

Developing Community Banking Facilities for Residents of Brighton & Hove

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We are extremely grateful to all stakeholders who contributed to this review, including members of the Advice Partnership, officers of Brighton and Hove City Council, and members and officers of East Sussex Credit Union. Particular thanks go to Paul Sweeting, Strategic Coordinator for the Advice Strategy Project, for his guidance and support throughout this project.

30 November 2012

1. Executive Summary

As part of a process to develop a range of services that will promote financial inclusion for tenants and leaseholders and maintain rental and service charge income in the context of the forthcoming welfare reforms, Brighton and Hove City Council commissioned Toynbee Hall to conduct a review to assist them to develop a commissioning strategy in relation to:

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

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

1.1 Community Banking Partnerships

Previous pathfinder programmes found that a good CBP needs to be:

- Flexible and able to respond to local needs;
- Inclusive of the most appropriate partners to deliver services; and
- Responsive to local needs and demands with the aim of providing financially excluded households with savings facilities, affordable loans, access to basic banking services, bill and debt repayment, money advice and support.

If focussed and led appropriately, the CBP model provides partner organisations with a cost-effective way to support customers who currently are not able to access mainstream providers. The CBP can deliver financial inclusion services through a holistic approach, which incorporates and enhances the work of any existing Credit Union, advice agencies, other financial inclusion partners and the high street banks, as well as providing additional resources for state welfare provision through improving referral routes and alternative service.

1.2 The Impact of Welfare Reform

Alongside other changes, three key elements of the Welfare Reform Act (2012) will be introduced in 2013 across the UK with two significant changes for residents:

1.2.1 Under-occupancy Penalty – the ‘bedroom tax’ will mean that new size criteria for residents claiming housing benefit would result in any working age household deemed to be under-occupying their home losing part of their housing benefit from April 2013.

1.2.2 A cap of £26,000 per annum on benefits - if a household’s benefit income rises above £26000 per annum, the excess will be deducted from housing benefit.

1.2.3 Universal Credit will merge a number of means tested benefits including Housing Benefit, Income Support and Job Seekers Allowance into a new single benefit payment – paid monthly in

arrears as a single payment to the household, instead of the current fortnightly arrangement. From October 2013 social housing residents will receive their housing benefit directly instead of it going straight to their social landlord. Only amongst the most vulnerable and those with specified levels of rent arrears will direct payments be reverted directly to the social housing provider.

The impact for families will be significant; some will experience a significant reduction in their benefit entitlement; all will have to learn to manage their finances in a new way, requiring the use of financial services and the ability to budget over a month rather than a week or fortnight. Whilst many households will be able to manage these changes, others will require help in learning new ways of managing money or in finding employment or alternative, more affordable accommodation.

1.3 Welfare Reform and Financial Services

Going forwards, UC recipients will require a transactional account. The main types of products suitable for making and receiving UC payments are:

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

Within Brighton and Hove, mainstream banks do provide BBAs, but coverage is patchy and unlikely to meet local need. In particular, mainstream banks are unable to meet low income families' need for affordable credit. It is therefore vital that a community banking provider, such as a Credit Union or Community Development Finance Institution (CDFI) is active within the area to provide access to banking facilities, saving options and access to affordable credit which mainstream providers are unable to provide. Nonetheless for some people a high-street bank account is either preferable or more suitable than a Credit Union account. A truly inclusive CBP would therefore also engage the high-street banks, supporting and encouraging them to improve the level of their service provision to low-income customers to enable customers to access a mainstream bank account.

1.4 New Opportunities for Working with Credit Unions

In the past, Credit Unions had been restrained in scope through tight legislation. The Legislative Reform Order (LRO) came into force on 8 January 2012 and provides an ideal opportunity partners to work with their local Credit Union. The key points are:

- The LRO offers the chance for social housing providers to work collaboratively with either a single or selected number of Credit Unions to provide unilateral coverage for their residents (and staff);
- The LRO also provides more diverse methods of partnership support, from increasing payroll deduction facilities for all BHCC staff, to becoming a corporate member of the local CU;
- Key to the changes is the ability for Credit Unions to work with housing and local authority partners and provide specific services to and for them;

- The LRO also enables Credit Unions to charge for additional services, there is relaxation on age restrictions for Directors and members can still receive services from the Credit Union if they move from their location of work or residence;
- Some Credit Unions will be able to pay a guaranteed rate of interest instead of a dividend.

The Department for Work and Pensions (DWP) has also launched a Credit Union Growth and Expansion Fund which seeks to create a set of unified back office functions to reduce CU costs and increase capacity for expansion. DWP is simultaneously exploring options for commissioning budget accounts for new UC recipients and Lord Freud has asked DWP to manage this process in such a way so as to allow CUs to participate. Well-placed CUs with the ability to provide transactional accounts are more likely to access additional DWP funding through these programmes going forwards.

1.5 East Sussex Credit Union

This review found that East Sussex Credit Union is a strong and well governed Credit Union that has worked hard to gain financial prudence, growth and achieve a financial surplus. East Sussex Credit Union is as a company with a non executive board of 12 directors elected through an AGM by its members. The Board has overall responsibility for governance delivered through a committee structure (Finance, HR, Credit and Promotion) and day to day delivery is undertaken by managers (Finance and Customer service) reporting to a General manager who reports to the Board. A fuller assessment of East Sussex Credit Union can be found at Annex C.

Although CU members can use a pre-paid card to make rent payments, the CU cannot currently offer transactional accounts. East Sussex Credit Union's software provider has an online banking module and 'jam jar' account module that can be offered to benefit prospective partners. The online banking module would cost the Credit Union £150,000 to purchase from the Cooperative Bank, and in the region of £20-30,000 per year to run depending on the volume of transactions. The budgeting account module would cost £5000 to set up with £5000 annual operating cost. Introducing either of these products would require at least one full time member of staff to manage the service.

We judge that East Sussex Credit Union are taking full advantage of the opportunities presented to them that the LRO has brought about and, whilst there is clearly more partnership work required, the board recognises the importance of growing relationships particularly with membership organisations that fit with their social ethos. The Credit Union has actively sought to develop relationships with social housing organisations and a national Trade Union into the 'common bond' bringing new members and sustained growth to the Credit Union. The Credit Union is also generating new income through offering members with moderate incomes higher levels of loans, using the interest income generated is to help the needy through break-even products. The Credit Union provides essential access to affordable credit for low-income families, and seeks to increase its provision to meet the growing need for credit within the area.

A key risk for the Credit Union is the potential for its competitors to gain greater ground in serving the financially excluded. This competition could come from the Post Office, with other mutuals taking advantage of common bond changes presented by the LRO and the for profit sector. The latter is significant considering there are currently five private sector high street high interest loan companies legitimately operating in the same street as the Credit Union offering quick and easy to access financial services albeit with much higher interest charges. Investment now which allowed

the Credit Union to increase its capacity would reduce the number of households turning to high cost lenders.

1.6 Advice Provision and Cooperation with the Credit Union

There is significant work being undertaken through the Advice Partnership under the leadership of the Strategic Coordinator for the Advice Strategy Project. Partners recognised the need for even greater cooperation between providers. In particular most members stressed a desire for greater communication and cooperation between themselves and the Credit Union. Issues remained a lack of knowledge and understanding of the exact role and services provided by the Credit Union, and a lack of certainty about the best ways to cooperate. There is a clear need for enhanced information sharing and cross-referrals between the Credit Union and the wider Advice Partnership.

1.7 Options and Recommendations for creating a CBP in Brighton and Hove

1.7.1 Option 1: Continue as usual - BHCC could continue to promote services as at present, relying on a number of support services each with different contacts, practices, methods of delivery and most importantly with differing levels of success and a lack of co-ordination. Crucially, the current lack of specific provision of access to banking would mean that residents would need to be proactive and well-informed if they are to succeed in becoming successfully banked. **We recommend that BHCC consider creating a forum within which to consult and cooperate with the local commercial banks.**

1.7.2 Option 2: Create a bespoke co-ordinated CBP for Brighton & Hove - BHCC could develop a CBP, beginning with the Credit Union and the Advice and Welfare sector partners, and extending to include all the partners outlined in option one and some mainstream banks, to form a measurable, resourced and co-ordinated service for the benefit of residents. This would require:

- Seed funding for the Credit Union to buy in the infrastructure to offer transactional accounts: £150,000 to set up plus £20-30,000 per year depending on usage plus 1 full time member of staff;
- Seed funding for the Credit Union to offer budgeting accounts: £5000 to set up plus £5000 per annum to run, with an additional amount to support training and marketing (this amount would still need to be calculated).

1.7.3 Option 3: Alternative Provider - BHCC could commission an alternative provider to develop and deliver services to residents affected by the welfare reforms such as a Community Development Finance Institution (CDFI) that would deliver unsecured loans for residents and/or the business community

1.8 Recommendation

We recommend option two as it would provide the holistic services that are sought by BHCC to tackle the risks presented by the welfare reforms, and provides the greatest value for money by bringing together existing partners who have already expressed a keen desire to work in greater proximity.

In order to achieve this level of service provision within a useful time frame, we judge that BHCC will need to invest in the Credit Union through providing the seed funding to purchase and set up

the systems required to provide transactional and budget accounts. Any such investment would need renewed commitment from the Credit Union and Advice Partnership to cooperate closely to ensure the CBP uses resources effectively to provide residents with the services they require.

Introduction

Brighton & Hove City Council (BHCC) owns approximately 12,320 dwellings and the freehold of approximately 2,230 leasehold properties across the City. Research carried out for the Government's Financial Inclusion Taskforce in 2010 on likely levels of financial exclusion in the UK ranked Moulsecoomb and Bevendean ward as one of the most financially excluded wards in the country; residents within a financially excluded ward are less likely to have access to the financial products and services they need to manage their income and expenditure most effectively, and are more likely to pay higher fees, charges and prices for goods and services due to having fewer payment options and less access to affordable credit. Whilst this data is from 2010, without a concerted financial inclusion effort there is unlikely to have been any absolute improvement in Brighton and Hove's financial exclusion levels, and focussed programmes elsewhere in the UK will have left Brighton and Hove residents more financially excluded compared to other areas than in 2010. The same study ranked a further 9 wards across Brighton and Hove within the most financially excluded half of the UK's population. There is no doubt that the higher fees, charges and prices for goods and services caused by financial exclusion exacerbate poverty as a whole; in 2010 Save the Children estimated these additional costs could add up to as much as £1280¹ per year per household. 20% of children in Brighton and Hove are estimated to live in poverty² and tackling financial exclusion is an essential step to reducing unnecessary expenditure on payment methods and thus putting money back into families' pockets.

As part of a process to develop a range of services that will promote financial inclusion for tenants and leaseholders and maintain rental and service charge income in the context of the forthcoming welfare reforms, Brighton and Hove City Council commissioned Toynbee Hall to conduct a review to assist them to develop a commissioning strategy in relation to:

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

BHCC required the review to:

- Identify and clarify the role/potential role of current providers, including, but not exclusively, East Sussex Credit Union in the context of financial exclusion in the City;
- Clarify the legal implications relating to the promotion of services from any specific provider;
- Work with the local provider(s) of community banking services on the development of a business plan that will enable them to meet the Council's commissioning needs;
- Make recommendations for longer term commissioning in this area; and
- Identify and recommend 'quick wins' - short term projects that focus on promoting access to banking, incentives to save and/or access to affordable credit that could become operational within a three-month time frame.

¹ Save the Children, Jan 2011 *The UK Poverty Rip-Off*

http://www.savethechildren.org.uk/sites/default/files/docs/UK_Poverty_Rip_Off_Brief_1.pdf last accessed 27/11/2012

² End Child Poverty, Jan 2012 *End Child Poverty*

<http://www.endchildpoverty.org.uk/files/childpovertymap2011.pdf> last accessed 27/11/2012

This review focussed on, but not exclusively, the East Sussex Credit Union as the most likely provider of community banking facilities and key stakeholders were consulted on the concept of establishing a Community Banking Partnership (CBP) with the aim of meeting the needs of the local authority in addressing some of the issues prompted by welfare reforms. This review is intended to help BHCC explore, identify and determines its approach to a CBP and establish options for how it can work with local partners, particularly the Credit Union, so that it can manage the implications of welfare reform policies, obtain value for money and maximise benefit for itself and its residents.

1.1. Toynbee Hall

Toynbee Hall was founded in 1884 as the first purpose-built settlement house in the world, bringing together the skills and knowledge of volunteers with the local community to work in partnership to tackle local issues. In 2012 Toynbee Hall continues its tradition of working with the community to tackle local problems, and then translate that learning into national solutions. Toynbee Hall has been a practice, policy and research leader in the Financial Inclusion sector since the 1990s; through its front-line work with excluded communities, Toynbee Hall develops effective practice and policy which support Financial Inclusion across the UK, and uses its expertise to conduct research and consultancy for organisations aiming to improve their organisational impact on service users' financial health.

2. Policy Context: Financial Exclusion and Welfare Reform

Toynbee Hall defines financial inclusion as “a state in which all people have access to appropriate, desired financial products and services in order to manage their money effectively. It is achieved by financial literacy and financial capability on the part of the consumer and access on the part of the financial product, services and advice suppliers.”³ Conversely, not having access or lacking the skills, knowledge, confidence or motivation to access and use financial services and manage money effectively leads to financial exclusion. As Save the Children's work on the Poverty Premium demonstrates, financial exclusion can cost households significant sums in inflated prices and additional fees and charges, and exacerbates or even causes poverty. Thus tackling financial exclusion is an essential pillar in any effective anti-poverty strategy.

