Partners for financial inclusion

This brochure has been produced by the Transact Financial Capability, Inclusion and Housing Partnership Group, and funded by the Financial Services Authority under its National Strategy for Financial Capability. It is a companion to the Group's other brochure 'Making the Link – Engaging Social Landlords in Financial Inclusion.'

The partners in that group - the Change Partnership, the Chartered Institute of Housing, the Housing Corporation, the Local Government Association, the National Federation of ALMOs and the National Housing Federation - have agreed the following statement.

The partners believe that the involvement of social landlords is essential for financial inclusion policy makers and practitioners from all sectors to deliver their objectives. They also believe that, due to the high concentrations of financially excluded people in the social rented sector and their specific relationship with them, social landlords are in a strong position to reach those that their partner agencies may struggle to engage.

The partners now call upon social housing providers to scale up their involvement in promoting financial inclusion, to take a more strategic approach, and to bring extra financial and human resources to the task, based on the sound social and business cases for doing so outlined below.

In particular they should consider:

- Expanding the range of financial inclusion work in which they are engaged.
- Developing their role as 'trusted intermediaries', making the link for their tenants to financial inclusion.
- Intervening early with those most at risk of financial exclusion and its consequences.
- Building engagement in the promotion of financial inclusion into their business planning processes, and engaging with partnerships promoting financial inclusion.
- Where appropriate, using their status as 'community anchors' to play a leading role in hosting or driving forward projects and partnerships for financial inclusion.

The partners call upon colleagues from the statutory, private and third sectors to help social landlords fulfil their potential role in the promotion of financial inclusion by:

- Recognising the importance of the potential contribution of the social housing sector to their work.
- Matching the social housing sector's commitment of financial and human resources.
- Providing appropriate financial and organisational development support to the social housing sector, so that the costs involved in spreading good practice and exploring new areas of work can be shared.
- Working with the sector to develop and provide appropriate products and services for its tenants.

Toynbee Hall
Learning from local action
developing national solutions

Thanks to Geoff Lewis, Chief Executive of Barnsbury Housing Association for permission to use community event pictures featured in this report.

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Toynbee Hall
Learning from local action
developing national solutions

the national forum for financial inclusion
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Making the link:

The business case for social landlords investing in financial inclusion

Why financial inclusion matters:

Investing in financial inclusion can help social landlords achieve both their social and business objectives.

By helping tenants manage their money better and access financial services social landlords can:

- Cut rent arrears
- Minimise costs associated with evictions and court actions
- Reduce costly tenancy abandonment
- Reduce voids
- Improve staff retention through increased job satisfaction
- Demonstrate their commitment to innovation and partnership working
- Contribute to community regeneration

Social housing tenants are espcecially vulnerable to financial exclusion

small change : big difference change

HOUSING CORPORATION

NATIONAL HOUSING FEDERATION

Local Government Association

FSA

National Federation of ALMOs
championing better homes and communities

Transact created this publication and the FSA paid for this work as part of the National Strategy for Financial Capability.

Financial inclusion saves landlords money:

Of course there are some costs associated with promoting financial inclusion, but the long term costs of not acting to combat the problem can be far greater.

For instance:

- Evicting a tenant costs up to £6000 [1]
- Court action alone costs around £2000[1]
- Failed tenancies cost social landlords around £1300 each (not including staff time)[2]

The potential costs to landlords of promoting financial inclusion and the potential costs of not doing so are summarised below:

Costs of promoting financial inclusion	Costs of not doing so
Possible direct costs: • Employment of specialist financial inclusion staff. • Investment in money advice services. • Commissioning of consultancy support to develop/ deliver strategy. • Capitalising loan funds, and provision of other developmental support to credit unions and CDFIs. • Promotional activity for financial inclusion services. • Staff training on financial inclusion. **Staff time:** • Involvement of staff in developing partnerships and projects. • Involvement of staff in training/ awareness raising. • Involvement of staff in identifying and referring tenants in need of financial inclusion support.	**Rent arrears:** • Reduced cashflow. • Lost income due to write off of former tenant arrears. **Evictions/ court actions/ abandonment:** • Solicitors' and court fees. • Use of bailiffs to carry out evictions. • Cleansing and repair of properties in preparation for new lets. • Securing properties. • Lost rental income due to void properties. **Staff time:** • Diversion of staff to deal with arrears and actions for repossession. • Diversion of staff time to deal with repairing and securing void properties. • Diversion of staff to re-let properties. **Neighbourhood management:** • Increased anti-social behaviour, noise nuisance, vandalism due to financial pressures. • Tenancy instability. **Staff retention:** • Reduced staff retention due to frustration at inability to offer financial inclusion support to tenants. **Broader social costs:** • Increase in poverty, social exclusion and homelessness.

