



Somerset Financial Inclusion Strategy – Background Report and Recommendations

Executive Summary

Why we have produced this Strategy Report

Somerset may not be thought of by many outside or even within its borders as suffering from deprivation or financial exclusion. However, a significant number of its residents experience financial hardship, debt and a range of other challenges which are exacerbated by the rural nature of the county in relation to transport and access to services.

We have produced this report in order to:

- identify and address the problems that lead people to becoming financially and socially excluded
- celebrate the good work that is already being done to help
- propose new initiatives and coordinated actions that will help improve the situation (see page 4)

This report was commissioned by the Somerset Strategic Housing Officers Group. It was completed with the support of a Project Group (including representatives from Knightstone Housing Association, DWP, Somerset County Council, the District Councils, Public Health, the Citizens Advice Bureau, the Community Council for Somerset, the Credit Unions and Somerset Churches.)

Key financial inclusion issues in Somerset

The issues faced by financially excluded people in Somerset mirror the national picture. However, the high costs of fuel which affect everyone, have a greater impact on people living in rural areas, and on those who are unable to pay by direct debit and have to use expensive prepayment systems. This is just one example of what is now known as the “poverty premium”.

Ending child poverty by 2020 is a Coalition Government commitment. The latest Inland Revenue figures (HMRC 2011) for Somerset show that there were 15,645 children living in low income families, an increase of 315 on the previous year. The proportion of over-indebted adults in Somerset (i.e. have been at least three months behind with their bills in the last six months) equates to around 57,000 individuals.

It has been estimated that around 20,000 people in Somerset take out home collected credit (doorstep loans), of up to 272% or more (Somerset Community Banking Study). Foodbanks have expanded in Somerset as elsewhere in the country. Many people face difficulties in accessing appropriate accounts and affordable loans. This can lead to the options of taking out expensive and potentially dangerous alternatives.

The UK economy grew by 1.9% in 2013, its strongest rate since 2007, according to the Office for National Statistics (ONS), although economic output is still 1.3% below its 2008 first quarter level. In Somerset the number of long term unemployed claimants (for more than 6 months is 1,885) (December 2013) - a 2 year low, but this is still three times the figure of Dec 2008. The number of long term unemployed claiming (for at least 12 months) was 1,115, 7 times the number for December 2008 (Nomis).

As regards low income and the poverty premium, a recent survey of 33 people by South Somerset CAB and Taunton CAB showed that “87% were clearly not benefiting from competitive pricing in the energy market.” One in every eight households in Somerset is believed to be in fuel poverty, and in West Somerset, this increases to one in five (Somerset Intelligence website).

What's in the report?

The background report reviews the situation in the UK and Somerset, looking at:

- statistical data, national and local reports, related strategies
- surveys of clients affected by financial hardship
- surveys of organisations involved in helping them
- evidence of Somerset initiatives to address financial exclusion
- ideas, recommendations and an action plan to promote financial inclusion

The aim is to provide a vision for financial inclusion in Somerset. Much positive work is already happening to address these issues. The Project Group has sought to acknowledge this and identify the priorities and recommendations required to address financial exclusion.

Key findings from the surveys

Surveys carried out with people affected by financial hardship and with the organisations that are supporting them highlighted the key problems they face. In particular, they identified arrears and bills, problems with managing money, low wages, little or no access to the internet, mental health issues and numeracy or literacy problems.

The key characteristics of clients experiencing financial hardship included low paid work, single parents, unemployment, mental health problems and people with disabilities.

The issues that were considered most significant included:

- bills and arrears (96%)
- welfare benefit issues (91%)
- spare room subsidy or bedroom tax (65%)
- payday loans (72%)
- low wages (77%)

Detailed analysis of the issues is in the Appendix 1 of the main report.

When asked about the types of support that would help most, there was a slight mismatch between client responses and organisation responses. Although top of the list for both was “Advice about money clients are entitled to”, for organisations next most important were “help with communication skills” and “making phone calls on behalf of a client”. For clients the next most important were “learning to manage my money better” and “help with the cost of important household items”. When asked about which groups were being overlooked, organisations responded: “people living in rural areas” (50%) and young people (34%).

Amongst the suggestions and priorities for organisations replying to the survey were: “a co-ordinating group of Financial Inclusion Champions in Somerset to enable agencies to share their specialist skills”; “early intervention and awareness of ‘mental distress’”; “help to find out about low interest loans / open a bank account”; “cap in payday loan charge and exclusion of high interest rate sites from local authority websites”; “help with switching energy provider to save money”.

What’s happening now in Somerset?

