

Meeting of the

OVERVIEW & SCRUTINY COMMITTEE

Tuesday, 8 January 2013 at 7.00 p.m.

AGENDA

VENUE

**Room C1, 1st Floor, Town Hall, Mulberry Place, 5
Clove Crescent, London, E14 2BG**

Members:	Deputies (if any):
<p>Chair: Councillor Ann Jackson Vice-Chair: Councillor Rachael Saunders, Scrutiny Lead, Adult, Health & Wellbeing</p>	<p>Councillor Khales Uddin Ahmed, (Designated Deputy representing Councillors Ann Jackson, Rachael Saunders, Sirajul Islam, Amy Whitelock and Helal Uddin)</p>
<p>Councillor Tim Archer, Scrutiny Lead, Chief Executive's</p>	<p>Councillor Marc Francis, (Designated Deputy representing Councillors Ann Jackson, Rachael Saunders, Sirajul Islam, Amy Whitelock and Helal Uddin)</p>
<p>Councillor Stephanie Eaton</p>	<p>Councillor Peter Golds, (Designated Deputy representing Councillor Tim Archer)</p>
<p>Councillor Sirajul Islam, Scrutiny Lead, Development & Renewal</p>	<p>Councillor Harun Miah, (Designated Deputy representing Councillor Fozol Miah)</p>
<p>Councillor Fozol Miah</p>	<p>Councillor David Snowdon, (Designated Deputy representing Councillor Tim Archer)</p>
<p>Councillor Amy Whitelock, Scrutiny Lead, Children, Schools & Families</p>	<p>Councillor Motin Uz-Zaman, (Designated Deputy representing Councillors Ann Jackson, Rachael Saunders, Sirajul Islam, Amy Whitelock and Helal Uddin)</p>
<p>Councillor Helal Uddin, Scrutiny Lead, Resources</p>	
<p>1 Vacancy</p>	
<p>[Note: The quorum for this body is 3 voting Members].</p>	

Co-opted Members:

Memory Kampiyawo	– (Parent Governor Representative)
Nozrul Mustafa	– (Parent Governor Representative)

Rev James Olanipekun	– (Parent Governor Representative)
Mr Mushfique Uddin	– (Muslim Community Representative)
1 Vacancy	– (Church of England Diocese Representative)
1 Vacancy	– (Roman Catholic Diocese of Westminster Representative)

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact:

Angus Taylor, Democratic Services,

Tel: 020 7364 4333 E-mail: angus.taylor@towerhamlets.gov.uk

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LONDON BOROUGH OF TOWER HAMLETS

OVERVIEW & SCRUTINY COMMITTEE

Tuesday, 8 January 2013

7.00 p.m.

SECTION ONE

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

1 - 4

To note any declarations of interest made by Members, including those restricting Members from voting on the questions detailed in Section 106 of the Local Government Finance Act, 1992. See attached note from the Monitoring Officer.

3. UNRESTRICTED MINUTES

5 - 14

To confirm the following as a correct record of the proceedings:

- The unrestricted minutes of the meeting of the Overview and Scrutiny Committee held on 04 December 2012 (attached).
- The unrestricted minutes of the extraordinary meeting of the Overview and Scrutiny Committee held on 17 December 2012 (to follow).

4. REQUESTS TO SUBMIT PETITIONS

To receive any petitions (to be notified at the meeting).

5. UNRESTRICTED REPORTS 'CALLED IN'

No decisions of the Mayor in Cabinet (4th December 2012) in respect of unrestricted reports on the agenda were 'called in'.

6. REPORTS FOR CONSIDERATION

6 .1 Update: Annual Electoral Canvass, Cabinet Office Pilot and Local Government and Parliamentary Boundary Reviews

To receive an oral report and presentation.

6 .2 Draft Financial Inclusion Strategy 2013 -16

15 - 58

To consider and comment on the draft strategy.

6 .3 Co-option to Overview and Scrutiny Committee membership (to follow)

To agree the co-option of a Church of England Diocese Representative.

7. VERBAL UPDATES FROM SCRUTINY LEADS

(Time allocated – 5 minutes each)

8. PRE-DECISION SCRUTINY OF UNRESTRICTED CABINET PAPERS

To consider and agree pre-decision scrutiny questions/comments to be presented to Cabinet.

(Time allocated – 30 minutes).

9. ANY OTHER UNRESTRICTED BUSINESS WHICH THE CHAIR CONSIDERS TO BE URGENT

To consider any other unrestricted business that the Chair considers to be urgent.

10. EXCLUSION OF THE PRESS AND PUBLIC

In view of the contents of the remaining items on the agenda the Committee is recommended to adopt the following motion:

“That, under the provisions of Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985, the press and public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government Act, 1972.”

EXEMPT/CONFIDENTIAL SECTION (Pink Papers)

The exempt committee papers in the agenda will contain information, which is commercially, legally or personally sensitive and should not be divulged to third parties. If you do not wish to retain these papers after the meeting, please hand them to the Committee Officer present.

SECTION TWO

11. EXEMPT/ CONFIDENTIAL MINUTES

To confirm as a correct record of the proceedings the exempt/ confidential minutes of the extraordinary meeting of the Overview and Scrutiny Committee held on 17 December 2012 (to follow).

12. EXEMPT/ CONFIDENTIAL REPORTS 'CALLED IN'

No decisions of the Mayor in Cabinet (4th December 2012) in respect of exempt/ confidential reports on the agenda were 'called in'.

13. PRE-DECISION SCRUTINY OF EXEMPT/ CONFIDENTIAL CABINET PAPERS

To consider and agree pre-decision scrutiny questions/comments to be presented to Cabinet.

(Time allocated 15 minutes).

14. ANY OTHER EXEMPT/ CONFIDENTIAL BUSINESS THAT THE CHAIR CONSIDERS URGENT

To consider any other exempt/ confidential business that the Chair considers to be urgent.

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Agenda Item 2

DECLARATIONS OF INTERESTS - NOTE FROM THE MONITORING OFFICER

This note is for guidance only. For further details please consult the Members' Code of Conduct at Part 5.1 of the Council's Constitution.

Please note that the question of whether a Member has an interest in any matter, and whether or not that interest is a Disclosable Pecuniary Interest, is for that Member to decide. Advice is available from officers as listed below but they cannot make the decision for the Member. If in doubt as to the nature of an interest it is advisable to seek advice **prior** to attending a meeting.

Interests and Disclosable Pecuniary Interests (DPIs)

You have an interest in any business of the authority where that business relates to or is likely to affect any of the persons, bodies or matters listed in section 4.1 (a) of the Code of Conduct; and might reasonably be regarded as affecting the well-being or financial position of yourself, a member of your family or a person with whom you have a close association, to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward affected.

You must notify the Monitoring Officer in writing of any such interest, for inclusion in the Register of Members' Interests which is available for public inspection and on the Council's Website.

Once you have recorded an interest in the Register, you are not then required to declare that interest at each meeting where the business is discussed, unless the interest is a Disclosable Pecuniary Interest (DPI).

A DPI is defined in Regulations as a pecuniary interest of any of the descriptions listed at **Appendix A** overleaf. Please note that a Member's DPIs include his/her own relevant interests and also those of his/her spouse or civil partner; or a person with whom the Member is living as husband and wife; or a person with whom the Member is living as if they were civil partners; if the Member is aware that that other person has the interest.

Effect of a Disclosable Pecuniary Interest on participation at meetings

Where you have a DPI in any business of the Council you must, unless you have obtained a dispensation from the authority's Monitoring Officer following consideration by the Dispensations Sub-Committee of the Standards Advisory Committee:-

- not seek to improperly influence a decision about that business; and
- not exercise executive functions in relation to that business.

If you are present at a meeting where that business is discussed, you must:-

- Disclose to the meeting the existence and nature of the interest at the start of the meeting or when the interest becomes apparent, if later; and
- Leave the room (including any public viewing area) for the duration of consideration and decision on the item and not seek to influence the debate or decision

When declaring a DPI, Members should specify the nature of the interest and the agenda item to which the interest relates. This procedure is designed to assist the public's understanding of the meeting and to enable a full record to be made in the minutes of the meeting.

Where you have a DPI in any business of the authority which is not included in the Member's register of interests and you attend a meeting of the authority at which the business is considered, in addition to disclosing the interest to that meeting, you must also within 28 days notify the Monitoring Officer of the interest for inclusion in the Register.

Further advice

For further advice please contact:-

Isabella Freeman, Assistant Chief Executive (Legal Services), 020 7364 4801; or
John Williams, Service Head, Democratic Services, 020 7364 4204

APPENDIX A: Definition of a Disclosable Pecuniary Interest

(Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, Reg 2 and Schedule)

Subject	Prescribed description
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by the Member in carrying out duties as a member, or towards the election expenses of the Member.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p>
Contracts	<p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority—</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	<p>Any tenancy where (to the Member's knowledge)—</p> <p>(a) the landlord is the relevant authority; and</p> <p>(b) the tenant is a body in which the relevant person has a beneficial interest.</p>
Securities	<p>Any beneficial interest in securities of a body where—</p> <p>(a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>

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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE OVERVIEW & SCRUTINY COMMITTEE

HELD AT 7.00 P.M. ON TUESDAY, 4 DECEMBER 2012

**ROOM C1, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG**

Members Present:

Councillor Ann Jackson (Chair)
Councillor Rachael Saunders (Vice-Chair)
Councillor Tim Archer
Councillor Stephanie Eaton
Councillor Sirajul Islam
Councillor Amy Whitelock
Councillor Helal Uddin

Co-opted Members Present:

Memory Kampiyawo – (Parent Governor Representative)
Nozrul Mustafa – (Parent Governor Representative)
Canon Michael Ainsworth – (Church of England Diocese Representative)

Guests Present:

Councillor Alibor Choudhury – (Cabinet Member, Resources)
Councillor Rabina Khan – (Cabinet Member, Housing)
Chief Superintendant Dave
Stringer

Officers Present:

Andy Bamber – (Service Head Community Safety, Crime
Reduction Services, Communities, Localities &
Culture)
Sarah Barr – (Senior Strategy Policy and Performance Officer,
One Tower Hamlets, Chief Executive's)
Faisal Butt – (Principal Housing Policy Officer)
Alan Finch – (Service Head Financial Services, Risk &
Accountability, Resources)
David Galpin – (Head of Legal Services (Community), Legal
Services, Chief Executive's)
Martin Ling – (Housing Policy Officer)
Jackie Odunoye – (Head of Strategy, Innovation & Sustainability,
Development & Renewal)
Louise Russell – (Service Head Corporate Strategy and Equalities,
Chief Executive's)

Louise Fleming

– (Senior Committee Officer, Democratic Services)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Fozul Miah.

2. DECLARATIONS OF INTEREST

There were no declarations of interest made.

3. UNRESTRICTED MINUTES - TO FOLLOW

Mr Nozrul Mustafa, Co-opted Parent Governor Representative, asked that his Declaration of Interest be amended in the minutes of the last meeting. It stated that the declaration was made on the basis that he was a Parent Governor for a Bangladeshi School. Mr Mustafa advised that he was in fact an Executive Member of a Collective of Bangladeshi Schools in the Borough.

The Chair **Moved** and it was:-

RESOLVED

That the unrestricted minutes of the meeting of the Overview and Scrutiny Committee held on 6th November 2012 be approved, subject to the above amendment to Mr Nozrul Mustafa's declaration of interest, and signed by the Chair as a correct record of the proceedings.

The Committee was advised that nominations had been sought for the position of Scrutiny Lead (Communities, Localities and Culture) and that Councillor Stephanie Eaton had been nominated. With no other nominations received, the Chair **Moved**, and Councillor Amy Whitelock **Seconded** the proposal; and it was:-

RESOLVED

That Councillor Stephanie Eaton be appointed to the position of Scrutiny Lead (Communities, Localities and Culture).

4. REQUESTS TO SUBMIT PETITIONS

Nil items.

5. REQUESTS FOR DEPUTATIONS

Nil items.

6. SECTION ONE REPORTS 'CALLED IN'

Nil items.

7. REPORTS FOR CONSIDERATION

7.1 Scrutiny spotlight - Borough Commander (Presentation)

Chief Superintendent Dave Stringer attended the meeting and gave a detailed presentation to the Overview and Scrutiny Committee on the performance in the key areas of concern in the Borough (Violence with Injury; Domestic Violence; and Anti-social Behaviour) and the challenges for the future.

The Borough Commander reported a high level of anti-social behaviour in the Borough which he was keen to work on. Work was also needed on reducing the times victims wait before reporting domestic violence. The increases shown were increases in reporting offences rather than an increase in offences committed.

Key areas of concern were also around gang violence, gun crime, knife robbery and robbery of young people and Chief Supt. Stringer spoke of the work of the family intervention team in these areas. The Police also worked closely with local schools to establish good links. There had been significant successes in the field of gang crime with a low level of gun crime, however there was much more work to be done.

Levels of burglary against older people had decreased and the Borough generally had low levels of this type of crime compared with other Boroughs. There had been an increase in violent crime between last year and this year. The Borough had high levels of violence with injury with an overall increase, but showing reductions in specific areas.

Chief Supt. Stringer advised that the Borough's initial response to Domestic Violence was different to every other Borough in London. He explained the arrest process and the provision of the best possible service to the victim, providing them with a named support from the start of the process. The Borough had achieved the best arrest and solving rates in the Met in a three month period. Victim satisfaction with the specialist court was high and the objective of taking the burden off the victim was being met. Despite there being much more to do, the initial signs were encouraging.