1 Housing Corporation (2006) 'Community Access to Money, Reaping the Benefits'.
2 Pawson H, Donohoe T, Littlewood M, Munro M, Netto G, Wager F (2006) 'Tenancy Sustainment in Glasgow'

Social housing tenants are especially vulnerable:

Financial exclusion affects social housing tenants more than any other group:

- Of the poorest 10% of households in the UK, 51% live in social rented housing[3].
- Nearly one in six social rented tenants has no bank account, twice as high a proportion as amongst the rest of the population. 81% have no savings account and 91% have no insurance cover[4].
- According to Citizen's Advice,[5] the proportion of social rented tenants amongst their debt service users is twice as high as in the general population.
- The FSA estimate that 83% of social housing tenants are failing to make sufficient plans for their financial future and 94% are making poor financial product choices.[6]

What can landlords do to combat financial exclusion?:

Practical steps landlords can take include:

- Directly providing welfare rights advice or refering tenants on to welfare rights and money advice services.
- Offering funding and other support to Community Development Finance Institutions (CDFIs), credit unions and other initiatives which increase tenants' access to affordable credit and basic banking.
- Promoting affordable home contents insurance.
- Supporting initiatives to improve tenant financial capability.
- Linking up with furniture re-use organisations to help tenants cut household costs

No single solution:

The key to helping tenants escape financial exclusion is addressing the multiple issues that leave them out in the financial cold – i.e. access to banking, maximisation of benefits and other income, financial know-how, savings, insurance, debt.

For example, a tenant may be at increased risk of debt by missing out on benefit entitlement, paying sky-high interest to a doorstep lender, lacking insurance cover to meet unexpected expenditure and not being able to budget effectively. They will need help in all these areas.

Financial exclusion equals rent arrears:

Rent arrears can be directly linked to the financial exclusion issues described above. For instance:

- A third of tenants in arrears identify delays and other problems with Housing Benefit as a cause of their difficulties.
- Tenants in arrears often have multiple debts[7]; the consequences of not meeting repayments to other creditors, such as the repossession of household goods, will often seem more pressing than the risk of eviction by social landlords.
- Poor credit products – such as doorstep lenders – can cause debts to spiral and result in rent arrears.
- Any unexpected expenditures, without the cushion of insurance, can push tenants into arrears.
- Unemployment can radically reduce a tenant's ability to meet previously affordable borrowing repayments, placing them at risk of falling into arrears.

3 Demos and Toynbee Hall (2005) 'Widening the Safety Net'
4 NHF (2007) Data analysis of Family Expenditure Survey.
5 Citizens Advice Bureau (2006) 'Deeper in Debt- The Profile of CAB Debt Clients
6 FSA (2006) Financial Capability in the UK, Establishing a Baseline
7 Kempson, E and McKay S (2004) 'Characteristics of Families in Debt and the Nature of Their Indebtedness'

Getting it right

Golden Gates Housing.

Golden Gates Housing (GGH) is the ALMO managing the stock owned by Warrington Borough Council.

GGH have taken forward a number of initiatives promoting financial inclusion.

- Funded by the DWP Partnership Fund, GGH targeted increasing benefit take up amongst older people, successfully generating £3.7m in previously unclaimed benefit in its two years of operation from April 2005.
- Funded by HMR&C since April 2007, a one year project is seeking to promote take up of tax credits, and the Child Trust Fund.
- Funded by the DWP Pension Education Fund for two years from April 2006, the Financial Futures Initiative aims to develop the financial capability of the over 50s, young people, self employed people and women to make informed decisions planning for retirement and to cope with financial issues facing them in the future.

Two further projects have been specifically designed to deliver reduced costs for the organisation, who estimate that reducing their number of evictions and abandonments by 30% would save them £76,000 in associated costs.

