

Financial Inclusion Policy

Cabinet

Date: 5th June 2019

Author: Cabinet Member for Finance, Education and Skills
Director of Finance / Head of Revenues & Benefits

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 To update Cabinet on the progress on Financial Inclusion. The Policy first agreed at Cabinet in July 2016 aims to help residents maximise their income and make the most of their money, helping them to live free from the harmful effects of poverty (Cabinet Minute 30, 2016/17 refers). Poverty can adversely affect wellbeing and health.
- 1.2 This report also seeks to increase the numbers of residents who are members of Credit Unions. Credit Union membership increases financial support available to individuals and repayment of any loans do not cause undue hardship.
- 1.3 The Council's Priority number four is to help people to help themselves, while always protecting the most vulnerable children and adults and Financial Inclusion helps meet this priority. The recommendations also contribute directly to the delivery of pledge 17, which is to 'Provide early support so that Swindon residents are financially included and avoid getting into debt.'

2. Recommendations

Cabinet is recommended:

- 2.1 Note the progress being made in relation to Financial Inclusion.
- 2.2 Authorise the Head of Revenues & Benefits & Director of Performance, Organisational Improvement & Communications to:
 - 2.2.1 Encourage Swindon Borough Council staff to join Credit Unions.
 - 2.2.2 In addition to operating a 'Save as You Earn' scheme, carry out such consultations as may be necessary and operate arrangements where employees can undertake loans from Credit Unions approved by the Head of Revenues & Benefits & Director of Performance, Organisational Improvement & Communications and to repay these by salary deductions.

3. Detail

Financial Inclusion

- 3.1 A Financial Inclusion Policy was adopted by Cabinet in July 2016 and following the recommendations in this report and a further report in September 2017 a

Further information on the subject of this report can be obtained from Andy Stevens, (01793) 464607, anstevens@swindon.gov.uk.

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Social Inclusion and Enterprise Manager was appointed (Cabinet Minute 31, 2017/18 refers). The following projects have been undertaken.

- 3.2 Promotion of Credit Unions. Wiltshire Savings and Loans have merged with the Steam Ahead Credit Union and become Wiltshire and Swindon Credit Union. The offices in Cavendish Square have been taken on and new collection points at Highworth, Penhill and Toothill have opened.
- 3.3 A 'Save as You Earn' scheme is available for Swindon Borough Council employees who wish to join the Wiltshire and Swindon Credit Union and making regular savings each month.
- 3.4 Work with the National Illegal Money lending Unit has highlighted the need to report and prevent loan sharks from operating. A leaflet was produced and delivered to 20,000 homes in Swindon that publicised the unit's work and provided details on how to report incidents. The leaflet also promoted the Credit Unions.
- 3.5 Using funding provided by the Department of Works and Pensions enabled Citizens Advice to appoint two 'Money Mentors' to whom individuals, particularly those that have their benefits capped, could be referred. During appointments the 'Mentors' will review the individual's entitlements and expenditure in order to suggest where additional income can be obtained or reductions in expenditure. During the last two years, 292 persons have been referred and 194 of these have been assisted. During 2018/19, additional income of £287,958 was identified and £302,404 reduction in expenditure.
- 3.6 In 2018, the charity running the Swindon food bank became insolvent and ceased to trade. The food bank provides food for approximately 5,000 people per year, with 2,000 of these being children. In order to enable a new charity to be formed the Council provided a grant of £51,027 to Swindon Food Collective. This new charity has been set up and continues to provide this service. The funding was provided from the Council's Local welfare fund, the Swindon Emergency Assistance Fund. If this fund had to provide food for this number of people, based on award of £20 per person the cost would have been £100,000 and this does not include any increased administration cost.
- 3.7 Working with Customer Services, a direct referral process to Citizens Advice has been set up for anyone who has requesting more than one grant from the Swindon Emergency Assistance Fund. The number of applications and awards made has reduced. In 2018/19, there were 297 applications and 256 awards. Awards were mainly for assistance for food and fuel. The cost of these awards was £30,250. For larger items, such as cookers and fridges a loan application can be made to a Credit Union.
- 3.8 A Social Enterprise Network has been established which promotes the creation and growth of Social Enterprises. These are non-profit making, sustainable

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businesses that create positive social and environmental impacts. They also have an “historical record” of helping and assisting those furthest from employment into employment.