Members asked a number of questions, seeking clarification on non-molestation orders and the discrepancy in the data provided at the meeting compared to the data on the website as one showed an increase and one showed a decrease in the figures on burglary. Chief Supt. Stringer advised there had been an increase of 25% last year. In response to Members questions, he also advised that extra resources would be concentrated on tackling the high levels of anti-social behaviour in the Spitalfields and Banglatown area. Members of the Committee expressed concern that anti-social behaviour also occurred within estates and asked for assurances that this problem would be also be tackled.

Chief Supt. Stringer advised that residents were particularly concerned about anti-social behaviour and drugs in the Borough. Tower Hamlets had the second highest level of drug activity in London, the first being Westminster. Much good work had taken place to tackle the problems around Devons Road and the Aberfeldy Estate, however there was much to be done. There were issues in the Brick Lane/Whitechapel area with alcohol abuse and there was a need to focus resources. The Metropolitan Police wanted more officers in neighbourhood policing. Anti-social behaviour injunctions had been effective. More could be done to publicise the work in local neighbourhoods.

Mr Andy Bamber, Service Head Safer Communities, highlighted the work being done from the Local Authority perspective around anti-social behaviour, in particular around enforcement of noise. The Tower Hamlets Enforcement Officers (THEOs) service had been reconfigured, with a redirected telephone number and altered working hours to enable officers to respond throughout the night. The THEOs would be linking up with Registered Social Landlords and money had been invested by the Council into additional Police officers for the Borough. There had been investment in the Dealer a Day initiative, and close work with the Probation Service and local Health services. There had also been investment in CCTV, with links being built into the CCTV systems of RSLs.

Mr Bamber advised that a drinking control zone had been introduced and the Council was working with teams around the Brick Lane/Whitechapel market area. Walkabouts had taken place and action plans produced for each Ward. A forthcoming report to Cabinet proposed a Saturation Policy for Brick Lane which would prevent any additional premises opening in the area, but would not affect existing businesses. The aim was to bring the Licensing teams of the Council and the Police together. Chief Supt. Stringer advised that he was committed to co-locating to improve service to residents.

Members welcomed the joined up approach but sought assurances that measures were in place to ensure that problems did not return when the police presence left an area. Concern was expressed about lack of communication, particularly the publicising of SNT meetings. It was felt that more could be done to make the meetings accessible. Chief Supt. Stringer informed the Committee that the aim was to work with RSLs and the community to achieve a more sustainable outcome. He highlighted the importance of the walkabouts and the involvement of the Councillors.

Chief Supt. Stringer spoke about the work around tackling vice in the Borough. More officers and effective enforcement action was needed. A working party had been established to formulate a strategy and vision statement. He hoped that a dedicated unit would be announced in due course. The Committee felt that a multi-agency approach was needed for prevention. It was noted that there was a twin track approach for enforcement and diversion.

The Chair thanked Chief Superintendent Stringer for attending the meeting and his detailed presentation.

7.2 Strategic Housing issues - Update

Councillor Rabina Khan, Cabinet Member for Housing attended the meeting and presented the report which set out the outcomes and achievements of the 2009-12 Housing Strategy; and the key areas of activity to be taken forward in response to housing issues in the Borough. Councillor Khan spoke about the Council's commitment to lifetime tenancies as part of the Tenancy Strategy. However there were some RSLs in the Borough who had indicated their preference for offering flexible tenancies to make best use of their housing stock. Councillor Khan addressed the concerns around Welfare Reform and the cap on Housing Benefit, particularly the potential impact on single vulnerable women in violent relationships. She spoke about the measures in place for dealing with problem RSLs and the under occupation of property in the Borough.

In response to Members questions, Ms Jackie Odunoye, Service Head Strategy Regeneration and Sustainability, and Councillor Khan advised that the Council was currently consulting on means testing and the application of income criteria for tenancy agreements. There would be a further dialogue when the results of the consultation were received. Focus groups had raised the issue when developing the Tenancy Strategy and it was seen as a minor issue, the primary concern being housing need.

The Committee sought clarification on measures to deal with RSLs who did not cooperate with the Council in the event that the Government continued to raise rents. Councillor Khan responded that it was hoped to have a conclusion in the following week on the issue of rent levels. It was important to work closely with RSLs; and the majority did want to work with the Council and protect residents. In this regard the Local Development Framework document would act as a safeguard.

In response to comments made by the Committee, Councillor Khan advised that work was being progressed with Partners to address the issue of underoccupation. There was a need to address the need of older residents who had links with the area. The Council was currently part of a Pan London Mobility Scheme and families who wanted to move outside the Borough were actively encouraged.

The Committee expressed concern about the impact on residents of reducing the size of their property along with a higher rent and clarification was sought on what was being done to mitigate this. Councillor Khan advised that these issues were being considered. In response to the Committee's questions she also advised that there had been a large number of requests for Right to Buy, but that it was not yet clear what the Council could do with Right to Buy receipts and guidance was awaited.

RESOLVED

1. That the outcomes and achievements of the 2009-12 Housing Strategy be noted; and
2. That the key areas of activity to be taken forward in response to housing issues in the Borough be noted.

7.3 Strategic Performance and Corporate Revenue and Capital Budget Monitoring Q2 2012/13

Councillor Alibor Choudhury, Cabinet Member for Resources, introduced the report which detailed the financial position of the Council at the end of Quarter 2 compared to budget, and service performance through targets. He highlighted the areas of improvement in targets and The Council had exceeded targets in homelessness prevention, smoking cessation and the rate of residential burglary. He also highlighted the areas of underperformance and the measures taken to mitigate.

Mr Alan Finch, Service Head Financial Strategy, Risk and Accountability, addressed the budget issues highlighted in the report, particularly the variances reported from the loss of housing benefit subsidy which was a result of the implementation of new software by the DWP which had affected Councils across London. There had been an underallocation of the Mayor's Education Allowance and officers were looking into the reasons why the allowance had not been taken up. There had been an underspend in the Housing Revenue Account and delays in tendering the Decent Homes contracts.

The Committee sought clarification on a discrepancy between the information under paragraph 3.5 and paragraph 5.8 of the report in respect of the Mayor's Education Allowance. Mr Finch advised that there could have been an overestimation in the demand for the service. However, Councillor Choudhury informed the Committee that the question would be taken back to the Directorate for clarification. In response to questions on the delays in tendering, Mr Finch advised that clarification would be sought from the relevant department. However he confirmed that the Council would not lose money and that the time limited money from the GLA had been spent.

In response to Members' questions regarding the risks related to the Domiciliary Care Commissioning, Mr Finch advised that they were covered by

contingencies in this financial year and were being reviewed by the department. In response to the Committee's questions relating to the Housing Benefit Subsidy, he advised that there had been a problem with debt recover, however there was provision in the homelessness reserve to mitigate.

The Committee expressed concern that the service delivery and budget for the Children Residential Family Placements Service be managed more effectively in respect of maternity leave. Mr Finch advised that he would take the comments back to the department. The Committee concluded its discussion with the view that the Council should be further progressed by this point in the financial year, but noted the advice that the variances were minor.

RESOLVED

1. That the Quarter 2 2012/13 performance be noted;
2. That the Council's financial position as detailed in sections 3 and 4 and Appendices 1-4 of the Committee report be noted; and
3. That the transfer of £808,000 from the Olympic reserve set aside to fund additional expenditure as a result of the Olympics as set out at section 3.4 and 3.6 of the Committee report be noted.

Action by

Service Head Financial Services Risk and Accountability (Alan Finch)

8. VERBAL UPDATES FROM SCRUTINY LEADS

Councillor Amy Whitelock, Scrutiny Lead for Children's Schools and Families, provided an update on the Post 16 Scrutiny Review. The discrepancy between GCSE and A Level results in the Borough would be analysed and compared to results in neighbouring boroughs. There was work to be done in the promotion of post 16 education. Views would be sought from parents on local provision and young people on their aspirations. The meetings would commence in January. Councillor Whitelock also reported that she was supporting the Mental Health and Housing Challenge Session, which would be meeting the following week. Ms Sarah Barr, Senior Strategy Policy and Performance Officer, advised that a number of different teams around the Council would be attending the meeting.

Councillor Ann Jackson, Chair of the Overview and Scrutiny Committee, advised that the Youth Unemployment Scrutiny Review would be meeting on Thursday. The aim was to look at the issues from the point of view of the young person, in particular how better use could be made of the AMP website, the youth service's website for young people. AMP so that young people can see what route to take and what is available to them.

Councillor Rachael Saunders, Scrutiny Lead for Adult Health and Wellbeing, informed the Committee that two Public Health sessions had taken place. There had been support for the Healthy Borough Programme and consideration would be given to how to support people to be healthier in their everyday work. Consideration had also been given to the way in which Public

Health would embed itself in the Local Authority. There had been a conversation with residents at St Paul's Way in respect of how local services operated and improved the lives of the local community. The aim was to reconcile the RSL and NHS language and to empower local people.

Councillor Sirajul Islam, Scrutiny Lead for Development and Renewal, advised that he had met to discuss the Localism Act and RSLs and it was hoped to meet again before Christmas. The Housing Forum was now involved in the dialogue and it was acknowledged that there needed to be a two way process to raise the bar.

RESOLVED

That the verbal updates be noted.

9. PRE-DECISION SCRUTINY OF SECTION ONE (UNRESTRICTED) CABINET PAPERS

The Committee noted that questions had been submitted on the Tenancy Strategy and would be submitted to the meeting of the Cabinet on 5th of December 2012.

RESOLVED

That the pre-decision scrutiny questions be noted.

10. ANY OTHER SECTION ONE (UNRESTRICTED) BUSINESS WHICH THE CHAIR CONSIDERS TO BE URGENT

Canon Michael Ainsworth informed the Committee that he would be resigning his position as Co-opted Member of the Overview and Scrutiny Committee with immediate effect due to another commitment in the Borough. However, the Church of England Diocese would be submitting another representative for consideration and appointment. He expressed his thanks to his fellow members and wished them well for the future.

The Chair, on behalf of the Committee, thanked Canon Ainsworth for his work with the Committee and wished him well for the future.

Action by
Senior Strategy Policy and Performance Officer (Sarah Barr)
Democratic Services to note.

11. EXCLUSION OF THE PRESS AND PUBLIC

Nil items.

12. SECTION TWO REPORTS 'CALLED IN'

Nil items.

13. PRE-DECISION SCRUTINY OF SECTION TWO (RESTRICTED) CABINET PAPERS

Nil items.

14. ANY OTHER SECTION TWO (RESTRICTED) BUSINESS THAT THE CHAIR CONSIDERS URGENT

Nil items.

The meeting ended at 9.12 p.m.

Chair, Councillor Ann Jackson
Overview & Scrutiny Committee

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Agenda Item 6.2

: Overview and Scrutiny	Date: 8 th January 2013	Classification: Unrestricted	Report No.	Agenda Item No.
Report of: Louise Russell, Service Head Corporate Strategy and Equality		Title: Draft Financial Inclusion Strategy 2013-16		
Originating Officers: Daisy Beserve and Shibbir Ahmed, Strategy and Performance Team, Chief Executive's		Wards: All		

1. **SUMMARY**

- 1.1 This report provides a brief overview of the development of the Financial Inclusion Strategy and asks the Overview and Scrutiny Committee to consider and comment on the draft strategy.

2. **RECOMMENDATIONS**

- 2.1 The Overview and Scrutiny Committee are asked to consider and comment on the draft Financial Inclusion Strategy.

3. **BACKGROUND**

- 3.1. Financial inclusion is ensuring that everyone has access to appropriate financial services, enabling them to manage their money, plan for the future, cope with financial pressure and deal effectively with financial distress.
- 3.2. Financial exclusion, the inability to access mainstream financial products and services, exacerbates poverty, undermines health and reduces the amount of income available for food and other essentials. When individuals get into unmanageable debt it can also impact on their ability to sustain their housing and employment. It is therefore a cross-cutting and wide ranging issue which can only be tackled through actively engaging key partners across a range of sectors.
- 3.3. Promoting financial inclusion is not new. There are a range of effective initiatives aimed at promoting financial inclusion in the borough. However, the recession and reductions to welfare support have led to a renewed focus on the issues of debt and financial exclusion in the borough. Consequently, a more co-ordinated and targeted approach to service provision is needed, particularly as demand for financial inclusion services is expected to increase in response to welfare changes.

- 3.4. The Tower Hamlets Financial Inclusion Strategy will provide a shared framework for partnership work on financial inclusion and will support the delivery of the borough's Community Plan, particularly in relation to the priorities of supporting residents through welfare reform and tackling worklessness. The strategy aligns with a number of the objectives of the Council's Welfare Reform Task Group and will form part of the council's developing Anti-Poverty Framework.
- 3.5. A Financial Inclusion Strategy Project Group was established in November 2011 to oversee the development of the strategy and action plan. The project group includes representatives from all council directorates, NHS Tower Hamlets, Tower Hamlets Homes, Jobcentre Plus and leading third sector agencies providing financial inclusion services. Many of these representatives are also members of the Financially Inclusive Tower Hamlets (FITH), a cross-sector partnership formed in 2010 and jointly co-ordinated by Toynbee Hall and the council, with the goal of working towards a financially inclusive borough.
- 3.6. The overall aim of the strategy is to ensure that residents have access to a comprehensive range of appropriate financial services; the knowledge, skills, confidence and motivation required to maximise their own financial well-being; and awareness of how to get help with debt problems and access to free quality debt advice.
- 3.7. In order to achieve this strategic aim, the strategy contains three key themes and a cross-cutting theme, each with its own objectives and actions:
- Theme 1: Financial literacy and capability
 - Theme 2: Access to financial products and services
 - Theme 3: Access to debt and money advice
 - Cross-cutting Theme: Communication and awareness raising.

4. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 4.1 This report describes the development of the Financial Inclusion Strategy. There are no specific financial implications emanating from this report. However, any additional costs that arise from implementing the strategy must be contained within existing revenue budgets. Also, if the Council agrees further action in response to this report's recommendations then officers will be obliged to seek the appropriate financial approval before further financial commitments are made.

5. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 5.1 The Council is required by section 9F of the Local Government Act 2000 to have an Overview and Scrutiny Committee and to have executive arrangements that ensure the committee has specified powers. Consistent with this obligation, Article 6 of the Council's Constitution provides that the Overview and Scrutiny Committee may consider any matter affecting the area or its inhabitants and may make reports and recommendations to the Full Council or the Executive in connection with the discharge of any functions.
- 5.2 The proposed financial inclusion strategy indicates that it is directly linked to the Council's sustainable community strategy under section 4 of the Local Government Act 2000, which is in turn set out in the Tower Hamlets Community Plan. The financial inclusion strategy describes the ways in which financial inclusion may improve the well-being of people in Tower Hamlets.
- 5.3 Viewed in this way, the promotion of financial inclusion is supportive of a number of the Council's statutory functions. For example, the Council is required by section 10 of the Children Act 2004 to make arrangements with its relevant partners to promote the well-being of children in the borough. A joint strategy on promoting financial inclusion contributes directly to the discharge of this duty, by helping to combat child poverty. Other examples can be given, particularly in relation to the Council's housing, homelessness, education and community care functions.
- 5.4 It may be thought that the promotion of financial inclusion has in some respects a preventative effect relevant to discharge of some of the Council's functions. For example, promoting good financial management may help to avoid rent arrears and, in turn, homelessness. Even if this were viewed, in respect of some functions, as making an indirect contribution to discharge of those functions, this would be supportable by reference to the Council's incidental power. By virtue of section 111 of the Local Government Act 1972, the Council has power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. This may involve expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights.
- 5.5 The Council may also rely on its general power of competence to support the strategy. The Council has power under section 1 of the Localism Act 2011 to do anything that individuals generally may do, subject to specified restrictions and limitations imposed by other statutes. Supporting financial inclusion is certainly something that individuals may do if they choose.

- 5.6 In deciding upon a financial inclusion strategy, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. The need to advance equality of opportunity may itself provide a reason for the Council to pursue the strategy.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 Promoting financial inclusion is key to one of the three principles of One Tower Hamlets, reducing inequality. As set out above, the inability to access mainstream financial product exacerbates poverty and reduces income available for food and other essentials. An equality analysis is attached at Appendix 2 of this report.

6. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 6.1 There are no specific SAGE implications arising from the recommendations in the cover report.

7. RISK MANAGEMENT IMPLICATIONS

- 7.1 There are no specific risk management implications arising from the recommendations in the cover report.

8. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 8.1 There are no specific Crime and Disorder Reduction implications arising from the recommendations in the cover report.

9. EFFICIENCY STATEMENT

- 9.1 There are no specific efficiency implications arising from the recommendations in the cover report.

10. APPENDICES

Appendix 1: Draft Financial Inclusion Strategy

Appendix 2: Equality Analysis

Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report

Brief description of “background papers”

Name and telephone number of holder and address where open to inspection.

None

n/a

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TOWER HAMLETS

DRAFT FINANCIAL INCLUSION STRATEGY

2013-2016

Draft for consultation
December 2012



The Tower Hamlets Partnership



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MAYOR OF TOWER HAMLETS



MAYOR'S FOREWORD

Tackling exclusion, in all its forms, is one of my top priorities as Mayor of Tower Hamlets. Financial exclusion is one of the most pernicious forms of exclusion, as it prevents residents from accessing even the most basic of services. It also makes residents vulnerable to the activities of illegal loan sharks and expensive loans companies.

Financial exclusion removes choices and opportunities from families and communities. It is well known that financial exclusion exacerbates poverty, forces people into unmanageable debt, and undermines health through causing stress and depression.

Tower Hamlets has a successful record of promoting financial inclusion: there are a number of organisations that have an established history in providing excellent financial inclusion activities and projects in the borough, some of whom are nationally recognised as leaders in the field. Over the years a number of initiatives have been developed by organisations across the borough, including face-to-face debt advice; access to basic banking and affordable credit; and financial literacy and capability workshops run in local community centres.

However I am deeply concerned that the impact of the global financial crisis and central Government cuts may deepen financial exclusion in the borough. Now is the time for the Council and its partner organisations to ensure that advice and support reaches the maximum number of residents.

This Financial Inclusion Strategy has been developed in partnership with key organisations in the borough including the Council, housing associations, the local NHS, community and voluntary groups. This partnership strategy will support groups in working together towards a shared vision, facilitate improved co-operation between organisations, and enable the sharing of best practice and information to further improve services.

For this to be achieved the following thematic priorities have been identified.

- **Improving financial literacy and capability;**
- **Improving access to financial products;**
- **Improving access to debt and money; and**
- **Raising awareness of financial inclusion services.**

By achieving these priorities, the Tower Hamlets Financial Inclusion Strategy will help deliver our One Tower Hamlets priority of tackling poverty and inequality, as outlined in the borough's Community Plan.

Mayor Lutfur Rahman

EXECUTIVE SUMMARY

The economic downturn and changes to the benefit system, alongside historically high levels of deprivation, have encouraged a renewed focus on debt, poverty and promoting financial inclusion in Tower Hamlets.

A range of initiatives aimed at promoting financial inclusion are already being delivered by agencies in the borough, including those in the voluntary and social housing sectors, but there is a need for a more co-ordinated approach to address increasing needs. The purpose of the strategy is to provide a shared framework for financial inclusion in Tower Hamlets over the next three years. As a partnership strategy, it will contribute to achieving the overall vision of the Tower Hamlets Partnership, as outlined in the borough's Community Plan.

The strategy aims to achieve a financially inclusive Tower Hamlets where residents have access to a comprehensive range of appropriate financial and money advice services, as well as the knowledge, skills and confidence to maximise their own financial well-being. It has been informed by a detailed evidence base report containing information from a wide range of national, regional and local sources.

In order to achieve the overall strategic aim we will focus on three key themes and one cross-cutting theme, each with its own objectives.

- **Theme 1: Financial literacy and capability**

Objective 1.1: Target money management support at those most at risk of financial vulnerability.

Objective 1.2: Improve access to financial education and money management resources.

- **Theme 2: Access to appropriate financial products and services**

Objective 2.1: Work in partnership with the financial services industry to increase access to suitable financial products and services for low income households.

Objective 2.2: Widen access to, and availability, of affordable credit for people on low incomes.

- **Theme 3: Access to debt and money advice services**

Objective 3.1: Ensure that residents, particularly vulnerable residents, are aware of free debt advice services and understand options available to them.

Objective 3.2: Work with creditors to promote early identification and intervention for residents with debt or money management problems.

- **Cross-cutting theme: Communication and awareness raising**

Objective: Raise awareness of financial inclusion services.

As a partnership document, the delivery of the strategy will be the responsibility of organisations within the Tower Hamlets Partnership. A detailed action plan is being developed which outlines lead organisations for each action. The steering group of the Financial Inclusive Tower Hamlets Network will monitor progress against the action plan, on behalf of the Tower Hamlets Partnership.

INTRODUCTION

What is Financial Inclusion?

Financial inclusion is ensuring that everyone has access to appropriate financial services, enabling them to manage their money, plan for the future, cope with financial pressures and deal effectively with financial distress. It can be broken down into three elements:

- **effective financial decision-making;**
- **access to suitable products and services; and**
- **access when needed to appropriate debt advice.**

Effective financial decision-making requires *financial literacy* – understanding of financial concepts, and *financial capability* – the ability and motivation to manage your finances, seek out information and advice, and apply these to personal circumstances. *Access to suitable services and products* is about being able to obtain bank and savings accounts, affordable credit, insurance products and free money advice. Many people struggle to manage their finances and are unable to access mainstream financial products, putting them at risk of acquiring unmanaged debts. In such cases people need to be able to access free, reliable and timely *debt advice*.

The term *financial exclusion* is the inability, or difficulty, to access and use financial products such as a bank account, savings account, credit and insurance. Those most likely to experience financial exclusion include: households on low incomes; single parents; the over 60s; people aged 18 to 24; people with disabilities; households in social housing and homeless households.

Why is promoting financial inclusion important in Tower Hamlets?

The cost of financial exclusion is high, both to households affected and society as a whole. It impacts on general well-being and is closely related to poverty and social exclusion, all of which affect many people in Tower Hamlets. Research shows that those who are financially excluded face multiple disadvantages, and can be locked in a cycle of poverty, including¹:

- reliance on doorstep or illegal lenders with high interests rates;
- difficulties in securing employment, as many employers pay wages into a bank account;
- paying more for utilities due to lack of access to discounts available for Direct Debit and other automated payment methods;
- paying a 'poverty premium' (estimated £1,300 a year)² to access financial services and utilities;
- lacking financial safety nets such as insurance to deal with unexpected financial difficulties;
- being unable to access appropriate financial advice resulting in unmanageable debt; and
- poor health caused by money worries and indebtedness.

Over the past decade a number of initiatives aimed at promoting financial inclusion have been developed by organisations across Tower Hamlets. However these services have often been developed in a piece-meal fashion, with limited co-ordination between the various initiatives. The need to improve the linkages between financial inclusion services resulted in the formation of the Financially Inclusive Tower Hamlets (FITH) Network in 2010, with key stakeholders including Job Centre Plus, social housing providers, voluntary sector agencies and Council services.

A financial inclusion strategy for Tower Hamlets is a key priority for the Tower Hamlets Partnership, outlined in the borough's Community Plan. The Community Plan sets out the long-term vision of the Partnership to improve the lives of all those living and working in the borough, and is centred on tackling poverty and inequality. The Financial Inclusion Strategy has a cross-cutting impact on all the themes and priorities within the Plan. It is therefore closely related to other partnership strategies and projects including the Employment and Enterprise strategies; Homelessness Strategy; Health and Wellbeing Strategy, Welfare Reform Project and developing Anti-Poverty Framework.

¹ Resolution Foundation, *Financial Inclusion and Financial Capability Explained*, 2009

² Ibid

The Financial Inclusion Strategy is based on a detailed evidence base drawing on national and local research on financial inclusion, its impacts and good practice examples in policy making and service design.

DRAFT

National Policy Context

Promoting financial inclusion has been a focus for governments over the past decade. A range of national policies and products have been introduced to this end, and have led to some successes. For example, as a result of a number of nationally-led initiatives, there has been a notable reduction in the number of people without a basic bank account.

In 2006 the Financial Services Authority (FSA) launched a National Strategy for Financial Capability. In 2008 this was supplemented with a Joint Action Plan for Financial Capability with HM Treasury. As part of this, a range of measures were introduced to improve financial capability. These included initiatives to improve financial education in schools, support for the development of credit unions and work with the financial services industry to provide funding for free independent debt advice provision.

In 2011 the National Money Advice Service was established to provide clear, unbiased and free advice to help people make informed choices about their finances. In 2012 they were given the additional remit of overseeing the co-ordination of debt advice services in the UK. The Money Advice Service has introduced a range of initiatives including online health-check tools to help people understand their financial situation and take appropriate action. They are currently developing a model for the delivery of debt advice services nationally.

Despite these government initiatives there still remain areas with high levels of financial exclusion in the UK, including Tower Hamlets. Gaps remain on the supply of financially inclusive services, particularly in relation to savings, access to affordable credit and free face-to-face debt advice. Changes in the macro-economic environment have influenced the availability of affordable credit, and rising housing and utility costs have caused an increase in demand for debt and money advice; consequently demand often outstrips supply. This is further exacerbated by the low levels of financial literacy and financial capability in many local communities.

Welfare Reform

The Welfare Reform Act of 2012 will have a significant impact on financial inclusion. The introduction of household benefit caps will present major challenges to benefit-dependent households. The cap will reduce the income of many households and put them at risk of being unable to manage their finances effectively, leading to, and further increasing financial exclusion. The £500 a week cap for a working age family will particularly affect larger, benefit dependent families, many of whom are already likely to be financially vulnerable.

The Act also changes the way claimants will receive their benefit payments by having all their benefits combined into one Universal Credit and moving from weekly to monthly lump sum payments. This will put additional pressure on individuals to be able to manage their income effectively at a time of rising costs. A report by Policis, commissioned by the National Housing Federation³, indicates that the change to Universal Credit could pose very real risks to the financial wellbeing of social tenants, with knock-on implications for housing associations and the implementation of welfare reform.

Tower Hamlets is one of the areas most affected in the country by the working age household benefit cap, as it has a high proportion of unemployed, larger households and high rental prices. The Council has formed a Welfare Reform Task Group to look at how local organisations can minimise the impact of welfare reform on residents; and promoting financial inclusion is a key aspect of this work.

Tower Hamlets Context

Tower Hamlets remains a place of contrast: immense wealth sitting alongside stark poverty. The average annual earnings of those working in the borough is £64,000, yet the Indices of Multiple Deprivation score shows Tower Hamlets as the 7th most deprived borough in the country. The high

³ Policis, Optimising welfare reform outcomes for social tenants, 2012

levels of poverty and deprivation in the borough mean that many residents experience, or are at risk of experiencing, financial exclusion.

