services, and that progress will become more difficult over time.

Current levels of investment in this area of work are unlikely to see this picture alter to any significant degree.

***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.***

There are proven models of partnership working that offer the opportunity to have a much greater impact on benefit take up amongst older people. These involve a two phase process:

- Draining the pool of existing underclaimants by a time limited, resource intensive proactive campaign to contact a given population of older people, screen them for entitlement and support applications for benefit where entitlement is identified.
- Developing the practice of intermediary organisations and their ability to respond to trigger events creating entitlement for benefit by basing those delivering the campaign alongside staff working with older people.

Health, social housing and social work services are all potential partners in such work. Within such organisations front line staff:

- Have access to contact information for older people.
- Are trusted by older people.
- Are well placed to:
  - Identify vulnerability amongst older people indicating potential entitlement to benefit, for example physical frailty can indicate entitlement to Attendance Allowance.
  - Respond to triggers for entitlement such as bereavement or reaching a particular age.
  - Carry out screening, or, with suitable training, support applications themselves.

There may also be a business case for investment by health, housing and social work services in benefit take up for older people, based on potential impacts including:

- Supporting older people to lead more active lives.
- Enabling them to remain in their home for longer.
- Reducing the level of rent arrears that they owe to landlords.

Key questions in achieving the objective are:

- Are funders prepared to consider identifying additional resources that can be directed towards the intensive first phase of such work?
- Which specialist advice/ older people's organisations would want to be involved in the work? What involvement would the Pension Service have in such work?
- Which housing/ health/ social work organisations/ sections would be prepared to host and work with workers, developing their own practice in the longer term?
- Can a pilot project targeting a specific population of older people teach us more about existing levels of benefit take up?

## **Priority Group B: People with Mental Health Problems.**

### ***Key points***

- People with debt problems and poorer financial capability are more vulnerable to experiencing mental health problems.
- Those with enduring mental health problems are more prone to experiencing debt.
- In (over) simple terms, the former group are likely to be those whose moderate mental health problems result at least in part from their debt, the latter those with more complex mental health problems which may be a key factor in causing their debt.

### ***Current work and policy focus***

Previous work in East Sussex linking the two issues has tended to focus more on the second group. CABx have been involved in delivering advice sessions in mental health settings such as local psychiatric hospitals.

Current government policy and guidance on mental health reflects an increasing concern to tackle the social factors that create much mental ill health, and to reduce the

prescription of anti depressants for those experiencing mild depression. Social prescribing in which people with mild mental health problems are referred to constructive activities or advice is seen as a key part of this approach.

The County's Recession Action Plan commits to ongoing monitoring of, and response to, the impact of the recession on the prevalence of mental health issues in East Sussex.

The Joint Commissioning Strategy of the Primary Care Trusts and East Sussex County Council is building a new approach to mental health promotion around the work of community based mental health workers, who will have a major role in social prescribing for those referred to them. The aspiration of the Primary Care Trust is that this will be a more effective, and cost effective, way of delivering services to this group. It will clearly be essential for these workers to engage with advice providers, and vice versa, and for the development of effective referral relationships between them.

It is clear that if these referral relationships work as effectively as they should, there is likely to be an increased demand on the services of advice agencies. Indications from the PCT mental health commissioning team are that they are very unlikely to be additional resources available to fund meeting that demand. This presents a challenge to advice agencies.

***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.***

Key questions for developing action:

- Should the need for provision of targeted advice services to those with enduring mental health problems be revisited?
- Given the likely need for enhanced capacity to deal with extra demand generated by the new community based mental health workers extra resources will need to be found for this work.
  - Are other resources available within Primary Care Trusts for this purpose?
  - What cashable and non cashable savings might be achieved through better delivery of debt and other advice to those experiencing mild mental health problems, e.g. in terms of reductions in prescribing costs, the more appropriate use of the time of GPs and other staff, particularly with some regular users of their services?
  - Would a pilot project be an appropriate mechanism for exploring such savings?

***Priority Group C: Small Businesses.***

***Key points***

- The success of the small business sector is critical to East Sussex's economy.
- Many owners of small businesses in East Sussex are heavily reliant on personal finance to develop/ sustain their businesses.
- Many small businesses are currently struggling to access finance.

- As a result, small businesses, the financial wellbeing of small business people, and the East Sussex economy are placed at a degree of risk.