- A Housing Benefit (HB) liaison officer checks the HB cancellation list on a weekly basis to identify and assist tenants who may have a change in their circumstances.
- A 'new tenant' co-ordinator has been funded by The Royal Bank of Scotland (RBS) for two years from April 2006. Their role is to assist new tenants by providing:
  - Advice and guidance for the first year of their tenancy, including budgeting advice.
  - Effective information about local services.
  - Fast tracking for housing benefit claims.
  - Assistance with setting up banking facilities with Nat West Bank.

Making the Link

Financial inclusion helps create stable neighbourhoods

Intervening early

Bigger business benefits can be achieved by intervening early to minimise financial exclusion and therefore prevent rent arrears amassing in the first place.

Strategies for early intervention include;

- Identifying tenants at risk of financial exclusion at tenancy sign up or during new tenant visits
- Using rent account information as an 'early warning system' that allows landlords to offer financial inclusion assistance early on.
- Referring tenants at risk of or in the early stages of arrears to financial inclusion services.
- Targetting financial inclusion help at those in high risk groups: i.e. low income families, young single people, those with mental health problems or other support needs.

Trusted intermediaries

As 'trusted intermediaries', social landlords can be especially well placed to act as a link between their tenants and financial inclusion services, helping promote these services through resident newsletters or mail-shots.

Longer term costs

People experiencing financial exclusion who are evicted for arrears will still require housing, often in expensive temporary accommodation. Other public services such as Social Services may also need to respond to additional problems created by an eviction.

For local authority landlords in particular, it makes little sense not to consider these potential longer term costs. For other social landlords, it is essential to recognise the impact of the 'revolving door of homelessness'; one social landlord's evicted tenant soon become's another's (or even their own) vulnerable person in need of housing.

Research from CRISIS suggests that the half year costs to the public sector of the eviction of a single person can be over £4,500 [8].

Getting It right

Hyde Group: Money Plus

The Hyde Group works in London, Kent, Surrey, Sussex, Hampshire, and around the Peterborough area managing some 30,000 social rented properties across the region. In 2005, Hyde Plus, the Group's community regeneration arm, set up Money Plus, with the aim of improving the financial situation and life chances of Hyde residents.

Money Plus supports a range of financial inclusion activity including:

- Promoting the work of 11 credit union partners, and a CDFI partner- South Coast Moneyline, aims at increasing take up of bank accounts and affordable credit.
- Participation in CHANGE, the consortium of London-based housing associations, focused on the delivery of new tenancy financial 'health checks' and basic generic money advice, helping residents to identify and act on money problems before they go too far, amongst other initiatives.

Hyde has also focused on other ways of enabling its tenants access money and debt advice. Tenants in rural Kent are provided with access to phone advice through a partnership with Direct Debtline.

Levels of rent arrears in the area served by this project have fallen by 10% in its first year of operation, with only one eviction carried out in the first six months of 2007/08. Hyde are clear that this service, and others it delivers promoting financial inclusion complements their other work to tackle arrears and evictions. They believe the Direct Debtline service has more than paid for itself in terms of being a tool to help reduce rent arrears, and evictions

8 CRISIS (2003) How Many, How Much: Single Homelessness and the Question of Numbers and Cost.

Embedding financial inclusion in business planning

Successful incorporation of a preventative financial inclusion approach to arrears and tenancy management needs a whole organisation approach, involving development of procedures, protocols, and referral relationships. It also presents a great opportunity to motivate and increase the commitment of housing staff.

Good for staff

Too often housing staff find themselves playing a 'policing' rather than a supportive role, chasing arrears, pursuing court actions, and 'sweeping up' after an eviction. Not only is this time consuming, demoralising and frustrating, it can lead to a negative perception of tenants.

Engaging staff in promoting financial inclusion on the other hand challenges negative perceptions by increasing staff's understanding of the pressures on tenants and gives them the tools to offer genuine solutions. This virtuous circle can in turn help improve staff retention. This applies to all staff, for instance those in repairs and maintenance.

Good for partnerships

Helping promote financial inclusion offers the opportunity for new relationships with other agencies, helping landlords demonstrate their importance to community regeneration by assisting partner agencies access those people often considered 'hard to reach'.