³ Transact, the national forum for financial inclusion
<http://www.transact.org.uk/page.aspx?sitesectionid=253&sitesectiontitle=About+Financial+Inclusion> last accessed 27/11/2012

2.1. Levels of Financial Exclusion in Brighton and Hove

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

Figure 1: High areas of financial exclusion - Source: Experian, Financial Inclusion Taskforce Research 2010

Septile ranking: 1 = least likely to be financially excluded; 7 = most likely to be financially excluded
Ranking (1-10,000): 1 = most financially excluded ward in the UK; 10,000 most financially included
For the purpose of this mapping, financial exclusion is defined through identifying those people, households and communities which display behavioural, attitudinal and demographic characteristics that collectively indicate a requirement for, and exclusion from, mainstream financial services; such indicators include income, financial products holdings, affluence, outstanding borrowings and proportion of disposable income spent on household fuel.

2.2. Conceptual Framework

Financial inclusion requires both a financially inclusive environment and individuals capable of navigating that environment effectively. Providing appropriate financial services requires a detailed understanding of the physical, geographical, economic and social environment in which people receive and make payments. Toynbee Hall therefore takes a systemic approach to tackling financial exclusion. This involves examining both the supply and demand side for financial products and services, including the systemic environment within which they are provided and used.

This approach enables us to identify where changes are best made through improving access to financial services, but also where detriment can be avoided through addressing the way in which a

service provider structures their processes. This systems approach also enables us to consider the relationships between stakeholders, including the interaction points between different services, and thus to identify powerful partnership solutions.

2.3. Policy Context

These are very challenging times for local authority and other social housing providers and particularly for their residents receiving state benefits. Residents in social housing are significantly more likely to be financially excluded. 70% of the households that are excluded from mainstream banking and financial services are living in social rented housing. Additionally, they have disproportionately poorer financial health than the rest of the general population, illustrated by the fact that:

- Of the poorest 10% of households in the UK, over half live in social rented housing⁴;
- 61% of households living in social housing have no one working within the household, compared to 35% nationally⁵;
- 39% of tenants are of working age and claiming either Jobseekers Allowance or Employment and support Allowance⁶;
- Social housing residents earn on average half as much as private renters with a median annual income of £10,900⁷ - 81% have no savings account and 91% have no insurance cover to fall back on in the event of an unexpected bill making them reliant on short term debt⁸;
- Lower income households are more likely to be exposed to unfair practices in the sub-prime lending sector - 20% of people living in social housing have used doorstep lenders;
- The proportion of social rented residents amongst their debt service users is twice as high as the general population⁹; and
- 83% of social housing residents fail to make sufficient plans for their future and 94% are making poor financial product choices¹⁰.

Yet the outlook for residents living in local authority, private or other socially provided housing and receiving benefits looks set to deteriorate even further in the face of the on-going adverse economic conditions. Communities in social housing are most affected by unemployment, reduced job vacancies, pay freezes, reductions to working hours and high inflation. Existing and future cuts to welfare benefits are all squeezing the incomes of financially vulnerable households. Financially excluded households have even less room to manoeuvre with lower levels of access to financial products and services savings and/or insurance to cushion the blow in these difficult times. Furthermore, the restriction of mainstream lending to consumers considered as low risk is leaving more marginalised consumers finding it more difficult to get access to fair, affordable credit and they are increasingly forced to turn to high cost sub-prime lenders, or illegal loan sharks when they need to borrow. Over a quarter of British households are not able to use mainstream financial services

⁴ Demos and Toynbee Hall (2005) – Widening the Safety Net: Learning the Lessons of Insurance With Rent Schemes

⁵ Department for Communities and Government(2009) – Housing in England

⁶ Chartered Institute of Housing (2011) – Improving Financial Capability in Social Housing)

⁷ Department for Communities and Government(2009) – Housing in England

⁸ NHF (2007) – Data Analysis of Family Expenditure Survey

⁹ CAB 2006, Deeper in Debt: The Profile of CAB Debt Clients

¹⁰ FSA (2006) Financial Capability in the UK

and have no savings to meet future needs; these are the poorest households. This 'financial exclusion' means that they are often charged excessive rates and penalties – 'the poverty premium'.

Over three million households use doorstep lenders with charges from 160 per cent to 1,500 per cent APR. There is no statutory ceiling on interest rates, and profitability is high for these lenders. The local Illegal Lending Team describe their work as increasing and this could be a result of the current welfare reforms beginning to bite. Significant resources have been invested on a national scale in financial capability and awareness of the high costs of some lenders, legal or illegal, but, whilst being skilled at navigating financial terms and products is important, the key concern for the financially excluded is to secure a loan 'at any cost', so long as they think they can afford the repayments and this will contribute to the ongoing increase in predatory lending. There is therefore an urgent need for alternative and affordable sources of credit. Whilst Credit Unions offer some encouragement to save, most people trapped in the cycle of costly credit find it hard to divert spare cash into savings products.

Money advice agencies and Citizens Advice Bureaux often have long waiting lists for people needing debt advice. Recent changes in debt advice provision brought about by the Money Advice Service are seeing a faster throughput of clients as more people are given light touch advice and supported to help themselves - except in very difficult circumstances particularly where the client is unable to do so. Not enough of these organisations have the resources for preventative work and often clients come to them at crisis point.

Work under the Financial Inclusion Taskforce and particularly through the Growth Fund did much to raise the profile of Credit Unions and support them to grow. However, generally Credit Unions have struggled and continue to struggle to gain a market share. Interest rates are still restricted by law so Credit Unions are unable to charge the margins needed to compete with other high street providers.

The banking sector offers basic bank accounts to provide some support to the financially excluded but recently some mainstream banks have started to limit the service provided and most are reluctant to provide credit for households on the lowest incomes. Banks do however have the technical resources and expertise that Credit Unions and CDFIs need to achieve their social justice objectives. Brought together, these resources and institutions could meet the needs of the financially excluded for low-cost alternative products and services.

The combination of welfare reforms and the continuing negative economic climate make this an ideal opportunity to develop a CBP to meet the needs of those on the lowest incomes and develop a model of good practice for tackling exclusion and poverty.

2.4. Welfare Reform

Adverse economic conditions and welfare reform are already having an effect for all housing providers with rent arrears expected to grow resulting in rising numbers of evictions and failed tenancies as well as increasing costs in relation to income collection and arrears management. The vast majority of planned changes in the Welfare Reform Bill 2012 are still to be introduced and felt. Since June 2012 changes to the benefit system have already seen amendments to the way local housing allowance is calculated, and there have been increases in levels of non-dependant

deductions and a cap on household benefits of £26,000 per year. However the main welfare reforms will be introduced in 2013 with two significant changes for residents:

2.4.1. **Under-occupancy Penalty** – the ‘bedroom tax’ will mean that new size criteria for residents claiming housing benefit would result in any working age household deemed to be under-occupying their home losing part of their housing benefit from April 2013.

2.4.2. **Universal Credit** will merge a number of means tested benefits including Housing Benefit, Income Support and Job Seekers Allowance into a new single benefit payment – paid monthly in arrears as a single payment to the household, instead of the current fortnightly arrangement. From October 2013 social housing residents will receive their housing benefit directly instead of it going straight to their social landlord. Only amongst the most vulnerable and those with specified levels of rent arrears will direct payments be reverted directly to the social housing provider.

Some of the impacts of welfare reform will be that:

- The majority of benefit recipients will probably see a net fall in their benefits;
- Many people who have previously received a full council tax rebate will in future only get a partial one;
- Residents will receive their housing costs into their own bank accounts rather than as a credit to their rent account and will have to pay their rent to their landlord;
- 4,800 people in Brighton & Hove may lose incapacity benefit;
- Families with no one working will be subject to a benefit cap of £26k;
- Families will need to learn to manage much greater sums of money as a single “economic unit” rather than managing money in smaller amounts spread throughout the month.

Each local authority is to have a licence to design its own council tax support model incorporating a funding reduction of 10% (over £2.6m in Brighton & Hove) and guaranteeing protection for the awards to pensioners¹¹.

3.5 Current Local Housing Allowance & Housing Benefit Changes

Single people who are under 35 will have the amount of housing benefit they can claim restricted to the amount for a room in a shared house rather than a self-contained flat. This means a reduction from about £150 per week to about £80 per week. The changes commenced in January 2012 and will affect approximately 650 across the City.

The reduced rate of benefit which applied to new applicants from April 2011 will begin to apply to all LHA cases. Most of these reductions are relatively small and in the region of £5 to £15 per week, however they are still likely to feel very significant to those affected because of their generally low weekly income.

Beyond these changes, there is a whole raft of further proposals that will erode the levels of housing benefit across the City. Amongst the key concerns is a reduction of income for the most vulnerable households; a £26k yearly cap will be placed on benefits for non-working families and reducing benefit for claimants in social accommodation where their property has more bedrooms than the Government considers their family requires.

¹¹ LSP paper

The combined proposals are projected to impact severely in the City because of the high proportion of private rented sector accommodation. It is probable that there will be added homelessness stress if the rental market is unable to meet the demand for affordable accommodation which may result in migration away from the City because, for some, living in Brighton & Hove on benefits may no longer be affordable.

3.6 Universal Credit

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

- One payment per month in arrears mimicking salary payments;
- 1 payment made per household;
- HB paid directly to recipient;
- 1st payment in arrears; and
- Made to a transactional account.

Whilst exact arrangements are still being determined, UC is intended to be a predominantly web-enabled benefit; the UC business plan anticipates 80% of activity to be conducted online which will present potential challenges for those working with the digitally excluded.

Specifically for BHCC residents this will mean:

Local housing allowance (Jan 2012): shared room rate for single person under 35:

- 660 people affected in BHCC area
- Changes: £150 reduced to £80

General Local Housing Allowance (April 2011):

- 6500 people affected in BHCC area
- Changes £5-15

£26k Benefits Cap (April 2013)

- 300 people affected in BHCC area

3.7 Other Reforms

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

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

This review's consultation exercise found that there is a strong commitment and recognition at LSP that the demands on the voluntary sector and other public services will change as a result of the

reforms and there will be a pressing need to work collaboratively to mitigate the effects for the most vulnerable.

BHCC are currently carrying out the following activities in response to the changes:

- Direct communication with those affected by the changes
- Regular briefings to advice agencies and Members
- Training for staff includes awareness of advice agencies and other BHCC services
- Access to discretionary housing payment fund
- Alignment of discretionary funds
- Joint working between colleagues in Housing and Adult Social Care
- Appointment of a Programme Manager to oversee the impact of welfare reform

The Welfare Reforms will have two significant consequences:

- Reduced household incomes as claimants receive less overall welfare benefits
- Wholesale changes to the way benefits payments are received requiring significant adjustment to household budget management.

If not managed appropriately this will lead to increased financial hardship for BHCC residents and for the local authority increases to costs associated with:

- Arrears recovery
- Legal costs/legal challenges
- Need for additional housing management staff
- Need to support tenants and establish new payment collection methods
- Transactional costs
- Rising debt levels
- Delays in administrating claims
- Temporary accommodation

The National Housing Federation believes that the removal of direct payment alone could see arrears rise by £320m across the sector, based on a pilot study by London & Quadrant Housing Trust where arrears as a proportion of the total rent roll increased from 3% to 7% following direct payment with additional transaction costs of £300,000 for its 16,500 tenants on housing benefit if 90% were to move to direct payment¹². This current year is likely to be dominated by the need for housing providers to start planning for the changes and their implications in advance. It will be essential to ensure residents are prepared for these changes and properly supported and informed.

¹² NHF (2011a) – Briefing on Welfare Reform Bill (Second Reading).