### **Current work and policy focus**

The importance of East Sussex's small business sector is recognised in key local strategies:

- 'Pride of Place'.
- East Sussex Economic Partnership's Economic Development Strategy.

Business support services within East Sussex are being delivered through SERCO from April 1<sup>st</sup> when they took over the existing Business Link services. SERCO are likely to go through a process of reviewing the services that they provide over the Spring and Summer.

The main services provided by SERCO for small businesses include:

- General start up advice.
- Specific pre start up advice and training for excluded groups, including people who are long term unemployed, single parents etc.
- Financial advice for start ups.
- General and financial advice for businesses wishing to grow.
- Financial advice for businesses who are struggling.

SERCO constantly deal with clients who have issues around personal debt, although there are boundaries to the advice they can provide. SERCO staff make referrals to local advice services, alongside national services such as National Business Debtline. In turn, advice agencies do refer some clients to business support services.

***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.***

Key questions in progressing this objective are:

- Would this create capacity that was truly additional to that offered by phone based support such as National Business Debtline?
- Would following this suggestion involve the creation of specialist post(s), or the development of specialist skills amongst existing advisers?
- If specialist post(s) were created, where would they be based in order to serve the whole of East Sussex?
- What would be the balance within a new service in terms of focus on the different potential client groups?
- Is there a need or potential for a pilot to explore the impact of such work?
- Is there a current opportunity to open a conversation with SERCO about this area of work at a time of review of their existing provision?
- Where might resources come from for such post (s)?
- Is there potential for a pilot project to explore the impact of such a service?

***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.***

Key in delivering this objective are:

- What models might exist for the delivery of an unbiased insolvency practitioner service?
- Who might host such a service?
- Would it be possible for such a service to become self sustaining?
- Would it be possible to incentivise such a service appropriately?

## **Priority Group D: Children and Vulnerable Families**

### ***Key points from needs analysis***

- Too many children in East Sussex live in households affected by poverty.
- Families with children, particularly lone parent families, are often more vulnerable to financial exclusion than other groups.

### ***Current work and policy focus***

Concern about child poverty is reflected in a number of local strategies:

- Pride of Place reports a commitment to eradicate child poverty by 2020.
- It is identified as a key source of health inequalities within the Primary Care Trusts' Joint Commissioning Plan.

The advice sector is already doing a huge amount of work targeting children and young families through its contracted outreach surgeries across East Sussex's Children's Centres. This work includes both one to one advice and financial capability work.

More specific work has included:

- Advice for families on spending and budgeting in the run up to Christmas.
- Support for families struggling with utilities bills.

Other initiatives being taken forward in East Sussex include the provision of advice as part of core services to:

- Care leavers.
- Parents of children with complex needs and disabilities, focused on maximising DLA claims.
- Signposting by Parent Information Contacts and Parent Support Advisers based within some schools.

### ***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.***

Key questions in the delivery of these objectives are:

- Is the outreach work in children's centres allowing partners to reach the most vulnerable of families?
- What other routes/ which other stakeholders might enable them to do so?
- How effectively does provision by the sector dovetail with other services delivered in the children's centres?
- What level of additional resource might partners be able to devote to this type of outreach work?
- How can providers of affordable credit be better involved in outreach work in the children's centres?

**Priority Group E: People in Short and Long Term Unemployment.**

***Key points from needs analysis***

- Unemployment is a growing problem in East Sussex.
- The picture is complex:
  - There is constant movement of people in and out of work.
  - There is a large group of people who have been out of work for a long time and are no longer economically active.

***Current work and policy focus***

Many of those who are either short or long term unemployed already find their way to advice agencies, unemployed people make up a considerable proportion of existing service users. However, many others do not access relevant support and advice, and experience negative consequences as a result.

Two sets of stakeholders offer potential routes into services for short term and long term unemployed people; Job Centre Plus, and those delivering employability services.

Every newly unemployed person seeking Job Seekers Allowance will be in contact with Job Centre Plus. JCP staff are therefore in a critically important position to identify those with financial inclusion issues, and respond appropriately. Some local CABx report productive referral relationships with Job Centre Plus staff.

Job Centre Plus staff are expected to:

- Provide information about the range of benefits available to new claimants.
- Provide information about advice services to clients expressing concern about debts.
- Provide better off calculations for those seeing work to enable them to work out the impact of returning to work.