- 3.9 Financial Inclusion Seminars continue to be held, which provide guidance to those that support vulnerable adults and networking opportunities
- 3.10 Support to benefit claimants transferring to Universal Credits and those benefit capped has been provided. Citizens Advice now has a national contract with the Department of Works and Pensions, but the Council continues to provide assistance through Adults Social care and Housing teams. The libraries also continue to help claimants to make claims online and help run ‘job clubs.’
- 3.11 The Council also continues to contact many residents who have Council Tax arrears and offer support to them, in order to ensure Council Tax is collected but prevent recovery proceedings from being undertaken. In 2018/19, 2,703 telephone calls were made and 1,769 summonses were prevented.
- 3.12 The Local Government Association produced a report entitled ‘Reshaping Financial Support’ in February 2019. This looked at 10 Local Authorities and commented on their efforts to help low-income households in their areas. On review, Swindon Borough Council and its local partners compared well. In Leeds the Local Authority has provided staff for five collection points and financial support for their Credit Union, has enabled them to open a unit in the City Centre. Savings clubs have been started in schools and every key stage 2 pupil has an account opened with £10.00 provided. Membership of the Leeds Credit Union is now at 31,456 people.
- 3.13 In order to help encourage the Credit Unions in Swindon, the Wiltshire and Swindon Credit Union would like more employers to operate ‘Save as You Earn’ Schemes and also provide the facility to operate loans that are repaid via salaries. Swindon Borough Council already operates a ‘Save As You Earn’ scheme for its staff that are members of a Credit Union and this report recommends the facility to operate and repay loans via salary deductions is agreed.
- 3.14 If agreed, this would enable staff to undertake low value loans at interest rates, which are consistently lower than ‘pay day’ lenders and help ensure that staff are not tempted do undertake loans from unauthorised lenders or ‘loan sharks.’ Legal opinion is that if other Credit Unions wish to operate such facilities then if possible these should be accommodated, if this recommendation is agreed. If Swindon Borough Council agrees to operate this facility, it is hoped that other local employers would follow suit. Staff should still investigate other credit options where credit is required, since those with good credit history wishing to borrow larger sums may be able to obtain credit on lower rates of interest.

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- 3.15 H.M. Revenues & Customs “Help to Save Scheme” is being promoted. Anyone who receives working tax credits (or working tax credit under Universal Credit) can join this scheme. Under this scheme, up to £50 per month can be saved over a four-year period and a 50% bonus is to be paid at the end of the four years (a maximum bonus of £1,200 if £2,400 is saved). Withdrawals can be made at anytime, but will affect the bonus paid at the end of the four years. Applications are made online.
- 3.16 A new West of England regional bank known as “Avon Mutual” is in the process of being set up, with the aims that it will be owned by its customers and committed to “open, honest and transparent relationship banking.” This bank is part of the Community Savings Bank Association. They will operate current and savings accounts for individuals and organisations and loans and mortgages and be available to SMEs. Councils have been asked to invest in this bank.

4. Alternative Options

- 4.1 Cabinet could refuse the Credit Unions request to operate loans repaid from Staff salaries. However, this would not assist the Credit Unions in their aims to help more individuals and could lead to Council staff undertaking more expensive or even unlawful loans and create hardship.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The cost of the Financial Inclusion work has been met from the Council’s Local Welfare budgets. Where successful Financial Inclusion work may prevent cost being incurred elsewhere in the Council or Public Sector, where the early intervention has prevented residents from falling into greater need and dependency.

Legal and Human Rights Implications

- 5.2 Legal and Human Rights considerations have been taken fully into account in compiling this report. It is considered that the steps taken by the Council in relation to Financial Inclusion are proportionate and compatible with convention rights. Legal advice has been obtained that operating loans from Credit Unions for Council staff is appropriate, provided all Credit Unions are able to do so should they wish to do so.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 Financial Inclusion will help the Council in achieving Priority four, which is to help people to help themselves, while always protecting the most vulnerable children and adults.

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Diversity Impact Assessment

- 5.4 A Diversity Impact Assessment (DIA) in respect of the Financial Inclusion Policy has been reviewed and no adverse impacts have been found. Consideration of operating of loans to staff has been undertaken and provided the Council is not seen to be encouraging loans then the recommendations are appropriate. Credit Unions are to help individuals with low cost loans than would otherwise be undertaken with other lenders of 'small loan amounts.

Risk Management

- 5.5 There are no risks to the Council in the recommendations. The Credit Union would be burdened if any loans are not repaid and not the Council or Council Taxpayers.

6. Consultees

- 6.1 The Director of Finance (Section 151 Officer) and Director of Law (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 None

9. Key Decision/Decision in Cabinet Work Programme and Forward Plan

- 9.1 This is not a Key Decision and is included in the Cabinet Work Programme and Forward Plan for June 2019.