Many organisations in Somerset have a long history of addressing the challenges of poverty, financial hardship and exclusion. The recent challenges of Welfare Reform and increasing debt has meant that new, imaginative and more focused approaches are being taken.

Statutory, voluntary, community organisations and social housing providers have all developed new ways of working (case studies are given in the full report).

Here are a few examples:

- Some housing associations have provided funding to credit unions, to assist tenants who are entrapped with doorstep and payday lenders. Another has Individual Empowerment officers providing 1-2-1 support to tenants who want to develop their lives but need help to get started
- The Advice Services Transition Fund has enabled all the advice bureaux in Somerset to build partnerships to deliver advice and financial education in a range of locations. Early intervention and introducing money management alongside debt advice are increasingly seen as effective ways to work with clients
- Local authorities, either as social landlords or in their statutory role, play a vital role in trying to reach people with debt or housing problems. The huge range of voluntary and community organisations are also key in helping with issues of access to the internet, 1-2-1 support, jobclubs and providing recycled furniture and white goods for low income families

Goal, Priorities and Recommendations

The overall conclusion of this report, based on the demographic, local, national and survey evidence, is that Somerset suffers from many of the same financial exclusion issues as the rest of the UK faces. These problems are exacerbated by the rural nature of the county, the high cost of housing, significant literacy and numeracy issues, and the levels of digital exclusion.

To address these issues, we have developed an overarching goal, six priorities and a number of recommendations.

Goal

To improve opportunities and resources for families and individuals in Somerset who are affected by financial hardship and exclusion by organisations working closely together

Six priorities:

Increase awareness and access to:

1. Affordable financial products and services
2. Debt advice and money management
3. Financial education
4. Employment and training

To reduce

5. Digital exclusion
6. The “poverty premium”

Suggested recommendations following on from these priorities are shown below.

We would like to thank all those who participated in the surveys and fed in ideas.

Priorities	Recommendations
1. To increase awareness and access to affordable financial products and services	<ul style="list-style-type: none"> a) Promote access to appropriate transactional accounts for people on low income b) Help people to switch from high cost, short-term loans to more affordable options c) Work with the Illegal Money Lending Team and all partners to raise awareness of loan shark problem d) Publicise regularly the true cost of high cost consumer credit and its alternatives
2. To increase awareness and access to debt advice and money management	<ul style="list-style-type: none"> a) Develop common publicity for all debt advice services, identifying which services are free / appropriate b) Promote awareness amongst agencies of how to identify clients experiencing debt problems to encourage timely / seamless referrals c) Promote commitment to financial education as part of the debt management process d) Deliver training for all appropriate frontline staff to identify those in debt and support or refer them for income maximisation e) Ensure that people (especially vulnerable groups) are made aware of where they can access support and information f) Identify ways of working together so we can reach people who are not accessing services (e.g. knocking on doors)
3. To increase awareness and access to financial education	<ul style="list-style-type: none"> a) Promote money management for young people in educational and informal youth settings before they begin their independent lives b) Work with voluntary organisations to take financial education out into the communities c) Share good practice in the delivery of financial education d) Develop joint fundraising bids to develop financial education work across the county

<p>4. To increase awareness and access to employment and training</p>	<ul style="list-style-type: none"> a) Promote the role of voluntary and community groups providing work and training schemes b) Increase opportunities to upskill the local workforce and encourage inward investment of higher paid jobs c) Promote a move to the Living Wage as the Somerset Minimum Income Standard across all sectors / among all partners committed to the Strategy d) Liaise with the Heart of the SW LEP to access European Social Fund monies to support these actions under “Addressing Social and Economic Exclusion” heading e) Organise a multi-agency event to highlight issues around the introduction of Universal Credit
<p>5. To reduce digital exclusion</p>	<ul style="list-style-type: none"> a) Endorse and support the work of the Digital Inclusion Group for Somerset (DIGS) who are working to raise the issue of digital inclusion across the County b) Maximise opportunities to purchase second hand equipment c) Maximise training and support opportunities across the county, working to incorporate financial education along with digital training
<p>6. To reduce the “Poverty Premium”</p>	<ul style="list-style-type: none"> a) Support local organisations to provide information and 1-2-1 or group support to vulnerable people to help them switch to lower cost alternatives (especially utilities) and build such switching into debt advice/financial management b) Demonstrate importance of Local Assistance Scheme (central government funding is being withdrawn in 2015) c) Promote awareness of agency good practice in helping people in financial hardship d) Support those on prepayment meters to achieve switch to standard metering if they wish e) Launch publicity campaign to encourage people to help each other - “Could you help your Gran to switch?”