Employability services in East Sussex are delivered through a variety of sources:

- Flexible New Deal provision is delivered by the regional contractors, Maximus and Skills Training UK.
- Much of the frontline provision is subcontracted to local organisations, often in the social enterprise or voluntary sectors to provide.
- Other funding sources are used to support a wide variety of training and education work, delivered by the Further Education colleges, social enterprise and voluntary sectors targeted at increasing employability.

Financial inclusion inputs can play a key role in employability agencies achieving success:

- Maximising in-work income through tax credits and other benefits shifts the calculation for a client of whether or not it is financially worth taking up a job.
- The likelihood of job sustainment can be increased by supporting clients to plan ahead effectively for the financial implications of going back to work, for both the resultant increases in income and the often not immediately obvious, resultant increases in expenditure. Going back to work after a long time without employment is a challenge, unexpected financial shocks, changes in the level of debt repayments demanded by creditors, and disappointment with the difference made to disposable income can all reduce the likelihood of job sustainment.

***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 newly unemployed people.***

Playing the role of a gateway service effectively requires that Job Centre Plus staff have tools, skills and knowledge required.

Key questions in progressing action on this objective are:

- What is the effectiveness of Job Centre Plus staff in delivering the functions identified?
- How can the financial inclusion sector in East Sussex support Job Centre Plus to develop the capacity of its staff?
- Should formal referral relationships be developed between CABx and local Job Centres?
- Does such development work carry resource implications?
- From where might such resources be identified?

***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.***

Key questions in progressing action on this objective are:

- How effective do current employability providers deliver financial inclusion inputs?
- How effectively do they work together with the advice sector?
- How can the advice sector contribute to more effective working in this field?
- In making such a contribution, what should the balance be between working to develop the skills and knowledge of employability providers and direct delivery themselves?
- Are there capacity resource implications that would result from this work?

- Particularly where employability providers are paid on the basis of sustained employment of their clients, are there cashable business gains that might result from better joint working that could be invested in such work?
- Would a pilot be required to demonstrate such benefits?

## **Priority Group F: Targeting by Tenure**

### ***Key points - social renters.***

- East Sussex does not have a particularly high proportion of its population living in social rented housing in UK terms.
- However, 25,000 households in the area are served by the sector.

Financial exclusion impacts negatively on social rented tenants.

- Financial exclusion results in rent arrears, arrears can result from; Housing Benefit problems- delays, over- and underpayments; broader household debts; general money management struggles.
- Events such as relationship breakdown / formation, bereavement, loss or gaining of a job, can trigger financial exclusion and ultimately rent arrears.
- Financial exclusion is one of the factors driving homelessness. The vast majority of evictions of social rented tenants are on the grounds of rent arrears. Tenants may quit tenancies if they are not managing their rent or broader finances effectively.

This results in negative business impacts for social landlords:

- Rent arrears mean lower incomes.
- High rates of tenancy turnover cost landlords lost rent and use up staff time, as well as requiring money to be spent on securing and refurbishing properties.
- Evictions and court actions are expensive, the former may cost landlords as much as £6,000 a time.
- Lower incomes amongst tenants can also result in less tenant investment in decor, and condensation due to poorer heating of the home. Lower disposable incomes within communities may contribute to poorer shops and services and community decline.
- Staff can be demoralised by constantly dealing with arrears, evictions and failed tenancies.

### ***Current work and policy focus***

Some work is already happening targeting social rented tenants:

- Eastbourne Homes has its own welfare rights officer. Some previous work to set up a clear referral process with Eastbourne CAB has fallen into abeyance.
- Tenants of Amicus Horizon, the main social landlord in Rother and Hastings, who are in need of debt advice are currently referred to local agencies or a service provided through Hyde Housing Group. Until recently Amicus Horizon ran a financial capability and inclusion project, Moneyways, funded by Barclays. They are currently exploring options for future work with other landlords based in the South East, but have expressed openness to engagement with local advice agencies.
- Both Wealden and Rother CABx are involved in work with local social landlords. The focus of the latter's work is on a fairly small scale homelessness prevention project.

- Over and above this targeted work, a considerable proportion of service users for the advice sector are social rented tenants.

***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.***

There are particular aspects of the relationship social landlords have with tenants that put them in a key position to tackle financial exclusion.