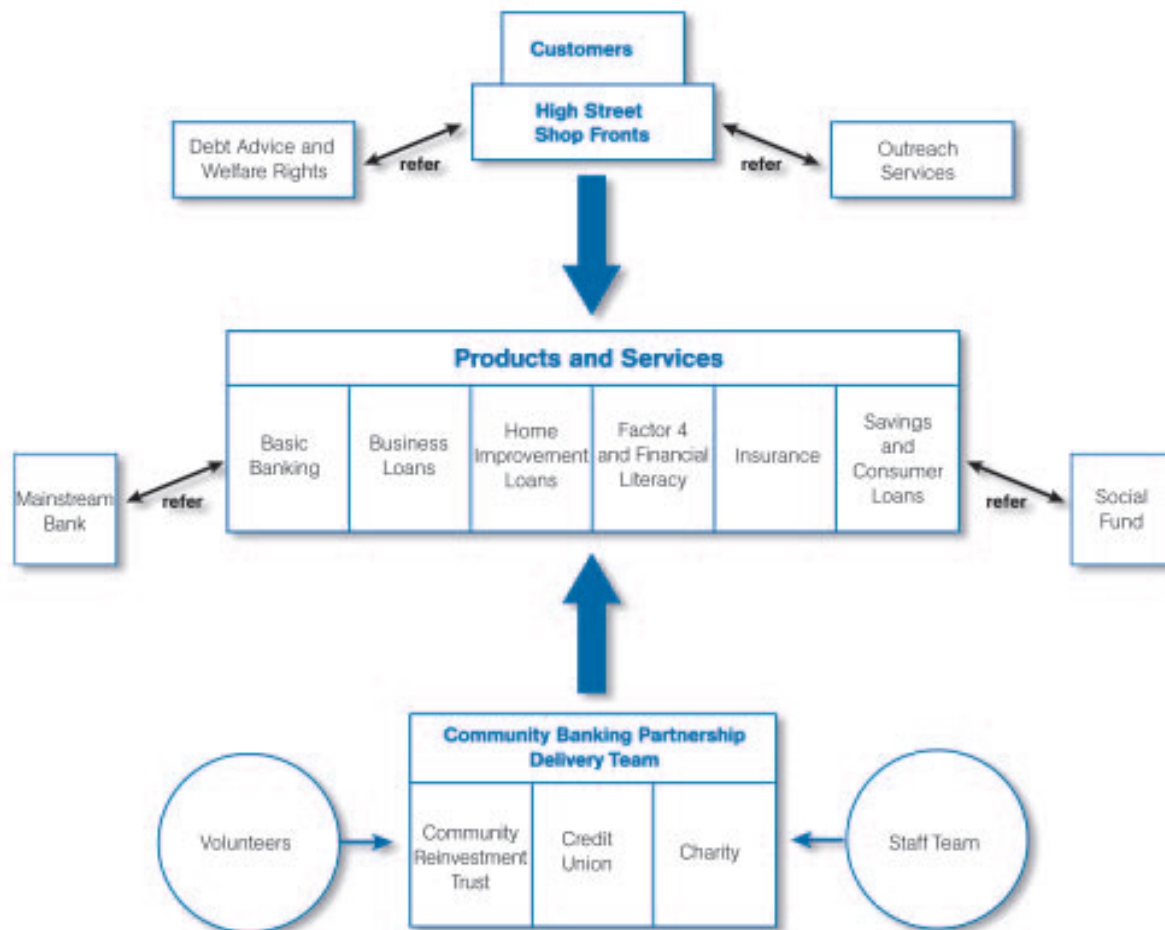
3. Community Banking Partnerships as a Model for Tackling Financial Exclusion

BHCC is considering a Community Banking Partnership (CBP) approach to tackling financial exclusion, providing joined-up services for residents and addressing the needs brought about by welfare reform. Previous CBPs elsewhere in the UK have gone some way to alleviating issues relating to financial exclusion by creating a joined up approach with a range of agencies working together to help people access banks accounts, affordable credit, debt advice and savings tools and to manage their finances more effectively. Work carried out by New Economics Foundation (NEF), National Association of Credit Union Workers (NACUW) and the National Consumer Council (NCC) sets out CBP as among good practice models in delivering financial services to the financially excluded or those at risk of being so.

In NEF's CBP model, credit union(s) and a Community Reinvestment Trust or Community Development Finance Institution (CDFI) come together to form a Charitable Trust. The roles, aspirations and needs of the members drawn from the savers and the general public determine the processes and practices of the CBP in its day-to-day operations. For regulatory accountability, the credit union retains its distinct identity, either within a permissible group structure or in a close working partnership with the CDFI and the charity. Separate arrangements ensure that the sovereignty of the credit union as a member-led organisation is maintained. The charitable company in the group enhances the ability of both the credit union and the Community Reinvestment Trust to service new target markets through attracting additional charitable funds and grant aid. The charitable company also enables educational and advisory services requiring some level of grant aid, such as money advice and start-up business advice, to continue to be supported by donations.

The model diagram below shows the constituent parts of advice, mainstream and not-for-profit financial services providers, state support and service users interact within a classic CBP. The exact details of the model are less important than the underlying principles of coordination, cooperation and cross-referral between mainstream and third sector services to meet service user needs.

Figure 2: The Community Banking Partnership Model¹³



3.1. Community Banking Partnerships: The Pathfinder Experience

The previous Labour Government (1997-2010) developed seven Community Banking Partnership pathfinders in England and Wales to provide joined-up solutions to financial exclusion as part of a wider FI strategy. These pathfinders sought to identify how to join up services to provide low-income households with the ABCDEs of financial inclusion:

- Advice

¹³ nef (the new economics foundation), NACUW and CFS 2004
http://www.neweconomics.org/sites/neweconomics.org/files/Community_Banking_Partnership_Financial_Exclusion.pdf last accessed 27/11/2012

- Banking
- Credit
- Deposits (savings)
- Education

The seven¹⁴ pathfinders made good progress in developing an integrated approach to financial exclusion. These partnerships developed referral links between agencies and organisations including:

- Local authorities
- Registered social landlords
- Citizens Advice Bureaux
- Advice UK agencies
- Credit Unions
- Community Development Financial Institutions

In the pilot period from 2005–2008, CBPs in England and Wales provided more than £18.5 million in affordable loans and money advice to over 9000 households¹⁵. The main lessons from the CBP pilots were:

- Debt prevention services with accounts and loans from Credit Unions are needed to complement specialist debt and money advice services;
- Effective integration of money guidance and budgeting assistance with energy advice is crucial;
- Specialist debt advice is best provided in a dedicated way by CAB and Advice UK partners. Financial capability advice can work well within the Credit Union or linked via a separate non-profit partner;
- Management and governance structures take time to develop and evolve particularly when bringing a variety of organisations together towards a shared goal. This collaboration takes time to develop trust between organisations and a sense of common goal or purpose;
- Service level agreements may provide an effective method of agreeing services with partners;
- Basic bank accounts have been a real step forward in helping reduce some aspects of financial exclusion. However the banks are not particularly keen on providing them as in most cases they lose money on this service. Credit Union accounts are essential for those who cannot get, or cannot manage, basic bank accounts;
- Securing adequate resourcing is essential. Working jointly on proposals with other partners adds significantly to the strength and success of application for funding;
- Appropriate training and learning networks are central both to ensuring that the partners understand each other's needs and capacities and to facilitate co-operation between partners;

¹⁴ The pathfinders were: Coventry & Warwickshire Community Banking; Sheffield Credit Union, MoneyLine Yorkshire and Financial Inclusion Services Yorkshire; Enterprise Credit Union and the Money Advice Budgeting Service in Merseyside; South Hampshire Community Banking Partnership; Robert Owen Community Banking Partnership in Mid Wales; South West Pound from 2009; Fair Finance and the Money Matters Project for East London.

¹⁵ Nef and NACUW, Community Banking Partnership, *The joined-up solution for financial inclusion and community economic development* <http://www.ethicalmarkets.com/wp-content/uploads/2009/05/community-banking-partnership.pdf>

- Office costs and overheads should be kept to a minimum; too many branch outlets are prohibitively expensive. Good business planning and the availability of appropriate premises for a one stop shop are a pre-requisite.

The Pathfinder programme concluded that a good CBP needs to be:

- Flexible and able to respond to local needs;
- Inclusive of the most appropriate partners to deliver services; and
- Responsive to local needs and demands with the aim of providing financially excluded households with savings facilities, affordable loans, access to basic banking services, bill and debt repayment, money advice and support.

If focused and led appropriately, the CBP model provides partner organisations with a cost-effective way to support customers who currently are not able to access mainstream providers. The CBP can deliver financial inclusion services through a holistic approach, which incorporates and enhances the work of any existing Credit Union, advice agencies, other financial inclusion partners and the high street banks, as well as providing additional resources for state welfare provision through improving referral routes and alternative service.

3.2. BHCC and CBP

One of the key challenges for BHCC in setting up a CBP is to co-ordinate and replicate a service standard amongst organisations that have differing standards of service, financial stability and services together with differing success in take up amongst BHCC residents.

There is no simple answer for a CBP model or one size fits all, particularly where the issues for the local authority are so acute. The requirements for the CBP need to be carefully considered and evaluated. There has never been more critical time to consider and implement a joined up approach to services with proposed changes to both housing and welfare benefit policy which have already started to impact upon residents, and potentially on the ability to provide homes and maintain income streams for housing services.

Building a CBP would enable BHCC to create an integrated approach to supporting the Credit Union and wider Advice Partnership, ensuring that residents' needs are met in the right way, at the right time, and that service deliverers are able to target their specialist skills and services most effectively.

5 Financial Products for the Financially Excluded and those on Low Incomes

This review was asked to:

- Identify and clarify the role/potential role of current providers, including, but not exclusively, East Sussex Credit Union; and
- Clarify the legal/FSA implications relating to the promotion of services from any specific provider.

Before addressing the Credit Union it is also necessary to outline banking products which may be suitable for those in or at risk of financial exclusion. As stated above the Financial Inclusion Task Force under the previous government made great strides in encouraging the private and other

sectors in promoting financial products and services for people on low incomes. The main types of products for making and receiving payments are (full details of each type are included at Annex A):

- Post Office Card Account (POCA): used for benefits payment only and cannot make any payments other than cash withdrawals;
- Basic Bank Account (BBA): can receive and make payments but no access to credit, and most have reduced access to branches and the ATM network;
- Jam Jar or Budget Accounts: can receive and make payments and allow customer to segregate their money according to pre-specified commitments;
- Pre-paid cards: can be loaded up with funds and used to make electronic payments, typically at PayPoints.

DWP is encouraging benefit recipients to move from a POCA to a transactional account in order to move people away from making cash payments for bills. This is particularly important when UC changes mean Housing Benefit recipients start receiving large monthly payments and need to make onward payments to landlords to cover their rent. DWP is also contracting Citigroup and Paypoint to create a new Simple Payment service for UC payments.

5.1 The LRO, Credit Unions and East Sussex Credit Union

The long awaited Legislative Reform Order (LRO) came into force on 8 January 2012 and provides an ideal opportunity to evaluate the current approach to look at the way in which the local authority and other partners work with the Credit Union. In fact the LRO provides an opportunity not just for Credit Unions but for partners to work with their local Credit Union in a completely different way. A more detailed analysis of the impact and opportunities is provided at Annex B. The key points are:

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

In its role as a non-profit enterprise, the Credit Union is more likely than mainstream banks to be able to serve the best interests of the target client groups, and East Sussex Credit Union is the only non-bank provider of bank account facilities within Brighton and Hove. However there are also a number of local banks willing to offer Basic Bank Accounts to those who currently do not have access to banking services and who may for one reason or another not be able to access the services of the Credit Union. Seen as individual providers, the availability of a range of providers is to be encouraged. However, seen in the context of building a CBP, the more banking, loans and savings partners there are, the more complex the CBP. This will require BHCC to maintain a larger number of

relationships, each with different contacts, practices, products, methods of delivery and eligibility criteria. A multitude of private sector partners and the Credit Union may create a confusing picture for the residents that the CBP is seeking to provide the services for and, for this reason, they may be best served chiefly by the Credit Union and a small number of private high street banks that have been at the forefront of the financial inclusion agenda, namely Barclays, the Cooperative Bank and Lloyds Banking Group.

5.2 DWP Credit Union Growth and Expansion Fund

Further changes are expected from the outcome of the DWP feasibility study. The research has examined how a potential £73 investment could be used for modernisation and sustainable expansion of Credit Unions. A tender process has now begun for the provision of large scale back office services to enable Credit Unions to automate their services, reduce operating costs and increase service provision. Credit Unions must be part of a consortium to be eligible to benefit from this funding.

5.3 DWP Budget Accounts for UC

The DWP has also announced that it intends to tender for contracts to supply Budgeting Accounts for recipients of Universal Credit. The DWP's position in November 2012 is that Credit Unions will be able to play a role in delivering these accounts, although the details of how and with what support is not yet clear. DWP will pay up to £5 per month per account for the first 12 months of a recipient's first year on UC. Credit Unions and their umbrella organisations have been lobbying for the contracts to include Credit Unions, but it is not yet clear whether individual Credit Unions will be able to bid, or whether they will need to be part of a consortium. We expect it to be the latter case.

5.4 Other Support for Credit Unions

BHCC already supports East Sussex Credit Union and the Credit Union is included alongside other support agencies when signposting residents to support services. There are a number of simple ways in which any local authority or partner organisation can actively support its local Credit Union:

- Provide grant funding to help resource start up and core operational costs of specific projects – BHCC has, for the past three years, provided £10,000 of grant funding towards core costs;
- Supporting employees with relevant skills and experience to get involved with the running or governance of the Credit Union;
- Inclusion of Credit Union literature and application packs in new starter tenancy pack;
- Provision of training for front line staff to signpost residents to their local Credit Union;
- Use of council owned/managed community facilities to deliver branch or collection services;
- Encouraging volunteer opportunities for residents with their local Credit Union to improve employability;
- Proactive marketing of Credit Union services in local areas to maximise take up through:
 - articles in newsletters;
 - assisting with the design and printing of materials;
 - direct mail-outs to tenants with membership information;
 - distribution of posters and leaflets across housing estates and community centres.

6. Current Access to Financial Services and Advice in Brighton and Hove

6.1 Mainstream Providers

The review looked at commercial banks and building societies operating in Brighton & Hove. Brighton is very well served by high street banks with the following having more than one branch in the region (details in Annex A). The majority of mainstream banks offer some form of entry level bank account – usually a “Basic Bank Account”. Within the Brighton and Hove area, the following banking providers offer entry level accounts:

- Halifax Bank of Scotland: Easycash
- Barclays: Cash Card Account
- Clydesdale: Readycash
- Co-operative Bank: Cashminder
- HSBC: Basic Bank Account
- Lloyds TSB: Cash Account
- Nationwide Building Society: Flex Cash Card
- NatWest: Step Account
- Northern Rock: Northern Personal Access
- The Royal Bank of Scotland: Key Account
- Santander: Basic Bank Account

6.2 Barriers to Accessing Mainstream Financial Services

Despite the fact that mainstream banks formally offer entry level accounts, in practice those on low incomes often struggle to access them. The barriers to accessing accounts include both demand and supply side factors.

