# FINANCIAL INCLUSION GROUP NORTH STAFFORDSHIRE

Business Development Plan

2019 - 2025

# Contents

## 1. Executive Summary

**In Stoke-on-Trent and Newcastle-under-Lyme 93,000 people are over-indebted[1]. 93,000 people are struggling to pay their bills, keep up with their loan payments, and access the benefits they need or borrow money at an affordable rate.**

Of those, research shows that 17.5% will never get help, 17.5% already access help and 65% should but don't get help, either because they do not know where to go or the help is not accessible to them, or they have not yet admitted they have a problem.

Our research shows that reliance on high cost short term credit in the area is extremely high. We estimate that up to 108,000 people owe up to £80 million from this type of credit alone.[2] Total regulated credit indebtedness (excluding secured borrowing) could be as high as £1.2 billion for the area as a whole.[3]

The effects of financial exclusion are widely known and there is a substantial and growing body of research pointing to the detrimental effects of financial exclusion on physical health, mental health, economic wellbeing, ability to find and sustain work and the ability to sustain relationships.

In several of the above the relationship is cyclical: poor mental health can lead to debt; debt can adversely affect mental health. Financial problems put pressure on relationships, while separation is a frequent event that triggers the escalation of financial problems. The issues can repeat across the generations.

The area's long standing problems of low wages, poverty, poor health and low levels of literacy, numeracy and IT skills reinforce financial exclusion trapping far too many people in a spiral of debt and deprivation. Compounding this, initiatives to tackle those underlying issues are hindered by the entrenched financial exclusion experienced by local people.

The scale of the problem is so large that the only way we can have any significant impact is through a response that is bold, innovative and above all on an unprecedented scale. For far too long, far too many agencies have nibbled away at the edges doing excellent work with a relatively small number of people, but unable to make a measurable impact on the overall problem.

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[1] Figure based on figures in Money Advice Service – 'Indebted Lives, the complexities of life in debt' November 2013, which showed that 35.7% of individuals in SoT and 24.9% in NuL were over-indebted

[2] See page 69 below.

[3] The Stoke figure is calculated by taking the Money Charity's April 2019 figure for unsecured borrowing of £7,888 per household and multiplying it by the 165,000 households across Stoke-on-Trent and Newcastle-under-Lyme. This excludes debt such as rent, fuel, council tax

The plans contained in this document outline a response that is on a much larger scale than ever attempted before, offers an innovative approach that seeks to integrate financial inclusion services into a coherent whole system approach to tackling the problem.

The Stoke-on-Trent and Newcastle-under-Lyme Financial Inclusion Group is launching a 10 year initiative to tackle the interconnected issues that create the problem:

- **Overindebtedness** – where people cannot manage their bills and credit commitments and are at risk of losing something important;

- **Low levels of financial capability** – where people struggle to manage their money because they lack the knowledge, skills and confidence to do so; and

- **Financial Exclusion** – where people struggle financially because of the direct actions or ommissions of third parties.

This strategy tackles these problems by developing an integrated service of debt advice, money guidance and access to affordable credit from ethical lenders delivered at scale across the area in places where the people who need this help appear regularly and feel at ease.

As a result we aim to support 50,000 people to become financially included across the lifetime of the strategy.

This strategy and business plan is informed by work commissioned from Alistair Grimes and Niall Alexander (see Appendix 6) that looked at the following:

- Evidence gathering and data collection (proof of need);
- What works elsewhere (proof of concept);
- Identifying existing capacity, gaps in capacity and ways of building capacity;
- Identifying what might be reasonably achieved over a five-year period, quantifying benefits and how that would be delivered (proof of value for money).

This strategy has also been written in the light of the plans the newly formed Money and Pension Service is developing. The work arising from this strategy will complement as far as possible initiatives supported by the Money and Pensions Service, especially where their initiatives and commissioned services will improve the lives of local people.

## 2. The Strategy

***Our vision is that by 2025 tackling financial exclusion will be transforming Stoke-on-Trent and Newcastle-under-Lyme, changing lives, aspirations and cultures around money and reducing poverty.***

**To do this we need to tackle problems of:**

- Over-indebtedness,
- Low levels of financial capability and
- Financial Exclusion

**We will do this by investing in the following areas:**

- **Advice to the public** on debts, benefits, income maximisation, energy options and crisis support;
- **Financial products** – the provision of social and affordable credit, banking, saving, insurance, white goods;
- **Building financial skills and confidence** – through one to one and group money guidance sessions to the public and through training front-line staff to support service users;
- **Education –** financial education in schools, further and adult education;
- **Multi-channel delivery** – using new outlets for the new services;
- **Campaigns** – challenging policy, legislation and commercial practices that cause or exacerbate financial exclusion.

**To support this we will:**

- Develop a multi-channel approach to advice offering access by phone, webchat and delivering advice face to face in a variety of settings across the area;
- Integrate money guidance, access to credit and advice to provide complete solutions to financial exclusion;
- Deliver services in accessible locations where people go (e.g. schools, community centres, health settings);
- Make available and promote the latest innovations in Fintech;
- Invest in the training and development of staff both to upskill existing staff and to significantly increase the pool of advisers;
- Identify groups of people at especial risk of financial exclusion (e.g. people with poor mental health) and target solutions and services for them delivered where they receive other support.

## What will change for beneficiaries?

- Over the life time of this programme 40,000 people will receive advice on their debts.

- 10,000 will become debt free following a successful application for a Debt Relief order[4].

- Another 10,000 will have their debts brought under control through debt management plans, informal payment plans and negotiated repayments[5].

- As a result of this they will be on average £2,750 a year better off[6]

- The return on investment for £8 million invested in generic advice will be £55,000,000 improvement in the financial circumstances of beneficiaries

- 17,250 people will be helped to switch energy supplier or tariff and take advantage of other energy saving measures, saving on average £300[7] per household on their bills – total ROI up to £5,175,000

- 12,500 people will be helped to claim the social security benefits they are entitled to. On average they will be better off by £4,096 p.a. giving a total ROI of £51,200,000[8].

- 40,000 people will be better equipped to manage their money confidently having received support and training to improve their knowledge skills and confidence.

- 3,000 young people each year will leave school having received basic financial education.

- 2,000 people will be borrowing money cheaply and safely from Moneyline.

- 2,000 people will have joined and be saving with and borrowing from a new credit union. Some will have ceased to be 'unbanked' for the first time.

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[4] Based on a sample of 1,953 debt clients seen by Citizens Advice Staffordshire North & Stoke-on-Trent in 2018/19

[5] Ditto

[6] Based on a larger sample of CASNS clients receiving debt advice in 2018/19 (3,543). In 2007 the Ministry Of Justice reported that people receiving debt advice were £7,500 better off p.a. the following year. However, since then the average amount of debt has fallen significantly especially since the financial crash. Typically CASNS clients owe £8,278 each compared to £22,577 in 2006/7, roughly 1/3 as much therefore the benefit has been scaled down accordingly.

[7] Based on Ofgem's figures for the average savings to be made by the 60% of customers who have not yet switched their supplier

[8] Based on estimates of unclaimed benefits taken from DWP figures by Steve Johnston at Stoke-on-Trent City Council

## Financial Forecasts & Volumes

| Work stream | Activity | Cost (£) | Beneficiaries (Years 0-5) | Cost/Beneficiary | Committed | Investment required |
|---|---|---|---|---|---|---|
| **Over - indebtedness** | **Money and specialist debt advice - all** | £8,145,000 | 32,000 people | £254 | £1,896,000 | £6,249,000 |
| | **Advice – mental health** | £1,045,000 | 4,000 people | £261 | £20,000 | £1,025,000 |
| | **Advice – disabled & older people** | £775,000 | 4,000 people | £194 | £0 | £775,000 |
| | **Total** | **£9,965,000** | **40,000 people** | **£249** | **£1,916,000** | **£8,049,000** |
| **Financial Capability** | **Financial Education in schools** | £145,000 | 50 schools | £2,500 per school | £0 | £145,000 |
| | **Governors support** | £33,000 | 60 schools | £700 per school | £0 | £33,000 |
| | **Parenting & Transitional Support** | £145,000 | 5,000 people | £29 per person | Existing provision | £145,000 |
| | **Family money guidance** | £315,000 | 2,750 families | £115 per family | £50,000 | £265,000 |
| | **Money guidance – adults (extra to advice)** | £484,000 | 1,850 people | £260 per person | £157,000 | £327,000 |
| | **Fin Cap support to front line staff** | Included in above | 500 front line staff | £206 p.p. incl. front line staff | See above | See above |
| | **Energy advice** | £300,000 extra | 17,250 people | £17.50 per person | Some existing | £300,000 |
| | **Benefit Take Up** | £620,000 | 12,500 | £30 per person | Existing provision | £620,000 |
| | **Total** | **£2,042,000** | **20,100 people<br>60 schools** | **n/a** | **£207,000** | **£1,835,000** |

| Work stream | Activity | Cost (£) | Beneficiaries (Years 0-5) | Cost/Beneficiary | Committed | Investment required |
|---|---|---|---|---|---|---|
| **Financial Exclusion** | **Moneyline** | £1,710,000 | 2,000 new borrowers | £0 | Moneyline's investment £1,710,000 | None |
| | **Credit Union** | £60,000 | 2,000 new members | £30 | Credit Union's investment | £60,000 |
| | **Foodbanks & Crisis Support** | £220,000 | 61,343 | £3.60 | £0 | £220,000 |
| | **Campaigns** | £164,000 | Unknown | n/a | £0 | £164,000 |
| | **Total** | **£2,154,000** | **n/a** | **n/a** | **£2,154,000** | **£444,000** |
| **Delivery** | **Project Management** | £900,000 | No direct beneficiaries but these investments will underpin the delivery of the activities listed above. | N/a | £0 | £900,000 |
| | **Marketing** | £60,000 | | | £0 | £60,000 |
| | **Training** | £428,000 | | | £0 | £428,000 |
| | **Technology** | £100,000 | | | £0 | £100,000 |
| | **Evaluation** | £100,000 | | | £0 | £100,000 |
| | **Total** | **£1,588,000** | **See above** | **n/a** | £0 | **£1,588,000** |
| **Grand Total** | | **£15,749,000** | **50,000[9]** | **£261** | **£3,833,000** | **£11,916,000** |

[9] This figure allows for overlaps between activities and people using the services more than once

## 3. The Scale of the Challenge

Below a series of tables and graphical representations that set the background for the challenge to be addressed.

The scale of the issues is generally what defeats good work from being recognised in locations similar to this one. Much good work can be found on the ground, but its scale is never sufficient for measurable impact to be made.

This plan aims to get service provision scaled up to meet the enormous need in the area such that the level of need will, over time, start to reduce.