- Landlords are in contact with tenants at key vulnerable points, for example when they are entering a new tenancy, facing, perhaps for the first time, practical challenges of managing budgets and furnishing a home.
- Landlords can become aware of changes in circumstances that might trigger financial exclusion; tenant bereavement or relationship breakdown, loss of a job etc.
- Landlords have contact information for tenants, and regularly engage tenants through letters, newsletters etc.
- Landlords, at settling in visits, investment related visits, and on other occasions are in tenants' homes in a way replicated by few other public agencies, and may spot indications of financial difficulties whilst there.
- The possession of rent account information, with arrears often a sign of wider financial problems, makes social landlords the first line of defence against problematic debt for their tenants.

Key questions on progressing this objective:

- Are local social landlords willing to work with the advice sector to develop partnerships which follow existing best practice in the delivery of welfare rights and debt advice to tenants?
- Given the business case for developing such work, are social landlords prepared to invest to save in advice services, perhaps releasing some resources for use elsewhere, even if this means replacing existing funding?
- Do such approaches require piloting in the first instance to convince those with budget holding responsibility within social landlords?

***Key points- private renters and owner occupiers***

- East Sussex has a high proportion of people living in private rented sector accommodation compared to the UK average.
- Much of this accommodation is in a poor condition, and many private renters are on low incomes.
- High average house prices in East Sussex are high, putting many owner occupiers on the margins of affordability.
- A substantial proportion of owner occupied households are asset rich and income poor older households.
- Rates of fuel poverty are higher amongst private rented tenants.
- Both private renters and owner occupiers are more vulnerable than social renters to claim the benefits that they are due.
- It can be difficult for advice services to reach both private renters and owner occupiers.

Financial exclusion impacts negatively on the housing status of both private renters and owner occupiers. Problematic debt often encompasses rent and mortgage arrears, which put households at risk of homelessness through eviction/ repossession.

Private landlords may also be reluctant to rent to people who are benefit dependent/ financially excluded due to concerns about the security of rent payments.

***Current work and policy focus.***

There is little specifically targeted work done currently by the advice sector with private renters/ owner occupiers, although both groups do benefit as part of the general service provided by the sector, and the following specific initiatives:

- Advice delivered by Rother and Wealden CABx targeted at people at risk of homelessness.
- Court based advice provided by Brighton Housing Trust, Lewes and Wealden CABx.

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

Not only is there limited current involvement in advice work targeted at private renters and owner occupiers, there is also limited established good practice in the field.

The development of any proposals in this area will need to be based on detailed analysis of:

- The characteristics of those living on low incomes within the private rented and owner occupied sectors.
- The changes in circumstances that can generate financial exclusion for people in those groups.
- The consequences of financial exclusion for those people, and for landlords and mortgage lenders.
- The organisations that work with people in those groups, and who have access to information identifying when financial exclusion has become a problem.
- Whether there are any business gains for either social landlords or private sector lenders from involvement in this area of work.

Key questions in progressing this objective:

- What involvement might be sought in both the analysis process and eventual proposals relating to owner occupiers from private financial institutions?
- What mechanisms exist for engaging the private rented sector?
- Does the capacity exist to carry out such analysis in house, or does it need to be bought in from the outside?

## **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 the more effective use of their consumer power.**

### **Increasing Access to Affordable Credit**

#### ***Key points.***

- A reliance on expensive forms of credit such as home credit and the use of catalogues is an issue that will affect large numbers of people in the East Sussex area.
- Current providers of affordable credit in East Sussex operate on a small scale.

Two credit unions currently operate in the East Sussex area.

- East Sussex Credit Union was set up as East Brighton Credit Union and has gradually expanded the area covered by its common bond to cover the whole of the East Sussex area. It offers a variety of services including loans, savings and budgeting accounts. Loans have been offered both to members with savings in the credit union, and to those without savings- supported by the DWP Growth Fund.
- Hastings and Rother Credit Union covers the districts named in its title. It is currently planning to merge with East Sussex Credit Union in the near future.

Innovative Finance is a CDFI, Community Development Finance Institution, a non profit making organisation focused on making loans to people on low incomes. It serves a more disadvantaged customer base than that targeted by the credit union. 45% of its customers are on JSA, 12% on ESA, 28% are on child tax credits. 89% of its customers live in the private rented sector.