Good for funding

Access to development funding formally depends on assessment of a social landlord's discharge of its core activities. However there is a growing expectation from funders that social landlords should go beyond their basic function and 'add value' by investing in community based initiatives that combat poverty and social exclusion. In this environment, social landlords who establish an innovative reputation in tackling financial exclusion will have a tangible advantage over their competitors.

Good for stock transfer

The movement for stock transfer still generates controversy amongst some tenants, local politicians and others and new social landlords are often are under pressure to deliver more effectively than the previous landlord.

Engagement in partnerships promoting financial inclusion demonstrates that:

- A new social landlord cares about the welfare of individual tenants and is at the forefront of social regeneration.
- Formal change of management from a local authority need not mean a reduction in access to innovative services.

Getting it right

North Devon Homes

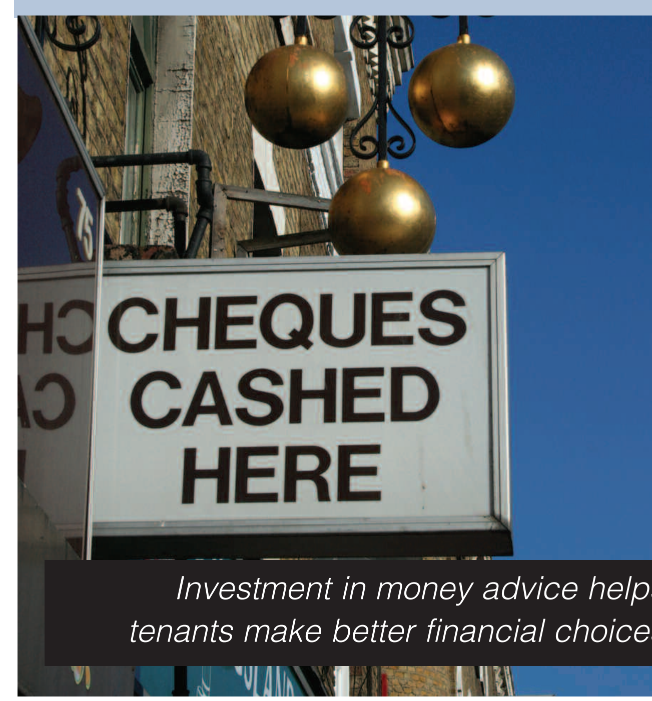
North Devon Homes is a stock transfer RSL that was set up in 2000, serving 3,000 plus homes in the North of the county. It launched a comprehensive anti poverty strategy in 2004, responding to the poverty and financial exclusion it observed amongst its tenants, and the threats these issues posed to its rental income.

The range of actions taken forward by the organisation include:

- Financial risk assessment of all new tenants, with mentoring support, referral to advice agencies, and assistance to access 'fresh start' loans through the Ilfracombe, Tawside, and Plough and Share Credit Unions.
- The underwriting of credit union loans to tenants, in return for those credit unions meeting defined targets set out in service level agreements.
- Work with housing and other partners on the Devon Pound Community Banking Partnership. Devon Pound employs outreach workers to provide financial support to those without mainstream banking services, budgeting advice, and access to affordable credit and saving and deposit schemes. The housing partners contribute around £200,000 out of the total project costs of £440,000.

North Devon Homes has a rent arrears policy which aims to stop anybody having arrears in excess of £500. This is based on their estimate that a debt of £1000 costs £2000 to collect and one of £2000 costs £4000.

North Devon Homes believe that their engagement in financial inclusion work, alongside their proactive approach to arrears management, has provided business benefits. Between January 2005 and March 2006, their rent arrears fell from 5.7 to 1.9%, whilst court actions pursued by the organisation have fallen from 250 per year, to around 30 or 40.



Investment in money advice helps tenants make better financial choices

Community anchors

Social landlords are often the largest and most stable social enterprises in the area they serve. In contrast, many community-based agencies delivering financial inclusion face uncertain funding and difficulties finding suitable accommodation.

By acting as 'community anchors' that support or incubate local agencies and projects, and contract for their services, social landlords can make a huge difference to the strength and viability of local financial inclusion organisations.

Wider community benefits

The positive impacts of investment in financial inclusion can affect the wider social and economic cohesion of a neighbourhood, which can in turn directly impact on social landlords. For instance:

Households vulnerable to financial exclusion are often concentrated in particular areas of stock. If action on financial inclusion sustains some of those households in their tenancies, it can assist stabilisation of the wider neighbourhood.