Income poverty⁴

In Tower Hamlets, it is estimated that 44 per cent of households are in income poverty – defined as those living below 60 per cent of the median (or ‘middle’) UK household income, after housing costs. This is the highest rate of income poverty across all local authorities in England and Wales and double the national average (22 per cent).

Child poverty⁵

The latest HM Revenue & Customs (HMRC) data (for August 2009) show that 29,680 children in Tower Hamlets live in poverty; this represents 53 per cent of all children in the borough and is the highest child poverty rate in the UK. All wards in Tower Hamlets have child poverty rates well above the national average; the rate ranges from 38 per cent in St Katharine’s & Wapping ward up to 59 per cent in East India & Lansbury ward.

Pensioner poverty⁶

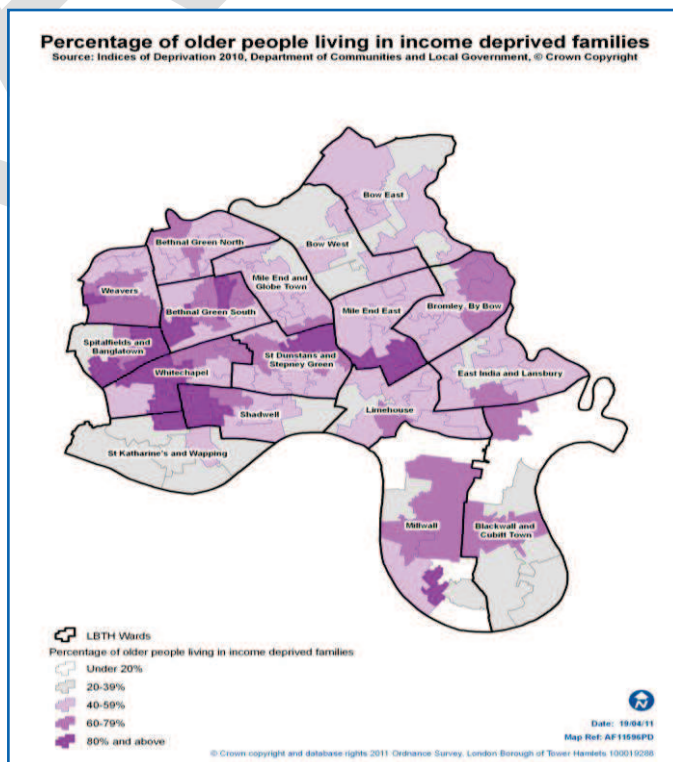
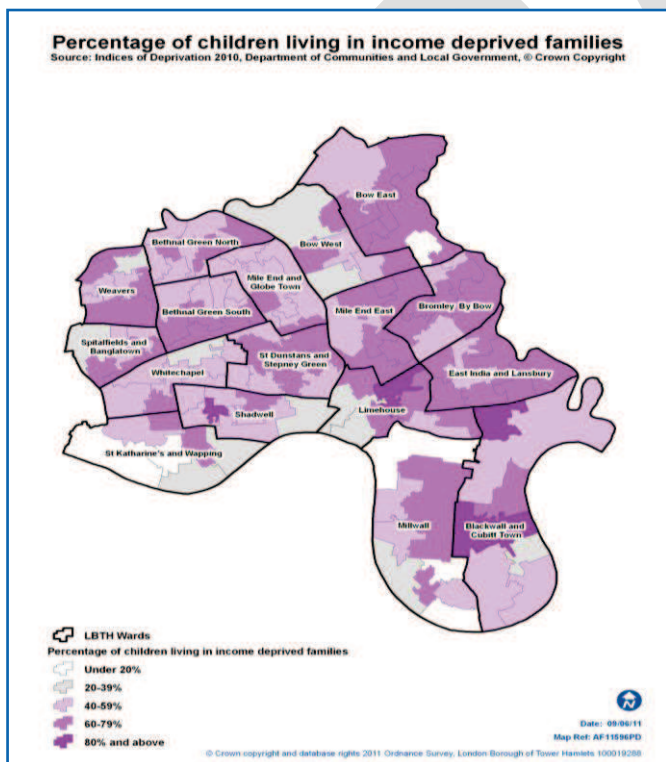
Tower Hamlets has a relatively small pensioner population compared with other areas: nine per cent of the borough’s population are aged 60 and over compared with 22 per cent across England. Despite the fact that proportionately fewer pensioners live in the borough, those that do, are likely to face high levels of income poverty.

Fuel poverty⁷

Fuel poverty is also an important issue in Tower Hamlets, with over 7,500 households estimated to be fuel poor, spending more than 10% of their income on energy to maintain an adequate level of warmth⁸. The Council has adopted an affordable warmth policy in an attempt to assist fuel poor residents and a number of initiatives have been developed with the voluntary sector to support residents with fuel debts.

Figure 1: Children living in poverty, Indices of Deprivation

Figure 2: Older people in poverty, Indices of Deprivation



⁴ Information taken from the Tower Hamlets Council Corporate Research Unit Poverty Key Facts 2011-12

⁵ Ibid

⁶ Ibid

⁷ Department of Energy and Climate change (DECC), Sub-regional fuel poverty levels, England, 2010.

⁸ Tower Hamlets Fuel Poverty Data, 2012

STRATEGIC FRAMEWORK

Strategic aim, themes and objectives

The aim of the strategy is:

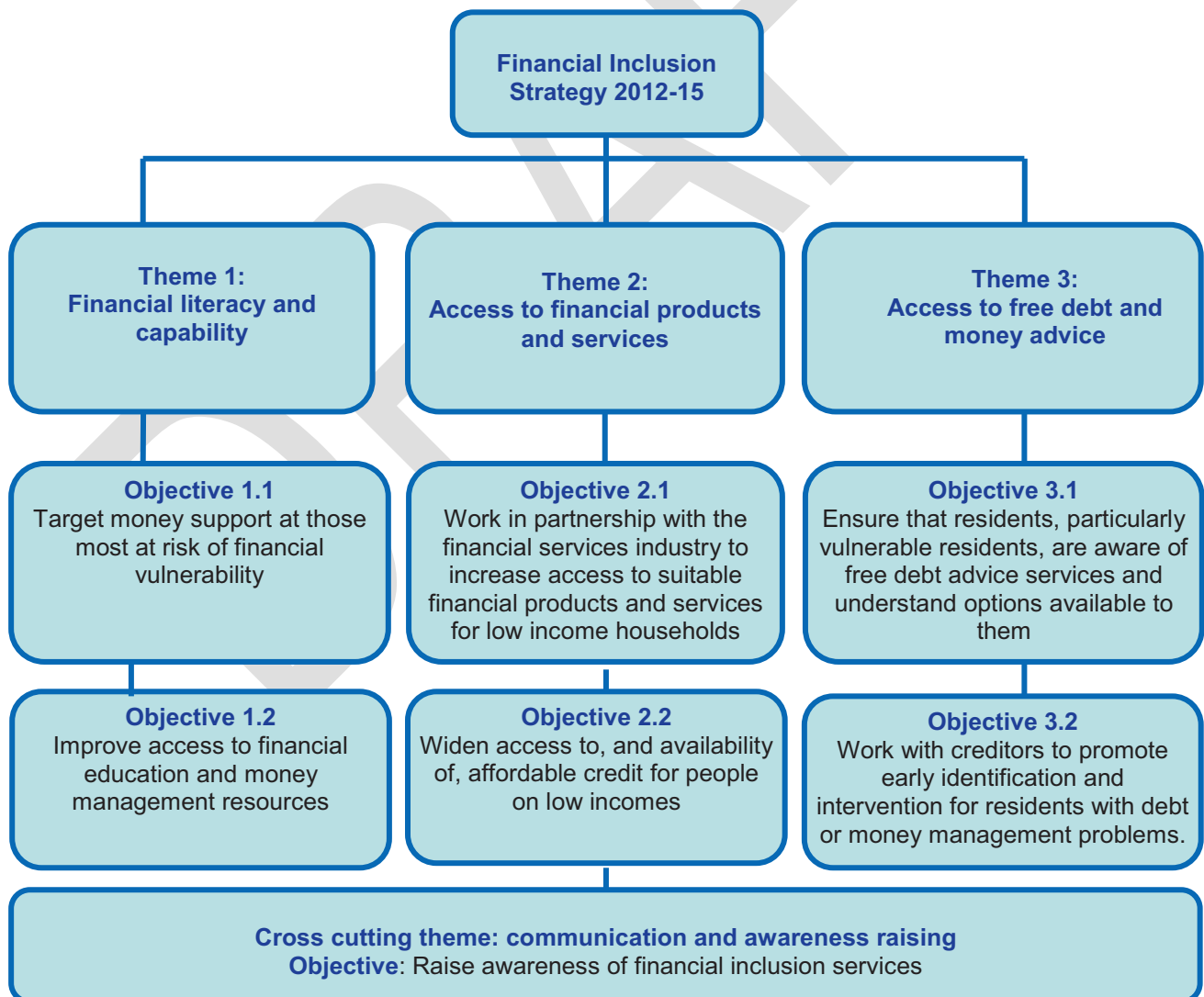
To achieve a financially inclusive Tower Hamlets where residents have access to a comprehensive range of appropriate financial and money advice services, as well as the knowledge, skills and confidence to maximise their own financial well-being.

In order to achieve the overall strategic aim we will focus on three key themes and one cross-cutting, each with its own objectives:

- **Theme 1: Financial literacy and capability.**
- **Theme 2: Access to appropriate financial products and services.**
- **Theme 3: Access to debt and money advice.**
- **Cross-cutting Theme: Communication and raising awareness.**

The figure 3 below illustrates this strategic framework.

Figure 3: Financial Inclusion Strategy Framework



THEME 1: FINANCIAL LITERACY AND CAPABILITY

Overview

Financial capability is the ability to understand and manage personal finances. More specifically, it refers to the set of skills and knowledge that allows an individual to make sense of the range of products and services available and to be able to select the most appropriate products to suit their circumstances.

The Financial Services Authority (FSA) has highlighted five components to financial capability:

- Making ends meet – ensuring that your spending does not exceed your income.
- Keeping track of finances – particularly for those on a tight budget.
- Planning ahead – making provisions for the future.
- Choosing financial products – making informed choices about financial products.
- Staying informed about financial matters – some knowledge of financial matters.

A national financial capability survey carried out in 2006, prior to the recession, showed that almost one in ten people found keeping up with their financial commitments a constant struggle, with many falling behind. Almost one in ten surveyed had no provision for planned expenditures such as quarterly or annual bills. Seven per cent of those with a current account could not correctly read the final balance from a bank statement⁹.

A DWP insight study on personal budgeting in 2012 highlighted that:

- 33% of those interviewed budgeted on a weekly or daily scale and a further 34% did not budget their money at all.
- 33% admitted to running out of money by the end of their budgeting period always or most of the time. 40% thought that moving to a monthly payment would make budgeting harder.
- 81% of those who thought that monthly budgeting would be harder were worried about running out of money before the end of the month.
- Respondents were fearful of running out of funds and failing to pay for essentials such as rent.

Financial literacy and capability in Tower Hamlets

The skills and confidence required to be financially capable vary across households and are influenced by a range of factors including: literacy and numeracy levels, household composition, housing tenure, income and expenditure patterns. Regardless of how much money people have, they require financial management skills; these skills are even more important for people on low incomes when additional pressures are placed on household finances.

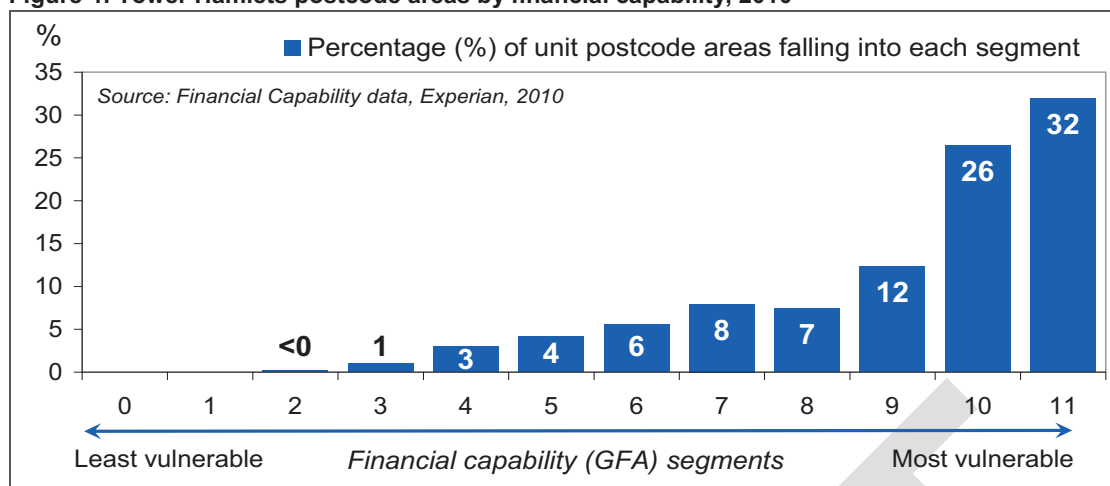
Experian financial capability data for 2010 classify the majority of postcode areas (71 per cent) in Tower Hamlets as having high levels of financial vulnerability; almost three times higher than the London-wide percentage (26 per cent)¹⁰. People who live in these areas typically share multiple drivers of financial vulnerability and are most at risk of adverse consequences from poor financial decision making. They are likely to lack confidence in financial matters and be in debt, and unlikely to have financial safety nets such as savings or insurance. The Experian model suggests that people in these groups would benefit most from financial advice. At ward level, the percentage of 'postcode areas' in the most vulnerable group ranges from 95 per cent in Bromley-by-Bow down to 29 per cent in St Katherine's & Wapping¹¹.

