

 Northwards Housing North Manchester's Council Homes		Report to: Northwards Housing Board 18 th July 2008		Item No: <h1>7b</h1>	
Title:		Financial Inclusion Strategy 2008/9			
Date:		4 th July 2008			
Author:		Alison Foster		Tel No:	0161 227 3010
E mail:		a.foster@northwardshousing.co.uk			
Confidential:					
For: (Please tick action required)		NOTING √		DISCUSSION	
		APPROVAL			
PURPOSE OF REPORT					
To present to the Board the Financial Inclusion Strategy for 2008/9.					
RECOMMENDATION					
Board are asked to note the report and Financial Inclusion Strategy for 2008/9.					
IMPLICATIONS					
Equality & Diversity:		None directly			
Financial:		None directly			
Staffing:		None directly			
Decency Target:		None directly			
Governance:		None directly			
Risk Assessment:		None directly			

Equality & Diversity Implications (Please tick where relevant):

BME	<input checked="" type="checkbox"/>	Lesbian/Gay/Bisexual/Transgender	<input type="checkbox"/>
Gender	<input checked="" type="checkbox"/>	Single Parents	<input checked="" type="checkbox"/>
Age	<input checked="" type="checkbox"/>	Domestic Violence	<input type="checkbox"/>
Disability	<input type="checkbox"/>	Alcohol/Drug Mis-users	<input type="checkbox"/>

Consultation/Consideration:

	Yes, No or N/A:	Name:	Date:
Sub-Committee:	Yes	Resource and Audit Committee	27th May 2008
Area Panel:	No		
Task Groups:	No		
Ward Councillors:	No		

- 1) This report introduces the Northwards Housing Financial Inclusion Strategy for 2008/9.
- 2) The strategy presents a definition of financial inclusion, and the measures the Government has taken to address financial inclusion across the UK.
- 3) In addition, the strategy presents a number of initiatives that Northwards Housing is proposing to introduce or has already implemented, in order to increase the financial capability and literacy of its tenants.

Recommendation

- 4) Board are asked to note the Financial Inclusion Strategy and proposed initiatives presented.



Northwards Housing Limited

Financial Inclusion Strategy

2008/9

CONTENTS

- 1. Introduction**
- 2. What is Financial Exclusion**
- 3. Government action on financial inclusion**
- 4. Current Government focus**
- 5. Northwards Housing perspective**
- 6. Financial inclusion measures**
 - 6.1 Access to Money Advice**
 - 6.2 Welfare Rights Advice**
 - 6.3 Financial Literacy Training**
 - 6.4 Access to affordable Credit**
 - 6.5 Basic bank accounts**
 - 6.6 Home Contents Insurance**
 - 6.7 Fuel Poverty**
- 7. Embedding financial inclusion**
 - 7.1 ‘Now Let’s Talk Money’**
- 8. Embedding the culture**
- 9. The Plan ahead**
Financial Inclusion Action Plan
- 10. Conclusion and recommendations**
Bibliography

1. Introduction

Northwards Housing has developed a Financial Inclusion Strategy in order to co-ordinate and deliver a range of measures focused on addressing financial exclusion across north Manchester.

The strategy brings together a range of existing and proposed initiatives aimed at improving the financial capability and literacy of Northwards Housing tenants, as well as presenting the current Government focus on financial inclusion.

The key priorities of the strategy will ensure that as an organisation we achieve the following:

- Increase the financial capability and awareness of Northwards Housing tenants
- Assist tenants and residents in accessing affordable credit
- Assist tenants in accessing basic bank account facilities
- Provide an effective welfare benefits and debt advice service
- Reduce levels of rent arrears, and sustain tenancies
- Provide opportunities to reduce worklessness
- Provision of affordable home contents insurance
- Assist tenants in accessing affordable energy
- Provision of targeted financial literacy training

2. What is Financial Exclusion

Primarily, it is key to identify exactly what is meant by the term 'financial exclusion'. Essentially, financial exclusion can be described as the inability of individuals, households or groups to access a range of financial services such as bank accounts and affordable credit.

To put this in to context, almost one in six social housing tenants have no bank account, which is almost twice as high as the rest of the UK population. Furthermore, 81% of Social Housing tenants have no savings, and a staggering 91% have no home contents insurance cover (Transact).

In addition, the Citizens Advice Bureau reports that the number of social housing tenants accessing their debt advice service is twice as high as the rest of their users.