Innovative Finance does not require borrowers to develop a savings record before accessing loans. As a result of this, and its client base, interest rates charged are higher than those charged by the credit unions, but very much lower than charged by home credit companies. The organisation does promote the savings products provided by the credit union.

Growing the customer base of affordable credit providers in East Sussex will require:

- Increasing the human resources, whether paid or voluntary, available to engage with new members/ customers and administer new loans/ savings.
- Effective methods of reaching potential new members/ customers able to overcome the challenges posed by working in a geographically diffused area.
- Sufficient capital to lend to those seeking loans.

#### ***Current work and policy focus***

The focus of East Sussex CU since the recent appointment of a new manager has been twofold; to improve its management and internal processes to put the organisation on a sustainable footing, and to develop its reach across its new common bond area.

In pursuit of the latter aim the organisation has looked to a strategy to:

- Engage stakeholders as 'friends of the credit union', prepared to promote the benefits of credit union membership to service users.
- Work with local authorities and other large public sector organisations in the area to set up arrangements by which staff can pay into a credit union account through the payroll system.

Innovative Finance has made 400 loans worth £144K since its inception. It is ambitious to expand, and has identified marketing support as its key need if it is to do so.

***Objective 3.1 i 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.***

This objective is intended to focus on how public and voluntary sector organisations can contribute to the elements of East Sussex CU's growth strategy that are described above, this report is not the place for an in depth discussion of its business plan.

Key questions in progressing this objective include:

- Are those statutory organisations not yet involved in supporting payroll contributions to the credit union prepared to move to set up the systems required to achieve this?
- Are voluntary sector organisations in the area prepared to do the same for their staff?
- How can both public and voluntary organisations promote credit union membership to their service users?
- Can voluntary organisations assist the credit union through:
  - Providing locations for outreach work?
  - Assisting in the sign up of members?
  - Providing cash collection or payment facilities?
- Are there contributions that public and voluntary sector organisations can make to promoting credit union membership amongst staff over and above those outlined in the 'Friends' strategy, perhaps focusing on the role of workplace representatives?

***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.***

Again, this objective is intended to focus on how public and voluntary sector organisations can support Innovative Finance to grow its customer base and geographical coverage, rather than as an in depth discussion of its business plan.

Key questions in progressing this objective include:

- Is there currently a real understanding amongst partner agencies of the specific value of the work undertaken by Innovative Finance as a complement to the work done by the credit union? How can this be improved?
- How might any concerns amongst ESAP partners and other stakeholders be dealt with?

- How can Innovative Finance and East Sussex Credit Union work together effectively?
- How can both public and voluntary organisations promote credit union membership to their service users?

### **Supporting Better Consumer Choices**

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

#### **Key Points**

- As indicated above, the Government is very likely to miss its target to eradicate fuel poverty in England by 2016 due to ongoing rises in fuel prices.
- Practical action to tackle fuel poverty focuses on:
  - Income maximisation work.
  - Improving the thermal efficiency of homes and heating systems.
  - Helping people access the cheapest energy deals/ tariffs available.
  - Changing behaviour to reduce unnecessary energy usage.

Government action in this area of work has included:

- The Warm Front programme, which provides people over 60 and others who are vulnerable with home improvements such as loft insulation that are aimed at increasing the energy efficiency of their homes.
- Working with the energy companies, up until now on a voluntary basis, to create, and promote access to social tariffs, for example targeted at people on Pension Credit. A compulsory scheme is proposed to be introduced in April 2011.
- Utilities also have grants schemes targeted at lower income consumers in debt.

The private sector is also heavily involved in this area, with a number of price comparison websites offering customers information and support in switching to better utility deals.

East Sussex Healthy Homes is a project working in the area:

- Building the capacity of other agencies to engage with their service users on fuel poverty.
- Publicity work through intermediary organisations such as GP surgeries.
- Direct engagement with the general public at appropriate events.

Wealden CAB Has been involved in a pilot project in this field, funded by Southern Water, which has shown positive outcomes.

Key questions in progressing this objective include:

- There is current uncertainty about the funding of East Sussex Healthy Homes. How can specialist capacity to raise awareness around fuel poverty be maintained?
- Which ESAP partners and stakeholders can promote awareness of fuel poverty issues?
- Are there ethical issues involved in promoting particular social tariffs? What routes exist for direct local promotion of such tariffs?
- What role might access to price comparison information have to play in tackling fuel poverty? How can access to, and use of, that information be supported?
- How do the issues of fuel debt/ consumer problems around fuel fit into this agenda?