⁹ FSA, Financial capability in the UK: establishing a baseline, 2006

¹⁰ Tower Hamlets Financial Inclusion Evidence Base Report, April 2012

¹¹ Ibid

Figure 4: Tower Hamlets postcode areas by financial capability, 2010



Current levels of need and provision

Some national studies, including the British Household Panel Survey carried out by the FSA in 2009, show that there is a relationship between financial capability and household profile; certain household types are more likely to have lower levels of financial capability than others¹². The analysis below identifies individual household types with typically low levels of financial capability, services currently in place to address their needs and recommends areas for development going forward. It is worth noting that many residents will fall within multiple groups of households, and that these types of households are more likely to have low levels of financial capability.

Young People

Young people, particularly those on low incomes; those living independently or in supported housing; those with children; and those with poor levels of education, literacy and numeracy, typically have lower levels of financial capability compared with other age groups. Tower Hamlets has a young population with 14% of people aged 16 to 24. This is higher than the London average of 11%. The Jobseekers Allowance claimant rate for this age group was 20.6% in 2011/12, more than double the borough average for the same period (9.8%), suggesting that many residents within this age group are on low incomes.

A number of schools in the borough have worked with the Credit Union and 'Mybank' to open school bank accounts and involve young people in discussions about managing money and it is hoped this programme will expand. Through the strategy, we will build on and expand this early intervention approach, including working with children and youth organisations in the borough to develop innovative approaches to supporting young people at risk of financial exclusion.

Older people

Studies into the financial capability needs of older people have shown that this age group tend to be able to better manage their finances. However, the rapid change in financial services and products mean that older people can find it difficult to understand and access financial products, particularly those available online. Whilst Tower Hamlets has a relatively small proportion of older residents, the over 60 population is over 21,000 people and is set to rise over the coming years. In addition, the high levels of pensioner poverty in the borough place many older people at risk of financial vulnerability.

Some initial work with Age Concern and LinkAge Plus has taken place, including outreach provision and one-to-one support with money advice services. This will need to be expanded upon to ensure that there is sufficient targeted provision to meet the needs of older people.

¹² FSA, *Financial capability and wellbeing: evidence from the British Household Panel Survey, 2009*

Families

Lone parents tend to have lower levels of financial capability, and face significantly more financial problems than couples with no children, single households and single elderly households. Locally, child poverty is more common in couple households. There is also a clear correlation between the number of children in a household and the levels of financial capability. Those with four or more children have the highest levels of financial vulnerability. In addition, children in larger families are also more likely to experience poverty.

The 2011 Mayhew population data for Tower Hamlets estimates that 21,200 residents (8.7 per cent of the population) are lone parents, accounting for just over 7 per cent of households in the borough. The borough also has a higher than average family size. Child Benefit data shows that the average number of children per family is 2.05, above both the London and national average. Similarly there are higher than average numbers of large households (households with 4 or more children) in Tower Hamlets. 12 per cent of families fall within this category, more than double the London average and three times more than the national average; contributing to the borough having the highest child poverty rate in the country.

There are a range of financial capability services for families in the borough. These include learning provisions for parents and families, offered in children's centres and schools by Quaker Social Action. In addition there are a number of generic services available to all residents including the 'Made of Money' project and other voluntary sector financial capability support projects involved in FITH. Through the strategy we will look at how we can further integrate financial inclusion provision into services targeted at families.

Households in social housing and the private rented sector

Those renting a property, both in the social and private rented sectors, generally have lower levels of financial capability than home owners. This is also the case for homeless households and those in temporary accommodation. The latest Housing Survey showed that private rented properties account for 23 per cent of the borough's housing stock and social housing accounts for 42 per cent. Mayhew Data estimates that 120,000 residents are currently living in social housing, almost 50 per cent of the borough's population.

Many of the borough's housing associations already have financial inclusion initiatives in place and work closely with third sector organisations to provide workshops to improve residents' financial capability levels. Welfare reform changes will impact on residents in both the social and private rented sector on low incomes. The strategy will help housing and financial inclusion providers in the borough to share and build on good practice to ensure that all tenants are able to access appropriate and timely financial literacy and capability support.

The unemployed and economically inactive

The unemployed and economically inactive have significantly lower levels of financial capability than those in employment (both full-time and part-time) and those who are retired¹³. Worklessness is a key issue for Tower Hamlets. Unemployment levels are high with 13.2 per cent of the working age population (17,000 people) unemployed compared to 9.5 per cent in London¹⁴. Almost a third of the working age population (56,100) are economically inactive. Economic inactivity is particularly high among women at 45 per cent, and especially among BME women.

At present, financial capability assessments and money management training is provided in a small number of employment support projects. Going forward, improving financial capability will need to be further embedded into approaches to tackling worklessness and supporting people into sustainable employment.

¹³ <http://www.fsa.gov.uk/pubs/consumer-research/crpr79.pdf>

¹⁴ ONS Annual Population Survey, March 2012

The low levels of financial capability among low income households (those in work as well as workless households) highlight the direct relationship between income levels and financial capability. Income maximisation checks are currently undertaken by local advice agencies as part of the benefits and debt advice provision, and also by some employment support projects as part of the 'better off' calculations for clients moving into employment. Support with budgeting and money management, including exploring options for maximising income and minimising outgoings, is becoming even more important for low income households in light of continuing economic difficulties and welfare changes that will result in reduced income for many households.

People with a disability and poor health

The links between financial capability and health have been highlighted by a number of reports¹⁵. Those who consider themselves to be in 'fair' or 'poor' health have a lower financial capability score than those who deem themselves to be in 'good' or 'excellent' health. In 2010 the Marmot Review on health inequalities recognised financial security as a social determinant of health – highlighting that poor financial management has an impact on health and wellbeing¹⁶.

Locally, dealing with finances and paper work was identified as the highest area of need for adult social care users, with 58% of respondents to the 2010/11 Adult Social Care Service User Experience Survey stating that they are unable to deal with these themselves. Similarly, recent reports demonstrate that 96% of people accessing Supporting People Services floating support provision required support in managing their finances and accessing benefits. There are many reasons why disabled people find it difficult to deal with money. For some this may be caused by a visual impairment, for others it may be that their disability makes it hard for them to read and understand words and numbers, and for others it may be because they've never had to do it before.

Some work has been done with health and social care professional on financial inclusion, including through the Health Trainers project. The expansion of direct payments and personalised budgets makes it even more important that the financial capability needs of adult social care users are fully addressed to ensure that service users can live as independently as possible. Through the strategy we will look to integrate financial capability provision as part of health and social care services and the promoting independence agenda.

Black and ethnic minority households

Some national studies have found a significant difference between ethnic groups in relation to financial capability and access to financial products and institutions¹⁷. Low levels of financial capability among BME groups are linked with comparatively lower educational attainment and aspirations, higher levels of unemployment and lower income levels.

Tower Hamlets, as an inner city borough, is characterised by its diversity, with BME groups accounting for almost 50% of the population. Ensuring that the local approach to financial inclusion takes account of the needs of local communities is particularly important Tower Hamlets. This includes, for example, using community groups and community leaders, who are often best placed to breakdown the barriers in reaching residents, to deliver financial education training in communities.

Other vulnerable groups

National studies have also highlighted that victims of domestic violence, ex-offenders and families of prisoners, and migrants are among other groups of people particularly vulnerable to financial exclusion¹⁸. Through the strategy work will be undertaken with the relevant services providers to integrate support around accessing appropriate financial services and support with money management into service provision for these groups.

Key transition points

¹⁵ Royal College of Psychiatry, *On Demand*, 2009

¹⁶ Marmot Review, *Fair Society, Healthy Lives*, February 2010

¹⁷ <http://www.runnymedetrust.org/uploads/publications/pdfs/SavingBeyondTheHighStreet-2010.pdf>

¹⁸ <http://www.jrf.org.uk/sites/files/jrf/2234.pdf>

In addition to some groups of people being more likely to have lower levels of financial capability, there are key transition points in people's lives when they are more likely to be financially vulnerable. These include: becoming a parent; moving home; moving to independent living; periods of illness; and upon loss of, and start of, employment. The strategy will help ensure that financial health checks are undertaken with service users, and support provided, at these key transition stages.

Financial inclusion practitioners' survey

A survey of frontline practitioners was conducted in the borough on the financial capability of their service users as well as what they considered to be their role in identifying and tackling financial exclusion. The findings of the survey were used to form part of the evidence base for the strategy. A total of 178 practitioners took part in the survey. The key findings from the survey are:

- A high proportion of service users that practitioners have contact with stated that they have money worries. The most common challenges service users experience are:
 - 'Knowing whether they are receiving the right benefit income'.
 - 'Getting into unmanageable debt due to inadequate income'.
- A high proportion of practitioners would like to refer service users to appropriate money management services but do not know what services exist or the best place to refer to. The same was said for debt advice and employment support.
- Practitioners were asked to rate what three changes would have the greatest impact in reducing their service user's money worries. The results were:
 - 1st Choice 'Support with budgeting improving money management skills'.
 - 2nd Choice 'Access to other support service'.
 - 3rd Choice 'Faster access to high quality free debt advice'.

Improving financial literacy and capability: Objectives and Actions

In order to improve financial literacy and capability of residents in Tower Hamlets, we will:

Objective 1: Target money management support to those most at risk of financial vulnerability by:

- Integrating financial literacy and capability into frontline services.
- Identifying and undertaking health checks on service users at key transition stages in their lives, and ensuring that appropriate support is provided.

Key actions include:

- Support frontline service providers to review their policies and practices for embedding financial inclusion into service provision.
- Deliver a programme of financial inclusion training targeted at practitioners in services such as housing, youth & community learning, social care and domestic violence and develop an accessible toolkit that can be used by all frontline staff to enable them to confidently raise money matter issues with their clients and refer clients to appropriate services.
- Incorporate financial inclusion training into Parenting Support, ESOL and other adult literacy and lifelong courses / provisions.
- Train frontline GP staff such health care assistants to incorporate financial health and welfare benefits awareness into all autumn flu vaccination clinics.
- Work with Registered Providers (RPs) to provide information on financial inclusion, benefits and tax credits for social housing tenants, particularly for new tenants and those in arrears.
- Work with Skillsmatch, Job Centre Plus and other employment support services to provide information on financial inclusion, in work benefits and tax credits for residents starting work.
- Work with health trainers and the Family Nurse Partnership to provide information and advice on money management issues, financial inclusion, benefits and tax credits for new parents.
- Work with frontline staff to improve the screening of financial capability and money management issues of vulnerable residents as part of their assessment processes.

Objective 2: Improve access to financial education and money management resources by:

- Reviewing existing financial education provision.
- Supporting residents to be trained as money mentors and financial inclusion champions
- Continuing to support children and young people's education providers to embed financial education into their services.
- Improving the data management, monitoring and evaluation of financial capability support services to help inform our understanding of gaps and areas for service improvement.

Key actions include:

- Map the take up of existing training courses and identify gaps in provision and deliver a range of financial education courses to help meet demand.
- Recruit and train up to 50 residents a year to be 'Financial Inclusion Community Champions' through the FITH 'Money Mentors Pilot Project'.
- Review the extent to which Financial Education has been incorporated into the local schools through the Personal, Social, Health and Economic (PSHE) curriculum.
- Encourage and support schools and colleges to utilise online financial education resources, and to participate in initiatives such as 'My Money Week'.
- Identify and promote appropriate monitoring and evaluation tools to assess the impact of support services such as the new Money, Access and Participation (MAP) Toynbee tool.
- Identify appropriate quality standards for providers of financial capability training and money management support provision to ensure that quality standards are achieved and maintained.

Overview

Nationally there has been significant progress over the last ten years in reducing the number of people who are 'unbanked'. The Financial Inclusion Taskforce estimates that between 2002/3, the number of adults living in households without access to a bank account fell from 2 million to 0.89 million.¹⁹ These improvements in access to basic bank accounts have also occurred locally.

Despite the progress made, there are still many people (both nationally and locally) who are unable to, or find it difficult to, access and use mainstream financial products, including transactional bank accounts. The Treasury estimates that more than 1 million people in the UK are still without a bank account and that this 'unbanked' group is drawn from the poorest and most deprived households²⁰. Those on the lowest income (less than £100 per week); households living in social housing; and those of Pakistani or Bangladeshi origin, were far more likely to be unbanked.

The Financial Inclusion Taskforce in 2010 argued that every household should be in a position to access, and to benefit from, basic banking services, as well as be included in mainstream networks for deposits and payments. It stated that the key banking needs of poorer households remain:

- An easy way to receive money, particularly non cash payments.
- A way to keep money safely.
- An easy way of making payments that is efficient for the receiver.

2012 data from DWP highlight that up to 1.3 million claimants currently do not use a transactional bank account to manage their benefit payments. Most of these individuals currently use a Post Office Card account which does not offer transactional facilities. 70% have access to a bank account but are unlikely to reengage with their banking provider. The DWP estimate that up to 3 million people may require support with utilising banking products.

This may range from light support with setting up automated payments to more intensive support and targeting banking products. The DWP intends to implement a scheme in 2013 to initially subsidise access to bank accounts or alternative financial products with specific budgeting functionalities for Universal Credit claimants. The accounts products will offer additional budgeting functionalities, beyond the functionalities of a basic or current account. DWP key requirement is to ensure claimants have access to a range of transaction accounts that will enable them to manage rent and bill payments more effectively on a monthly basis through automated transactions such as direct debits/standing orders. The other requirement is that the product is pro-active - must provide outbound notification to support good money management behaviours e.g. text message reminders and balance updates.