Essentially, financial exclusion affects the Social Housing sector more than any other group, and can leave individuals trapped in a vicious cycle of poverty, and excluded from mainstream financial products. Moreover families are left reliant on high cost credit or illegal loan sharks, which only results in further financial strain and high levels of debt.

3. Government action on Financial Inclusion

Financial inclusion has been on the Government agenda for a number of years. In 1999, the Government's Social Exclusion Unit established a Policy Action Team, to address the provision of contents insurance alongside rent accounts, a wider role for credit unions, and the provision of basic bank accounts by the major high street banks.

To date, there has been some progress on this remit, with all of the major high street banks now offering some form of basic bank account. Since December 2004 over one million of these accounts have been opened.

However, it should be noted that although more individuals have access to basic banking facilities, there is still the need to provide financial literacy training to individuals, in order to assist them in managing their finances effectively.

4. Current Government focus

The new key priorities for the Treasury can be outlined as follows:

- Access to more suitable bank accounts for low-income households.
- Access to affordable credit, and
- Access to free face-to-face money advice

In order to achieve these priorities, the Government has set aside a Financial Inclusion Fund of £120 million, as well as establishing a Financial Inclusion Taskforce to effectively monitor the work being undertaken to address financial exclusion.

5. Northwards Housing perspective

Northwards Housing manages approximately 12,500 homes across some of the most deprived wards in the country. With almost 70% of tenants dependent on some form of benefit, high unemployment rates, and a large number of illegal lenders in operation across the north of the City, it is clear that financial inclusion is a key priority for the organisation.

Social housing providers such as Northwards Housing therefore play a key role in increasing the financial capability of their tenants. The promotion of financial inclusion services is known to have a positive impact on residents' abilities to manage their rent accounts effectively, as well as helping to ensure that tenancies are sustained.

From an organisational point of view, although there are no specific performance indicators to monitor financial inclusion, by increasing the financial capability of tenants, there can be a positive impact on a number of key performance indicators. Including:

- A reduction in the levels of rent arrears
- Lower court and collection costs
- A reduction in the number of evictions
- A reduction in tenancy turnover rates
- A reduction in void costs
- Increased benefit take up.

In addition, by helping Northwards Housing tenants to become more financially included, ensures that we are meeting our objective of delivering excellent services to our tenants, whilst also increasing financial capability.

6. Financial Inclusion Measures

There are a number of measures which an organisation can introduce to tackle financial inclusion, and the merits of each, along with the work that has been undertaken by Northwards Housing in order to develop its own Financial Inclusion Strategy, will now be discussed in further detail.

In addition, an action plan to move the recommendations forward is included, in order to ensure that financial inclusion is embedded across the organisation.

6.1 Access to Money Advice

One of the key measures identified in the Government paper on promoting financial inclusion, is the provision of money advice.

Historically low-income groups have had difficulty in accessing money and debt advice services. However, it is widely recognised that the provision of such services can help to improve an individual's financial literacy and capability skills.

Northwards Housing has a well established dedicated Debt Adviser in post, who can be accessed by all tenants with arrears over two hundred pounds. This service is popular with tenants, and is often over subscribed. The Debt Advice service has been in existence since the formation of Northwards Housing, and is seen as a key in ensuring tenants are able to easily access a dedicated debt advice, that is free and non-judgemental.

Although the Debt Advice service is often oversubscribed, Northwards Housing has also established strong links with local advice centres such as the Citizens Advice Bureaux, Manchester Law Centre and Manchester Advice, to ensure that individuals can always access specialist money advice.

Furthermore, the Debt Adviser has been able to work alongside tenants in order to agree affordable repayment terms on multiple debts, identify

priority and non- priority debts, and utilise Manchester City Council's Corporate Debt Policy.

The Corporate Debt Policy can be used when an individual has two or more debts owing to the City Council. It prevents any further legal action from being taken against an individual, and works out affordable repayment terms for the debts as a whole, as opposed to paying off debts separately.

In addition, the organisation is reviewing the provision of this service at a pre-tenancy stage, in order to ensure that tenants are addressing any affordability issues, prior to taking up their tenancy. This is seen as key in ensuring that money advice problems are addressed before arrears start to accumulate on a tenancy.

6.2 Welfare Rights Advice

Northwards Housing has further expanded its Money Advice Service with the appointment of a Money Advisor, dedicated to the provision of an effective welfare benefits service.