From an adult population of 270,400 living in 170,000 households across Stoke and Newcastle:

- 93,000+ people are over-indebted,
- 61,000+ households with less than £20,000 annual income,
- 30,000+ adults with no qualifications. Literacy and numeracy poor for many more.
- 50,000 potential sufferers of poor Mental Health,
- 14,800 children technically living in poverty, predicted to rise to 18,800 by 2020,
- Very fragile work economy, low wage and zero hour contracts abound.
- Area predicted to lose £80m p.a. from welfare reforms.[10]

**Table 1. Household Income (includes all earnings and any benefits received).**
Updated December 2018 Mosaic MPS6-2-18 Data

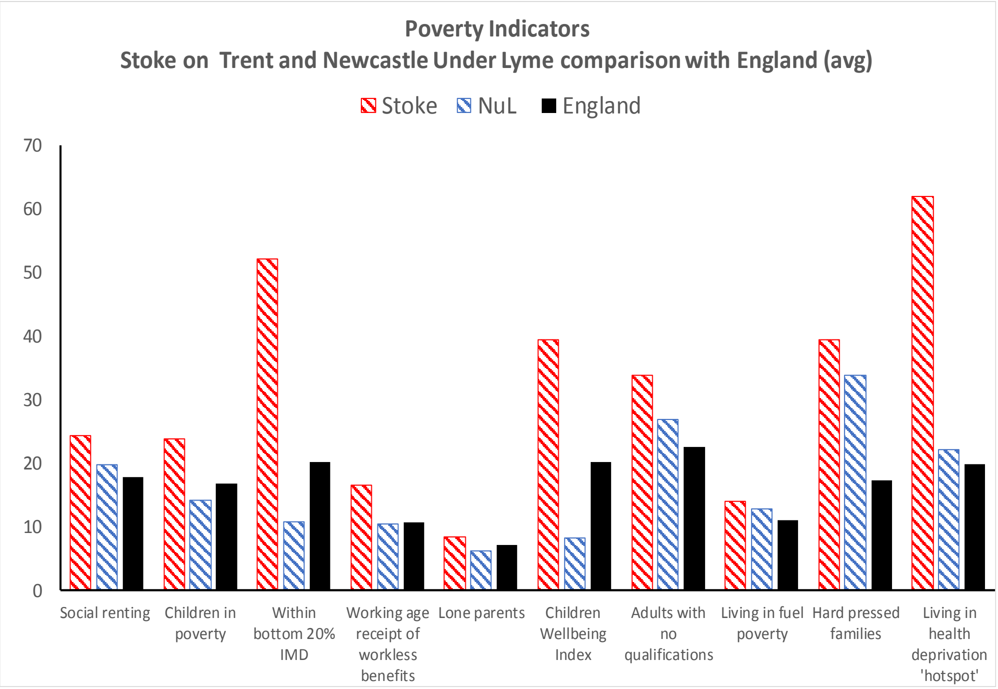
| | **Up to £15k** | **£15k-£19k** | **£20k-£29k** | **£30k-£39k** | **£40k-£49k** | **£50k-£59k** | **£60k-£69k** | **£70k-£99k** | **£100k +** | **Totals** |
|---|---|---|---|---|---|---|---|---|---|---|
| National % | 20.43 | 7.94 | 20.64 | 15.89 | 12.44 | 7.39 | 4.68 | 6.47 | 4.13 | 100.00 |
| Stoke on Trent % | 28.18 | 10.25 | 27.26 | 14.82 | 10.39 | 4.51 | 2.02 | 1.98 | 0.59 | 100.00 |
| Newcastle under Lyme % | 23.06 | 8.68 | 24.36 | 16.32 | 12.13 | 6.08 | 3.27 | 4.00 | 2.11 | 100.00 |
| Stoke on Trent No. | 32,347 | 11,764 | 31,285 | 17,013 | 11,924 | 5,181 | 2,317 | 2,271 | 676 | 114,778 |
| Newcastle under Lyme No. | 12,772 | 4,804 | 13,487 | 9,035 | 6,715 | 3,367 | 1,813 | 2,212 | 1,167 | 55,372 |
| **Total Households** | **45,119** | **16,568** | **44,772** | **26,048** | **18,639** | **8,548** | **4,130** | **4,483** | **1,843** | **170,150** |

Underpinning many of the problems that interact to create financial exclusion is the poverty that is endemic in the area. Table 1 demonstrates clearly the preponderance

[10] Policy and Practice – Steve Johnston Stoke-on-Trent City Council

of households in the bottom income brackets and how far behind the rest of the country Stoke-on-Trent and to a lesser extent Newcastle-under-Lyme lag.

**Table 2**.




- In 2013 the Money Advice Service ranked Stoke-on-Trent as the 18th most over-indebted local authority in the country and Newcastle-under-Lyme as the 91st [11]
- In 2016 the Money Advice Service ranked Stoke as the 12th most over-indebted local authority area in the UK and 2nd in the West Midlands. Newcastle-under-Lyme was the 17th most over-indebted in the West Midlands.[12]

Given the economic and demographic data included in this report it is not surprise that financial exclusion is such a large problem locally. This is the scale of the problem FIG have set themselves to solve.

[11] Op Cit MAS November 2013.

[12] 'A picture of over-indebtedness' – Money Advice Service March 2016

## 4. Work streams

To deliver this plan we have divided the themes into a series of work streams. The following sections summarise what we propose to do in each work stream. Each work stream and the specific activities we will deliver are explained in with detailed targets, outcomes and milestones in Appendix 4.

### 4.1 Over-indebtedness

#### 4.1.1 Outcomes:

- people have timely and easy access to debt advice and debt resolution
- services are available through a variety of channels and at a variety of locations
- advice services are quality marked to an industry standard QM and peer reviewed
- services targeted at specific population groups are available- income maximisation services are operating at scale

#### 4.1.2 Advice as a remedy for over indebtedness

The range of advice remedies required for over-indebtedness will be influenced by the complexity or urgency of the problem and by the capability and confidence of the client. This is explained in more detail in the delivery plan (Appendix 4.1)

This is also where the causes of low financial capability impact most on over-indebtedness and where segmenting clients into identifiable groups may be beneficial. These include the groups such as those with poor mental health, 'troubled' families etc.

The main challenge we face is capacity. There is simply insufficient capacity within the current debt advice sector in North Staffordshire to do more than scratch the surface of the problem. Our proposal aims to increase the scale of provision significantly, while at the same time ensuring that services are not delivered in isolation from each other and are flexible enough to meet the needs of a variety of groups of clients and potential clients with a wide range of needs.

We recognise that many people needing debt advice have pre-existing relationships with unregulated organisations. Consequently working with them to maximise engagement but supplementing their services by embedding money advisers with them or working closely on referrals (the detail will be determined by the specific circumstances of each participating organisation).

We also recognise that to achieve the scale of intervention envisaged here will require us to significantly and rapidly increase the pool of debt advisers locally. We have earmarked funding to invest in developing a training programme that will be able to take people with no previous advice experience or background, but who possess the right qualities and skills, and train them to a recognised level of competence in a relatively short space of time.

In doing this we will draw heavily on the expertise of partners who have done this locally, albeit in different advice disciplines.

**4.1.3 Initial Actions:**

1. To review what services and to which people each provider is delivering, in what numbers, at what cost and by what system.

2. To change local practice in light of these findings, of the research undertaken and further or forthcoming national developments.

3. To establish now best the current services can be expanded and added to with other services from the proposed new range.

4. To design an operating model that combines easy access to advice and debt resolution with multiple channels, while ensuring delivery is consistent across all providers and to a common quality standard.

5. To invest in the capacity to train and recruit large numbers of new money advisers and debt caseworkers using a combination of volunteers and paid advisers.

## 4.2 Financial Capability

**4.2.1 Outcomes:**

- financial education is included in the curriculum of all schools across the city and borough
- whole family approaches to financial confidence building are operating at appropriate locations
- financial education is a core part of the local continuing education offer
- energy advice and awareness raising sessions are operating
- one to one Money Guidance sessions are available for those needing them.

**4.2.2 Our Approach to Financial Capability – Money Guidance**

We recognise that issues around low levels of financial capability affect people at all life stages. While there is an unanswerable case to improve the quality and reach of financial education in schools, we also accept that there are many adults who have missed out on financial education in schools but should not be disadvantaged by their poor early experiences and support must be available for adults too.

In keeping with the Money and Pensions Service approach our response to low levels of financial capability will be Money Guidance. We will take a broad approach to this area and will include benefit awareness, and pensions knowledge within our definition of Money Guidance, as well as focusing on developing skills, knowledge and confidence around budgeting, using credit, banking, saving and the other traditional financial capability topics. In short we will take a rounded view of the subject and aim to build people's knowledge, skills and confidence across a range of money issues and across the full range of life stages. It's never too late to learn.

Money Guidance will underpin our approach to working with clients whatever their issue. We believe that effective Money Guidance can provide people with the skills, knowledge and most importantly the confidence to manage their money better, thus reducing their chances of experiencing financial exclusion in the future.

#### 4.2.3 Initial Actions

1. Utilise the developing partnerships with educational providers across primary and secondary education to ensure financial education is delivered as a key part of the curriculum and that educational providers recognise the links between financial exclusion, child poverty and poor educational attainment.
2. Work with early years and early intervention services to build Money Guidance sessions into family support services as a key element of them.
3. Invest in the capacity to integrate one to one adult Money Guidance in with unregulated and regulated debt advice and debt resolution services to offer an integrated package of support.
4. Promote the take up of benefits and tax credits especially those with notoriously low take up rates such as Pension Credit and invest in services to support groups working with older people.

### 4.3 Financial Exclusion

#### 4.3.1 Outcomes

- affordable credit is available via a thriving CDFI and locally operating credit union
- access to affordable and appropriate products from mainstream institutions is easy
- there is an effective and well-informed voice arguing on behalf of local people experiencing financial exclusion
- action is being taken to address the underlying determinants of financial exclusion
- crisis support services are adequately resourced and operating efficiently

#### 4.3.2 Our Approach to Financial Exclusion

This is a much wider issue and encompasses a range of problems, many of which contribute to over-indebtedness and/or exacerbate low financial capability:

- Lack of affordable credit and the high cost of credit available to people on low incomes;

- Exclusion from best fuel tariffs, phone/broadband bundles, discounts on a range of services;
- A confusing and complex energy market that is impossible to navigate effectively for the digitally excluded;
- Food poverty, holiday hunger etc;
- Benefit cuts;
- Cuts to & withdrawal of state provided crisis support and shift to charitable support;
- Access to financial services – closure of bank branches (linked to poor transport to those that remain);
- Debt collection policies and practices (public and commercial sectors);
- Digital exclusion – leading to people being unable to bank online, shop online, use price comparison sites to get better/best deals on a range of services;
- Geographical accessibility – isolated peripheral social housing estates & the linear city
- Low wage growth, low wage jobs, changes in labour market (gig economy).

This strategy recognises that financial exclusion is not the result of personal inadequacies, lifestyle choices or other individual failings, but poor people often suffer through the deliberate actions of commercial organisations and government bodies.

The highlighting of the so-called 'Poverty Premium' by, amongst others, the Save the Children Fund [13] is one example of this. This is where poor people, who are more likely to be financially excluded, pay more for basic services than their better off counterparts. This includes being excluded from the best deals on fuel supplies and paying higher charges for credit because they are perceived as a higher risk.

These policies, procedures and actions often exacerbate pre-existing financial exclusion.

Alongside these commercial factors are other policy decisions, often affecting the allocation of resources that mean that services that benefit the poorest and most financially excluded are the most vulnerable to cuts in times of financial stringency.

To help tackle these issues we believe that there are a number of actions and strategic investments that we can make. Alongside this we will explore the capacity

[13] 'The Poverty Premium' Save the Children Fund 2007 and subsequent policy briefings

within the partnership (and supplement it where we can) to conduct evidence-based campaigning on behalf of our beneficiaries.

This may involve responding to FCA consultations on changes to the regulation of debt advice or the provision of short-term, high cost credit, for example; or highlighting to local politicians the impact of their decisions on the provision of crisis support. Whatever the issue our approach will be constructive, non-partisan and will be rooted in the evidence of problems we identify through supporting and advising local people or surveying their views and experiences, or from collation and interpretation of statistical evidence.