Access to banking: identifying and addressing barriers

Access to a bank account is often a pre-requisite to securing employment and starting up a business, as well as providing a convenient method of paying for services and utilities. However, many people do not have access to a transactional bank account putting them at a disadvantage.

Barriers to accessing a bank account

There are a number of barriers experienced by residents in accessing suitable bank accounts, including:

- **Difficulties in proving identity, address and income status** – difficulties proving identity and address can be a significant barrier to opening a bank account, particularly for new residents and homeless people who can struggle to provide acceptable identification, if they do not have a passport or driving licence. Similarly, the levels of insecure and informal employment in the borough mean that a significant number of local residents are not able to provide employer references to support applications for banking services including overdrafts and loans.

¹⁹ Financial Inclusion Task Force, *Mainstreaming financial inclusion: managing money and access to banking*, March 2010.

²⁰ Ibid, *Banking services and poorer households*, December 2010.

- **Lack of confidence in using mainstream transactional accounts and services** – low levels of literacy and language issues can pose practical difficulties and challenges for local residents given the complexity of financial products and services. This can also contribute to levels of digital exclusion.
- **Banking costs and concerns over charges** – research by the Financial Inclusion Taskforce suggests that the ‘newly banked’ accrue an average loss of £140 per annum in penalty charges – a burden mainly borne by the poorest households²¹. In addition, accessing money in current accounts can be costly with more fee charging ATMs (160) in the borough than free ATMs (145). Furthermore those residents who hold basic bank accounts are likely to be affected by charges brought in by a number of basic bank account providers for using ATMs operated by other companies. The impact of having to use a fee-charging cash machine is most acute for people on low income as charges can represent a large part of their weekly income.
- **Religious and ethical considerations** – Some BME communities are less likely to engage with formal financial products – particularly savings and credit products, often because they lack trust in banks and are reluctant to get into debt or deal with interest due to religious and ethical concerns.

Development of alternative accounts to help people better manage their money

According to the Social Finance Report for the Financial Inclusion Task Force, one of the key solutions to addressing the banking barriers and needs of people is to develop and make available appropriate transactional accounts, including ‘Jam Jar’ accounts, to support people on low income to manage their money²².

Jam Jar accounts are bank accounts which allow people to subdivide their balance into different ‘jars’ for spending, saving and paying bills, and set up automatic processes like low balance warnings. They provide a structure built into the account to help people plan their monthly outgoings, clearly separating ‘disposable income’ from what is needed to meet regular bills. They also provide a prompt to automatically save a little each month. The Tower Hamlets Credit Union is currently exploring potentials for ‘Jam Jar’ accounts in the borough, which will be explored in more detail as part of the strategy.

Access to affordable credit

Access to suitable credit can be an important means of managing household budgets. People living on low incomes, or whose income fluctuates, are more likely to require personal credit to enable them to meet unexpected costs of essential household items. Changes to the Social Fund, government grants and loans for low income people, particularly the reduction in expenditure on crisis loans to benefit-claimants, will have a major impact on low income households. Meeting the replacements cost of expensive essential items such as a broken cooker is extremely difficult on a benefit level income. This group is also more likely to experience difficulties accessing affordable credit from mainstream providers.

Rising prices have put further pressure on low income families, and national research suggests that a significant number have turned to ‘sub prime’, expensive, and in some cases illegal, sources of credit to manage. The rise in pawnbrokers, money-lending shops, payday loans and home credit lenders demonstrates the demand for an alternative form of credit²³. These forms of credit are costly and can trap people in cycles of debt. Interest rates charged on what are designed to be short-term loans are as much as 4,000% annual percentage rate (APR), and low-income borrowers often end up rolling over their borrowings and accruing large debts.

Barriers to affordable credit

People who have no credit history because they have never used regulated credit (either because they have used other forms of credit, or not been in the UK), and those who have been in debt, are very likely to be turned down because of poor credit scores, even if their income and circumstances mean they are able to afford borrowing costs.

²¹ Ibid, *Realising banking inclusion: Key achievements and challenges*, August 2010.

²² <http://www.socialfinance.org.uk/resources/social-finance/new-approach-banking-extending-use-jam-jar-accounts-uk>

²³ <http://www.guardian.co.uk/money/2012/feb/26/pawnbrokers-payday-loans-oft-inquiry>

Low levels of home ownership (75% of residents in Tower Hamlets live in social or privately rented accommodation) mean that many people are unable to access secured credit. Also high levels of unemployment, employment in the informal economy and self-employment, make it difficult to prove a regular income or provide employer references to credit providers.

BME communities and access to credit

A report by the Runnymede Trust in 2008 brought together a number of pieces of research on the use of informal credit in black and minority ethnic communities²⁴. It found extensive use of informal credit for both personal and commercial purposes in some communities. These arrangements provide access to credit for people who may be unable to obtain commercial credit, but can also mean that those involved have no formal credit history and may experience problems accessing mainstream credit in the future.

Some BME communities are also financially vulnerable as a result of the lack of proper financial regulations and protection of some remittance organisations. This was particularly evident in Tower Hamlets with some high profile cases of remittance companies and travel agencies 'going bust' resulting in some local residents losing money with little or no compensation.

Illegal money lending

Many people resort to borrowing money from illegal money lenders and loan sharks to access credit. 'Unlicensed' money lenders and loan sharks can have a detrimental impact on communities by trapping vulnerable people in a spiral of debt and through extreme methods to claim back illegal loans.

The National Illegal Money Lending Team has had some success in prosecuting loan sharks and supporting victims. Ongoing publicity highlighting the problem with loan sharks is undertaken across all London boroughs and there are strong links with the trading standards service in Tower Hamlets.

A report on illegal money found that:

- Although initiatives such as the Illegal Money Lending Team has been successful in some areas, alternative supply is the most effective strategy in combating illegal lending.
- There is a clear need to create an alternative source of social lending to combat both existing illegal lending and the supply vacuum
- Advice and financial education are important as a component of a long-term strategy to create awareness of the dangers of illegal lending but are unlikely to have an immediate impact. There is however a clear need for advice for victims whose finances have frequently been emptied out over an extended period²⁵.

Access to affordable credit: Credit Unions and Community Development Finance Institutions

One of the ways of addressing the banking needs of low income households is to provide more access to credit unions and community development finance institutions (CDFIs), which are sustainable, independent, not for profit financial institutions²⁶. Credit unions and CDFIs have a strong role to play in financial inclusion and they have been supported and promoted by government at all levels. The DWP invested in a growth fund to encourage the expansion of credit unions between 2007 and 2010, and is currently deciding how best to invest a further £73 million in order to provide access to affordable banking and savings accounts for financially excluded people. A DWP feasibility study in 2011 to examine the scope and options for the modernisation and expansion of credit unions established that credit unions are ideally placed, serving their local communities, to help meet the market and demand from low income consumers for modern banking products and services²⁷.

The credit union in Tower Hamlets (which re-branded as London Community Credit Union in 2011) now has 11,000 members, including significant numbers of residents from Bangladeshi community.

²⁴ <http://www.runnymedetrust.org/uploads/publications/pdfs/FinancialInclusion-2008.pdf>

²⁵ <http://www.bis.gov.uk/files/file35171.pdf>

²⁶ <http://www.runnymedetrust.org/uploads/publications/pdfs/FinancialInclusion-2008.pdf>

²⁷ <http://www.dwp.gov.uk/docs/credit-union-feasibility-study-report.pdf>

However take up from BME communities could be improved by exploring opportunities to expand remittances via credit unions. Initially established with the support of the Council, it offers a range of banking, savings and loan facilities to its members. Whilst the credit union is limited in its ability to extend its services due to a small staff base, it is developing a number of initiatives including training local people to become credit union champions in the community and in the workplace.

Fair Finance is currently the only CDFI currently operating in the borough and differs from the credit union in that it offers a loan service to both individuals and businesses, but not wider savings and banking type services.

Access to savings

There are generally two reasons for saving: saving for a specific, typically short-term, purpose or anticipated expense; and saving to provide a financial safety net. Although many people with low incomes aspire to saving towards the longer-term, such as for their children's future needs, more immediate priorities mean that few do so in practice.

According to an ING report produced in 2010, the level of cash saving in Tower Hamlets is the fifth lowest in the country, with the median savings per household equalling £776²⁸. Those who have savings tend to be locked into one form of savings account, less diverse than is prevalent in other areas. This is largely attributable to poverty but there are communities in the borough where there is high prevalence of assets being held in non-cash forms including property and jewellery, or where people are required because of poverty to liquidate goods to meet cash shortfalls, as well as remitting money abroad. Lacking a current account is also independently linked with increased likelihood of lacking a saving account among lower-income families although the effect was not strong²⁹.

The lack of access to savings often results in people having to turn to credit in emergencies and reduces opportunities such as school trips for children and family holidays. It also makes it hard to acquire assets or investments, or to become a homeowner.

Barriers to saving formally

A report by the Financial Inclusion Taskforce has identified three 'major barriers' to saving formally:³⁰

Access:

- The report identified physical (geographic location) and psychological (trust) barriers to saving. It also showed that trusted providers, with a local presence, can help overcome the access barriers to saving for low income and BME households.

Knowledge and understanding:

- Financial products are often complicated, and people's limited experience and understanding of such products can make them inaccessible for many. The research shows that accessible information is the key factor in enabling those on low incomes to access financial products. Low income groups also benefit from having trusted intermediaries, such as community champions, to assist them in better understanding and accessing products.

Attractiveness of formal products:

- The rate of return is the paramount attraction to opening an account for those on lower incomes. However the interest rates on standard saving accounts are not as attractive to low income people compared with other informal and alternative methods of saving.

The report makes it clear that encouraging saving at a very young age through financial education initiatives that help young people learn the importance of saving and other money management issues, is fundamental to addressing all the barriers highlighted above.

²⁸ <http://www.consumersavingsmonitor.co.uk/savings-comparison.htm>

²⁹ Financial Inclusion Taskforce, *Saving in lower-income households: An evidence review for the Financial Inclusion Task Force*, June 2009

³⁰ Ibid

Improving access to affordable financial products: Objectives and actions

In order to improve *access to appropriate banking, savings, affordable credit and other financial services*, we will:

Objective 1: Work in partnership with the financial services industry to increase access to suitable financial products and services for low income households by:

- promoting Credit Unions and other basic banking and transactional accounts;
- improving availability of free ATMs in the borough; and
- ensuring that residents have the knowledge and confidence to use financial products effectively.

Key actions include:

- Work with local banks, building societies and credit unions to promote basic bank accounts, 'Jam Jar' accounts and saving accounts for residents.
- Provide information for frontline staff to signpost residents who are having difficulty opening bank accounts to relevant support services, including Toynbee Hall and the Credit Union.
- Deliver the Credit Union 'Champions Project' that promotes Credit Union membership in the community and work place.
- Identify geographical hotspots where there are no free ATMs and explore the potential to address this gap.
- Explore the potential of encouraging convenience stores to consider the business case for hosting free ATM machines in their shops.
- Promote basic information on banking, savings and credit products to raise residents' levels of awareness, skills and confidence so that they can choose and use appropriate financial products to meet their needs.

Objective 2: Widen access to and availability of affordable credit for people on low incomes by:

- improving awareness of high costs of different types of credit and promoting access to affordable credit; and
- raising awareness of illegal money lending including support available for victims.

Key actions include:

- Work with key stakeholders, including the Credit Union, to develop appropriate referral routes for access to affordable credit for low income households, including to the localised social fund crisis loan.
- Work with the illegal money lending team to identify loan shark activity, take appropriate legal action, support for victims and inform residents of the consequences of illegal money lending.

THEME 3: ACCESS TO DEBT AND MONEY ADVICE SERVICES

Overview

Total UK personal debt stood at over £1.4 trillion at the end of 2010. The Office for Budget Responsibility (OBR) predicts that debt, as a proportion of household incomes, is set to rise from 160% of household incomes to 175% of household incomes by 2015³¹.

Research conducted for debt charity Consumer Credit Counselling Service (CCCS) by the Financial Inclusion Centre, at the beginning of 2012, identified London as the most over-indebted region in Great Britain. The Debt and the Regions report found that while Londoners have higher than average earnings, relatively high savings, and low levels of mortgage difficulty; a large number of households in the capital are financially vulnerable³².

The causes of over-indebtedness are most commonly an unforeseen change in circumstances (such as illness, loss of employment, relationship breakdown, loss of other income). Poor financial management and unrealistic repayment expectations on the part of creditors also contribute to indebtedness. Over-indebtedness is closely linked to poverty and social exclusion; with low income households more likely to experience it. Research from the Citizens Advice Bureau has shown that low-income groups are three times more likely than the general population to be in arrears with rent, council tax, utility bills or mortgage arrears³³.

Profile of debt in Tower Hamlets

Debt problems range widely by both level and type of debt. Feedback from advice providers in the borough indicate growing numbers of people with complex multiple debt issues, and with debts ranging from £500 to £25,000.

The main reasons people initially seek help from advice agencies in the borough is for assistance with priority debts such as rent and mortgage arrears, council tax arrears and fuel debts, where residents are facing legal action. Tower Hamlets has also been identified as one of the capital's rent arrears hotspots, with both an above-average proportions of residents in arrears and above-average amounts owed in missed rent payments³⁴. This would suggest that both demand and need for debt advice in the borough are likely to be at a higher level than the regional and national averages. Assistance is also sought with credit card debts, bank loans and overdrafts. There has also been an increase in demand for support with debt relief orders and personal insolvencies.