Statistics produced by the Department of Work and Pensions in 2006, identified that between £760 million and £1,420 million is unclaimed every year in housing benefits.

It is recognised as an organisation, that with so many tenants dependent on welfare and housing benefits (nearly 70%), additional support is needed in order to ensure that tenants access all of the benefits to which they are entitled.

This is seen as a key role in terms of assisting tenants to complete benefit applications, train housing officers to undertake welfare benefit checks and to provide advice on the wide range of benefits available, thus ensuring income maximisation is achieved for tenants.

The organisation is also working closely alongside the City Council on a number of targeted benefit campaigns, including the City Council's benefits bus, which holds regular surgeries around north Manchester.

6.3 Financial Literacy training

Financial literacy training is key in helping to ensure tenants are able to sustain their tenancies, and understand the costs associated with running a home.

It is already widely recognised that tenants with poor financial literacy and money management skills can experience difficulties in the first few months of a tenancy.

Often tenants will find that they are not accessing all of the benefits they are entitled to. They are also unable to negotiate the best deals on services such as gas, electricity and water, and with many having no access to a bank account, there is a significant risk that they will become reliant on high costs credit from doorstep lenders or illegal loan sharks.

It is therefore key to ensure that dedicated support is offered to tenants to improve their money management skills, and ensure they have access to appropriate financial services.

Northwards Housing is currently working closely with the Co-operative Bank to devise a number of dedicated training courses to improve the financial literacy of its tenants.

The courses have been prepared on a highly visual, interactive basis, as the average reading age of Northwards Housing tenants is just eight years old, and therefore it is believed this format will be the most appropriate to engage with tenants.

The training courses have been devised to target the following groups, identified as having the greatest support needs:

- Single males aged 18 – 25 years
- Single parents
- Elderly tenants – over 60 years
- Families

The Department of Education and Skills, through the Community Finance and Learning Initiative ran a number of financial literacy pilots across twelve organisations.

The pilot concluded that the provision of such training helped to improve education and training levels, as well as equipping individuals with essential money management skills.

However, the pilot concluded that the format and the location for delivering such training are key factors for consideration.

Northwards Housing must therefore ensure that the courses are accessible for tenants, and are delivered in an easy to understand format. The organisation may also want to consider the provision of an incentive to tenants, in order to ensure a positive take up of the training.

6.4 Access to affordable credit

With a lack of access to mainstream financial services, many people on a low income, use small short-term cash loans as a way of managing their day-to-day expenditure.

Furthermore, as many of the mainstream financial lenders do not provide credit on this basis, low-income groups often have to turn to alternative lenders for credit. Often such lenders offer credit at far higher rates than the mainstream lenders. Alternative forms of credit include Home Credit, pawnbrokers, sale and buy back shops and mail order.

In the Home Credit market, a staggering 74% of customers are social housing tenants. The largest provider of home credit in the UK is the Provident, whose average APR for a loan is an incredible 180%. (CIH – Delivering Financial Inclusion Strategies)

One of the ways in which Northwards Housing is helping its tenants to access affordable credit, as well as encouraging tenants to save, is by working in partnership with the Manchester Credit Union. Credit unions offer a range of services, such as affordable credit, savings schemes, bill payment facilities, home and life insurance.

Manchester Credit Union was established as the East Manchester Credit Union back in 1991. In 2007, the Credit Union secured growth fund monies from the Department of Work and Pensions, which allowed it to expand in to north Manchester.

The Government introduced growth fund monies in order to increase the coverage, capacity and sustainability of affordable credit for the most financially excluded.

The growth fund monies have helped to provide extra resources for the Credit Union, as well as allowing them to offer affordable instant credit to the residents of north Manchester.

Furthermore, Northwards Housing has granted Manchester Credit Union the use of three local cash offices in order to deliver their services, as well as introducing a salary savings scheme for employees of the company.

One of the main challenges faced by Northwards with regards to helping tenants access affordable credit, is ensuring that tenants are educated about the real cost of borrowing, as well as ensuring the services offered by the Credit Union are accessible.

Addressing the accessibility of the services provided by the Credit Union is seen as a key challenge for Northwards. Home credit agents are often recruited from the neighbourhoods they collect from, and build up strong relationships with their customers. In addition, their services are delivered on a door-to-door basis.