Key supply side barriers to providing financial services in general include:

- Lack of awareness of acceptable ID and AV documents or overly-restrictive requirements
- Lack of trained front-line staff able to identify needs of low-income or vulnerable customers
- Corporate culture focused on profit-making products and services
- Culture of up-selling where inappropriate to meet targets
- Lack of confidence amongst front-line staff to work with customers with additional needs
- Lack of knowledge amongst front-line staff about Basic Bank Accounts
- Physical barriers which prevent people with disabilities accessing services (disproportionate number of people with disabilities are low-income or on benefits)
- Language barriers to serve ethnic communities
- Lack of senior leadership to promote financial inclusion as a core service area
- Limited branch coverage in rural or disadvantaged areas

Key demand side barriers to using financial services in general include:

- Self-excluding beliefs: “banks wouldn’t want me/treat me fairly” based on witnessed experience or cultural perspective
- Lack of ID or AV documents accepted by the provider
- Lack of (English) literacy or numeracy
- Feeling of powerlessness against corporate strength
- Embarrassment or fear

- Lack of knowledge about options and rights
- Lack of confidence to speak out/complain
- Lack of budgeting and contracting skills

Overcoming both supply and demand side barriers are essential to raising the level of the population who are effectively banked, namely both have a transactional account and are able to use it well. Despite the obvious need for entry level banking, mainstream banks are generally reducing their service to Basic Bank Account holders; recent examples include Lloyds TSB, Halifax and RBS withdrawing access to the ATMs of other banks for BBA holders, Lloyds TSB and Halifax withdrawing branch access, whilst the Coop has just announced the withdrawal of its accounts for undischarged bankrupts. These developments leave Barclays as the most “inclusive” provider in that it is the only provider offering accounts to low-income and excluded customers including undischarged bankrupts, offers access to the whole ATM network and offers branch access. Nevertheless, all banks, including Barclays, have areas where their financial inclusion policies and practice need to be improved, not least in ensuring that branch level staff are aware of the BBA and the need to offer it to low-income and vulnerable customers. The Council could consider building relationships with any one or several of these providers to encourage them to promote the BBA offer to appropriate clients. Good practice would also encourage local banks to ensure frontline staff are well-trained in local needs, and to build relationships with local support service providers such as housing associations to act as signposters to BBA-friendly banks. Nonetheless, mainstream banks are unlikely to view benefit recipients as a key customer target group and thus the entry level services provided will always need to be seen within the context of the bank as a for profit enterprise. Credit Unions are currently the most effective vehicle for offering alternative entry level financial services.

6.3 East Sussex Credit Union

This review found that East Sussex Credit Union is a strong and well governed Credit Union with 4000 members that has worked hard to gain financial prudence, growth and achieve a financial surplus. East Sussex Credit Union is as a company with a non executive board of 12 directors elected through an AGM by its members. The Board has overall responsibility for governance delivered through a committee structure (Finance, HR, Credit and Promotion) and day to day delivery is undertaken by managers (Finance and Customer service) reporting to a General manager who reports to the Board. A fuller assessment of East Sussex Credit Union can be found at Annex C.

We judge that East Sussex Credit Union are taking full advantage of the opportunities presented to them that the LRO has brought about and the board recognises the importance of growing relationships particularly with membership organisations that fit with their social ethos. The Credit Union has actively sought to develop relationships with social housing organisations and a national Trade Union into the ‘common bond’ bringing new members and sustained growth to the Credit Union. In particular the Credit Union has turned a loss of substantial grant in 2010/11 to longer term advantage as it has rebuilt financial strength. This has included offering members with moderate incomes higher levels of loans (up to £15,000) for purposes such as a new car, wedding, or home improvements. The interest income generated is to help the needy through break-even products.

The Credit Union provides essential access to affordable credit for low-income families, and seeks to increase its provision to meet the growing need for credit within the area. This goal to lend to higher

risk customers requires more capital and profit to allow cross subsidy for less profitable loans. The break-even point is currently £750 per loan. The interest rate is currently capped by law to 26.8% which reflects the higher costs of administering very low value loans and increased payment frequency but provide value against much higher rates charged by high street private sector providers.

One of the key risks that the Credit Union has identified both in discussions and in its Business Plan 2012-2015 is the potential for its competitors to gain greater ground in serving the financially excluded. This competition could come from the Post Office, with other mutuals taking advantage of common bond changes presented by the LRO and the for profit sector. The latter is significant considering there are currently five private sector high street high interest loan companies legitimately operating in the same street as the Credit Union offering quick and easy to access financial services albeit with much higher interest charges.

The Credit Union recognises the competitive environment and is mindful of its current and future intentions about increasing its market share in the face of such local competition. The Credit Union therefore seeks to develop its market so that it is not solely focussed on the financially excluded but attract a wider membership base which will add to its ability to help those in exclusion. They intend to address this through developing attractive packages, particularly for the employed and ensure a clear and marked contrast to other local competitors and to realise its stated *vision "to be a community bank: the first choice mutual financial service provider"* with the *"strategic goal: to grow net income to enable long term sustainable growth and support small higher risk loans to the financially fragile members of our communities"*¹⁶.

In summary, in our view based on the information available to us, East Sussex Credit Union is a good robust Credit Union which is currently uniquely placed to meet the need to develop a CBP in Brighton and Hove. Having addressed past financial challenges, it is now an ambitious forward thinking organisation with effective governance and leadership.

6.4 The Advice Partnership

It is not within the scope of this review to provide a detailed analysis of the Advice Partnership, however consultation with stakeholders across the sector demonstrated that there is significant work being undertaken through the Advice Partnership under the leadership of the Strategic Coordinator for the Advice Strategy Project. Whilst members of the Advice Partnership were all making important contributions to tackling the levels of financial hardship and exclusion across the City, there was a recognition of the need for even greater cooperation between providers. In particular most members stressed a desire for greater communication and cooperation between themselves and the Credit Union. Issues remained a lack of knowledge and understanding of the exact role and services provided by the Credit Union, and a lack of certainty about the best ways to cooperate.

¹⁶ East Sussex Credit Union Business plan 2012-15

7. Meeting the Needs of Residents for Access to Financial Services

7.1 The Role for East Sussex Credit Union in a CBP

We judge that East Sussex Credit Union should play a leading role in establishing a Brighton and Hove CBP, particularly in providing accounts and savings opportunities for residents. Affordable loans are an integral part of the financial inclusion agenda and vital for Credit Union sustainability. Whilst some residents may need access to credit, and the Credit Union is a socially responsible lender, BHCC will need to consider its own line to take on whether to advocate or promote loans from the Credit Union; this decision will need to take into account available evidence that residents are suffering hardship beyond the means of the social fund and the increase in lending from sources such as doorstep, high interest or illegal lenders. At the very least, ensuring that the Credit Union has the funds and means to advertise its lower cost loans should be an essential part of a CBP plan.

7.2 The Need and Opportunities for Greater Cooperation between ESCU and the Advice Partnership

In terms of linking up services, East Sussex Credit Union holds help point surgeries where it can within its area. This review found that some stakeholders within the Advice Partnership felt that there was greater capacity for the Credit Union to share information and work in closer cooperation. However generally there is a need and desire for the Credit Union and local advice agencies to work in greater collaboration to enable residents to take control over their finances and make informed decisions on borrowing and savings.

The Credit Union used to have in-house but independent advisors providing advice tailored to the needs of the individual. However the funding for these roles was withdrawn so a partial replacement of this service was made by using staff and volunteers who are trained in 'light touch' money advice as well as having considerable knowledge about the work of other agencies in the area and support people to access services where possible. There is an opportunity here for East Sussex Credit Unions to, with the support of BHCC, actively seek partnerships with Advice Partnership members and other free debt and financial advisors to provide complementary services to the community.

East Sussex Credit Union had several access points across the city but this was cut back due to changes in funding. These access points provided residents with easy access to Credit Union services. A proposal has been put to library services to provide access through the library network. If this can go ahead then it will enable the Credit Union to use the established library network and for library staff to provide basic support to residents seeking to access Credit Union services. Library services have recently undertaken a national evaluation that will feed into the National Information Offer but will look at the proposal again in light of the CBP proposed in the City. The National Information Offer aims to develop effective partnership arrangements and networks with the statutory, voluntary and community sectors across the region. The proposal put forward by the Credit Union could assist residents who are financially excluded to access services that may have been previously unavailable to them. Again, there are opportunities for the Credit Union to form stronger relationships with Advice Partnership members to increase outreach across the City and thus increase the number of access points for low income households to access banking, saving and loan services.

Unlike the mainstream banks, the Credit Union is a social enterprise. Whilst it has a distinct ethical purpose, there is a clear intention from management and board that first and foremost it must be a sustainable enterprise and that it can only fulfil its objectives to serve the needy if it has a sustainable balance sheet and finances. To this end it needs to cover costs when supporting any venture outside its day to day running. It should however be cautious that it does not come across, as it appears that it sometimes has done to some partners, that securing its financial objectives are its only concern and should explain that it seeks to support social ends through sound finances required for its own survival in the long term. At the same time partners must also recognise that, if they require the Credit Union to provide loans to partner constituents then the Credit Union is naturally not able to do unless the constituent members have an appropriate share balance or that the partner has provides capital for any loans.

7.3 Increasing Access to Banking

7.3.1 The Role for East Sussex Credit Union

The software East Sussex Credit Union uses has an online banking module and 'jam jar' account module that can be offered to benefit prospective partners. The online banking module would cost the Credit Union £150,000 to purchase from the Cooperative Bank, and in the region of £20-30,000 per year to run depending on the volume of transactions. The budgeting account module would cost £5000 to set up with £5000 annual operating cost. Introducing either of these products would require at least one full time member of staff to promote and manage the accounts.

Currently Credit Union members can have benefits paid into their Credit Union account. A sum is deducted for any loan repayment and then the balance is transferred onto a pre-paid card. A number of members already also use the Credit Union to pay their rent this way. This demonstrates that the Credit Union has the structure, mechanisms and ability to provide BHCC with the types of services it needs for those at risk under welfare reform and for the Credit Union to play a leading role in the CBP.

With seed funding to introduce the transactional account product, the Credit Union has the products and socially responsible approach which would ensure effective and appropriate supply of the required services, ranging from access to credit to banking, saving and insurance services. For the Credit Union, the issue is one of scale and referral mechanisms.

7.3.2 The Role for the High-Street Banks

Current supply of financial services for low-income residents is patchy; mainstream banks offer a range of Basic Bank Accounts, but we assess that there is currently no focused approach by local bank branches to ensure that their BBA services are well-advertised, appropriately offered by trained staff, and thought of as an important offering to local residents. Whilst the scope of this review did not include seeking the direct views of low-income customers on bank service provision, we have no evidence to suggest that the mainstream banks in the area are meeting this need to any higher degree of satisfaction than elsewhere in the country. A qualitative study would almost certainly show that low-income individuals experience regular refusal or incorrect information when asking for an entry level bank account. Nonetheless, for some people a high-street bank account is either preferable or more suitable than a Credit Union account. A truly inclusive CBP would

therefore also engage the high-street banks, supporting and encouraging them to improve the level of their service provision to low-income customers to ensure that those who wish to have a mainstream bank account are able to access one.

8. Options and Recommendations for creating a CBP in Brighton and Hove

As part of the review key partners have been consulted for their views on their specific area of work and their interest in any development of a CBP, including what the key priorities should be for the CBP to cater for the needs of BHCC residents. These discussions have provided a great deal of opinion but also a general consensus that the local authority should provide a lead in addressing these issues and a genuine desire to support and contribute where appropriate. These discussions have prompted three options.

8.1 Option 1: Continue as usual

Continuing as usual would mean that residents – and the service providers that support them – would be reliant on the currently available levels of support and information. There is already a certain level of support for residents of BHCC and the Council have invested significant funding in MACs to provide debt advice and support for residents affected by the changes. Housing officers are providing support through training and advice, and carrying out targeted visits with households affected by welfare reform. Housing officers carry out a financial health check on new starter tenancies and continue to promote services through current affiliations through literature, displays and referrals by housing officer, including:

- CAB
- Money Advice and Community Support
- St Luke's Advice service
- Brighton Housing Trust (Advice)
- East Sussex Credit Union
- Online self help:
 - National debt-line
 - Advice Guide
 - Advice Now
 - CCCS

BHCC could continue to promote services as at present, hoping that anyone needing support will approach services. This option would involve the local authority relying on a number of support services each with different contacts, practices, methods of delivery and most importantly with differing levels of success and a lack of co-ordination. This could mean that residents would be left without a co-ordinated or joined up approach to meeting their needs. Crucially, the current lack of specific provision of access to banking would mean that residents would need to be proactive and well-informed if they are to succeed in becoming successfully banked. BHCC might wish to develop bilateral relationships with mainstream banks in order to encourage them to provide a high level of service to entry level customers. **We recommend that BHCC consider creating a forum within which to consult and cooperate with the local commercial banks.**

Apart from BHCC's relationship with MACS, the current arrangements are largely ad-hoc and do not maximise the benefits for BHCC or its residents. Moreover they require BHCC to maintain and foster a number of relationships, and to communicate an overcomplicated and complex arena to residents.

If BHCC did decide to change nothing the result would likely be poor penetration levels amongst residents despite the opportunity to increase awareness and demonstrate a commitment to the financial inclusion and well-being of residents.

