



Policy and Scrutiny

Open Report on behalf of Richard Wills, Executive Director for Environment & Economy

Report to:	Public Protection and Communities Scrutiny Committee
Date:	24 July 2018
Subject:	Financial Inclusion

Summary:

This paper provides information and overview on Financial Inclusion activity, the financial inclusion challenges facing Lincolnshire and where we are within the local context, key drivers and priorities.

Actions Required:

Members of the Public Protection and Communities Scrutiny Committee are invited to consider and comment on the report and highlight any recommendations or further actions for consideration.

1. Background

What is Financial Inclusion?

On an individual level financial inclusion is broadly the ability to manage day to day financial transactions, meet expenses (both predictable and unpredictable expenses), manage a loss of earned income and avoid or reduce problem debt.

Financial inclusion is defined as the availability and uptake of essential financial services, at affordable costs, to every section of society. Financial inclusion ensures everyone in society has enough skills and motivation to use these services, and to benefit meaningfully from them. Financial capability, that is the awareness and skills necessary to participate in the financial system, is a key element which underpins inclusion.

Why is Financial Inclusion important?

Financial exclusion marginalises people and acts as a barrier in their lives. It reinforces social exclusion and exacerbates poverty. This carries potential financial implications for people and support services. Exclusion from the financial mainstream often means that consumers pay a 'poverty premium' for products and

services and have less choice. It can impact their ability to find a job, maintain secure housing, stay physically and mentally healthy and be resilient to changes in income and expenditure. Financial inclusion interventions that enable people to improve their standard of living by maximising income through debts managed or benefits accessed, help mitigate the social inequalities that give rise to health inequalities.

Financial inclusion is essential for anyone wanting to participate fairly and fully in everyday life. Without access to appropriate mainstream financial services, people pay more for goods and services and have less choice. The impacts of exclusion are not just financial but also affect education, employment, health, housing and overall well-being.

Who is financially excluded?

Financial exclusion constitutes a set of overlapping barriers, particularly for some vulnerable groups, and might be one of several interrelated issues that a person is facing. It is not just about unemployment, welfare benefits or those people who don't have a bank account. It can affect different kinds of people at any point in their lives. People may be vulnerable to financial exclusion when they experience bereavement, illness, or other life changes that impact on their budgets or capacity to cope financially.

In particular, it impacts people with low or unstable incomes, or those who have experienced a significant life shock. Lone parents, people new to the country, single pensioners, disabled people and the long-term unemployed are some of those most commonly excluded from financial services.

Financial Inclusion Information, Advice and Support

Financial exclusion carries potential social and economic impacts. Financial inclusion information, advice and support services, including debt and benefits advice, are cost effective ways to maximise resources in low income households, potentially leading to increased standards of living and reducing poverty. The right advice at the right time helps people to manage their own lives and promotes better physical and mental health.

The preventative effects of financial inclusion education, advice and support are likely to reduce the burden on other support services. There is a financial cost to poverty which comes from additional spending on public services when people need more support from the state. If financial inclusion services are not in place there is an increased risk of homelessness, debt, poor nutrition and poverty. As well as the personal impact this could have on people's lives there will be a resulting burden on support services including crisis support if preventative support is unavailable.

For example research shows that GPs spend time dealing with non-health related queries such as welfare benefits and debt issues. Time spent on non-medical matters decreases the time available to treat health issues.

National documents and reports

The national financial inclusion agenda has developed in recent years. The independent Financial Inclusion Commission was set up before the 2015 General Election. Publications include the extensive report '[Improving the Financial Health of the Nation](#)' (March 2015) bringing together evidence the Commission had gathered from around the country.

Following this, a series of Parliamentary reports have collected further evidence and provided policy recommendations:

- The House of Lords Select Committee on Financial Exclusion chaired by Baroness Tyler of Enfield report '[Tackling financial Exclusion: A country that works for everyone](#)' (March 2017).
- [The Government response to the final report of the Lords Select Committee on Financial Exclusion](#) (November 2017)
- [The House of Commons Briefing Paper on Financial Inclusion \(Exclusion\)](#) published in December 2017. Government initiatives include: Post Office banking, basic bank accounts, ATMs, Credit Unions, Financial capability and education.
- The [Financial Inclusion Annual Monitoring Report 2017](#) reports on progress towards or away from Financial Inclusion in Britain

National reports come from a range of other sources including organisations that support clients such as The Money Advice Service and the Money and Mental Health Charity. National Citizens Advice regularly publishes policy research on issues affecting clients of their services. This includes research on debt and money.