We have identified a major gap in local provision around affordable credit available to financially excluded people. Currently there are few real alternatives to the commercial short-term high cost providers, home credit providers and rent to own retailers. However, as the research in Appendix 5 clearly shows this is a market that is undergoing significant change, especially following FCA interventions. As the number of people able to access 'pay day loans' fell dramatically following the imposition of a cap on interest and other interventions, we also expect a fall in the usage of rent to own retailers if similar measures are imposed.

This begs the questions what are the alternatives and how do we prevent people resorting to unlicensed and illegal lenders?

#### 4.3.3 Initial Actions

1. Work with Moneyline to promote their products and increase their customer base to expand their reach and sustainability;

2. Continue discussions with a nearby well-founded credit union to support their expansion into Staffordshire;

3. Work with other providers and organisations to address any shortfalls in provision arising from regulatory interventions in the rent to own market;

4. Map the need for and provision of crisis support services (including Food banks) and invest in plugging gaps.

## 4.4 Delivery Model

#### 4.4.1 Outcomes

- there is an established and trusted local brand delivering services across the area through an effective and well-governed partnership;
- services and resources are coordinated and integrated to achieve the greatest impact;
- new resources have been identified and accessed to supplement existing resources;
- local commissioners are including financial inclusion elements in service specifications as a matter of course;

- the partnership can demonstrate the effectiveness of its actions through robust evaluation.

### 4.4.2 Our Approach to Delivery

Our overarching strategy is to redesign existing services so that they can deliver as efficiently as possible; and then to attract funding to increase the volume of the redesigned services before delivering these and new services to many more people through the expanded range of settings (places). To achieve this, assuming resource is available, will take three to five years before we have services delivering the volume needed to make real impact on the current position. There will be wide variance in the growth of the volumes across different services and across different settings.

Alongside the services redesign and delivery, there will be other features of the overall plan to build into the offer for the customer. These will include:

- The application of the latest technology to the running and management of services;
- More importantly, the use of digital tools available to beneficiaries to help them to manage their money better;
- The development of the Trusted Brand, once services prove they are up to our required standard of delivery.

There will also be development of the Financial Inclusion Group as the manager of all of this which will include;

- How partners work together in the delivery of services.
- How management information is collected, collated and made use of
- How the overall plan is kept alive and on track
- How incoming funds for the plan are used for the best outcomes for the customers
- How results are used to learn and improve service delivery.

Appendix 4.4 looks at this in more detail.

The minimum outcomes for the first five years would include:

- High Quality services which will continuously improve and be able to serve many more people more efficiently.
- The number of individuals in the area who are in need of help will have reduced, as services provide help which changes their ability to look after their money better.
- All partners will have better outcomes for their users and for their funders.

- There will be a dependable range of services to meet all of the needs apparent at that time.
- The Partnership will have evolved to be recognised as the experts in this field and the system in place would be replicable in other locations.

**4.4.3 10 Year programme**.

As progress is made, which by definition will be in an ever changing and challenging environment, The FIG should be able to determine future needs and possibilities. This will inevitably lead us to refine and change the delivery model. Eventually this may entail a new entity to be developed to maximise the support for customers and/ or to take advantage of the income generation activities leveraged by the volume of customers using the Trusted Brand.

This could include, for example, the following areas based on current policies and needs:

- Good value insurance
- Energy provision
- Lower cost lending

However, these issues are likely to change over the period of the plan and the provision will have to change to address the needs at the time. Any commission earned and paid to the Trusted Brand as a result of customers taking up an offer, would have to be paid to a charitable body where it would then be used to fund further services.

**4.4.4 Skills**

We recognise that to provide sufficient advisers and caseworkers to deliver the scale of intervention that we envisage we will need to undertake a major training initiative. Many of the new staff we recruit will inevitably have little or no experience in money advice or debt resolution and therefore we will need to invest in the staff and programmes to bring them to the level where they can deliver advice of the quality we expect. To do this we will build on existing expertise within the partnership but have built into the plans investment in training capacity.

**4.4.5 Quality**

We recognise that the advice that we give will need to be delivered to a suitable quality standard. We would expect all direct providers of advice to meet the Money and Pension Service’s Giving Good Debt Advice standard or whatever equivalent standards are required by the FCA or other regulators as shall apply at the time.

We will only commission regulated debt advice from providers with the appropriate accreditation and those we are satisfied have in place quality assurance systems that will ensure as far as possible that local people get the best advice they can.

Providers will be expected to use effective methods of supervision and quality assurance, such as internal auditing and peer review. Advisers will be expected to undertake a certain amount of CPD training each year (to be confirmed) with recognised external training providers or via our local training provision.

We will seek to develop a local peer review mechanism based on DAPA or the equivalent that is required of services funded by the Money and Pensions Service.

Our aim is that the Trusted Brand becomes synonymous with high quality and effective advice.

For clarity:
When we say ‘Money Guidance’ we mean general advice on bank accounts, saving, budgeting, fuel and water accounts. This is unregulated advice.

When we say ‘Money Advice’ we include elements of money guidance and debt advice, including advising on options for resolving problems with debts regulated by the Consumer Credit Act.

‘Debt advice and resolution’ includes specialist debt advice and, where appropriate the implementation of debt solutions such as Debt Relief Orders. This involves advice and taking action on debts regulated by the Consumer Credit Act.

Debt Relief Orders are regulated by the Insolvency Service and only intermediaries authorised by the Insolvency Service can apply for DROs.

The Consumer Credit Act is enforced by the Financial Conduct Authority.

# Appendix 1: Supply Mapping

## A1.1 Introduction

An important part of this process has been to try and assess what supply is already in place, what capacity it has, what activities it delivers and how sustainable is it. Once we have established this baseline then we can identify the gaps in activities and the shortfalls in capacity that we need to plug.

To try and measure supply FIG undertook a survey in early 2019. We contacted all the organisations affiliated to FIG plus other organisations known or suspected to be delivering some sort of financial inclusion activity. In all 30 organisations were identified and contacted. Several responded saying that they did not provide the type of services we were interested in. 7 organisations provided detailed responses.

These comprised:

- 1 local authority revenue and benefits team;
- 1 water company;
- 2 third sector money advice providers and
- 3 social landlords

## A1.2 Survey results

| | | Levels | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Delivery Channels | Information | Assisted Information | Initial Advice | Unregulated advice | Regulated advice - advice | Regulated advice - casework | Debt Resolution | Advocacy | TOTAL ALL LEVELS |
| 1 | 1. Online information – public access: what's out there – no involvement from us | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| 2 | 2. Online information – assistance: what's out there where we help people to access it | 0 | 432 | 0 | 0 | 0 | 0 | 0 | 0 | **432** |
| 3 | 3. Telephone: as a first contact/entry to other services | 60 | 20 | 40 | 16 | 30 | 30 | 0 | 0 | **196** |
| 4 | 4. Telephone: to deliver advice/casework | 0 | 0 | 0 | 0 | 54 | 91 | 79 | 0 | **224** |
| 5 | 5. Webchat: as a first point of contact and to deliver information or initial advice | 0 | 120 | 5 | 0 | 3 | 0 | 0 | 0 | **128** |
| 6 | 6. Email: mainly as a 1st point of contact –has data security implications | 10 | 15 | 15 | 40 | 76 | 0 | 13 | 0 | **169** |
| 7 | 7. Face to face: office based – full service – clients visit us | 0 | 759 | 35 | 60 | 2332 | 1924 | 692 | 40 | **5842** |
| 8 | 8. Face to face (outreach): full service – we visit clients neighbourhoods or homes (home visits) including 'embedded' advisers working with other professionals | 0 | 50 | 347 | 50 | 50 | 404 | 310 | 0 | **1211** |
| 9 | 9. Remote face to face: Skype / facetime / webchat | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| | **TOTAL ALL CHANNELS** | **70** | **1396** | **442** | **166** | **2545** | **2449** | **1094** | **40** | |

The sections highlighted in blue show the number of people given any sort of substantive advice. That produces a total of 5,170 people currently receiving a service. It should be noted that the figure for webchat was originally much higher, but as the service is very superficial and national, the figures have been largely excluded from this analysis.

In addition we requested further information on the organisations themselves and identified the following:

- All 7 were registered with the FCA;
- 28 f.t.e advisers were identified;
- 14 Institute of Money Advice members were identified and 14 who had some other professional accreditation;
- 3 held a quality certificate from a recognised QA scheme and 4 didn't
- 6 of the 7 offered financial capability support in group sessions and 1 organisation offered one to one sessions;
- 5.5 staff were identified delivering this
- 2,200 people a year were receiving this.

**A1.3 Conclusion**

This exercise had serious limitations, and once a project team has been established we will repeat the exercise to try and gain an up to date picture of the current market.

However, even from this limited data it is clear that there is a significant gap between supply and demand which the programme intends to bridge. This demonstrates the scale of the problem we face and the scale of the response required to make a noticeable impact on the problem.

The main providers of generic money advice and regulated debt advice are Citizens Advice Staffordshire North and Stoke-on-Trent and Saltbox, while many of the social landlords offer a mixture of regulated debt advice money guidance to their tenants.

# Appendix 2. Financial Strategy & Forecasts

### A2.1. Financial Strategy

In order to deliver the ambitions outlined in the strategy the Financial Inclusion Group needs to identify and secure significant additional investment, especially to achieve the scale of intervention necessary to make a significant impact on the problem.

To do this we must look beyond the normal funders for advice, guidance and associated activities as none of these on their own will deliver the amount of money for the length of time necessary to enable us to make the required impact.

This strategy outlines our approach to securing the necessary levels of funding.

### A2.2. Background

Currently financial inclusion services are funded from the following sources:

| Funding Stream | Examples | Issues |
|---|---|---|
| **National funding** – Industry Funding – levies and contributions from financial and energy providers | Money and Pensions Service – face to face debt funding<br><br>Money and Pensions Service – webchat funding | Although this funding has been constant and consistent since 2004, with the transition from MAS to the Money and Pensions Service all face to face and specialised services are likely to be recommissioned within the lifetime of this strategy. There is no guarantee that current funding levels will be maintained or the same services specified in the future. |
| | Energy best Deal Extra | For strictly time limited periods (6 months) and never guaranteed to recur. |
| Local government | Stoke-on-Trent City Council's Citywide advice service | There are debt elements within this service, the current contract for which is due to run until 31/3/23 subject to all extensions being implemented and the City Council being able to continue funding it |
| | Newcastle-under-Lyme Borough Council | Currently funds a debt and financial wellbeing service, but only until 31/3/20 |
| | In-house provision | Linked to revenues and benefits function mainly. Not always viewed as independent. Generally for unregulated advice and guidance. |

| | | |
|---|---|---|
| | Family Finance | A 1 year initiative (with a possible second) that will allow us to do a certain amount of work in the time, but won't allow long term developments. |
| In house provision | Social Landlords providing financial inclusion support to their tenants as part of their tenancy support function | Limited only to their residents |
| | Salt box – Money Matters | Subject to being able to secure continuation funding |
| Trusts and Charities | National Lottery Community Fund support for Potteries Moneywise | NLCF is time limited (currently in 2nd year of 3 following a 4 year strategic investment) |
| | Energy Trusts | Highly competitive and short term. Often with onerous monitoring requirements |
| | Oak Foundation | Funded development work Moneyline & Mental health pilot |
| | Comic Relief | Funded a project delivering money guidance to deaf people for 3 years but by the time we came to renew, CR's priorities had changed and no further support was possible |

Consequently delivering sustainable, long-term services is a struggle as few funders currently support long term initiatives. The piecemeal and uncoordinated nature of the current funding landscape also mitigates against area-wide integrated initiatives delivered at scale unless, by chance, the various strands can be knitted into a sensible pattern.