Data from local face to face advice agencies highlight that there has been a gradual increase in the number of residents seeking debt advice in the borough over the past 3 years. In 2010/11 over 9,000 Tower Hamlets residents requested assistance with debt problems, including:

- 6,738 residents who sought debt advice from Council funded advice projects.
- 800 residents who sought specialist debt advice from legal aid funded advice projects.
- 288 residents who sought debt advice from Toynbee Hall Capitalise Debt project.
- 300 residents who sought debt advice from Fair Money project.
- 170 residents who sought debt advice from LBTH Housing Options Money Advice team.
- 100 residents who sought debt advice from leasehold advice staff in THH.

It is estimated that a further 500 residents sought advice on debt matters from pro bono advice surgeries run by various advice agencies and faith groups in the borough³⁵.

³¹ Office for Budget Responsibility, *Household debt economic and fiscal outlook*, April 2011

³² http://www.cccs.co.uk/Portals/0/Documents/media/reports/additionalreports/London_in_the_red_2012.pdf

³³ http://www.citizensadvice.org.uk/would_you_credit_it

³⁴ http://www.cccs.co.uk/Portals/0/Documents/media/reports/additionalreports/London_in_the_red_2012.pdf

³⁵ There may be some level of overlap in that data, for example, the same person may have sought advice from a number of organisation / service providers. Each time they do so, this will be recorded as a new incident

National research has shown that many people are relatively unaware of the different debt advice support services available and there is evidence of a stigma attached to debt that hinders some people from seeking advice. Research from the Money Advice Service indicates that at any time, approximately 6 million people display indicators of problem debt, but less than a third of these seek advice from any source. Mind's report on debt and mental health highlights that when participants were asked whether they had sought any advice or support for any issues relating to their financial difficulties in the last 12 months a third of respondents had not³⁶. The most common reasons were embarrassment (62%), not knowing who to ask (45%), or thinking that no one would be able to help (47%). The above indicates that there is an issue of taboo around financial difficulties and a lack of understanding of where to go to access help.

A local survey on financial inclusion also highlighted a lack of understanding of the debt advice and local money management services available among residents experiencing financial distress. Similarly, local frontline practitioners, including those working with social care users and social housing tenants, also commented on being uncertain of where to refer residents for appropriate debt advice. Therefore a key focus of this strategy is to promote financial inclusion by increasing the awareness and usage of free debt and money advice services for local people.

Debt and money advice services

There are a number of reports on the positive outcomes of seeking timely debt advice, including in relation to health and wellbeing (data shows that individuals who avoid unmanageable debts have a 33% reduced risk of developing mental health problems); maximising income, reducing poverty and the cost to the public purse of dealing with the social and financial consequences of debt. The average cost per debt problem to the public (including lost economic output) is estimated to be over £1,000, with more serious problems costing many times this amount³⁷. In 2010, work undertaken by the London Debt Strategy Group's Health subgroup showed significant cost savings from early debt advice intervention.

Early intervention to provide targeted support for people facing financial distress is pivotal to preventing over-indebtedness. Recent research undertaken by The Financial Inclusion Centre on debt advice provision commissioned by social housing providers demonstrated that tenants who received debt advice either via independent advice agencies or in-house provision saw their average level of arrears fall by 37%, while the average of those who did not get advice rose by 8%. Local pilot projects delivered by Toynbee Hall, Island Advice and East Thames Potential show that the model of holistic face-to-face advice that focuses on supporting clients with budgeting and money management (rather than just dealing with crisis debt problems) is effective in creating long term sustainability in tenants' debt management.

Debt advice in Tower Hamlets is currently provided through a range of channels including:

- *National helpline enquiries*
The number of clients receiving advice by telephone has increased considerably in the last decade or so, with the growth of services such as Consumer Credit Counselling Service (CCCS), National Debt Line (NDL) and PayPlan, and the introduction of telephone advice by providers to complement face-to-face provision. The CCCS telephone helpline figures for Tower Hamlets show that the number of local residents contacting the service grew from 233 in 2005 to 437 in 2010.
- *Online advice services*
Online debt advice has also been an area of rapid growth in recent years. This includes the introduction of dedicated debt advice counselling tools, such as the CCCS Debt Remedy which emulates the process of a full debt advice. There is evidence that many people access debt advice online, although it seems that this is often provided as follow-up to a previous face-to-face consultation, rather than as a stand-alone advice tool.
- *Face to face advice services*
The majority of advice agencies in the borough operate a combination of drop in and appointment services, though increasingly agencies are also looking at offering telephone

³⁶ http://www.mind.org.uk/assets/0000/9121/in_the_red.pdf

³⁷ http://www.justice.gov.uk/downloads/publications/research-and-analysis/lsrc/2010/FactSheetDebtOutreach_August2010.pdf

advice at the initial pre-appointment assessment stage. There is at least one generalist voluntary sector advice agency delivering in each of the eight locality areas in the borough, and three specialist voluntary sector debt advice providers who deliver a borough-wide service. The Council's Housing Options Service also has a specialist money advice team who provide support to private tenants. Social housing providers provide funding of approximately £60,000 to third sector organisations (Limehouse Project, Account 3, Fair Money and Ocean Somali Community Association) to provide independent debt advice to targeted households with rent arrears. Money Advice Service provide funding of approximately £120,000 per annum to cover the two Tower Hamlets posts in the Toynbee Hall 'Capitalise' project using the funding from the national level on financial services.

Demand for face to face debt advice services in the borough currently outstrips provision. The gap between demand and supply is likely to increase due to the continuing financial crisis and impacts of welfare reform. Although the majority of advice agencies in the borough provide some debt advice, as part of a range of other social welfare advice provision, debt advice equates to only about 20% of enquiries to generalist agencies. There are three main agencies in the borough providing specialist debt advice but due to a reduction in Legal Service commission and Money Advice service funding for face to face provision, there is often a waiting time of up to two weeks for an appointment.

There is therefore a real need for all advice and non-advice service providers to work together: pool resources, improve cooperation, share best practice and information regarding the various initiatives in order to ensure that access to debt and money advice in the borough is fully maximised. This includes effective signposting to the free, quality assured, national telephone and online helplines for residents who can use these services, thereby freeing up face to face advice services for those most in need. Whilst this work has already commenced through the Tower Hamlets Debt and Money Advice forum, a sub-group of the Tower Hamlets Community Agencies Network (THCAN), there is scope to improve on this.

The Council's Debt Collection Policy

The Council has a duty to collect monies from residents and businesses and is therefore one of the main debt collectors in the borough. A corporate debt collection policy is in place to help provide a coordinated approach to the collection of outstanding debts and debts from multiple debtors, including: council tax, housing benefits overpayments, rent arrears, business rates, parking and fees and charges for other Council services. The debt policy is reviewed annually and includes initiatives such as 'debtors' surgeries and a collection forum to share information and good practice on debt collection.

The impact of the recession and welfare reform changes makes having a well-coordinated debt collection approach, which takes into consideration individual needs and vulnerability, of greater importance. The Council's debt collection policy includes the provision of information for debtors to help them manage their debts and maximise their income, including information on the range of independent advice agencies that offer assistance. Further work is needed to consider how we can better identify vulnerable debtors, particularly those with multiple debts, and intervene early to prevent debts becoming unmanageable.

Improving access to debt and money advice services: Objectives and actions

In order to offer holistic and coordinated support for residents showing signs of financial stress, we will:

Objective 1: Ensure that residents, particularly vulnerable residents, understand and are supported to access money management and debt advice services by:

- providing holistic and proactive approaches to money and debt advice and information for vulnerable households.

Key Actions:

- Develop an effective triage system for debt and money management.
- Develop a robust referral process, supported by training and guidance, to enable front line staff to know what services specialist agencies offer and to appropriately refer clients to services.
- Ensure all new applicants for social housing complete financial health checks.

Objective 2: Work with creditors to promote early identification and intervention for residents with debt or money management problems by:

- better co-ordinating and sharing information on debt and money advice services in the borough; and
- reviewing the Council's corporate debt policy.

Key Actions:

- Regular co-ordination meetings between LBTH, NHS, housing providers and advice agencies to review current strategies, policies & actions through the Tower Hamlets Community Agencies Network (THCAN).
- Identify what is working in relation to debt and money advice provision, gaps in provision and areas for improvement.
- Housing providers to share best practice on early intervention for customers showing signs of financial stress.
- Review LBTH and other local authority practices in debt recovery and identify any areas for improvement, to ensure the Council's policy is as co-ordinated and sustainable as possible.

Delivery and Monitoring

Resources

It is envisaged that the resources needed to deliver this strategy will be met primarily from existing sources within the various partner agencies. Financial Inclusion leads have been identified from relevant council directorates, registered housing providers and voluntary sector agencies, who will be responsible for ensuring the specific areas identified in the action plan are taken forward. The voluntary sector agencies in the FITH partnership have managed to obtain Big Lottery Funding of £300K to support the implementation of a community money mentors programme over the next three years. The programme which will train and support 150 community money mentors is being delivered by Toynbee Hall in conjunction with Bromley by Bow Centre, Limehouse Project and Quaker Social Action.

Implementation and monitoring

Delivering the strategy will be the responsibility of partner organisations in the borough, including the Council, housing associations, third sector organisations, health services and local businesses.

A detailed action plan will be developed to achieve the priorities and objectives of the strategy. The Financially Inclusive Tower Hamlets Network steering group will be responsible for monitoring the progress against the action plan on behalf of the Tower Hamlets Partnership.

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Equality Analysis (EA)

Section 1 – General Information (Aims and Objectives)

Name of the proposal including aims, objectives and purpose:

Financial Inclusion Strategy

The purpose of the strategy is to provide a shared framework for financial inclusion in Tower Hamlets. The strategy aims to achieve a financially inclusive Tower Hamlets where residents have access to a comprehensive range of appropriate financial and money advice services, as well as the knowledge, skills and confidence to maximise their own financial well-being.

The strategy sits within the Prosperous theme of the Community Plan but it has a much broader cross-cutting impact. It is therefore closely related to other partnership strategies and projects including the Employment and Enterprise Strategy; Homelessness Strategy and Health and Wellbeing Strategy.

This is a draft strategy which will be informed by forthcoming public consultation including with local equality groups.

Who is expected to benefit from the proposal?

- § *Local people, particularly from vulnerable groups that are more likely to be financially excluded.* This includes younger adults, older people, disabled people, BME residents, homeless households, lone parent families and social housing tenants. The strategy aims to improve financial literacy and capability, support access to appropriate financial products and services and improve access to debt and money advice services.
- § *Statutory and third sector organisations.* A more joined-up and strategic approach to financial inclusion will benefit those organisations working in the sector including statutory and third sector groups.
- § In addition, the costs of financial exclusion are significant, such as debt recovery and dealing with stress-related illnesses. Studies have shown that effective financial inclusion provision can save money in the long-term.

Service area:

Corporate Strategy & Equality

Team name:

Strategy, Policy & Performance

Service manager:

Kevin Kewin

Name and role of the officer completing the EA:

Shibbir Ahmed

Section 2 – Evidence (Consideration of Data and Information)

What initial evidence do we have which may help us think about the impacts or likely impacts on service users or staff?

The strategy has been informed by a detailed evidence base report which contains information on the prevalence and impact of financial inclusion and exclusion from a wide range of national, regional and local sources. These include:

- A survey of local front-line practitioners in the borough on the financial capability of their service users
- An analysis of poverty in the borough informed by a number of sources including the Indices of Multiple Deprivation
- Local data on the profile of users accessing debt advice
- Equality analysis of tenants in arrears by Tower Hamlets Homes
- Experian data on financial capability and vulnerability in Tower Hamlets
- Financial Inclusion Services studies on financial capability and financial exclusion and its impact on different groups
- Reports on financial inclusion and health and social care, including the Tower Hamlets Adult Social Care Survey 2010/11; Mind Report on financial inclusion and mental health, and the Tower Hamlets Joint Strategic Needs Assessment
- Runnymede Trust reports on ethnicity and financial inclusion
- Financial Inclusion Taskforce research on lower income and BME households and savings

Section 3 – Assessing the Impacts on the 9 Groups

How will what you're proposing impact upon the nine Protected Characteristics?

For the nine protected characteristics detailed in the table below please consider:-

- **What is the equality profile of service users or beneficiaries that will or are likely to be affected?**

-Use the Council's approved diversity monitoring categories and provide data by target group of users or beneficiaries to determine whether the service user profile reflects the local population or relevant target group or if there is over or under representation of these groups

- **What qualitative or quantitative data do we have?**

-List all examples of quantitative and qualitative data available
(include information where appropriate from other directorates, Census 2001 etc)

-Data trends – how does current practice ensure equality

- **Equalities profile of staff?**

-Indicate profile by target groups and assess relevance to policy aims and objectives e.g. Workforce to Reflect the Community. Identify staff responsible for delivering the service including where they are not directly employed by the council.

- **Barriers?**

-What are the potential or known barriers to participation for the different equality target groups? Eg, communication, access, locality etc

- **Recent consultation exercises carried out?**

-Detail consultation with relevant interest groups, other public bodies, voluntary organisations, community groups, trade unions, focus groups and other groups, surveys and questionnaires undertaken etc. Focus in particular on the findings of views expressed by the equality target groups. Such consultation exercises should be appropriate and proportionate and may range from assembling focus groups to a one to one meeting.