## **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.**

### ***Key points from the needs analysis***

- Lack of financial capability is a problem that will face many East Sussex residents at all income levels.
- It is a particular problem, and its consequences are most severe, for people on low incomes.
- Budgets for promoting financial capability are much lower than those for advertising within organisations who might be seen as promoting less responsible financial behaviour.

Delivering effective financial capability work is challenging. The key difficulty is finding the right mediums through which messages which genuinely change behaviour can be delivered.

- Work based around offering financial capability classes appears to struggle to attract people.
- People are already bombarded by a range of materials and messages which are seeking to 'improve their behaviour'.
- People access information through a whole range of media, whether through printed materials, radio, TV or the internet.
- Messages need to be tailored to different age and social groups.
- Whilst all good face to face advice work will attempt to leave a legacy of enhanced financial capability, there is considerable pressure on the time of advisers, restricting the extent to which this can be achieved.

### ***Current work and policy focus***

A number of ESAP partners are already delivering financial capability inputs:

- Existing work in children's centres involves financial capability.
- Eastbourne CAB has been able to develop financial capability materials for use in schools and with young people. Money management training has been offered in schools by a number of ESAP partners.
- Other money management training has been offered to partner organisations and their service users.
- Development of budgeting skills is an important part of the housing support provided by organisations like Homeworks.

### ***Objective 4.1: To identify and exploit suitable opportunities to do financial capability work with existing groups.***

Whilst specific financial capability classes might struggle to attract attendees, work which has targeted existing groups with other reasons for coming together has proved more successful.

Such approaches have worked with:

- People receiving group based housing support.
- Young people involved in youth groups.
- Clients of employability services.
- Participants in adult education.

Opportunities may also exist to engage with specialist organisations who engage large numbers of service users through web based media. For example, ESDA runs a web chatroom for disabled people which could be used to as a means of discussing financial capability related issues.

Key questions in progressing this objective include:

- Is there an opportunity to build the delivery of group based financial capability inputs into work in some of the areas identified as priorities for the development of target welfare rights/ debt advice?
- Are there sufficient existing financial capability resources to effectively support group based financial capability work across the range of potential groups?
- What are the resource implications of seeking to do more group based work?

***Objective 4.2 To expand the financial capability inputs available through youth groups and schools.***

There is an understandable interest in using schools and the school curriculum as a long term route to increasing financial capability, given the opportunity to influence people at an early age and prevent problems arising later. Youth groups provide a similar opportunity to build financial capability into their other provision, particularly important for young people disengaged from formal schooling.

Key questions in progressing this objective include:

- How can financial capability find a place alongside the large number of other issues with which schools and youth groups are expected to deal with?
- How can financial capability inputs be built naturally into school curricula and youth group activity programmes?
- Is existing capacity within the financial inclusion sector enough to meet the challenge of going beyond ad hoc engagement with schools/ youth organisations?
- What is the potential for teachers/ youth workers to deliver some of these inputs themselves?

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

The last few years have seen a considerable expansion of the availability of information on financial issues through printed, broadcast and electronic media, both through the public and private sectors. Examples include:

- The development of the FSA's Money Made Clear Website, and the Government's Direct.gov web portal, often backed up by printed versions of the information.
- Private sector websites such as Money Saving Expert which offer financial advice, and price comparison information.
- Money/ financial advice columns in both local and national newspapers.
- Regular money focused slots on local and national radio, and on TV programmes such as the One Show.

At a local level a considerable focus of the East Sussex Recession Action Plan has been to communicate clear messages about surviving the recession to local residents and businesses through its magazine and website.

Perhaps the key overarching question in progressing this objective is the extent to which local action is required to supplement/ complement this range of information. In particular:

- Is there a need for local developed financial capability materials, or can people simply be directed to national resources?
- Is there a need for a local web presence, bringing together local information and links to other sources?
- Where do the skills lie within the advice sector and its stakeholders to use printed and broadcast media effectively? How can those with specialist knowledge of the field and those with media experience, if they are different people, best work together?
- What are the resource implications for greater involvement in this area of work, in terms of developing resources, engaging with the media, and in responding to increased demand generated by increased publicity?