6.5 Basic bank accounts

A Family Resources Survey (FRS) in 2003 concluded that approximately 8% of all households in Great Britain did not have access to a bank account.

Furthermore, the majority of those households are in receipt of some form of benefit, including 62% in receipt of housing benefit.

The Government has gone some way to addressing this, by encouraging mainstream financial institutions to offer basic bank accounts. Such

accounts do not offer an overdraft facility. However, they do offer users more flexibility to make bill payments by standing order and direct debit, as well as making cash withdrawals.

Northwards Housing should look at working in partnership with the banks, in order to assist tenants in opening accounts. In addition, it should be noted that the Manchester Credit Union has been granted Growth Fund monies to offer basic bank accounts to its members by January 2009.

However, basic bank accounts are not an answer to financial inclusion. Northwards Housing will need to ensure that tenants are given the appropriate financial literacy training in order to understand the technicalities of operating a bank account, and preventing unauthorised overdraft charges being levied on their accounts.

It should also be noted that over half of basic bank account holders, still prefer to manage their money in cash.

6.6 Home Contents Insurance

Many tenants falling within the lowest income brackets have no home contents insurance, and often do not see this as a priority or an accessible option.

For a number of years, Manchester City Council has been offering a low cost home insurance contents scheme to its tenants, and in February 2008 responsibility for administering the scheme was transferred to Northwards Housing.

The scheme offers tenants affordable insurance from as little as £1.31 per week, for £6,000 worth of cover, and has been well received by social housing tenants across the City.

However, there is still much work to be done here, and Northwards is looking to undertake a targeted publicity campaign to ensure tenants are fully aware of the need for contents insurance cover, and the associated benefits.

6.7 Fuel Poverty

Fuel poverty is defined as spending more than 10% of a household's income to maintain warmth within a home.

Many tenants without access to banking facilities, are often reliant on prepayment facilities, which ordinarily are set at a higher tariff, and do not attract the same discounts as those accorded to customers paying by direct debit.

Furthermore, it is predicted that with rising fuel prices across the world, the number of people affected is likely to increase significantly.

Northwards Housing therefore needs to undertake a review of those companies providing energy to its tenants, and work with those providers who are able to provide the lowest cost fuel to the most vulnerable of groups.

7. Embedding Financial inclusion

As noted above, Northwards Housing has already introduced a number of initiatives to embed financial inclusion across the organisation.

However, there is a key message. In order to successfully embed such initiatives requires a whole organisational approach, as this in turn will help to increase the motivation and commitment of housing staff across the organisation.

Furthermore, full organisational commitment will help to ensure the successful implementation of the measures proposed.

7.1 'Now let's talk money'

In January 2008, Northwards accessed the services of the 'Now let's talk money' campaign to deliver free financial inclusion training to eighty staff from across the organisation.

Prior to the training, many staff were of the opinion that financial inclusion was an agenda for the Rent Recovery team to address. However, by providing staff with a full understanding of the implications of financial exclusion, the training has gone some way to ensuring ownership of the agenda runs throughout the organisation.

8. Embedding the culture

Key to the success of the Financial Inclusion Strategy is ensuring that tenants and leaseholders have a full understanding of the work being undertaken by Northwards Housing to promote and embed financial inclusion.

It is proposed that this be done via presentations to the Area Panels, through the 'Northwards Natter', and internet site, and by utilising the services of the Resident Involvement Team to publicise the Strategy to Tenants and Residents Associations, and the Leaseholder Forum.

In addition, it is proposed to publicise the strategy to all staff across the organisation, through the staff briefings and newsletter, as well as providing training for Managers.

9. The Plan ahead

Although much work has been undertaken to address the financial exclusion issues faced by Northwards Housing tenants, the action plan overleaf sets out the key areas for consideration, in order to continue to embed financial inclusion across the organisation.