- **Additional factors which may influence disproportionate or adverse impact?**

-Management Arrangements - How is the Service managed, are there any management arrangements which may have a disproportionate impact on the equality target groups

- **The Process of Service Delivery?**

-In particular look at the arrangements for the service being provided including opening times, custom and practice, awareness of the service to local people, communication

Please also consider how the proposal will impact upon the 3 One Tower Hamlets objectives:-

- Reduce inequalities
- Ensure strong community cohesion
- Strengthen community leadership.

Please Note -

Reports/stats/data can be added as Appendix

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Target Groups	Impact – Positive or Adverse	Reason(s)
Race	Positive	<p>Please add a narrative to justify your claims around impacts and,</p> <ul style="list-style-type: none"> Please describe the analysis and interpretation of evidence to support your conclusion as this will inform decision making <p>Please also how the proposal will promote the three One Tower Hamlets objectives?</p> <ul style="list-style-type: none"> -Reducing inequalities -Ensuring strong community cohesion -Strengthening community leadership <p>The evidence base report highlighted that the majority of the clients accessing financial inclusion services are from BME backgrounds, though BME groups only account for around 50 per cent of the population. National studies show that there is a significant difference between White and BME groups in relation to financial capability, as well as access to financial products and institutions. Low levels of financial capability among BME groups has been linked with comparatively lower educational attainment, higher levels of unemployment and lower income levels. Language and literacy issues also pose potential barriers for some people from BME communities in accessing financial products and services.</p> <p>In order to address these issues the FIS strategy will:</p> <ul style="list-style-type: none"> § Incorporate financial inclusion training into Parenting Support, ESOL and other adult literacy and lifelong courses / provisions that will support BME communities in improving financial literacy and capability. § Promote services that work with BME communities to further increase take up of provision. § Promote services to diverse communities via partner organisations as well as through the use of community champions. § Promote basic information on banking, savings and credit products to raise BME residents' levels of awareness, skills and confidence so that they can choose and use appropriate financial products to meet their needs.
Disability and carers	Positive	<p>National studies show that disabled people, those with poor health, and carers, are among the groups most likely to experience financial exclusion and struggle to deal with their finances. In 2010 the Marmot Review on health inequalities recognised financial security as a social determinant of health – highlighting that poor financial management has an impact on health and wellbeing. Locally, dealing with finances and paper-work was identified as the highest area of need for adult social care users, with 58% of respondents to the 2010/11 Adult Social Care Service User Experience Survey stating that they are unable to deal with these themselves.</p> <p>There are many reasons why disabled people find it difficult to deal with money. For some this may be caused by a visual impairment, whilst for others it may be that their disability makes it hard for them to read and understand words and numbers. For some disabled people, it may be that they have simply not had the experience or opportunity to manage money before. Some work has been done locally with health and social care professionals on financial inclusion, including through the Health Trainers project.</p>

		<p>The expansion of direct payments and personalised budgets makes it even more important that the financial capability needs of adult social care users are fully addressed to ensure that service users can live as independently as possible.</p> <p>Through the strategy we will look to integrate financial capability provision as part of health and social care services and the promoting independence agenda. This includes improving the screening of financial capability and money management issues of vulnerable residents and / or service users as part of their assessments.</p>
Gender	Positive	<p>National studies have highlighted that single parents and victims of domestic violence, who are most likely to be women, are among the groups of people who are particularly vulnerable to financial exclusion.</p> <p>The strategy will help ensure that financial provision is available to people irrespective of their gender. In addition to this, targeted work will also take place to support specific groups vulnerable to financial exclusion. For example the needs of Domestic Violence victims will be picked up through improving the screening of financial capability and money management issues of vulnerable residents as part of their assessment and training of frontline practitioners.</p>
Gender Reassignment	Positive	<p>The FIS aims to ensure that financial provision is available to people irrespective of their gender reassignment. However, there is no available evidence to assess the impact of the financial exclusion on groups based on gender reassignment.</p> <p>Any information related to this protected characteristic that comes back from the consultation exercise will be fed into the EIA and Strategy.</p>
Sexual Orientation	Positive	<p>The FIS aims to ensure that financial provision is available to people irrespective of their sexual orientation. However, there is no available evidence to assess the prevalence or impact of financial exclusion based on sexual orientation.</p> <p>Any information related to this protected characteristic that comes back from the consultation exercise will be fed into the EIA and Strategy.</p>

Religion or Belief	Positive	<p>The evidence base report found that some BME communities are less likely to engage with formal financial services – particularly savings and credit products, often because they lack trust in banks, are reluctant to get into debt or deal with interest due to religious and ethical concerns.</p> <p>In addition to providing inclusive services for people of all religions and beliefs, the strategy will work in partnership with the financial services industry and faith communities to increase access to suitable financial products and services.</p>
Age	Positive	<p>Tower Hamlets has the highest level of child poverty in the country and research shows that young people, particularly those on low incomes; those living independently or in supported housing; those with children; and those with poor levels of education, literacy and numeracy, typically have lower levels of financial capability. Tower Hamlets has a young population with 14% of people aged 16 to 24.</p> <p>Through the strategy, local partners will continue to build on and expand early intervention and life-skill approaches, including working with education providers and other children and youth organisations in the borough to develop effective approaches to supporting young people at risk of financial exclusion.</p> <p>The borough also has a high level of pensioner poverty, which puts many older people at risk of financial exclusion. Some initial work with Age Concern and Linkage Plus has taken place, including outreach provision and one-to-one support with money advice services. This will be expanded upon to help ensure that there is sufficient targeted provision to meet the needs of older people.</p>
Marriage and Civil Partnerships	Positive	<p>The strategy aims to provide inclusive and accessible services for all residents, including married people and those in civil partnerships, and those that are not. However, there is no available evidence to assess the prevalence and impact of financial exclusion based on marriage or civil partnership status.</p> <p>Any information related to this protected characteristic that comes back from the consultation exercise will be fed into the EIA and Strategy.</p>
Pregnancy and Maternity	Positive	<p>Studies show that people are more likely to experience financial vulnerability at key transition stages in their lives, including when starting a family. There also appears to be a correlation between the number of children in a household and the level of financial capability. Those with no children have the lowest levels of poor financial capability, whilst those with four or more children have the highest levels of financial vulnerability.</p> <p>The Strategy will enable local partners to target provision at new and teenage parents, including</p> <ul style="list-style-type: none"> § working with health trainers and the Family Nurse Partnership to provide information and advice on money management issues, financial inclusion, benefits and tax credits for new parents § integrating money management support and financial capability into frontline services such as maternity,

		<p>parenting and family support services.</p> <ul style="list-style-type: none">working with frontline staff to improve the screening of financial capability and money management issues of vulnerable residents as part of their assessment processes, and ensure that money management is part of overall support packages.
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Section 4 – Mitigating Impacts and Alternative Options

From the analysis and interpretation of evidence in section 2 and 3 - Is there any evidence of or view that suggests that different equality or other protected groups (inc' staff) could have a disproportionately high/low take up of the new proposal?

Yes? No? No

If yes, please detail below how evidence influenced and formed the proposal? For example, why parts of the proposal were added / removed?

(Please note – a key part of the EA process is to show that we have made reasonable and informed attempts to mitigate any negative impacts. An EA is a service improvement tool and as such you may wish to consider a number of alternative options or mitigation in terms of the proposal.)

N/A

Section 5 – Quality Assurance and Monitoring

Have monitoring systems been put in place to check the implementation of the proposal and recommendations?

Yes? Yes No?

How will the monitoring systems further assess the impact on the equality target groups?

The delivery of the strategy will be the responsibility of organisations within the Tower Hamlets Partnership. A detailed action plan will be developed which outlines the lead organisation for each action. The steering group of the Financial Inclusive Tower Hamlets Network will monitor progress against the action plan and the impact on equality target groups.

Does the policy/function comply with equalities legislation?

(Please consider the OTH objectives and Public Sector Equality Duty criteria)

Yes? Yes No?

If there are gaps in information or areas for further improvement, please list them below:

As highlighted above, the consultation exercise will seek to fill gaps in information and identify areas for improvement, including by protected characteristic.

How will the results of this Equality Analysis feed into the performance planning process?

The results of this Equality Analysis are informing the consultation draft and consultation process which will feed into the final Strategy.

Section 6 - Action Plan

As a result of these conclusions and recommendations what actions (if any) **will** be included in your business planning and wider review processes (team plan)? Please consider any gaps or areas needing further attention in the table below the example.

Recommendation	Key activity	Progress milestones including target dates for either completion or progress	Officer responsible	Progress
Example				
1. Better collection of feedback, consultation and data sources	1. Create and use feedback forms. Consult other providers and experts	1. Forms ready for January 2010 Start consultations Jan 2010	1.NR & PB	
2. Non-discriminatory behaviour	2. Regular awareness at staff meetings. Train staff in specialist courses	2. Raise awareness at one staff meeting a month. At least 2 specialist courses to be run per year for staff.	2. NR	

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Recommendation	Key activity	Progress milestones including target dates for either completion or progress	Officer responsible	Progress
Revise the draft Strategy based on the equalities feedback from the consultation	Draft Strategy to go out for public consultation, including a specific focus on gaining feedback from equalities stakeholder forums.	Nov 2012	Shibbir Ahmed	TBC

Section 7 – Sign Off and Publication

Name: (signed off by)	
Position:	
Date signed off: (approved)	

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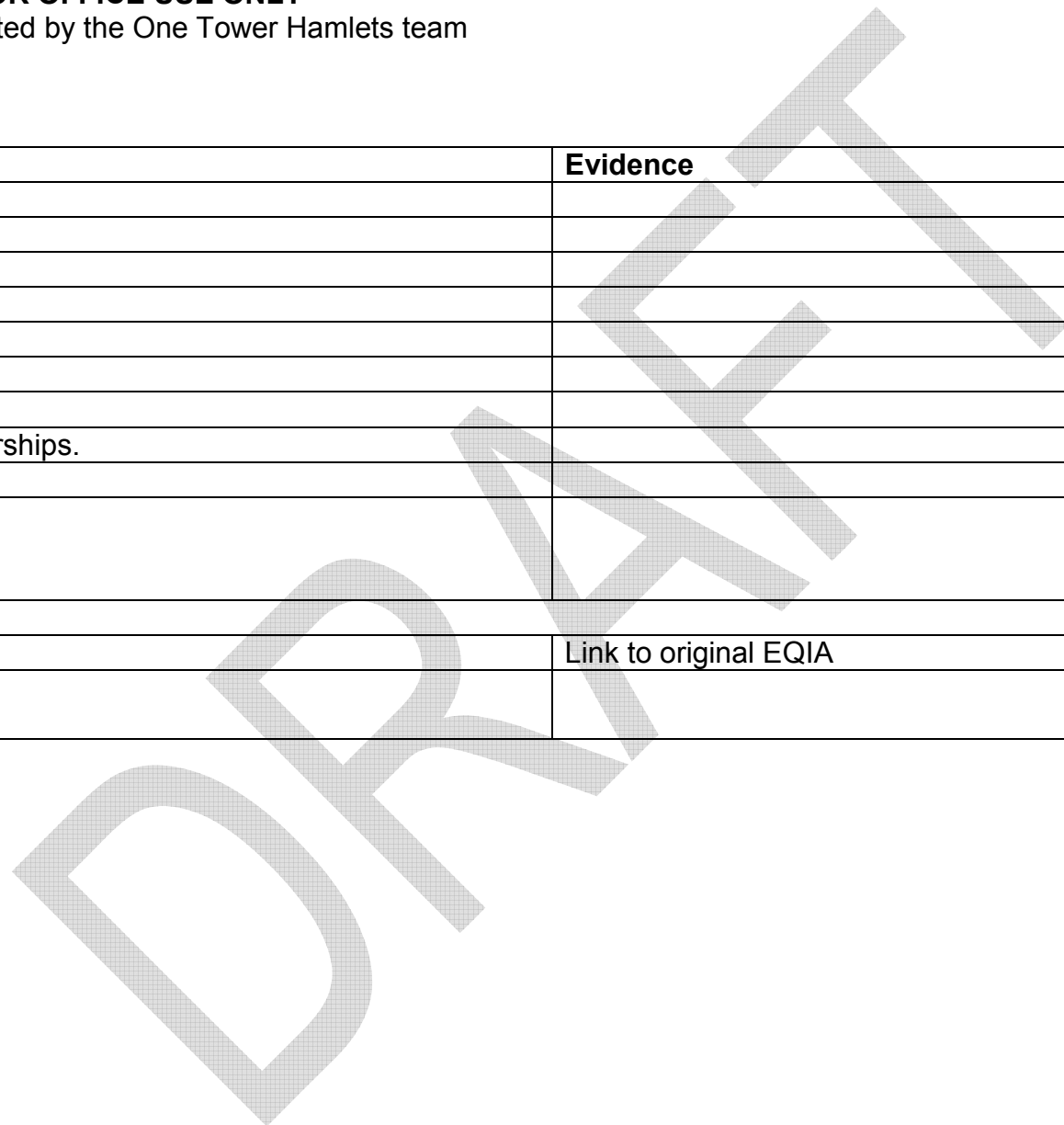
Section 8 Appendix – FOR OFFICE USE ONLY

This section to be completed by the One Tower Hamlets team

Policy Hyperlink :

Equality Strand	Evidence
Race	
Disability	
Gender	
Gender Reassignment	
Sexual Orientation	
Religion or Belief	
Age	
Marriage and Civil Partnerships.	
Pregnancy and Maternity	
Other	
Socio-economic	
Carers	
Link to original EQIA	Link to original EQIA
EQIAD (Team/Service/Year)	

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