8.1.1 Advantages

- Money and resources could be saved for marketing and awareness raising campaigns

8.1.2 Disadvantages

- Poor penetration levels to those affected by welfare reforms
- No universal coverage so some will not get the support needed until it may be too late and debt levels increase
- Cannot provide a single standard offer nor offer quality assurance
- No strategy for increasing uptake – without effective management and co-ordination the management and direction of services is difficult
- Procedures for referral are complex, disjointed and reliant on staff knowledge
- Promotion across a number of agencies is difficult
- Agencies continue to be territorial about their client group
- Uncoordinated monitoring make success of failure difficult to measure
- Not maximising value for money as funding investment is diluted

8.2 Option 2: Create a bespoke co-ordinated CBP for Brighton & Hove

BHCC could develop a CBP, beginning with the Credit Union and the Advice and Welfare sector partners, and ideally extending to include all the partners outlined in option one and some mainstream banks, to form a measurable, resourced and co-ordinated service for the benefit of residents. This would involve working towards a joined-up solution to financial exclusion that is feasible, practical and with clear goals, objectives, terms of reference and agreed service level commitments. Moreover it is only through a joined-up working that debt and other forms of financial exclusion can be tackled.

Establishing a CBP in Brighton & Hove would offer a sustainable and equitable system of services to address the needs of residents as they experience welfare reform. The CBP would work towards an integrated system for the delivery of bank/transactional accounts for the unbanked, delivering targeted money advice and debt advice for those experiencing difficulties managing on a tight budget, and access to savings and loans to ensure that the ABCDE of financial inclusion services is delivered in a coherent and co-ordinated way. The key steps towards establishing a CBP and securing wide sector support might include:

- BHCC host a summit on fighting financial exclusion and responding to the welfare reforms
- BHCC commission and publish a financial inclusion strategy and mapping exercise
- Bring together a partnership Board with appropriate partners to combine efforts and establish a range of co-ordinated services with measures

- Work towards addressing financial exclusion through targeting key wards where the effects of the welfare reforms will be most felt
- Lease a shop front office in the town centre at peppercorn rent
- Through a consortium bid appoint a co-ordinator to lead the CBP and report to the Board on progress to ensure their strategy is successfully delivered
- Through libraries develop and integrated internet-based referral system to 'join up' CBP services
- Aim towards achieving
 - Increased number of residents with transactional banking facilities
 - Increased number of residents saving – a range of savings products can be provided through the Credit Union including 'jam jar'
 - Increased number of residents using affordable borrowing channels – reducing use of sub-prime or illegal lending
 - Increased number of residents accessing relevant insurance (life, home contents)
 - Ensure residents are informed about appropriate debt advice services
 - Increased number of residents receiving financial capability support
- Work towards delivering financial education in schools and money mentor initiatives, starting in the most excluded areas of Brighton & Hove/East Sussex
- Attract paying partners such as housing associations and other affected by welfare reform demonstrating the business case for involvement. The total cost of evictions for a social landlord and other statutory services is £8000 or more. Through improving financial inclusion and reducing debt, the CBP can save social landlords on debt collection bills, solicitor's costs, court and bailiffs fees, and loss of income from voids.

8.2.1 Requirements of CBP members:

- Organisational financial health and track record of delivering effective services
- Quality of service and customer satisfaction
- Capability and capacity to deliver services to all identified residents enabling residents to access all services
- Enabling all CBP members to play an active role in the purpose and development of the partnership
- Ability to record and provide feedback to the CBP Board on the exact number of residents accessing services and delivering key financial inclusion outputs/outcomes
- Capacity to work in partnership with BHCC to develop innovative financial opportunities in future for further development of the banking partnership for the benefit of BHCC residents

8.2.3 Possible structure: BHCC could choose to fund the creation of a new social enterprise entity to act as a vehicle for the CBP. Alternatively BHCC could opt for the simpler and less costly route of creating a CBP board with representatives from the different sectors (see model in Fig.3) providing the support required to enable each partner organisation to engage with the model and provide the relevant services. Within this model priorities would include:

- Seed funding for the Credit Union to buy in the infrastructure to offer transactional accounts: £150,000 to set up plus £20-30,000 per year depending on usage plus 1 full time member of staff

- Seed funding for the Credit Union to offer budgeting accounts: £5000 to set up plus £5000 per annum to run, with an additional amount to support training and marketing (this amount would still need to be calculated)

CBP Board

(either within a newly created CBP social enterprise or as a stand alone body overseeing a partnership approach)

Members from all the partners below

Advice Partnership

Credit Union

Bank Forum
(high street
banks, building
societies and
other financial
services
providers)

LA

Housing
Associations

Individual agencies
offer services as
usual

Individual agencies
offer services
through each
other including CU
and single access
points to all
services

Provides financial
products

Acts as access
channel to advice
partner services

Individual banks
have greater
awareness of local
need and agreed
standards in
offering BBAs and
making referrals

1. seed-fnd CU to offer transactional accounts
2. support advice partnership
3. Implement wider FI strategy
4. Ensure own services are financially inclusive

Engage as housing
provider:

see box to the
right

1. Support CBP financially
2. Refer tenants to CBP
3. Ensure own services are financially inclusive

8.2.4 Advantages

- Key partners are already in place and through discussions have identified their willingness to take part if called to do so
- Co-ordinated, comprehensive and proactive approach
- Credit Union and ADVICE PARTNERS can develop closer working relationship with BHCC and key partners
- Localised relationships can support closer working ties and capitalise on regional or national (funding) opportunities
- Demonstrates an active and positive role being played by BHCC to tackle issues
- Contributes towards sustainable growth of the Credit Union and increases financial inclusion
- More localised services can enable greater opportunities for face to face access using partner premises and networks

8.2.5 Disadvantages

- Some may not regard the Credit Union as appropriate for their needs (so CBP needs banking partners on Board for expertise and provision of alternative accounts)

8.3 Option 3: Alternative Provider

BHCC could commission an alternative provider to develop and deliver services to residents affected by the welfare reforms such as a Community Development Finance Institution (CDFI) that would deliver unsecured loans for residents and/or the business community. Whilst there are no CDFIs currently operating in the area, there are CDFIs elsewhere that might be interested in expanding their services into the Brighton and Hove area. Examples include: Fair Finance who have led a CBP in the East London region; My Home Finance operated by the National Housing Federation; or Places for People Financial Services. However a CDFI would provide a limited service in that they currently only provide loans which could be used to mitigate the effects of the welfare reforms but not the banking services required to prevent residents getting into difficulties in the first place.

8.3.1 Advantages

- Could measure impact and outputs
- Potential access to more affordable borrowing

8.3.4 Disadvantages

- Option provides singular offers and would not be able to deliver bank accounts, bill payment services, savings or insurance
- CDFIs do not offer the holistic services required
- Does not address issues around direct payment for residents paying their rents
- BHCC would still need to include services from local partners for services other than loans
- BHCC would lose the localism provided by other options and lose faith and commitment for partnership working in the City
- Would need to invest loan capital into the scheme
- Less preventative solution

8.4 Recommendation

We recommend Option 2 as it would provide the holistic services that are sought by BHCC to tackle the risks presented by the welfare reforms and provides the greatest value for money by bringing together existing partners who have already expressed a keen desire to work in greater proximity.

This could begin by BHCC working with East Sussex Credit Union and the Advice partnership to outline how they would work together and provide services to BHCC residents whilst the council begins the process of setting up an inclusive and balanced CBP Board.

BHCC would need a standard Credit Union offer that meets minimum standards so that it has confidence that residents can equally access services and expect a good standard of customer service. At minimum the Credit Union must have accounts that:

- Make payments by direct debit or standing order;
- Access to loans; and
- Face to face, telephone and online services for account and loan applications.

In order to achieve this level of service provision within a useful time frame, we judge that BHCC will need to invest in the Credit Union through providing the seed funding to purchase and set up the systems required to provide transactional and budget accounts.

8.5 Commissioning

The above makes a number of recommendations in terms of setting up a CBP. A key outcome of this review is for BHCC to further develop its commissioning strategy in relation to:

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

These are the key components needed for the overall strategy to have any meaningful effect; BHCC has to ensure, through commissioning, that accounts, low cost loans and incentives to save not only exist but do so in a meaningful and comprehensive way. The key criteria behind the commissioning or tendering of services is to ensure that the effects of welfare reform are mitigated and to provide basic bank accounts, provide and promote low cost loans and incentives to save.

The Project Board needs to decide how and what will be needed to ensure that there are accounts, low cost loans and savings schemes in place. It is expected that this will be led by the Project Board with the support of Members to agree the criteria and initiate either a commissioning process where a single provider may be invited to bid or tendering process where there may be a number of appropriate providers.

Whilst this review has identified that there is both Basic Bank Account provision through local banks and a strong Credit Union in the area, neither of these sources of access to banking, credit and

saving is meeting current or expected need. We therefore recommend that BHCC work towards increasing provision through the following commissioning options:

- Commission a basic bank accounts consortium – Call for one of the high street banks to develop a partnership between Brighton & Hove’s banks, building societies and the credit union. With funding from BHCC matched with funding from banks this consortium could develop marketing material that would inform residents of Basic Bank Accounts available to them specifically in Brighton & Hove, outline ID & V criteria for each partner and monitor the uptake of accounts.
- Commission the Credit Union to buy in its own transactional account so that it can compete on an equal basis with high street banks and encourage people away from high cost cheque cashing practices. This would provide an alternative to those residents unable to open a basic bank account and meet a current gap. (NB The Credit Union has a pre-paid card account but no transactional account as such.)
- Provide seed funding for the Credit Union to develop its budgeting accounts (£5,000 to set up and £5000 pa to run), and consider providing continuing funding in subsequent years until the Credit Union’s banking service has reached a sustainable scale.
- Provide capital to the Credit Union to develop a revolving loan fund specifically for council tenants of up to £500 to purchase white goods, pay for rent arrears and cushion any hardship from payment of benefits in arrears
- Provide funding to invite tenders from community groups to develop small scale savings projects in local communities through money mentors
- Provide small grants to local schools to encourage junior savers schemes; this could be done in partnership with banks or East Sussex Credit Union.

These options would increase the supply of banking facilities for tenants and other residents, encourage saving and increase knowledge about affordable credit and other good money management options. All would require investment from BHCC, although the level of investment varies for each option.

9. Quick wins

This review was also asked to provide a set of proposal which could be quickly (within 3 months) and easily implemented to support the Advice Partnership and the Credit Union better serve the needs of residents. The following actions could all be considered:

- Further publicity drive to all households affected by the welfare reform changes to highlight changes to benefits and where to seek help through leafleting, posters and street campaigns and surgeries (e.g. in Sure Start, GP surgeries and health centres, through school communication to parents etc);
- Debt and financial exclusion awareness training for all front-line staff from housing and revenue services – this could include RSL and JCP staff;
- Establish a pilot project with RISE focussing on financial management training and opening basic bank/Credit Union accounts for homeless/vulnerable women to help with financial independence;
- Provide additional funding to the Credit Union to develop outreach services in key deprived wards where there is low transactional account take up;
- Promote Benefits Take-up Campaign ensuring local people are getting what they are entitled to;
- Training local people through tenant groups to act as Mentors that meet local residents to highlight incoming changes in welfare benefits/payments and are able to signpost to appropriate services;
- Campaign to promote direct debit and the benefits of paying for services this way;
- Set up a financial inclusion project fund with simple appraisal and qualifying criteria to help voluntary and community groups to work with vulnerable residents affected by the welfare reforms;
- Provide incentives to residents on HB for opening accounts and saving with the Credit Union – residents currently paying through housing benefit could be encouraged to join and use their Credit Union. Incentives could be given on initial membership, increased savings levels and particularly on establishing payment facilities for rent payments to BHCC;
- Support growth, expansion and robustness of the local Credit Union so that it can provide greater and improved services to the wider Brighton & Hove community by expanding opportunities and promoting payroll deduction to Credit Union account services for all BHCC staff. This could also include an easy access council employee loan scheme aimed at providing an alternative to payday lending. Staff members could get instant access loan of up to £1000 unrelated to their savings balance at the Credit Union charged at 1.5% per month on a declining balance;
- Becoming a corporate member and invest reserve funds into the Credit Union. East Sussex Credit Union has listed BHCC as one of the organisations that could potentially join as a corporate member and this was agreed at the AGM held 24th July 2012. With BHCC depositing funds in this way it can demonstrate support for financial inclusion through the deposit by providing additional loan capital as well as receiving a potential return on investment. These could be invested in ordinary shares which can be easily withdrawn (restricted to £10,000 or

1.5% of the total shareholding) or deferred shares, which are only re-payable or transferable in restricted circumstances;

- Include the commitment to a CBP in strategic plans ensuring that each department is working towards mitigating the effects of the incoming welfare reforms and working with the local Credit Union or other CBP members to this affect;
- Appoint an officer to source alternative funding for the establishment and sustainment of the community banking partnership;
- Bring back into use dilapidated high street local authority owned premises with a view to providing a one stop shop or community banking hub specifically aimed at hosting all the services contained within the partnership;
- BHCC could follow the example from the London Borough of Newham where the local authority deposits money in a Credit Union account on behalf of looked after children who are then able to withdraw it at 18 with conditions. On leaving care, the young person is able to open their own Credit Union account to support the setting up of a new home. Financial education is also provided aimed at assisting looked after children to manage their money and tenancy commitments more effectively;
- Set up a Home Rescue Loan Scheme supported by all community banking partners through the Credit Union which assists people with difficulties with rent arrears. There are examples of this working in Southwark with London Mutual Credit Union and recently with Affinity Sutton and Credit Unions in Lewisham and Bromley;
- Develop a fast-track loan scheme, residents affected by the changes will be able to borrow up to £600 on easy-to-manage terms and at interest rates well below those usually charged by the credit sources to which households on low pay or State benefits, or in remote areas, are often forced to turn when faced budget challenges;
- Support CBP by developing and promoting website that acts as an information source but also has a range of tools including:
 - Online application for membership of Credit Union;
 - Identification and verification information for all banks providing the basic bank account;
 - Online debt advice appointment form ; and
 - Loan application process that can be delivered remotely either online or via telephone.
- Roll out information seminars in schools and libraries about Welfare Reforms, access to financial education and capability support;
- Gain further 'buy in' by holding a Summit demonstrating Council leadership in addressing the Welfare Reforms, highlight implications for Brighton & Hove residents and develop a joined up strategic response with CBP at the core;
- Establish lead role, terms of reference and bring together potential organisations, commission services that will constitute the Community banking Partnership; and
- Seek financial investment for a Community Banking Partnership model to provide One-stop financial services for disadvantaged communities particularly affected by the Welfare Reforms by engaging with the local Credit Union, banks providing basic accounts and service providers delivering affordable products to low income households offering a viable alternative to predatory lenders, retaining wealth in the local economy Providing value for money to public sector investors.