However, Staffordshire North and Stoke-on-Trent Citizens' Advice's funding from MAPS (via Citizens Advice nationally) and the Citywide Advice Service provides a reasonably predictable and secure baseline for the advice elements of the strategy.

### A2.3. Principles

The principles that inform this strategy and our approach to delivering this strategy include:

- **Transparency** – we are committed to being open and honest about how we spend funders' money and the impact we have achieved with their funding.
- **Accountability** – we are committed to reporting back to funders how we have spent their money and providing clear and comprehensive reports on spend in line with regulatory requirements.

- **Value for money** – we are committed to achieving value for money in all our activities. This means we will focus on delivery and impact and in being able to demonstrate impact. We will not attempt to provide services on the cheap, but ensure we offer high quality, effective services that maximise the return on investment. However, we will use existing resources, premises and expertise where we can and avoid unnecessary additional cost.

- **Ethical –** as far as possible we will ensure that our activities and services have no negative impacts and improve people's lives. We will ensure as far as possible that we accept funding only from organisations and donors who support our values and approach.

- **Beneficiary focused** – our activities will be focused solely on improving the lives of those currently experiencing financial exclusion and that will be our primary criterion in deciding which activities to pursue. We will also listen to beneficiaries as we are developing services and adapt accordingly.

### A2.4. What we are seeking

Investments to support the delivery of this strategy that focus on outcomes achieved, changes made and impact, rather than outputs will give us the flexibility to redesign services to meet the needs we have identified here. Medium-term investments provided over the full time span of the strategy will give us an opportunity to make a sustained impact over time, rather than a short term impact in a one or two year project.

Investments that allow us to operate at scale will enable us to make the most significant impact on the problem, benefit the maximum number of people and allow us to have a more sustainable offer going forward.

### A2.5. What the money will be spent on

- **Delivery** – we will use the investments to support service delivery at scale across a range of activities described in this strategy.

- **Support** – alongside this we recognise that service delivery must be properly managed, quality assured and supported and we will invest in that. Alongside that the project itself will require support from a project team who will carry out the necessary administration, monitoring and management.

- **Development** – we recognise that an initiative of this kind requires significant development support and we will use some of the funding, as detailed below to support the development of the strategy.

- **Sustainability** – we recognise that to make a long term impact we need to ensure our services sustainable over the long term. We will invest in seeking ways of achieving this.

- **Innovation** – while innovation will not be the main priority (many tried and tested services work exceptionally well – we just need more of them) we will take opportunities to invest in innovative approaches where we believe they will add value and make genuine improvement to services.

**A2.6. Timescale**

This initial budget covers the first 5 years of the programme. Based on our experience of the first 5 years we will produce a further budget for the following period.

**A2.7 Financial Forecast Years 0 to 5**

This forecast has been prepared to illustrate the scale of investment required to deliver the scale of impact envisaged, how that will be split between the different themes and what it will be spent on. It also provides a target for the funding we need to raise at this point in the programme.

We have included a year 0 to reflect the fact that this is being drafted in 2019/20, work is underway funded from existing sources some of which will continue beyond the current year and some will not.

If funding is obtained and can be spent within this financial year then the forecast will be adjusted to accommodate that.

The main areas of spend will be on the provision of advice and financial capability services. The costs are for salaries, running costs and overheads to enable those services to be delivered effectively and to the required quality standard.

Project Management costs have been calculated as the salaries of the staff involved plus on-costs and a contribution towards their running costs.

This forecast is flexible and represents our thinking at the outset of this programme. We aim to be responsive to change and flexible so if new opportunities arise or some proposed initiatives do not work we will change the plan and the financial forecasts accordingly.

If we need to raise further funding, especially as the programme matures and develops then we will. The target figure will be based on a revised financial forecast. The FIG and Project Management team will take responsibility for managing the funds, distributing them amongst the delivery partners and monitoring the return on investment in terms of outputs, outcomes and impact.

Using the performance measures mentioned in Appendix 6.3 we will be able to demonstrate the return on the funds invested in this programme.

## A.2.8 Financial Forecast 2019-2025

| Financial Forecast | | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Workstream | |
|---|---|---|---|---|---|---|---|---|---|
| **Work stream** | **Activity** | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | **Total** | **Total** |
| **Over-indebtedness** | **Specialist debt & money advice** | 475,000 | 1,100,000 | 1,430,000 | 1,700,000 | 1,715,000 | 1,725,000 | | **8,145,000** |
| | **Advice -mental health** | 20,000 | 125,000 | 165,000 | 240,000 | 245,000 | 250,000 | | **1,045,000** |
| | **Advice -disabled &older people** | | 95,000 | 95,000 | 190,000 | 195,000 | 200,000 | | **775,000** |
| | | | | | | | | | **0** |
| | | | | | | | | **9,965,000** | **0** |
| | | | | | | | | | **0** |
| **Financial Capability** | **Schools Project** | 0 | 30,000 | 25,000 | 30,000 | 30,000 | 30,000 | | **145,000** |
| | **Governers Support** | 0 | 7,000 | 7,000 | 7,000 | 6,000 | 6,000 | | **33,000** |
| | **Transitional Support** | 0 | 30,000 | 25,000 | 30,000 | 30,000 | 30,000 | | **145,000** |
| | **Money Guidance** | 158,000 | 80,000 | 60,000 | 61,000 | 62,000 | 63,000 | | **484,000** |
| | **Family Support** | 50,000 | 51,000 | 52,000 | 53,000 | 54,000 | 55,000 | | **315,000** |
| | **Benefit Take Up** | 0 | 120,000 | 122,000 | 124,000 | 126,000 | 128,000 | | **620,000** |
| | **Energy Advice** | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | | **300,000** |
| | | | | | | | | **2,042,000** | **0** |
| **Financial Exclusion** | **Credit Union** | 30,000 | 30,000 | 0 | 0 | 0 | 0 | | **60,000** |
| | **Moneyline** | 285,000 | 285,000 | 285,000 | 285,000 | 285,000 | 285,000 | | **1,710,000** |
| | **Foodbanks/Crisis Support** | 30,000 | 31,000 | 35,000 | 40,000 | 42,000 | 42,000 | | **220,000** |
| | **Campaigns** | 0 | 30,000 | 32,000 | 33,000 | 34,000 | 35,000 | | **164,000** |
| | | | | | | | | **2,154,000** | **0** |
| | | | | | | | | | **0** |
| **Delivery** | **Proj Mgt** | 40,000 | 168,000 | 170,000 | 172,000 | 174,000 | 176,000 | | **900,000** |
| | **Marketing** | 0 | 20,000 | 11,000 | 12,000 | 12,000 | 5,000 | | **60,000** |
| | **Training** | 8,000 | 80,000 | 82,000 | 84,000 | 86,000 | 88,000 | | **428,000** |
| | **Technology** | 0 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | | **100,000** |
| | **Evaluation** | 0 | 15000 | 20000 | 20000 | 20000 | 25000 | | **100,000** |
| | | | | | | | | **1,588,000** | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| **Total** | | 1,146,000 | 2,367,000 | 2,686,000 | 3,151,000 | 3,186,000 | 3,213,000 | | **15,749,000** |

| Income Committed | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Work stream** | **Activity** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **2023/24** | **2024/25** | | Total |
| **Over-indebtedness** | **Advice model** | 474,000 | 474,000 | 474,000 | 474,000 | | | | **1,896,000** |
| | **Mental Health** | 20,000 | | | | | | | **20,000** |
| | | | | | | | | | **0** |
| | | | | | | | | | **0** |
| | | | | | | | | | **0** |
| | | | | | | | | | **0** |
| **Financial Capability** | **Schools Project** | | | | | | | | **0** |
| | **Governers Support** | | | | | | | | **0** |
| | **Transitional Support** | | | | | | 0 | | **0** |
| | **Money Guidance** | 157,000 | | | | | | | **157,000** |
| | **Family Support** | 50,000 | | | | | | | **50,000** |
| | | | | | | | | | **0** |
| **Financial Exclusion** | **Credit Union** | | | | | | | | **0** |
| | **Moneyline** | 285,000 | 285,000 | 285,000 | 285,000 | 285,000 | 285,000 | | **1,710,000** |
| | **Foodbanks/Crisis S** | | | | | | | | **0** |
| **Total** | | 986,000 | 759,000 | 759,000 | 759,000 | 285,000 | 285,000 | | **3,833,000** |
| | | | | | | | | | |
| **Investment Requested** | | **160,000** | **1,608,000** | **1,927,000** | **2,392,000** | **2,901,000** | **2,928,000** | | **11,916,000** |

# Appendix 3: Governance and structure

### A3.1 Introduction

This section brings together several issues that sit behind the actual delivery of financial inclusion activities but are nonetheless vital to the delivery of the outcomes we are aiming to achieve. For convenience they are grouped under the heading of Structure and Governance and focus on partnership development and project management.

### A3.2 The Financial Inclusion Group: Partnership Development.

### A3.2.1 Background

The Financial Inclusion Group (FIG) was set up around 2009, firstly as a group of partners who were willing to support the introduction of a government backed Community Development Finance Institution (CDFI) into the area. The group concentrated initially on support to local people who could not access "standard" financial services. During 2015, Stoke on Trent's Hardship Commission, asked the FIG to extend its remit and members agreed to this request.

The FIG's remit is now:

**"To reduce costs and increase income for those suffering financial hardship in the area."**

The geographic area covered by the FIG is Stoke on Trent and Newcastle under Lyme.

Current members of the Financial Inclusion Group are:

**Aspire Housing, Brighter Futures**

**Citizens Advice Staffordshire North & Stoke-on-Trent**

**Emaus Potteries Job Centre Plus National Illegal Money Lending Team**

**Natwest Bank Newcastle Borough Council Moneyline CDFI**

**Saltbox Severn Trent Water Staffordshire Housing**

**Stoke on Trent City Council YMCA North Staffordshire.**

There are several independent members and the Chair of the Group is an independent member. There is a wider network of interested people and organisations that receive regular updates and information.

The FIG works to a two year delivery planning cycle. The current Delivery Plan is "2016-2018". The renewal of this plan will be very much influenced by the outcomes of a research project currently underway and funded by the Oak Foundation.

The major areas of work undertaken by the FIG are currently:

- Money and debt advice,

- the provision of a range of ethical loans,
- encouraging savings,
- reducing energy costs,
- iimproving access to benefit entitlements and
- any other matter which can reduce costs or increase income for those suffering financial hardship.

FIG partners deliver against these priorities as part of their everyday business, funded by the usual mix of income and grant funding. Frequently partners will submit collaborative bids to larger funders and work together to deliver the actions.

FIG partners have expertise in all methods of delivering support to those who need it including one to one, group sessions, by phone and on line and can deliver this in a variety of settings. Careful attention is placed upon clearly defining where legal certification is required when helping people in financial difficulties. Some FIG members have an FCA license which authorizes them to perform the most legally complex debt solutions for people.

**A3.2.2 Current status.**

It has operated as a constituted, but unincorporated, body of willing partners all of whom are concerned about financial exclusion, but who also have a wide range of other interests and responsibilities, which enables them to bring a range of different perspectives to bear on the issue.