The reports listed above illustrate Parliament's recent attention to the financial inclusion agenda. The House of Lords Select Committee report made a number of recommendations including that there should be greater Government leadership on this issue. In response, in 2017 the new Government established a post of Parliamentary Under Secretary for Pensions and Financial Inclusion.

Links to national reports, guidance and policies can be found on the Joint Strategic Needs Assessment Financial Inclusion Topic webpage on the Lincolnshire Research Observatory.

The evidence presented in these national documents enables us to have a closer understanding of the issues that relate to financial inclusion. These include the challenges that people face, the groups of people most at risk of financial exclusion and the impact of support. We can combine this insight with information gathered

locally to identify opportunities to improve financial inclusion for people in Lincolnshire.

Local context

The profile of financial inclusion is increasing in Lincolnshire as well as nationally. In 2017 'Financial Inclusion' was added to the Lincolnshire Joint Strategic Needs Assessment as a new topic area, recognising the links that it has to health and wellbeing and the impact of advice on better health and wellbeing outcomes.

The topic is linked with a wide range of other JSNA topic areas including Carers, Excess Seasonal Deaths and Fuel Poverty and Suicide demonstrating the close connections between financial inclusion and other areas. Examples include the impact of caring on being in debt, the notable proportion of excess winter deaths that are estimated to be as a result of fuel poverty and the links in the county between areas of deprivation and levels of suicide.

Within Lincolnshire County Council 'Financial Inclusion' falls under the Community Resilience and Assets Commissioning Strategy. This includes support to Citizens Advice organisations and partnership working countywide.

Advice and support services

Financial inclusion information, advice and support in Lincolnshire is delivered through a range of organisations, some of which are listed below:

- Citizens Advice Services – providing free, confidential and impartial debt advice and financial inclusion and capability support as part of their holistic information advice and assistance service. Services are provided by Citizens Advice Lindsey, Citizens Advice Lincoln, Citizens Advice Mid Lincolnshire and Citizens Advice South Lincolnshire through a network covering the whole county.
- Lincolnshire Credit Union – the local community based savings and loans cooperative for anyone living or working in Lincolnshire.
- District councils – advice and support relating to money and benefits. (Varying levels)
- Housing associations - advice and support to tenants.
- The England Illegal Money Lending Team – investigate and prosecute loan sharks and provide support for those who have fallen prey.
- Lincolnshire Carers Service – provided by Carers First.

- Foodbanks – including the Trussel Trust and independent food banks.
- Banks and building societies – though initiatives to support customers with managing money and digital skills.
- Other charitable organisations and projects such as Christians Against Poverty, voluntary and community groups.

Lincolnshire Financial Inclusion Partnership

Recognising that success is achieved in by working together, Lincolnshire County Council, through the Community Engagement Team, facilitates the Lincolnshire Financial Inclusion Partnership bringing together a diverse range of organisations from all sectors; public, private and voluntary to provide a forum for sharing good practice and information. The Partnership holds regular meetings and information events such as the last conference which took place on 24 April at the Showroom in Lincoln. The theme was 'Financial wellbeing for working people: Being a socially responsible employer'. The event was sponsored by Lincolnshire Cooperative whose Chief Executive Ursula Lidbetter MBE, of Lincolnshire delivered the keynote speech. Presentations also covered research carried out by Citizens Advice, the Lincoln Food Strategy, the Lincoln Social Responsibility Charter and Lincolnshire Credit Union's work with organisations funded by Lloyds Banking Group.

The financial inclusion challenges facing Lincolnshire

Information and data from research and policy papers, including the reports noted above, provides a picture of financial inclusion, demonstrating the impacts of financial exclusion and noting the beneficial impact of advice and support. The new Lincolnshire Joint Strategic Needs Assessment Financial Inclusion Topic has enabled us to begin to pull together evidence to inform the specific picture for Lincolnshire. Many of the current national issues are challenges for Lincolnshire too. These include:

- **The Government's welfare reform programme.** This programme of change to the benefits system includes the roll out of Universal Credit full service which will continue to be introduced in stages across Lincolnshire this year. Universal Credit replaces the following benefits: Child Tax Credit, Housing Benefit, Income Support, Income-based Jobseeker's Allowance (JSA), Income-related Employment, and Support Allowance (ESA) and Working Tax Credit. A fundamental part of the Universal Credit benefit is the shift to a 'digital by default' system where people apply for and manage their benefits claims online. These transitions bring a need for clear information and advice on benefits, managing money and digital skills.