Annex A: Types of Account

Post Office Card Account (POCA)

This account:

- can only be opened with a letter proving entitlement to benefits;
- can only receive benefit payments;
- cannot make any cheque, automated or electronic payments;
- can only be used to withdraw cash from Post Office counters during opening hours;
- has no charge to the user;
- can have a second card if account holder needs someone to collect cash on their behalf; and
- has no credit or overdraft facilities.

Basic Bank Account (BBA):

This account:

- can be opened with a wide range of identity (ID) and address verification (AV) documents; - The BBA in partnership with Transact has issued a helpful leaflet listing ID and AV for each basic bank account provider
- can receive benefits and other payments;
- can make cheque, automated and electronic payments;
- can be used to withdraw cash from branches and ATMS;
- generally has no overdraft facility;
- has no on-going charge for the user;
- subject to penalty fees for returned Direct Debits and other electronic payments.

	Current accounts	Basic accounts
Cash card with PIN number to get cash out of a machine	Yes	Yes
Direct debits and standing orders	Yes	Yes
Online and telephone banking	Yes	Yes
Pay in money via cash, cheques, wages, electronic transfer, pension or benefits	Yes	Yes
Debit card	Yes	Sometimes
Cheque book	Yes	No
Interest on credit balance	Sometimes	No
Monthly statements	Yes	Statements are available but they are not always monthly.
Access to credit (eg overdraft)	Yes, but there are extra charges.	No. Some have a small buffer (£10 - £15). Charges for direct debits and standing orders will take you over your limit. Can cost from £5 to £38.
Access to a cash machine	Yes	Yes, although some banks only allow you to use their machines.

Counter service in bank branches	Yes	Some basic accounts have full counter services, some have restrictions. Basic accounts allow you to use a Post Office to pay in or withdraw money.
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Provider	Account	Receive payments	SO and DD
Bank of Scotland	Cash Account	Y	SO and DD
Barclays	Cash Card	Y	SO and DD
Clydesdale Bank	Readycash	Y	SO and DD
Cooperative Bank	Cashminder	Y	SO and DD
First Trust Bank (NI)	Basic Bank Account	Y	DD
Halifax	Easycash	Y	SO and DD
HSBC	Basic Bank Account	Y	SO and DD
Lloyds TSB	Cash Account	Y	SO and DD
Nationwide	Cash Card	Y	SO and DD
NatWest	Basic Account	Y	SO and DD
Northern Bank (NI)	Northern Personal Access (Basic)	Y	SO and DD
Royal Bank of Scotland	Basic Account	Y	SO and DD
Santander	Basic Account	Y	SO and DD
Secure Trust Bank	Current Account	Y	SO and DD
Ulster Bank	Step Account	Y	SO and DD
		Y	

Jam Jar or Budget Accounts: These accounts are relatively new to the market and are not yet considered mainstream. Budget Accounts are designed to make bill payment easier for people with lower financial capability, and in doing so provide reassurance to service providers that they will receive their payments on time. Key features of a budget account are¹⁷:

- Can receive benefits and other payments;
- Can make automated and electronic payments;
- Allow customers to split their account balance into “Jam Jars” for spending, saving and bill payment; and
- Support customers to improve their budgeting and bill payment behaviour through low balance alerts and automated transfers of funds between Jam Jars.

For these accounts the focus is less on accessing cash (although they may have a debit card and provide access to ATM withdrawals), than on introducing automated bill payment systems to low income households and individuals with previous poor experience of automated banking. Social Finance’s report also recommends that Budget Accounts should ideally give customers access to trained “Money Managers” that can provide budgeting advice and referrals to specialist consumer services (e.g. debt advice) where necessary. This aspect of the service will necessarily increase costs.

¹⁷ Savell, L. (2011) A New Approach to Banking: Extending the use of Jam Jar Accounts in the UK, Social Finance <http://www.socialfinance.org.uk/resources/social-finance/new-approach-banking-extending-use-jam-jar-accounts-uk>

Providers of Financial Services in Brighton and Hove

Mainstream Providers in Brighton and Hove

The review looked at commercial banks and building societies operating in Brighton & Hove. Brighton is very well served by high street banks with the following having more than one branch in the region:

Allied Irish Bank
Clydesdale Bank
Natwest bank
HSBC
Santander
Lloyds TSB
Barclays
Royal Bank of Scotland
Halifax (Bank of Scotland)
Northern Rock Plc
Co-operative Bank

(The only registered bank operating a single branch was a European bank - Svenska Handelsbanken.)

The following building societies operate in Brighton & Hove:

Britannia
Chelsea Building Society
Cheltenham & Gloucester

Annex B: The LRO, Credit Unions and East Sussex Credit Union

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

The legislative changes offer the chance for social housing providers to work collaboratively with either a single or selected number of Credit Unions to provide unilateral coverage for their residents (and staff). The LRO also provides new and more diverse methods of partnership support, from increasing payroll deduction facilities for all BHCC staff, to becoming a corporate member of the local Credit Union.

This section will seek to clarify the legal/FSA implications relating to the promotion of services from any specific provider. In its role as a non-profit enterprise, the Credit Union is more likely than mainstream banks to be able to serve the best interests of the target client groups. However there are also a number of local banks willing to offer Basic Bank Accounts to those who currently do not have access to banking services and who may for one reason or another not be able to access the services of the Credit Union. Seen as individual providers, the availability of a range of providers is to be encouraged. However, seen in the context of building a CBP, the more banking, loans and savings partners there are, the more complex the CBP. This will require BHCC to maintain a larger number of relationships, each with different contacts, practices, products, methods of delivery and eligibility criteria. A multitude of private sector partners and the Credit Union may create a confusing picture for the residents that the CBP is seeking to provide the services for and, for this reason, they may be best served chiefly by the Credit Union and a small number of private high street banks that have been at the forefront of the financial inclusion agenda, namely Barclays, the Cooperative Bank and Lloyds Banking Group.

One note of caution is the fact that there will soon be a change in regulator; the Bank of England is planned to take over the remit to oversee financial service providers, including Credit Unions, from the Financial Services Authority. There is a risk that Credit Unions will be seen less favourably but there is nothing to suggest that regulatory requirements would change significantly so long as individual Credit Unions maintain high internal standards particularly around capital adequacy and liquidity. This will require a strong and skilled management with key skills and vision and an appropriate structure; the East Sussex Credit Union clearly has an appropriate structure in place.

Credit Unions

Recent changes to the law and regulation surrounding Credit Unions means that East Sussex Credit Union can play a key leading role in any new CBP. Recent legislative reforms have made it easier for organisations such as BHCC to partner and work in greater collaboration with its local Credit Union. After almost five years of Parliamentary discussion and delays, recent changes to the law governing Credit Unions in the UK mean that some of the previous restrictions on their activities have been removed allowing the sector to take advantage of new opportunities and to develop new partnerships. Changes to the Credit Unions Act 1979 came into effect on 8th January 2012. The

Legislative Reform (Industrial & Provident Societies and Credit Unions) Order 2011 (LRO) removed restrictions in the previous law thus make Credit Union services available to many more people, community groups and businesses and the ability for Credit Unions to offer interest on savings instead of a dividend. Key to the changes is the ability for Credit Unions to work with housing and local authority partners and provide specific services to and for them. The LRO also enables Credit Unions to charge for additional services, there is relaxation on age restrictions for Directors and members can still receive services from the Credit Union if they move from their location of work or residence.

The changes have therefore made it easier for BHCC and East Sussex Credit Union to work together to ensure that tenants and residents of BHCC can access safe and affordable local financial services. The key areas of change towards greater flexibility for Credit Unions and what this means for any CBP in Brighton & Hove are as follows:

Allowing Credit Unions to serve more than one group of people

Credit Unions can now choose to provide services to different groups of people within one Credit Union and membership is no longer limited to individuals. Traditionally Credit Unions have served those people who live or work within their stated 'common bond' and this is usually based on geographic location. A 'field of membership' now removes the strict requirements of live or work making it possible for a wider range of potential members to be served by the Credit Union. This means that a single Credit Union could provide banking and loans facilities to all employees and residents of BHCC even if some of these lived or worked outside of the geographical area which the Credit Union 'commonly' serves. The legal and regulatory requirement is that BHCC has to be listed within the rule book of the Credit Union and approved by an Annual General Meeting of the Credit Union. In anticipation of closer future working BHCC is listed in East Sussex Credit Union rule book and this has been ratified at AGM alongside other partners including a major housing provider and the other local authorities in East Sussex.

Allowing Credit Unions to provide services to community groups, companies and social enterprises

Credit Unions are not just limited to individuals but can now offer membership to unincorporated associations and corporate bodies such as companies, partnerships, social enterprises including housing associations and local authorities. Non individuals can only make up a maximum of 10% of a Credit Union total membership, hold a maximum of 25% shares in the Credit Union and be granted a maximum of 10% of the loans.

Credit Unions can choose whether to offer ordinary shares (non-deferred shares) – ownership of which will bring all the benefits of Credit Union membership, or deferred shares which will only be repayable in restricted circumstances but which will count towards the capital of a Credit Union. This means that BHCC can in itself become a corporate member of the Credit Union and invest funds either as deferred or non-deferred shares. Depositing money will help strengthen the Credit Union and increase the supply of affordable credit in the community at little cost to the Council.

Allowing Credit Unions to pay interest on savings, instead of a dividend

Some Credit Unions will be able to, if they choose, pay a guaranteed rate of interest instead of a dividend. Credit Unions wishing to pay interest on savings have to show that they have the necessary

systems and controls in place and must hold reserves of at least £50,000 or 5% of total assets (whichever is the greater). East Sussex Credit Union has met these criteria and has applied to the FSA to be able to create interest bearing products. For BHCC this means that having set interest rates could make the Council's investment decision into Credit Unions clearer. Council Member, Officers and residents would more easily understand and compare rates of return available from Credit Unions and from any other investment providers. Attracting more investment to the Credit Union will mean that it is able to make more affordable credit available in the community.

Removing restrictions on non-qualifying members

People who move house or job and leave the 'common bond' of the Credit Union are classed as 'non qualifying members' (NQMs). Prior to the LRO a Credit Union was limited to having 10% of NQMs in membership at any one time. The LRO now allows Credit Unions to increase their own limits on NQMs so that it prevents people from losing access to financial services when they change their job or home. This means that former BHCC residents who are members of the Credit Union can maintain and access the benefits of the Credit Union despite moving home to another housing provider or location.

Other changes that will affect the operation and internal issues of Credit Unions include:

Changes to prudential rules – these came into effect from January 2012 designed to strengthen the sector and will lead to stricter prudential requirements. Should any service level or partnership agreement take place between BHCC and the Credit Union this may help when meeting procurement criteria set by BHCC for services.

Capital requirements – the minimal level of capital that all Credit Unions must retain is being dramatically increased so that those with fewer than 5000 members and less than £5m in total assets must now have a capital/assets ratio of at least 3%. This is a significant change particularly for some smaller Credit Unions. This means that there are transitional provisions to allow those Credit Unions to build up their capital reserves over three years. In addition they must transfer 20% of profits to reserves until this represents at least 10% of total assets. Again this safeguards and adds robustness to individual Credit Unions and builds confidence and security for individuals or organisations seeking to invest within them.

The guidance around bad debt provisioning under the new rules is that there will be increase in the levels of provision so that 60% of a member's net liability when a loan is six to nine months in arrears and 80% of the net liability when it is nine to twelve months in arrears. East Sussex Credit Union is actively working towards this.

DWP Feasibility Study – further changes are expected from the outcome of the DWP feasibility study. The research has examined how a potential £73 investment could be used for modernisation and sustainable expansion of Credit Unions. A tender process has now begun for the provision of large scale back office services to enable Credit Unions to automate their services, reduce operating costs and increase service provision. Credit Unions must be part of a consortium to be eligible to benefit from this funding.

The DWP has also announced that it intends to tender for contracts to supply Budgeting Accounts for recipients of Universal Credit. Our understanding from conversations with DWP is that Credit

Unions will be able to play a role in delivering these accounts, although the details of how and with what support is not yet clear. DWP will pay up to £5 per month per account for the first 12 months of a recipient's first year on UC. Credit Unions and their umbrella organisations have been lobbying for the contracts to include Credit Unions, but it is not yet clear whether individual Credit Unions will be able to bid, or whether they will need to be part of a consortium. We expect it to be the latter case.