A working group has been meeting six times each year since formation and is recognised in the area for the work it does in bringing together partners and stimulating better working practices, collecting good quality data and information and making policy suggestions where appropriate. All partners are fully engaged with this new Development Plan.

It is envisaged that the FIG will remain the principal body within the governance structure

**A3.2.3 Why this may need to develop.**

The FIG has handled small sums of money previously and for some delivery various partners have worked in consortia to attract funding related to financial inclusion topics. For the research project, kindly funded by the Oak Foundation, the FIG has used an agreed accountable body to hold and administer the funds. This has worked well. There is no reason at present for this to change as the process could be used for the next stage of the development of the work, given that funding needs to be attracted before very much can be done and any other arrangement would be more costly.

However, as the business of the FIG grows it may be necessary to change these arrangements. The most likley change would be for the FIG to acquire an appropriate corporate status, such as a registered charity, CIC or company limited by guarantee.

The triggers for this would include:

- Funder's assurance or requirements
- The scale of funding being offered
- The management arrangements for extra staff to oversee the business of the group
- If FIG started generating revenue to sustain future activities.

The risks of going to the next stage of this group development too early would include:

- The concern that overheads would remain and be a burden upon the group if alternative funding, or possible income streams were not forthcoming in a seamless manner following initial awards.
- The time and focus on the set up process for a full scale change of entity would divert the energy required to deliver the growth of services which are urgently needed now.
- Without the services being developed there is no requirement for any permanent structure
- A new entity might be seen as competition to existing partners who currently deliver much needed work in the area. Our Partnership working is one of our great strengths.

There is therefore a need for the current arrangements to be strengthened to allow for proper oversight of all aspects of the development of delivery as proposed in the plan and the funds which may be forthcoming. Partners (will) agree that a senior group will be in place to fulfill this requirement from the point when this Five Year Business Development Plan is signed off and becomes active. The first duty of the senior group will be to agree the protocols for how it works.

The existing working group will need to remain to continue what it does and to take on the actions which will deliver the plan.

The senior group will propose new arrangements when they are satisfied that these are required.

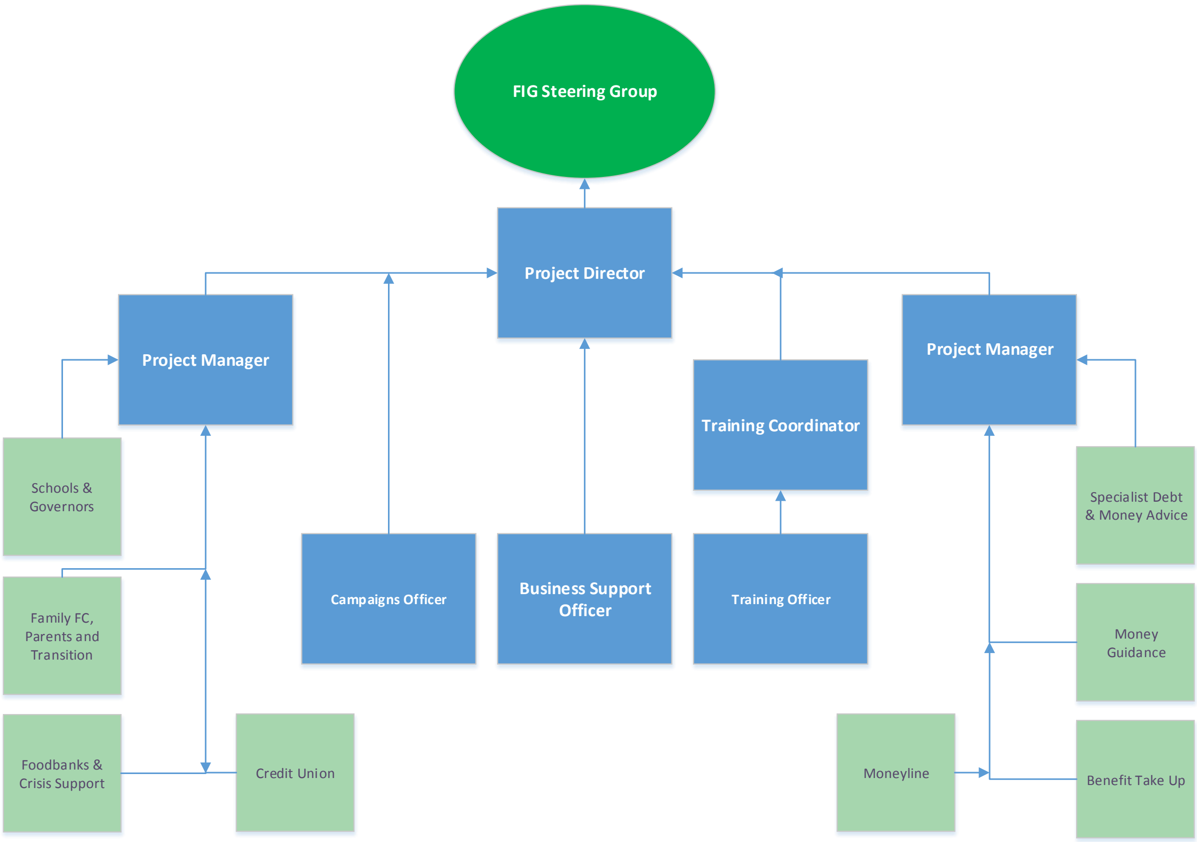
### A3.3 Project Management

Whatever status FIG chooses, the initial work will need to be project managed. It is envisaged that some of the investments will support a project management team. At this stage we envisage the following:

- A Project Director;
- 2 Project Managers who will be responsible for managing the delivery plans;

- A Business Support Officer responsible for management information, communications, maintaining content of the website, liaising with school governers, supporting the governance process;
- A Training Coordinator and Training Officer;
- A Campaigns Officer(part-time)

These posts will be employed by partner organisations but responsible to the FIG




The diagram above shows the relationships between the programme team (in the blue boxes) and the rest of the partnership, including the activities for which the 2 Project Managers will be primarily responsible. Obviously the precise split of responsibilities will depend on where in the lifetime of the programme we are and which activities require the most coordination or direction.

Once we are in a position to recruit and appoint the team we will make a decision about where they are to be located. This will depend on which partners are willing to act as hosts.

## Appendix 4: Delivery Plans

### A4.1 Work stream 1 - Over-indebtedness

**A4.1.1 Advice as a remedy for over indebtedness**

The range of advice remedies required for over-indebtedness will be influenced by the complexity or urgency of the problem and by the capability and confidence of the client.

The table below focuses on over-indebtedness and the types of advice response that may be required to provide a comprehensive response. To an extent they are already in place, although currently at levels that are insufficient to meet actual let alone potential demand.

| Complexity /urgency of problem | | | | |
|---|---|---|---|---|
| | High | Regulated advice, debt resolution | Casework, regulated advice, debt resolution | Casework, regulated advice, debt resolution |
| | Medium | Information, money guidance unregulated advice | Regulated advice, debt resolution | Casework, regulated advice, debt resolution |
| | Low | Information, money guidance | Information, money guidance, support | Regulated advice, money guidance, support |
| | | High | Medium | Low |
| | | Capability and Confidence of Client | | |

The key point about the interaction is that often highly capable clients can deal with complex and urgent situations with relatively low levels of support, while less capable or confident clients struggle to deal with even straightforward situations.

This is also where the causes of low financial capability impact most on over-indebtedness and where segmenting clients into identifiable groups may be beneficial. These include the groups such as those with poor mental health, 'troubled' families etc.

This suggests the following levels of service:

- **Information, money guidance and unregulated advice** (green boxes) – this level covers a wide spectrum of activities from self-help materials available online or in hard copy, where we may support people to access such services, through to unregulated advice (advice on debts not regulated by CCA, budgeting, money management etc), offered by a wide range of organisations often to people with whom they have an existing relationship (e.g. social landlords) or straightforward money guidance;

- **Regulated advice & Debt resolution** – advice little or no action taken by adviser, completed at or soon after the first contact – can include simple DROs or solutions where the client can implement a lot for themselves with advice and guidance – e.g. applying for a debt management plan or IVA. Where the problem is more complex more guidance and advice may be given and where the client is less capable or confident then more support will be provided.
- **Casework, regulated advice and debt resolution** -.where the adviser has to take control of the case and devise and deliver a complex solution. May include advocacy and representation in court. Likely to involve legally complex issues or be required by the least confident and capable clients.

**The main delivery channels for Advice are**:

| | |
|---|---|
| • Online information – public access: | what's out there – no involvement from us |
| • Online information – assisted | what's out there where we help people to access it |
| • Telephone | as a first contact/entry to other services and/or to deliver advice/casework |
| • Webchat | as a first point of contact and to deliver information or initial advice |
| • Email | mainly as a 1st point of contact -has data security implications |
| • Face to face | office based – full service – clients visit us |
| • Face to face (outreach) | full service – we visit clients neighbourhoods or homes (home visits) including 'embedded' advisers working with other professionals |
| • Remote face to face | Skype / facetime – requires both ends to have access and a good connection in between them |

Our focus will be on delivering face to face services as that is what the majority of financially excluded people in Stoke-on-Trent and Newcastle-under-Lyme need.

Low levels of literacy and numeracy and poor IT skills (as evidenced by the number of local Universal Credit claimants who struggle with the digital claiming and claim management) mean that other channels are less appropriate for delivering substantive advice.

However, the face to face advice process usually utilises several channels, especially as caseworkers communicate with their clients both by phone and email and clients may use similar means to make first contact, request appointments and provide updates.

The use of remote services is something we will pilot as part of this service. As there are existing telephone helplines (Stepchange and National Debtline for example) for those capable of receiving a service that way, there seems little point in duplicating that provision and therefore we will not be delivering advice by phone except to existing clients. However, we will use phone, webchat and email as entry routes into the advice provision.

Web chat is currently available through the Money and Pensions Service funded provision, delivered by Citizens Advice Staffordshire North and Stoke and again we will seek to complement that provision and not compete with it or duplicate it.

**The developments needed to deliver Advice include:**

- Create a coherent client journey/pathway through the available service channels and levels to get to the service they need;
- Agree a common advice model;
- Adopt an existing Quality Assurance model;
- Ensure the training offer complements the service delivery, to ensure sufficient competent advisers and consistency between providers;
- Develop a referral process, including exploring shared appointment systems;
- Agreeing on common tools (e.g. common financial statement).

**Current capacity.**

Across all known providers in the area, recent surveys report that in an average year the total of people who could be helped across all of the segments of support outlined above is, just less than 20,000. However, of these no more than 5,000 maximum will receive advice.

The need, taken as the number of people who are technically over indebted is at least 93,000. The Money Advice Service's 'Indebted Lives…' report, (2013), gives the figure as more than 93,000. Given the financial situation locally we have rounded this up, conservatively, to 100,000 as a minimum.

This status quo has always resulted in clear tendency to not promote the services. The fear always is that providers cannot handle all of the enquiries reaching them and do not want to disappoint people by facing them with a longer waiting list. Facts also known from national research is that only 17.5% of those in need of help will go out and find it, so this is presumably what provides are coping with.

This would suggest that 82.5% of people in the area go without any professional support or 82,500 individuals.

The plan aims to increase capacity significantly by re-engineering the traditional advice model.

We are proposing a service model that creates a series of Hubs within which teams of advisers work under supervision and with access to specialist advisers where required. The model is also flexible enough to offer services in various settings where we can make use of pre-existing relationships to encourage engagement.

We would expect each hub to support 4,200 people p.a.