Welfare benefits is consistently the highest area of enquiry for Citizens Advice in Lincolnshire.

- **People's financial insecurity and lack of resilience.** Since the financial crisis people's finances have become unpredictable and household savings are at a record low. Many people find it difficult to manage fluctuating budgets and for some it means borrowing to get by - household debt is rising.

In the year of 2017/2018 Lincolnshire Citizens Advice advised 4,854 clients on debt issues advising on £7,961,610 worth of debt.

- **Wider changes in people's lives.** Significant life events such as a period of poor health, having children or bereavement are often expensive and can result in a period of unemployment. Whilst some life events are planned or anticipated many are unexpected and can mean that households are unprepared for the financial consequences.
- **Reduction in public sector funding** leading to reductions in grant funding to voluntary and community or charitable organisations that deliver advice and support.
- **The decline of welfare schemes** such as the Lincolnshire Community Assistance Scheme (LCAS) due to cuts in Government funding for this support.

Specific challenges for certain groups of people such as carers, people with mental health problems and those without online skills. Taking on a caring role often results in a sharp reduction in household income, especially when leaving work or reducing hours in order to care, leaving carers vulnerable to financial exclusion. The Carers UK State of Caring Survey 2017 reported that 22% of carers struggling to make ends meet were in or had been in debt as a result of caring. Mental health problems and debt interact so that each set of issues can cause or exacerbate the other. One in four people with a mental health problem is also in debt (source: Royal Collage of Psychiatrists). People without digital skills cannot access online discounts. Being online also enables easier access to information and application for jobs online.

The Lincolnshire Joint Strategic Needs Assessment Financial Inclusion Topic will be developed further, gathering local views and insight to enable a clearer picture of the particular financial inclusion needs, challenges and opportunities in the county. Through this work we can also gain a better understanding of how

financial inclusion links with other strategies and work streams within Lincolnshire County Council.

Key drivers and priorities

Financial Inclusion Policy Forum

The Government's newly formed national Financial Inclusion Policy Forum brings together industry leaders on financial inclusion to ensure collaboration across Government and within the sector. The forum is co-chaired by the Economic Secretary to the Treasury and the Minister for Pensions and Financial Inclusion. The Forum's mission is to ensure that people regardless of their background or income have access to useful and affordable financial products and services.

Current Forum priorities are:

- Collaboration across sectors to find solutions to financial exclusion
- Access to affordable credit
- Basic bank accounts, the successes so far and the challenges remaining
- How financial capability initiatives complement improved access to financial products and services by ensuring consumers can make the most of their money
- Digital solutions and potential limitations

The Forum aims to be a driving force in the financial inclusion space and will therefore become a key driver of financial inclusion policy and priorities.

Lincolnshire Joint Health and Wellbeing Strategy and Joint Strategic Needs Assessment

The new Joint Health and Wellbeing Strategy, due to be published in July 2018, and the Joint Strategic Needs Assessment will set priorities for and be key drivers of work streams in Lincolnshire. Although Financial Inclusion was not identified as an emerging priority in the new 2018 Joint Health and Wellbeing Strategy the wide ranging impact of financial exclusion will mean there will be strong links to the main priority areas. The focus on tackling inequalities proposed within the Strategy is also likely to provide direction on key areas for financial inclusion work.

Work to develop the new Joint Strategic Needs Assessment Financial Inclusion Topic may identify further priorities through information, local insight and key messages gathered from partners.

2. Conclusion

The profile of financial inclusion is increasing on both a national and local level.

The current context of welfare reform, people's financial insecurity and reducing funding for organisations providing advice, information and support presents a challenging environment in which to meet the Council's objectives to tackle disadvantage, promote independence and wellbeing and increase personal resilience.

Nevertheless there are opportunities for Lincolnshire County Council to support financial inclusion in the county through promoting the essential networks and partnerships that link together organisations in the financial inclusion arena.

Developing the Joint Strategic Needs Assessment evidence base will provide the opportunity to increase understanding of the local context, needs and priorities relating to financial inclusion in Lincolnshire. This will also enable clearer identification of the strategic links with financial inclusion within the council.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

N/A

4. Background Papers

No background papers within Section 100D of the Local government Act 1972 were used in the preparation of this report.

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