Annex C: East Sussex Credit Union

East Sussex Credit Union is a strong and well governed Credit Union that has worked hard to gain financial prudence, growth and achieve a financial surplus. It operates the traditional banking platform provided by the Co-Operative Bank. East Sussex Credit Union is as a company with a non executive board of 12 directors elected through an AGM by its members. The Board has overall responsibility for governance delivered through a committee structure (Finance, HR, Credit and Promotion) and day to day delivery is undertaken by managers (Finance and Customer service) reporting to a General manager who reports to the Board.

The customer service manager also oversees volunteers and provides training. Volunteers are a key part of any Credit Union's activities and East Sussex manages its volunteers and their work very effectively. There is a good stream of volunteers for the Credit Union provided by the fact that the Credit Union has a central City location, good transport links, in a University City with a competitive employment environment so local people make the best of any volunteering opportunities in order to improve their prospects which benefits the Credit Union. There are currently 20 volunteers regularly servicing the offices and another 12 as Board members. The President reported to the AGM on 24th July 2012 that on average 66% of volunteers go on to full or part time jobs highlighting their Credit Union experience as a key factor in gaining paid employment.

The Credit Union also has two community advocates that provide outreach work into East Sussex Communities.

The Annual Report 2011/12 points to a number of key highlights including:

- Value of capital assets breaking the £1m mark
- A reduction on grant dependency – 80% of the income is now generated from loans and Credit Union core business and
- A recognition that funding from external sources is decreasing and a commitment to become entirely self sufficient during 2012/13

East Sussex Credit Union are taking full advantage of the opportunities presented to them that the LRO has brought about and the board recognises the importance of growing relationships particularly with membership organisations that fit with their social ethos. The Credit Union has actively sought to develop relationships with social housing organisations and a national Trade Union into the 'common bond' bringing new members and sustained growth to the Credit Union.

The Credit Union currently has 4000 members and has ambitious yet achievable expansion plans by taking advantage of LRO opportunities. The Credit Union has payroll deduction arrangements with the following partners:

EDF Energy

Brighton & Hove City Council

Lewes Council

Brighton & Hove City Buses

NHS Trust

Fire & Rescue Services

Finances: loans, member savings and bank balances increased over 2011/12.

Member savings or shares rose by £318,000 (44%)

Loans to members rose by £68,000 (10%)

Bank balances increased up by £213,000

Summary balance sheet £	March 2011	March 2012
Assets/Loans	665,413	733,738
Other assets	193,002	429,885
Current liabilities	46,420	32,465
Net assets	811,995	1,31,158
Member shares	725,973	1,043,724
Reserves	25,014	64,434 (?)
Other (inc staff costs)	61,008	23,000
	811,995	1,131,158

Treasurers report 2011/12

The overall profits for 2011/12 were £23,600, more than twice then that for 2010/11 and income has increased by 12% overall. There was a 21% drop in funding (Growth Fund) during 2010/11 which comprised of a significant amount of income for the Credit Union for that period and this had quite a dramatic effect on the Credit Union. The response was to increase income through loan interest by decreasing and addressing bad debt levels. The Credit Union has turned a loss of substantial grant in 2010/11 to longer term advantage as it has rebuilt financial strength.

In previous years there have been financial losses but the current Board and management have completely turned this around to a point where finances are strong. There is recognition that having developed a more robust financial base by reducing costs and liabilities, focussing on financial security and being risk averse there is now a need to raise loan income levels and provide more loans to members during the current financial year and beyond.

To this end the Credit Union has developed a campaign around attracting members with moderate incomes to take up higher levels of loans (up to £15,000) for purposes such as a new car, wedding, or home improvements. When asked if the Credit Union was moving away from its social ethos there was a consistent reply from all those associated with the Credit Union that this approach would be used to attract greater loan interest to add to finances so that the Credit Union can continue to add value to its commitment to help the needy.

The desire to lend to higher risk customers requires more capital and profit to allow cross subsidy for less profitable loans. The break-even point is currently £750 per loan. The interest rate is currently capped by law to 26.8% which reflects the higher costs of administering very low value loans and

increased payment frequency but provide value against much higher rates charged by high street private sector providers.

One of the key risks that the Credit Union has identified both in discussions and in its Business Plan 2012-2015 is the potential for its competitors to gain greater ground in serving the financially excluded. This competition could come from the Post Office, with other mutuals taking advantage of common bond changes presented by the LRO and the for profit sector. The latter is significant considering there are currently five private sector high street high interest loan companies legitimately operating in the same street as the Credit Union offering quick and easy to access financial services albeit with much higher interest charges.

The Credit Union recognises the competitive environment and is mindful of its current and future intentions about increasing its market share in the face of such local competition. The Credit Union therefore seeks to develop its market so that it is not solely focussed on the financially excluded but attract a wider membership base which will add to its ability to help those in exclusion. They intend to address this through developing attractive packages, particularly for the employed and ensure a clear and marked contrast to other local competitors and to realise its stated *vision "to be a community bank: the first choice mutual financial service provider"* with the *"strategic goal: to grow net income to enable long term sustainable growth and support small higher risk loans to the financially fragile members of our communities"*¹⁸.

In summary, in our view, East Sussex Credit Union is a good robust Credit Union. Having addressed past financial challenges, it is now an ambitious forward thinking organisation with effective governance and leadership.

Opportunities

East Sussex Credit Union should play a leading role in establishing the CBP, particularly in providing accounts and savings opportunities for residents. Affordable loans are an integral part of the financial inclusion agenda and vital for Credit Union sustainability. Whilst some residents may need access to credit, and the Credit Union is a socially responsible lender, BHCC will need to consider its own line to take on whether to advocate or promote loans from the Credit Union; this decision will need to take into account available evidence that residents are suffering hardship beyond the means of the social fund and the increase in lending from sources such as doorstep, high interest or illegal lenders.

In terms of linking up services, East Sussex Credit Union holds help point surgeries where it can within its area. Despite some misunderstandings about the role and nature of Credit Unions generally there is a need and desire for the Credit Union and local advice agencies to work in greater collaboration to enable residents to take control over their finances and make informed decisions on borrowing and savings.

¹⁸ East Sussex Credit Union Business plan 2012-15

The Credit Union used to have in-house but independent advisors providing advice tailored to the needs of the individual. However the funding for these roles was withdrawn so a partial replacement of this service was made by using staff and volunteers who are trained in 'light touch' money advice as well as having considerable knowledge about the work of other agencies in the area and support people to access services where possible.

There is an opportunity here for East Sussex Credit Unions to, with the support of BHCC, actively seek partnerships with Advice Partnership members and other free debt and financial advisors to provide complementary services to the community.

East Sussex Credit Union had several access points across the city but this was cut back due to changes in funding. These access points provided residents with easy access to Credit Union services. A proposal has been put to library services to provide access through the library network. If this can go ahead then it will enable the Credit Union to use the established library network and for library staff to provide basic support to residents seeking to access Credit Union services. Library services have recently undertaken a national evaluation that will feed into the National Information Offer but will look at the proposal again in light of the CBP proposed in the City. The National Information Offer aims to develop effective partnership arrangements and networks with the statutory, voluntary and community sectors across the region. The proposal put forward by the Credit Union could assist residents who are financially excluded to access services that may have been previously unavailable to them.

The software East Sussex Credit Union uses has an online banking module and 'jam jar' account module that can be offered to prospective partners. A budgeting account module costing £5000 to set up with £5000 annual operating cost is also available and something that should be actively considered in the medium to longer term.

Currently Credit Union members can have benefits paid into their Credit Union account. A sum is deducted for any loan repayment and then the balance is transferred onto a pre-paid card. A number of members already also use the Credit Union to pay their rent this way. This demonstrates that the Credit Union has the structure, mechanisms and ability to provide BHCC with the types of services it needs for those at risk under welfare reform and for the Credit Union to play a leading role in the CBP.

Unlike the mainstream banks, the Credit Union is a social enterprise. Whilst it has a distinct ethical purpose, there is a clear intention from management and board that first and foremost it must be a sustainable enterprise and that it can only fulfil its objectives to serve the needy if it has a sustainable balance sheet and finances. To this end it needs to cover costs when supporting any venture outside its day to day running. It should however be cautious that it does not come across, as it appears that it sometimes has done to some partners, that securing its financial objectives are its only concern and should explain that it seeks to support social ends through sound finances required for its own survival in the long term. At the same time partners must also recognise that, if they require the Credit Union to provide loans to partner constituents then the Credit Union is naturally not able to do unless the constituent members have an appropriate share balance or that the partner has provides capital for any loans.

Annex D: Summary of consultation with partners

Methodology

The review included a two pronged approach to examine the effectiveness of existing financial services and products through current providers and stakeholders including desk based work and field research. Interviews were conducted with a variety of stakeholders to determine current provision, gaps and the need for enhanced products and services around banking, savings and affordable credit identified by the council. The review will also address the regulatory framework for community banking including the current government focus on growing a sustainable credit union sector.

Interviews were conducted to look at:

- Current provision (potential or realised) of accessible banking/affordable credit
- Current capacity of potential /existing financial service providers to meet the need for banking, savings, insurance and credit services
- The potential for services providers to meet needs and their appetite to do so
- Existing and potential routes to market for financially inclusive services
- Policy and practice

East Sussex Credit Union

Rosemary Friggens - President, East Sussex Credit Union

Rosemary is current President of the Credit Union and leads the Board. Rosemary retired in 2006 from an operational Human Resources role at American Express. Rosemary has played a leading role with the Board since 2009 and held a Vice President role before becoming President. The Credit Union was 90% grant dependant when she first got involved and only raised 10% of its own income. There were very poor financial, management and volunteering arrangements in place. The Growth Fund was a major timely injection of support for the credit union and, at the time, enabled it to refocus. There was no real financial modelling or aim towards developing a sustainable business when she first came to the credit union. With hard work from management, staff and volunteers this has turned around to a point where the credit union is now a stronger business working towards self sufficiency. This year they are 80% self sufficient by raising their own income from loans and services working towards 100% self sufficiency.

East Sussex Credit Union needs to be self sufficient as grant funding is reducing. They want to be able to generate in good surpluses to then support the needy. With every £10,000 the credit union can provide 80 loans of £500 to members. The credit union is ambitious and has many ideas to support a CBP including rent payment schemes which it already has in partnership with some social landlords.

Prefer to work with a pre-paid card account as this is more conducive to supporting financial management. Costs relating to basic bank account for the credit union are high and difficult to sell to members as it incurs costs.

Keen to address gaps in financial education. Want to offer qualifications for volunteering.

Have concentrated on business modelling and developing sound finances – now have very tight control over budgets and finances with a view to supporting vulnerable clients through generated surpluses. Concentrated on arrears management by supporting members to reschedule loans and worked with them 1:1 with senior volunteers to help them.

Rosemary feels that they are operating a form of CPB already with direct payments and jam jar accounts and ethical 1:1 support for members. The credit union are keen to lead CPB and contribute towards wider financial inclusion agenda.

LRO and new rule book will bring exciting opportunities in next twelve months.

Alex Bailey – Board Member and Vice President, East Sussex Credit Union

Alex is a Board member with considerable legal and social enterprise development background. The Board has worked hard to improve finances and budgets. Wants to lead credit union towards becoming a greater player in local, regional and national financial inclusion agenda and has been recently elected at the AGM to lead on the wider partnership work for the credit union. It is highly likely that Alex will work with the Council and partners in any future financial inclusion work including the CPB.

Rule book changes will be significant and allow the Board to progress further. Have had safe and sustained growth but are now ambitious to grow towards a more sustainable community bank. Pre-paid cards are considered the best and most appropriate means for members. Want to ensure they have steady and effective penetration into east Sussex markets by expanding work with partners.

In terms of CBP feels that credit union should play a leading role and is best placed to do so. Need good leadership and direction and a focus that includes but is also wider than the welfare reforms and provide services and support to the City. CPB needs to be proactive and not just another Financial Inclusion Forum, clear business plan and direction will be important and Alex has considerable experience to play a leading role here on behalf of the credit union.

Colin Holden – Manager, East Sussex Credit Union

Credit union has changed for the better in the last few years and is now in stronger and suitable place to lead or work with a CBP. The credit union is now working with a wide range of partners and looking to develop further initiatives through the changes brought about by the LRO. Colin has fostered good relationships with key figures including leader of the Council and local MPs as well as a number of payroll organisations. Colin is seeking to develop working links with Barclays for more members, interest raising bonds and volunteer support from the banks staff. There is disappointment about only having £1000 marketing budget for the operation but recognises that there is a bigger picture of sustaining finances. Colin came into the role in 2008 when the credit union was making a £40k loss, today they are reporting a £34K profit with 4000 members.

In the coming month the Unite Trade Union will add significant members to their current roll. Partnership work has developed with housing providers, membership organisations and local

authorities. Key initiative at the moment is higher value loans and small – medium (payday) loans to those paying by payroll deduction.

Feels that the local authority is always changing in terms of personnel and direction, has high hopes for a CBP but it needs the will and a level of consistency on behalf of the local authority. CBP should concentrate and lead on access to credit union accounts, savings, direct credits and debits, money management training and advice and debt advice.

Feels that advice services network in Brighton and Hove does not appreciate the work of the credit union. Other regions have a greater understanding of the role that the local credit union can play in reducing financial exclusion but here there is some work to do on both sides to help improve partnering here in the City.

The credit union can play a leading role in the CBP and support the council to tackle the welfare reform agenda by enabling residents to put benefits received into a credit union account, paying rent and council tax and placing the remainder at their disposal onto a pre-paid card. The credit union has a number of such arrangements with other social landlords. This services does incur a £2-5 charge

Want to provide services to the financially excluded, the financially fragile and the financially comfortable. Financial prudence is a current key priority and the Board is very risk averse which sometimes create frustrations but there is an overall belief and commitment to the strategy of building financial strength to help those in greater need.