This model also delivers efficiencies of scale and has the potential to offer significant savings over current models.

For example:

> *A client who receives regulated debt advice from Citizens Advice' Staffordshire North and Stoke-on-Trent's Money and Pension Advice Service costs £142 per case. If they also receive money guidance from the Potteries MoneyWise project that is an additional £125 and if as well they receive energy advice under Energy Best Deal Extra that costs a further £150, making a total of **£417** per case.*
>
> *Under our proposed service model all of that can be provided from **£200 to £250** per client, depending on their needs.*

**The model**

We envisage establishing 3 Hubs. Two hubs will be staffed as follows:

- **1 Supervisor –** who will be responsible for supervising the delivery of the regulated debt advice, ensuring targets are met, work is processed efficiently, quality standards are complied with, providing specialist input where required and providing line management of the staff and personal supervision of the Specialists;
- **1 Financial Capability and Energy Specialist** – to provide expertise especially in energy issues but also to supplement and ensure the quality of the broader money guidance;

- **1 Benefits Specialist** – to provide a mixture of consultancy and support, specialist advice, casework and representation on matters relating to social security benefits, including appeals.
- **4 Specialist Debt Caseworkers -** Provides regulated specialist debt advice, including acting as a DRO Intermediary and undertaking court representation. Their main role will be to provide supervision to 4 Money Advisers each, devising debt strategies and overseeing their implementation, monitoring the progress of cases and ensuring Money Advisers meet quality standards and case targets.
- **16 Money Advisers** (MA in the diagram) – they will be trained to deliver basic money guidance, basic debt advice (under the supervision of the specialist debt caseworker) and basic benefits e.g. identify entitlement and help with applications.

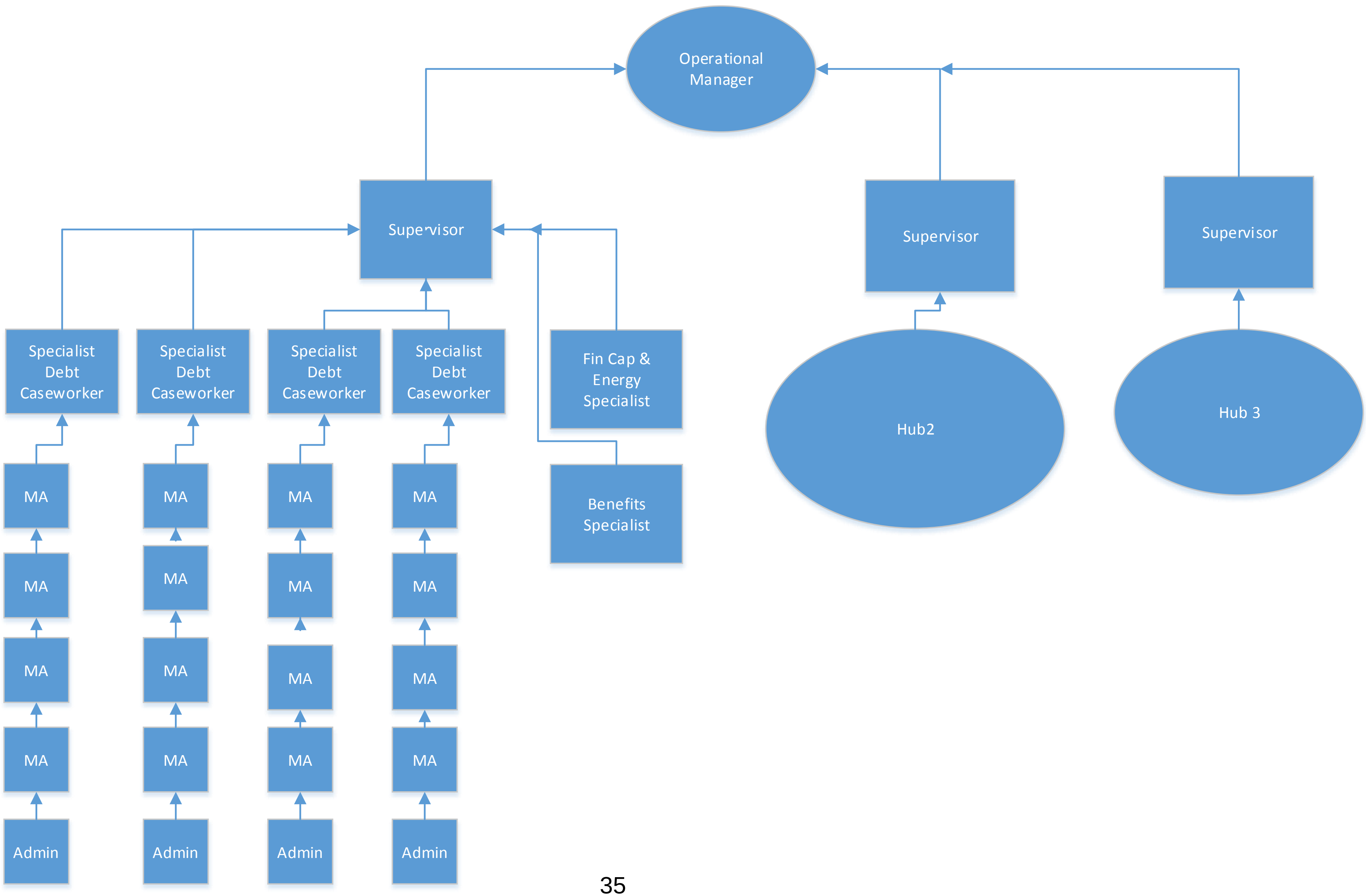
  The MA will be the first point of contact for a client generally and will "call in" additional services as needed e.g.: specialist debt advice, specialist energy advice, specialist benefits advice, either arranging for the client to be seen by the specialist or cascading the information/advice.

  The MA will take on about 22 **new** clients per month and continue to provide help/support as the client needs it but assuming many will only need this intermittently after the intensive first episode of help.

  The MA will complete budgets with clients for day to day management of their money and gather information about their debts. Will implement the agreed debt strategy once signed off by the Specialist Debt Caseworker. Can provide basic, initial advice and manage all casework and progression of a case including conducting reviews with the client.
- **4 Administration Officers** – will take on the administrative aspects of casework e.g. printing and sending letters and leaflets, typing/sending multiple letters to creditors, dealing with incoming post, taking messages, closing cases (if needed), scanning documents, co-ordinating appointments for clients including cancellations, rearranging etc.

The third hub, which will be funded by existing funding which we expect to continue through the lifetime of this plan, will be slightly smaller than the two main hubs – hence the reference to a half hub on the diagram.

Within the overall shortfall in supply compared to the estimated need for advice we have identified several groups of people for whom more specific services will be needed. However, these can fit easily within the structure outlines above by allocating a team or part of a team to them.


Operational Manager
Supervisor
Supervisor
Supervisor
Specialist Debt Caseworker
Specialist Debt Caseworker
Specialist Debt Caseworker
Specialist Debt Caseworker
Fin Cap & Energy Specialist
Benefits Specialist
Hub2
Hub 3
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### A4.1.2 Advice to specific groups – people with poor mental health

Given the proven relationship between financial Issues and poor mental health, learn how all of our services might interact with mental health provision to provide joint solutions to their clients.

**Targets: Short Term**

1. Build on the newly established productive working relationship with senior managers in the mental health arena.
2. Learn, by piloting programmes, how best to support the individuals in need of our range of services, either directly from existing providers or through their mental health support worker.
3. Confirm potential volumes and costs for this work.

**Targets: Longer Term**

To have in place a range of appropriate services for this client group as a standard service offer through this channel.

**Evidence of need**

As reported, this is an almost entirely new area of delivery for the services being proposed. The overall numbers suggest that this work-stream could produce as much volume as all current existing services combined. Therefore the development of this service demands to be carefully considered and developed with care. A separate development plan may need to be drawn up and agreed with partners within the mental health service. It is likely to take all five years of this Business Development Plan to come to anything like full fruition.

There is a body of evidence and research to hand on this topic from the Money and Mental Health Policy Institute (MMHPI), an example is attached as Appendix 7. This has been used to generate the first ideas around what could be done, but it is very early days.

The numbers evidenced show that Mental Health sufferers are three times more likely to have problem debts than non-mental health sufferers.  Amongst the adult population, on average, 25% of adults will experience a mental health issue in any one year. In our area this equates to 64,000 people. Not all of these will be within the mental health system. Not all of these people will have money issues. Those who do may have issues only when their mental health is unstable. There are suggested solutions which could prevent some of these issues, which could include digital applications (see further information in Corporate Services, Digital section).

Our approach is in its infancy and we can only estimate the numbers, potential solutions and costs at this stage.

An initial proposal would be to co-fund a person or persons form the mental health team/money advice teams to take up the job of exploring the possibilities from evidence and best practice and turn this into programme delivery. This should take about a year. These figures focus on helping those people currently engaged with mental health services. A far higher number of people with lower level or undiagnosed mental health issues will engage with the generic advice service.

The experience and learning derived from this part of the programme will inform our service delivery elsewhere as we aim to provide an advice service that understands and meets the needs of this cohort.

**Indicative costs**

| | **Year 0** | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Total** |
|---|---|---|---|---|---|---|---|
| Co-financed Developer | | 30,000 | 30,000 | | | | 60,000 |
| Project Manager | | | 40,000. | 40,000 | 40,000 | 40,000 | 160,000 |
| Advice Team £ | 20,000 | 95,000 | 95,000 | 200,000 | 205,000 | 210,000 | 825,000 |
| **Total £** | **20,000** | **125,000** | **165,000** | **240,000** | **245,000** | **250,000** | **1,045,000** |
| Clients seen | 100 | 500 | 500 | 1,000 | 1,000 | 1,000 | 4,100 |

These figures assume that one of the teams described above is allocated to this initiative alongside a Project Manager to liaise between FIG and the Mental Health services and to develop this provision.

It may be the case that demand accessed through this route is greater than anticipated and more than one team is required. The flexibility within the delivery structure means that more teams could be allocated to this client group if needed.

Given the circumstances faced by the client group it is likely that the number of cases held at any one time will be smaller than for teams advising clients with better mental health. In which case the unit cost would rise, possibly to around £200 per case.

### A4.1.3 Advice to disabled people and older people

People in both of these groups experience financial exclusion and we believe that the best way of meeting the needs of these groups will be to work in partnership with local organisations. As with the mental health stream above we will allocate a team from one of the hubs to work closely with partners in order to deliver this service.

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|---|---|---|---|---|---|---|
| Advice Team (£) | 95,000 | 95,000 | 190,000 | 195,000 | 200,000 | 775,000 |
| Clients seen | 500 | 500 | 1,000 | 1,000 | 1,000 | 4,000 |
| Potential client group | | | Older people | 44,000 | Disabled people | 40,000 |

### A4.1.4 Homelessness

To provide crisis support to those who are homeless or at risk of becoming homeless

**Current position**

The number of individuals finding themselves in this awful position is increasing. They epitomise and represent the failings of so many systems which should be there to help them. They have no money.

Although most other funding to address this situation has been much reduced or cut entirely in this area, there is still a small amount from the Local Authority which provides emergency financial advice for the most needy (amongst the most needy). However, there is no logical reason to expect this funding to remain in place over the lifetime of this business plan, or for that funding to rise in line with future demand. Therefore, this is an area that this Business Plan needs to be mindful of.

This funding is reflected in the Income committed table within the budget document – appendix 4.