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

### **Overarching Objective 5: To Develop a 'No Wrong Door Approach' to Services.**

Throughout this strategy there has been an emphasis on the critical role of frontline staff from intermediary organisations in supporting people to access support to deal with their financial inclusion problems.

Ideally, a system would be created in which front line staff from any public or voluntary sector organisation in East Sussex would identify service users with financial inclusion problems, and respond appropriately:

- Providing basic advice and information in line with their competence.
- Referring users to self help where appropriate.
- Making a referral to the appropriate organisation, making an actual appointment where possible to reduce the chances of a service user falling into gaps between services.

This might be termed a 'No Wrong Door' approach to delivering services.

#### ***Current Work and Policy Focus***

Two local projects may carry lessons for this area of work:

- The County Connect project has involved agencies working together in a hub and spokes model, with people identified as having problems referred in to a co-ordinating officer, who then helps them to access the appropriate service.
- The Community Bridge Builders project run by Hastings Voluntary Action works with people with complex needs supporting them to access services in the community.

There have been initial discussions between ESAP and East Sussex County Council focused on the creation of an on line system to facilitate referrals between the advice sector and other stakeholders.

#### ***Objective 5.1 To progress work to create a robust referral system involving the financial inclusion sector and frontline staff in the statutory sector as a contribution to the creation of a 'No Wrong Door' approach.***

There is no quick route to the development and implementation of an online system of this type. Current discussions between ESAP and the County Council are an opportunity to clarify the objectives to be achieved by any system, and to ensure that whatever system is used is fully fit for purpose.

Key questions in the achievement of this objective include:

- Where does the lead responsibility for developing this area of work lie?
- How can buy in from the various partners/ stakeholders be achieved?
- Once a system has been identified, how should implementation of the system be phased? Will there be appropriate opportunity for refinements to be made to the system?

**Objective 5.2 To develop a training programme for front line staff aimed at building their capacity to play their part in a 'No Wrong Door' approach to financial inclusion.**

Creating a 'No Wrong Door' approach requires work to build up the capacity, confidence, knowledge and skills of frontline staff.

Staff should have the skills to identify and support and refer service users appropriately in a way which avoids the twin risks of user disengagement and staff exceeding their competence and giving inaccurate advice. Familiarity between services and front line staff is an important component of any such work.

Key to the success of training programmes in this field are:

- Practitioners delivering the training based on their credibility as experts.
- Support from managers and senior managers of frontline staff making it clear that their organisation considers it essential that lessons from training programmes are put into practice.

Key questions in the achievement of this objective include:

- What skills and time capacity do local practitioners have to deliver a training programme?
- How can the strategic buy in from stakeholders to such an approach be achieved?
- Is there potential to build financial inclusion into a broader 'social inclusion' curriculum for front line staff aimed at creating a holistic 'No Wrong Door Approach'?

## **Theme 6: Structure for Overseeing the Delivery of the Objectives.**

### ***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.***

There have been a number of recent developments within the financial inclusion field in East Sussex that provide a base on which a structure for overseeing the delivery of the objectives set out within this report may be built.

The creation of Citizen's Advice East Sussex, the setting up of ESAP with a partnership team to take forward its work, and the development of joint working around the Legal Services Commission contract have improved partnership working within the sector and provided a mechanism through which the advice sector can progress a common development agenda. They have also enabled the sector to engage in a more focused fashion with other stakeholders, and exercise greater influence at a strategic level.

East Sussex County Council have also moved to take a more strategic position on financial inclusion work. At a strategic level both the former Deputy Director for Corporate Resources and the former Head of Corporate Policy (now Chief Executive) have been involved. At an operational level a manager within adult social care has been tasked in the short term with progressing the agenda. These officers took the lead in organising the February 22<sup>nd</sup> Financial Inclusion event at which the Council sought wider views on financial inclusion issues.

Ensuring that the objectives are delivered will require both leadership at a strategic level, and the commitment of staff resources to facilitate partnership working at an operational level.

It is essential that any structures set up to oversee delivery will in addition:

- 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.

The consultant would recommend that:

- A strategic financial inclusion working group is set up, led by a very senior council manager, with identified facilitation support from a council manager.
- 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.

Consideration will also be required for the need for structures to be set up at a district level when issues are more appropriately dealt with on that basis. The same principles outlined above for structures for county wide work should also be applied at this level.