Increasing the flow of money into a community, and reducing the level of money leaving it, increases local employment, maintains local private sector services and increases a neighbourhood's desirability. A study of the impact of a local authority welfare rights service suggested that for every £60,000 gained for service users in previously unclaimed benefit, one job was created in the local economy[9].

Getting it right

East Durham Homes – Easington Lifewise Project

East Durham Homes (EDH) is an ALMO based in Easington District, in the North East of England. The area suffers from significant levels of deprivation, ranking as the seventh most deprived local authority area in the Index of Deprivation in 2004.

EDH offers welfare rights advice to all its tenants. However, in 2007 it carried out research that identified that young people, between 16 and 25, were particularly vulnerable to not sustaining their tenancies, with a third of lettings to those in this age group ending within 12 months. EDH believe that enhancing the financial capability of tenants is part of a solution to this issue.

The Easington Lifewise Project involves Centrepoint, the homelessness charity, providing accredited training workshops to young tenants aimed at preparing them for, or sustaining them in, a tenancy. Workshops will include financial inclusion issues such as managing a home, living on a budget, and dealing with debt, as well as broader issues such as cooking and nutrition and sexual health. Some participants may be offered additional 'floating support' where required.

The programme will be delivered to 40 young tenants over two years, at a total cost of £11,000, or £275 per tenant, met by the Neighbourhood Management Pathfinder and the Council's Homelessness Prevention Unit. Based on the figures quoted above, the project will pay for itself if it prevents just 2 evictions.

Broader support for social landlords to promote financial inclusion.

Increasing the engagement of social landlords in promoting financial inclusion is not just the focus of those within the sector with a particular interest in the issue. There is a focus on the potential of such interventions in a number of other key policy documents.

Best practice in housing income/ rent arrears management:

- The Housing Corporation's Regulatory Circular 07/04 recommends the assessment of new tenants for vulnerability and their referral to appropriate services, and the referral to debt counselling of tenants as soon as a debt has arisen.
- The CLG's 2006 Guidance on the Management of Rent Arrears highlights the importance of early intervention approaches incorporating the provision of/ referral to welfare rights and money advice services.
- The Audit Commission's Key Lines of Enquiry on Housing Income Management (2007) state that social landlords whose practice is excellent will ensure tenants have access to welfare benefit and debt advice, will offer a benefit check to new tenants, will undertake proactive benefit campaigns, and will use debt advice as a tool of sustaining tenancies.
- The Justice Department's (2007) Pre Action Protocol for Possession Claims Based on Rent Arrears states that courts may take into account whether the protocol has been followed when reaching their decision. The protocol states that a landlord should discuss the cause of the arrears, including wider debt, with tenants, should advise the tenant to seek assistance from advice agencies, and should have effective liaison with Housing Benefit Departments.

Making a contribution to community regeneration.

- The Sustainable Communities Act 2007 puts promoting financial inclusion as part of their considerations in the commitment to creating sustainable communities.
- The 2008 Housing and Regeneration Bill proposes a duty for social landlords to cooperate with local authorities, when requested, in the development of Sustainable Communities Strategies, which includes the promotion of financial inclusion.

Financial inclusion can make a neighbourhood more desirable for residents

Investment in financial inclusion demonstrates a commitment to community regeneration

The future for social landlords and financial inclusion

The companion document to this brochure focused on the social case for social landlords engaging in financial inclusion. It argued firstly that financial exclusion and poverty have serious negative impacts on the tenants and communities that social landlords serve, and secondly, that social landlords are in a position to make specific and unique contributions to tackling these issues.

This brochure has made the business case for action by focusing on the potentially serious impact of financial exclusion on social landlords' business performance.

Through the case studies, this brochure has also presented some of the growing evidence that there is a direct link between promoting financial inclusion and a social landlords' business outcomes.

The partners in this brochure see developing this evidence base as one of the key tasks for social housing sector in the future.

The partners are confident that growing awareness of the strength of the social and business cases will result in the social housing sector playing an ever more important role in the promotion of financial inclusion, to the benefit of tenants, landlords and wider society.

9 Fraser of Allander Institute 'Study of the Impact of Welfare Spending on the Glasgow Economy,' 2003.