### A4.1.5 Other groups

The integrated nature of our service offer means that other groups who may have particular needs for debt advice or other services should be picked up by one of the other work streams. For example young carers, single parents and families experiencing multiple issues may well require our services.

As the services described in appendices 1 to 3 mature we would expect them to require fewer specialist services and be better able to access mainstream services. It is very difficult to determine how many people in these groups will need advice, but our assumption is that they will be provided for through the hubs described above.

## A4.2 Work stream 2 - Financial Capability

### A4.2.1 Financial Education in Schools

We want to encourage schools to deliver agreed packages of financial education to Primary and Secondary Schools. This is to introduce children to the world of money.

**Background and solution**

Many adults, who present with money issues and others who can find their way in the world of money, tell front line advisors that they left school without any understanding at all about how to handle money.

If schools could introduce children to this world at would make an enormous difference to their adulthood. Exposure to service “tasters” can be arranged with local agencies, Banks and DWP officers. All of this would help.

Financial education is on the national curriculum but is often not given the prominence it deserves. Martin Lewis has campaigned vigorously on this and in November 2018 donated 100 copies of ‘Your Money Matters’ to every state funded secondary school in England.

This programme, available from Young Money, would be recommended. This would provide consistency across all services in the style and messages and local schools already have the resource to teach from.

FIG could advise on which further programmes were the most relevant, so that schools who might not “sign up” to the full programme might put on a relevant selection.

**Costs**

This would be essentially free, but could usefully be encouraged by promotional activity and rewards. There may be some costs associated with the production of materials.

Will possibly need a co-ordinator.

**Numbers and costs**

| | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Total** |
|---|---|---|---|---|---|---|
| **Schools partaking** | 5 | 15 | 30 | 35 | 50 | 50 |
| **Promo £** | 5,000 | 5,000 | 10,000 | 10,000 | 10,000 | 40,000 |
| **Co-ord. £** | 25,000 | 20,000. | 20,000 | 20,000 | 20,000 | 105,000 |

**School Governors**

**Aim**

As an integral part of the work with schools we want to have a Governor in each school who will have the responsibility to “Poverty Proof” the school. It has been accepted as a way forward by the relevant board overseeing Children’s Services in Stoke and has already been adopted by one school in Newcastle.

**The idea**

This Governor could perform a wide range of inputs to their school and these split into two areas.

1. The link with the FIG group of partners would enable this Governor to have access to up to date information about all of the topics the FIG covers. The Governor would not be expected to be an expert on any of these, but would know who was. This would enable them to advise the school about current issues that might affect the children and their families. Universal Credit would be the best example at the moment.

   Most of this would be by way of inclusion in email threads, but there could also be a “Local Pack” of information and statistics which could inform general knowledge about the conditions in the catchment area of the school. The Governor would be able to refer parents to agencies or help to persuade the school to host events where agencies turned up on the premises.

2. In some schools it might be appropriate for the Governor to comment about the practices within the school and how they help or hinder children from disadvantaged families. Recent examples from other places have related the cost of Out of School trips, the costs of uniforms and the cost of schools expectations on parents to donate to school funds.

It will probably be case by case and depend upon the individuals and the schools to establish a working relationship on such matters.

This is largely free to do. There may be some training required, but costs should be minimal. The other consideration would be the handling of the digital links. This should be solved by a shared secretarial support. There could also be a reward/promotional element to encourage uptake.

Numbers and costs. There are 108 schools at the primary stage and 27 secondary academies and high schools across Stoke-on-Trent and Newcastle-under-Lyme.

If we recruited half the schools in the area over the period of the initial plan that would be a significant achievement.

**Costs and numbers**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|---|---|---|---|---|---|---|
| **Governors** | 10 | 25 | 40 | 50 | 60 | 60 |
| **Secretarial £** | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 25,000 |
| **Promo £** | 2,000 | 2,000 | 2,000 | 1,000 | 1,000 | 8,000 |

### A4.2.2 Family Money Guidance

Over recent years locally there have been a number of initiatives dealing with families who present as being in need of support from a wide range of agencies and Local Authority teams. They are frequently referred to as Problem Families, Troubled Families, Complex Needs Families and more such terms. Generally they are defined by what a collection of statutory bodies see from their use of services. They are also generally heavier than normal users of public services.

With almost all such families, evaluation reports of the programmes and from teams working with them, Money Issues are nearly always present and usually shown in the "top three" identifiable issues which families ask for help with.

Many of these programmes have withered with the onset of the general cuts to funding, especially where early intervention services are concerned. However, the Buiulding Resilient Families and Communities programme in Staffordshire (covering Newcastle-under-Lyme) and the Early Help/Troubled Families programme in Stoke-on-Trent continue to operate. In May 2019 about 450 families wee receiving help from Stoke-on-Trenbt City Counmcil's Early Help Team and another 450 from non-statutory agencies, mainly schools.[14]

It should be possible, given the numbers involved to out these families in direct contact with the full range of services.

The Family Finance project, due to run in Newcastle-under-Lyme through 2019/20 with a possible extension in 2020/21, gives us an early opportunity to learn how to deliver financial capability services to families.

Previous experience of small scale, local pilots[15] have demonstrated the effectiveness of delivering financial capability work to the whole family ideally in a setting linked to education or family support such as a primary school or Children's Centre.

[14] According to figures supplied by the Children and Family Services Directorate at Stoke-on-Trent City Council

[15] Potteries Moneywise and the 2015 Improving Financial Resilience project funded by Public Health in Stoke-on-Trent

While the advice needs can be picked up in the delivery model described in Appendix 6.1, which envisages a certain amount of financial education being delivered alongside advice as part of an integrated service package, we believe there is a strong case for offering stand-alone financial capability building sessions to families, who may not yet recognise they are over-indebted but do recognise the need for some extra help managing their money.

### A4.2.3 Parenting support and transitional financial capability

#### Aim

This service aims to provide access to the full range of proposed services to parents of children at school and to young people who are about to move from school into further or higher education, vocational experience or employment.

#### Background

It is well known that children learn better if they get help from their parents. And it is well known that children from poor families do not generally achieve good educational standards. Currently more than 50% of school children in Stoke are classed as disadvantaged (measured by those who qualify for Free School Meals).The overall level of educational achievement in Stoke on Trent is poor.

This is the recycling of poverty in the area; poor children are actually the children of poor families. They achieve poor attainment at school and at best poor levels of employment and pay. They then may have families and their children will be poor and go to school and never attain. Every opportunity must be taken to break this cycle for the children to succeed and subsequently for the area to be prosperous. Lives can be changed and it will cost less to do this at school than at any point later in the lives of these children and their parents. Schools are likely to need resource and support to do this.

#### Parents of school children

Especially at the point where a child starts school for the first time, but also at many other regular points in the progress of a child at school, there are good opportunities to engage with the parents to help them with the money issues which are known to be a problem for them.  By working with schools, possibly with the help of a school governor, or with support staff, or by making regular appearances at Children's Centres and school activities, parents can be made aware of the proposed range of services. For this to work School Leaders have to see the benefit of the programmes.

It would be very easy and low cost to provide benefit checks for parents in a confidential manner in schools or elsewhere by appointment, similarly money or debt advice, or any other service. This could take place at all educational settings if properly handled.

## Numbers at school

A normal years' cohort is around 3,000 children. In Stoke-on-Trent, officially 14,800 children (25% of the total) are living in poverty and many more are on the borders. Some 40% are living in low income households and only 3% live in 'affluent' areas of the city[16]. This figure is predicted to rise to nearly 20,000 children by 2020 as direct result of benefit cuts.

As an extreme example, there are 9,132 families with children in Stoke who are predicted to be affected by benefit reductions before 2020. Their families will find life very difficult at this point and should get support to cope with this.

The table below shows the number of households with 1 to 10 children in them and the number of children in these housholds.

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Households** | 3625 | 2830 | 1645 | 683 | 237 | 71 | 25 | 11 | 3 | 2 | **9,132** |
| **Children** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| **Total** | 3625 | 5660 | 4935 | 2732 | 1185 | 426 | 125 | 88 | 27 | 20 | **18,873** |

Schools could legitimately raise this issue to all parents, or allow others to do so, and point to where help could be given. This would open up other opportunities for these families to interact with the full range of services.

The proposal here is that the proposed services should all be available to parents and the link between family finance and education needs to be a strong as the links between education and health, or safeguarding, or sport.

## Costs

Some of the services will have ready-made programmes which can be deployed into these settings but there may be a staff time resource requirement. There will also be a requirement for a person, or persons, to maintain the impetus from within the education set up.  This may be achievable by way of (co-) financing a post.

| | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Total** |
|---|---|---|---|---|---|---|
| Coordination | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 125,000 |
| Promo materials | 5,000 | | 10,000 | | 5,000 | 20,000 |
| **Cost £** | **30,000** | **25,000** | **35,000** | **25,000** | **30,000** | **145,000** |

[16] Stoke-on-Trent City Council: 'Children's Plan 2016-2020'

**Transitioning**

This is for older children who are about to leave school. Teams work with children around what is facing them in this life transition. They could use the Young Money programmes as amended or in their original format to at least give young people some good tips for what "handling their money" entails and signpost them to where they can get further information and support. The team leaders for this activity have expressed willingness to look keenly at this option. This is at nil cost.

| Numbers | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|---|---|---|---|---|---|---|
| Cohort | 9,000 | 9,000 | 9,000 | 9,000 | 9,000 | 45,000 |
| Actuals | 500 | 3,000 | 3,000 | 3,000 | 3,000 | 12,500 |

Investing money in financial education will produce benefits in the future if participants can then manage their money more effectively thereby reducing the likelihood they will fall into debt or become financially excluded as adults.

### A4.2.4 Money Guidance and Financial Capability building to adults

While there is an obviously strong argument for prioritising financial education at young people to give them a strong start in their financial lives, we are acutely aware that there are generations of adults locally who have not benefited from that but who nonetheless need significant help in developing their financial skills and confidence.

Consequently we have included a Money Guidance element in the advice model described at Appendix 6.1. In our experience delivering financial capability work as part of the advice process is not only more efficient, it also enables the client to be given some tips, tools and skills to reduce the risk of falling back into debt as part of the advice process.

However, we believe there will continue to be a need for some stand-alone financial capability work aimed at adults.

In this plan the work will be mainly group work or provided to front-line staff to enable them to better support the people they are working with. This is why the amount of funding required is relatively modest. It is likely that the group work will overlap with some of the family-focused work described above as settings such as children's centres may be the most appropriate for this type of work.

### A4.2.5 Energy Advice

**Aim:** To help people reduce their expenditure by ensuring they are getting their utilities at the best rate possible.

**Background -** Fuel poverty.

Fuel Poverty is the inability to adequately heat the home leading to cold living conditions causes and contributes to poorer health and wellbeing and increases winter deaths, especially among particular groups. Examples of these outcomes are:[17]

- Excess Winter Deaths are almost three times higher in the coldest quarter of housing than in the warmest quarter.
- There is a strong relationship between cold temperatures and circulatory and respiratory diseases.
- Children living in cold homes are more than twice as likely to suffer from a variety of respiratory problems as children living in warm homes.
- More than 1 in 4 adolescents living in cold housing are at risk of multiple mental health problems compared to 1 in 20 adolescents who have always lived in warm housing.
- Cold housing increases the level of minor illnesses such as colds and flu and exacerbates existing conditions such as arthritis and rheumatism. Cold housing also increases the risk of accidents and injuries in the home.
- Significant negative effects of cold housing are evident in terms of infants weight gain, hospital admission rates, developmental status, and the severity and frequency of asthmatic symptoms.
- There are measurable effects of cold housing on adult's physical health, wellbeing and self-assessed general health, in particular for vulnerable adults and those with existing health conditions.