Action	Implications	Timescale
Financial Inclusion Action plan		
<p>Money Advice</p> <p>Provide training to all front line staff on the services of the Debt Advisor and Money Advisor.</p> <p>Continued regular debt advice slot in 'Northwards Natter' (tenants newsletter).</p> <p>Expand the debt advice service to provide pre-tenancy support.</p>	<p>Ensure vulnerable tenants are assisted at the earliest opportunity.</p> <p>Ensure all tenants are aware of the Money Advice service.</p> <p>Address affordability and potential arrears issues in advance of tenancy.</p>	<p style="text-align: center;">June 2008</p> <p style="text-align: center;">Responsible Officer – Clare Sweeney / Tracy Panesh</p> <p style="text-align: center;">Ongoing</p> <p style="text-align: center;">Responsible Officer – Clare Sweeney / Tracy Panesh</p> <p style="text-align: center;">September 2008</p> <p style="text-align: center;">Responsible Officer – Clare Sweeney / Tracy Panesh</p>
<p>Welfare Rights Advice</p> <p>Appointment of Money Advisor.</p> <p>Use of tenant profiling information to undertake a dedicated benefit take up campaign.</p>	<p>Dedicated welfare and housing benefits service</p> <p>Ensure vulnerable groups are able to access all available benefits.</p>	<p style="text-align: center;">Completed - March 2008</p> <p style="text-align: center;">June 2008</p> <p style="text-align: center;">Responsible Officer – Susan Crawshaw / Tracy Panesh</p>
<p>Financial Literacy Training.</p> <p>Delivery of financial literacy training to tenants.</p>	<p>Increase the financial capability of Northwards tenants.</p>	<p style="text-align: center;">May 2008</p> <p style="text-align: center;">Responsible Officer – Alison Foster / Claire Tyrrell</p>
<p>Affordable Credit</p> <p>Expand the services of the Manchester Credit Union to other local offices.</p> <p>Continued promotion of Manchester Credit Union, and the real cost of doorstep lending.</p>	<p>Increased take-up, and improved accessibility for tenants</p> <p>Ongoing publicity in the 'Northwards Natter', at local offices and on the Northwards website.</p>	<p style="text-align: center;">April 2008</p> <p style="text-align: center;">Responsible Officer – Alison Foster</p> <p style="text-align: center;">Ongoing</p> <p style="text-align: center;">Responsible Officer – Susan Crawshaw</p>

Financial Inclusion Action plan		
Action	Implications	Timescale
<p>Basic Bank Accounts</p> <p>Work in partnership with local banks, willing to offer basic bank accounts to tenants.</p> <p>Work with Manchester Credit Union to publicise basic bank accounts.</p>	<p>Increase financial flexibility for tenants.</p>	<p>September 2008 Responsible Officer – Alison Foster / Susan Crawshaw</p> <p>January 2009 Responsible Officer – Alison Foster / Susan Crawshaw</p>
<p>Home Contents Insurance</p> <p>Targeted publicity campaign</p> <p>Publicity of the scheme through the 'Northwards Natter' and website.</p>	<p>Protection and peace of mind for tenants.</p>	<p>May 2008 Responsible Officer – Graham Beaver</p>
<p>Fuel Poverty</p> <p>Undertake a review of existing energy providers.</p> <p>Work in partnership with those providers e.g. Ebico, who are able to assist vulnerable groups.</p>	<p>Identify those tenants in fuel poverty or not accessing the most cost effective fuel providers.</p>	<p>September 2008 Responsible Officer – Alison Foster / Susan Crawshaw</p>

10. Conclusion

In conclusion, it should be recognised that Northwards Housing is in a strong position to promote financial inclusion. As a social housing provider, the organisation is able to reach the most vulnerable of groups, by facilitating and delivering a wide range of measures.

It is hoped that this strategy provides a valuable and informative insight into financial exclusion, and some of the difficulties faced by those groups most excluded.

Furthermore, the development of the Financial Inclusion Strategy presented will help to ensure that Northwards Housing achieves its social and business objectives, as well as ensuring that financial inclusion is a core element of the business.

BIBLIOGRAPHY

Terry, R., Christopher, S., Simpson, M. (February 2006) - '*LIFE AFTER DEBT*', residents, social landlords and financial inclusion. Housing Corporation.

H M Treasury - (December 2004) - *Promoting Financial Inclusion* – H M Treasury .

CIH. - (November 2006) - *Good Practice Briefing Number 31 – financial inclusion and capability*. CIH

Toynbee Hall / Transact - (February 2008) – *Making the link: Engaging Social Landlords in Financial Inclusion* – Toynbee Hall

Toynbee Hall / Transact - (February 2008) – *Making the link: The business case for social landlords investing in financial inclusion*. Toynbee Hall

'Now Lets Talk Money' (March 2008) – Delivering Financial Inclusion Strategies – CIH / now let's talk money.

'*Transact.org.uk*'