Ann Hickey, Operations Manager, East Sussex Credit Union

Ann is the credit unions first paid employee, currently manages day to day operations, customer services staff and particularly the volunteer programme. Ann is also responsible for loan decisions up to £5000. Loans process is dependant or careful consideration upon proof ID and of income. Volunteers are able to take decisions on loans of up to £1000. Key challenge is that Ann has a wide remit as credit union has to work efficiently as possible. Ann is looking to develop qualifications for volunteers and a funded apprenticeship programme.

In terms of CBP believes this will need to be funded as staff resources are currently limited and DLA and other clients with benefit are time consuming. Have developed good mechanism for social and private sector rent payments which will be a relevant factor of credit union is considered as a CBP partner.

Valerie Pearce - Director of Information Services

Sarah Columbus, Childcare Strategy Manager, BHCC

Working with families and children to ensure they get access to appropriate advice and support services. BHCC funds children's centres; Sarah is responsible for child poverty needs assessment and child poverty strategy. 22% of families in Brighton & Hove are considered in child poverty and 75% of these families are not in work with the majority of these being lone parent families. Brighton & Hove does have fewer working poor families than the national average but Brighton & Hove has some particular issues with high housing costs and a lack of well paid jobs. Families in poverty have limited

access to the jobs market, low skills and qualifications prevent them from competing. Costs of transport and training often hinder progress into work or training. The City's job market does not cater for the lower skilled. Graduates tend to stay on in the City and make entry level job market very competitive.

CBP would work best if banking, saving, advice and other support services were provided through hub and spoke model rather from a central location. Children's centres Local community shops and post offices should also play a key role. There are key pockets of poverty in the East and north east of Brighton & Hove in areas such as Whitehawk.

Digital inclusion is also a key issue. JCP has also reduced services to lone parents, there are now two advisors instead of eight and priority is been given to support people back into work. Support for childcare payments has also stopped. There seems a situation where the poor will find it very difficult to get out of their current circumstances as many things are against them and this will be exacerbated by the welfare reforms.

Currently an estimated 300 people will be effected by the benefit cap because of the high cost of private rented housing in the City. BHCC need to take the lead and ensure that all partners are targeting resources and delivering effectively. A structured co-ordinated CBP is now important and urgent.

Has tried to engage with the credit union over a child deposit scheme but was told this would cost £30,000. Credit union needs to market itself wider and promote itself in poorer neighbourhoods that do not have access to mainstream services and to engage in wider partnership meetings

Emma Gilbert, Social Inclusion and Involvement Manager, BHCC

BHCC is currently undertaking a mapping exercise to identify those at most risk under the welfare reforms. The housing service include two recent Financial Co-ordinator appointments, the housing services are developing financial educational and learning project with laptops and a basic skills tutor on hand to support residents. The co-ordinators will also be supporting people being banked. European Funding has been acquired in partnership with The Bridge project with targeted work to those most affected by the changes. Residents at risk are targeted by the Co-ordinators through home visits with housing staff.

On sign up of local authority tenancy benefit issues are assessed and support is available at the earliest stage possible. For those beyond sign up each intervention stage includes a checklist for housing officers to go through so there are trigger points for any signs of further intervention or support needed by the resident. Housing team are embedding financial inclusion into tenancy checks. Currently need to map the training requirements for housing staff to ensure that skills are up to date to provide appropriate assessments and support for residents. FI Co-ordinators will also act as a referral point for at risk residents and signpost to appropriate service providers.

Sally McMahon, Head of Libraries and Information Services, BHCC

Sally is very keen to get involved in the CBP and believes that libraries can play an important role. Have staff and volunteers across East Sussex across a network of 12 libraries – 98% of Brighton and Hove's population live within a mile of a library. Brighton & Hove library services are the 6th most

successful service in the UK. The service has free internet access and have developed a number of projects to help people with key skills such a CV and application writing to support them back into work.

Brighton & Hove Library have played a leading role in National Information Offer and Sally has been closely involved with digital inclusion strategy team locally which included third sector partners

A pilot project has just reported on how libraries can help people access local services – (The National Information Offer) specifically services around work, carers, benefits and personal finance. Sally's key interest was around personal finance. There is a need to train staff about local financial inclusion partners so that they can help people with enquiries and signpost to the most appropriate local services or better still have on-line facilities to help them.

Wanting to develop front line training for staff on the most effective use of resources and particularly where staff need to hand over to more experience staff from service providers. Looking to consolidate local links and CBP would be an ideal mechanism to do so.

Library services have received a proposal from East Sussex Credit Union that they do wish to pursue now that the National Information Offer Evaluation has been completed.

Jackie Grigg, Director, Money Advice & Community Support (MACS)

MACS provide debt and benefits advice. They are able to tailor their services to the needs of intermediaries and have a contract with BHCC. The key services are face to face crisis intervention and longer term case work. They work closely with Adult Social Care and Housing Management Services. Are able to provide cheque cashing services to vulnerable clients and have an impressive process and mechanisms in place for housebound clients.

Want to offer money handling services as well as debt and independent financial advice. MACS currently provide debt advice and casework surgeries in the community through community venues and in key deprived estates such as Whithawk and Markholm. Work in local housing offices and through community based organisations to reach the most vulnerable.

The staff at MACS are In close contact with council housing and social care officers. They work together to support vulnerable clients and prevent people getting into further financial hardship.

MACS have developed a number of financial education initiatives (Food-maths, ART workshops) to promote financial education. Money from Supporting People used to support elderly in benefit take up and energy efficiency. Keen to take forward a Money Mentors project so that local people in estates can support local people with basic enquiries/signposting.

MACS are working with residents who could or are affected by the welfare reforms and raising awareness of the changes so that people are better prepared. Discussed the issue of recommending one provider, such as the credit union, to local people. It was acknowledged that there has been some history in terms of the relationship between advice agencies and the credit union but that there was a need to move forward – one way was to have information about all high street banks that offer basic bank accounts and the benefits of the credit union on hand to give to residents seeking advice.

Gail Grey – CEO, RISE

RISE works with women, children and families. RISE provides refuge services in East and West Sussex working with women in care, short and longer term support and care for women suffering abuse and domestic violence. RISE work in crisis intervention as well as longer term care. RISE have not been involved nor know about CBP but very interested if it can also target their client group who are very vulnerable and often the most financially excluded having parted from the family home or violent partner.

Lack of finances and financial products or services are critical factors for this client group. Welfare reforms will also bring issues for shared accommodation units and provision of services to women in RISE accommodation.

RISE do have links with the credit union and do refer clients but this is an informal relationship. Key issues are accessibility to financial services and ID & V particularly with high street banks.

Jo Clarke, LIASE Officer, South East ILM

ILM team now has a much wider geographical remit, works closely with West Sussex Credit Union and is yet to form a working relationship with the credit union in East Sussex. ILM team work closely with BHCC housing teams in co-ordinating activities. There is a need for a co-ordination role in Brighton & Hove and CBP would be an ideal vehicle to do this but advised on not having a centralised service. PCSO and ASB officers could also play a role in promoting CBP services

Katie Love – FED

The FED provides advice and services for the disabled. There have been significant changes to DLA, Employment Support Allowance and a whole range of other benefits even before the current welfare reforms. The FED deals with applications and appeals for all benefits. Claims and appeals are a key issue and take considerable time and resources. Centre works with the DWP on a daily basis through volunteers. FED is funded by BHCC, PCT and various charitable trusts. Case load is up 20% and the centre is dealing with 60 new cases a month. Currently work with MACS and CAB for debt advice and are keen to form an advisory role with any potential CBP.

Ben Glazebrook - YPC

Eleanor Clarke, supported Housing Services Manager, Sussex Central YMCA

Angie Fowles - Housing Services Manager - Sussex Central YMCA,

Niki Eldridge, supported Housing Services Manager, Sussex Central YMCA

Sussex Central YMCA and the YPC receive some funding from the local authority and works with vulnerable and homeless children providing supported housing and other advice/support services. The colleagues were very concerned about the welfare reforms and the effects on their very vulnerable client group. The implication of young people with direct payments for benefits is causing great concern particularly with those affected by drug and alcohol issues. The YPC and Sussex Central YMCA are already working with partners to mitigate the implications for young people and for their supported housing units that will be subject to the same challenges as the local authority

housing budgets in relation to rent receipts. Colleagues welcomed the opportunity of involvement with CBP and the fact that action was needed as soon as possible to support young people in their care with advice and support.

Jenny King, Chair, West Sussex Credit Union

Jenny previously worked at the New Economic Foundation and in Birmingham for the Aston Regeneration Trust. In 2005/6 a feasibility study about the financial exclusion in West Sussex was carried out, the outcome was the establishment of CBP and West Sussex Credit Union. This was launched in 2008 with £50k funding which essentially paid for a co-ordinator to set these entities up.

In its early stages Jenny worked with the CBP and credit union in a consultancy capacity working with the CPB Co-ordinator. The current CBP meets regularly and the local authority provides officer time to carry out administrative duties. The West Sussex credit Union has set up a charitable through which it can apply for funding bids in its own right for the benefit of West Sussex residents.

Like East Sussex the credit union operate through Progress software and use pre-paid cards rather than the transactional account and are looking at increasing the number of corporate deposits. They have 2800 members and £750k in shares. The credit union provides affordable loans to the CBP and play a leading role. They have a number of active referral partners including Barclays

Chris Hobson – National Housing Federation

A great deal of concern and ‘chatter’ is being undertaken by housing providers of all tenures about the welfare reforms but nothing practical is shaped. A CBP brought together to tackle the welfare reform would be pioneering in this respect if planned and co-ordinated appropriately. NHF has concentrated on lobbying and informing about the changes under the welfare reform act and now looking at supporting housing providers to deliver financial inclusion services to those most affected by the reforms.

Gillian Draper and Donal o’Sullivan, Financial Inclusion Manager and Officer, Southern Housing Group

Southern Housing has supported both credit unions in East and west Sussex with funding for publicity and marketing materials. Donal sits on the West Sussex CBP and have provided West Sussex Credit Union funding for a revolving loan fund. The CBP in West Sussex is based on the Devon & Cornwall model and operate through a one stop shop at the premises also occupied by the West Sussex Credit Union which includes benefits advice as well as some other financial inclusion services.

Southern Housing have 12-1500 properties in Brighton & Hove and New Lampton with an office in Hove where Donal provides light touch advice and signposting services to existing Brighton & Hove services for residents. Donal also provides basic money management training for new residents at tenancy sign up stage. Donal conducted a survey amongst Brighton Southern Housing residents and concluded that despite the DWPs efforts residents were very under informed about the welfare reforms.

Southern would welcome the opportunity to work with other partners through a CBP and a co-ordinated approach to tackling financial exclusion.

Scott McKinven, Financial & Digital Inclusion Manager, Affinity Sutton Housing

Have 1,355 properties in Brighton & Hove and refer residents to CCCS for debts advice services. Affinity Sutton would welcome a CBP in Brighton & Hove. With 2400 properties across East Sussex the housing provider has had a meeting with East Sussex Credit Union but no firm actions transpired.

One of the key issues at the meeting was around a fully functioning transactional account for residents rather than the pre-paid card and an instant loan product with quarterly monitoring on any investment from Affinity Sutton. Affinity Sutton require a direct payment mechanism with personal budgeting support for people who get into arrears by 4 weeks. Digital inclusion is also highlighted as a key factor. Insist on transactional bank account and completion of a direct debit mandate on sign up of new tenancy.

Believes that credit unions key role is around developing a savings habit, provision of affordable loans but looking at ways they can assist with rent and other direct payments. All credit unions need to raise their profile and ensure that residents in all tenures know that they are there.

Jahanara Husain, Hyde Plus

The Hyde Group works across 12 Counties in the East and South East and recognise that their current working arrangements with credit unions are not practical. Hyde are keen to look at the outcomes of this work and play a role in CBP at any stage. Hyde see the need for banking and direct payments for rents as critical and credit unions are considered the most appropriate organisations to provide these services to this client group.

Barry Benyon DWP

Barry Benyon is the DWPs Growth Fund Regional Manager for the South East of England. East Sussex Credit Union was given Growth Fund monies in 2008 but this services was retracted a year later when the credit union was not able to meet its targets. Barry has led work on the credit union feasibility study. The outcomes of the study will enable £73m funding to help improve credit union provision particularly around 'back office' and streamlining of credit union platforms.

Barry Benyon feels that a CBP is an ideal response to local organisations tackling the impact of the welfare reforms

Jane Prior, Partnership Manager, G4S (Work Programme Contractor)

Before her current role Jane worked as part of the Financial Inclusion team at DWP based in Newcastle. Jane also led the work on the credit union feasibility study. She considers a CBP as an ideal way to address some of the impact of the welfare reforms. A partnership between the local authority and existing providers of financial inclusion services is the most appropriate way forward as opposed to developing any new delivery partners.

Paul Cronin, Barclays, Branch Manager, Brighton & Hove

Paul Cronin is very keen to support the financial inclusion agenda particularly in Brighton & Hove. Paul is knowledgeable about the investment Barclays have provided to the credit union sector and feels that they could do more to support local partnerships. Paul wants to provide as much support as possible to the local financial inclusion agenda and take part in any proposed CBP if that is the agreed way forward. In the first instance wants to provide free meeting space for the credit union and partnership and will promote volunteering opportunities for Barclays staff at the credit union.