Those most at risk include: those with an illness exacerbated by the cold (for example, people with circulatory and respiratory conditions), people with disabilities, those with chronic or terminal health conditions, households with young or dependent children, pregnant women, those on a low income and older people aged 65 years and over.

A household in England is said to be 'fuel poor' if the cost to heat their home leaves them with an income which is below the official poverty line.[18]

The key elements in determining whether a household is fuel poor or not are: income, fuel prices and fuel consumption (which is dependent on the characteristics of the dwelling and the lifestyle of the household).

Fuel poverty is distinct from general poverty: not all poor households are *fuel* poor, and some households which would not normally be considered *poor* could be pushed into fuel poverty if they have high energy costs. Fuel poverty is therefore an overlapping problem of households having a low income *and* facing high energy costs.

[17] The Health Impacts of Cold Homes and Fuel Poverty. 2011. Published by Friends of the Earth and the Marmot Review Team.

[18] This is known as the "Low income, high cost" measure.

**Results:** Fuel poverty in Stoke-on-Trent: the latest data from the Department for Business, Energy and Industrial Strategy (BEIS) found the proportion of households in the city estimated to be experiencing fuel poverty was 15.4% in 2016, which is significantly *higher* than the England average of 11.1% (figure 1).[19] Levels of fuel poverty have increased in the city over the past couple of years. In 2016 the city was ranked the 9th highest in the country (Middlesbrough and Liverpool were highest – 17%).

Locally, this means that around 17,250 households in Stoke-on-Trent (out of 112,200) could be experiencing fuel poverty in 2016. Or, put another way, nearly 39,000 local people could be affected by fuel poverty, which is likely to be impacting on their health and wellbeing. There is a well-established link between fuel poverty, poor health and poor health in children in affected households.

**Tariff Switching:** Although there is considerable movement from Government on the issue of fuel costs, there is still a need to encourage more people to check that they have the best tariff they can get. Work therefore needs to be continued on this front. It is not unreasonable to suggest that a good proportion of these people might need other services that can be provided. This should be part of the standard package of services available.

Only 40% of households have so far adopted switching, leaving 60% in the area[20], which equates to 67,200 households.

**Costs:** During 2017/18 Stoke City Council funded local charity, Beat the Cold, to deliver Fuel Poverty Advice to 500 residents. This supported: switching fuel tariffs, managing their home heating, tackling fuel debt and applying for benefits and efficiency measures in their homes. In total the scheme delivered £282,000 of income savings and benefits, averaging £560 per home. These figures have been used as the basis for calculating the returns and volumes below.

| | **Year 0** | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Total** |
|---|---|---|---|---|---|---|---|
| **Numbers helped** | 500 | 750 | 4,000 | 4.000 | 4,000 | 4,000 | 17,250 |
| **Savings £** | 282,000 | 420,000 | 2,240,000 | 2,240,000 | 2,240,000 | 2,240,000 | 9,662,000 |
| **Costs £** | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 300,000[21] |

[19] Fuel poverty statistics are based on data from the English Housing Survey.

[20] Ofgem estimated percentages for switchers and stayers

[21] This is on top of the energy specialist posts funded within each advice hub

### A4.2.6 Benefit and tax credit take up

**Aim:** To maximise the amount of welfare benefits and tax credits from Central Government that people are entitled to claim in the area and are claimed.

**Background**

Lack of income or a low income is a major cause of financial exclusion. It is therefore essential to ensure that those most vulnerable to financial; exclusion receive all the income there are entitled to. For many, reliant on benefits and tax credits, this is especially important.

It is estimated that nationally 40% of the benefits to which people are entitled go unclaimed each year. In December 2016 it was estimated that in Stoke-on-Trent:

- 5,650 eligible people were not claiming £12.1 million of Pension Credit p.a.;
- 5,100 eligible people wre not claiming Income Support and Employment and Support Allowance of £24.7 million p.a.;
- 2,000 eligible people were not claiming Job Seekers Allowance of £9.7 million p.a.;
- 5,560 people were not claiming Housing Benefit of £16.8 million p.a.;
- Unclaimed tax credits amounted to between £20.9 and £33.6 million p.a.
- Other benefits were being underclaimed by about £10m p.a.;
- In total local people were missing out on between £94.2 to £106.9 million p.a.[22]

Locally it was agreed to set up a system so people could check if they were entitled to benefits which they were not currently claiming. Partners arranged to use a common software system which would provide applicants with a resume of their predicted entitlement after inputting their detailed financial circumstances. Staff working for partners received training in the use of the system. Over 400 individuals in the area can now use this system. Partners now hold a “Benefits Checking Week” at regular intervals throughout the year and invite people to take part.

Staff concerned with this are usually from aligned services who come together on these weeks to provide this service which is in addition to the regular service delivered by the Local Authorities and Job Centres in the area all of which are a fundamental part of the arrangement.

Figures for the results from this activity are hard to separate from the everyday, ongoing work of the regular teams, but over the last two years the totals for the amount of unclaimed benefits identified are in excess of £13.5 million (based on an average full year receipt of the benefit identified).

[22] Welfare Benefits statistics briefing November 2018 – Steve Johnston, City of Stoke-on-Trent.

Importantly, this process can be very effective in identifying people who need other support and can be a good way to engage with them.

Upfront costs for the software system were met by Stoke City Council, training costs for 400+ staff were taken from a National Lottery funded programme and any extra incidental costs for running the weeks are met by partners or the FIG.

The activity can be continued and increasingly provide access to all other proposed services.

However, to make significant inroads into this activity we need to ramp up the scale of intervention. Benefits take up work will be undertaken as part of the roiutine work of the advice teams, but we believe additional interventions will be required and therefore have included an amount in the budget to support additional work. This is mainly for staff who can undertake targeted campaign work, promotional work and publicity, targeted at groups particulary prone to underclaiming and provide additional capacity to the front line advice teams, where needed.

| | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Total** |
|---|---|---|---|---|---|---|
| **Beneficiaries** | 1,500 | 2,500 | 2,500 | 3,000 | 3,000 | 12,500 |
| **Additional Cost £**[23] | 120,000 | 122,000 | 124,000 | 126,000 | 128,000 | 620,000 |

[23] Additional cost is for the extra interventions mentioned above

## A4.3 Work stream 3 - Financial Exclusion

### A4.3.1 Moneyline CDFI

**Aim: To maximise the uptake of loans to this target market and to learn how to integrate money advice and all other proposed services in with this loan provision.**

**The need in the area**

In 2008/9 the then National Financial Inclusion Task Force declared that the area where there was the greatest gap between the requirement for affordable credit and the provision of such facilities was Stoke on Trent.

At that point there was a poorly functioning credit union and nothing else. The Credit Union has since ceased to function (2017) , but Moneyline (CDFI) were contracted by the Government to target the sector of the money market normally regarded as “Sub Prime” leaving a sector “above it” to be targeted by a Credit Union to fill the gap between Sub Prime and Near Prime.

Between Stoke on Trent and Newcastle under Lyme there are 100,000 over indebted people out of an adult population of 250,000. Levels of Household income in the area are very much below National Average levels.

The numbers of Low income families are shown in this table.

| | **Band 1** | **Band 2** | **Band 3** | **Band 4** | **Band 5** | **Band 6** | **Band 7** | **Band 8** | **Band 9** | **Totals** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income band Per year** | Up to £15k | £15k - £19k | £20k- £29k | £30k- £39k | £40k- £49k | £50k- £59k | £60k- £69k | £70k- £99k | £100k + | |
| **National %** | 20.43 | 7.94 | 20.64 | 15.89 | 12.44 | 7.39 | 4.68 | 6.47 | 4.13 | |
| **Stoke %** | 28.18 | 10..25 | 27.26 | 14..82 | 11.39 | 4.51 | 2.02 | 1.98 | 0.59 | |
| **Households** | 32,347 | 11,764 | 31,285 | 17,013 | 11,924 | 5,181 | 2,317 | 2,271 | 676 | **114,778** |
| **Newcastle %** | 23.06 | 8.68 | 24.36 | 16.32 | 12.13 | 6.08 | 3.27 | 4.0 | 2.11 | |
| **Households** | 12,772 | 4,804 | 13,487 | 9,035 | 6,715 | 3,367 | 1,813 | 2,212 | 1,167 | **55,372** |
| **Total Households** | 45,119 | 16,568 | 44,772 | 26,048 | 18,639 | 8,548 | 4,130 | 4,483 | 1,843 | **170,150** |

The traditional grouping for Moneyline customers would be Band 1 and 2. This gives a potential market of 61,687 Households.

**Background**

Moneyline has been active in the area for almost ten years with varying degrees of success. It is a Community Development Finance Institution, a “not for profit” ethical lender, regulated by the Financial Conduct Authority (FCA).

It was a beneficiary of the Government backed “Growth Fund” through the Department for Work and Pensions.

One of the major reasons why Moneyline has not reached anywhere near its potential in the area is that Its APR figures are mistakenly taken as a sign that it is disreputable. The current average advertised APR for a first loan is about 200%, it will vary depending on the length of the term on the loan and the credit worthiness of the borrower. This is a high figure to see for anyone who is financially included and used to seeing loans advertised at anything from 0% to 40%.

The people to whom this loan is relevant cannot access loans at lower than this APR (from Moneyline) from any reputable source. Typically they will have been borrowing from a door to door operation, like Provident and paying anything between 299% and 536% APR or more. Or, they may be paying 1242% +++ from a payday lender. Or, they will have to borrow from an illegal money lender, a loan shark. These people, as a result of their overall financial situation, will need to borrow money from time to time.

Using Moneyline would save them at least 50% of the interest charges they would otherwise pay and this would ensure that they were treated properly from when they apply for the loan to when they repay it, or even if they default. Additionally, as we build extra services around their first interaction with Moneyline, they could be Included in the whole range of services being developed within the FIG partnership. If Moneyline have to decline an application for a loan, the client could be offered detailed supportive advice regarding their financial position.

**Opportunity**

There is therefore a clear opportunity to use affordable lending as the spearhead to providing the full range of proposed services. Experience elsewhere shows that this is feasible and a realistic prospect. It helps to develop our “Trusted Brand” approach over the long term and would be a context in which end users are comfortable with their surroundings and the people they are dealing with. The provision of ethical lending has to be grown rapidly in the area and providing the other services alongside the loan provision should help this to happen.

**Current Position**

Moneyline are receiving ongoing support from partners. This is to do with locations from where they can operate, how they can gain acceptance within the wider partnership and awareness raising of the usefulness of the product. They have their own lending capital, they have staff on the ground in the area, on a regional management basis and very solid Head Office backup systems and personnel. There is an excellent open and honest working relationship with FIG personnel.

Therefore they do not seek any extra funding to be able to operate in our area and may have access to more funding through their own channels should it be required. We have shown the total cash value of their operation in the committed funds.

Alongside the promotion of this resource, and when promoting all other services, reference to the evil of illegal money lenders who obviously are very active in the area, must be made. As there will be sufficient alternative lending available, this will be a major opportunity to reduce this predatory activity.

Good support with this is available from the National Illegal Money Lending Team.

**Targets**

| | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total Market | Market Share |
|---|---|---|---|---|---|---|---|---|
| **Extra Loans** | 0 | 800 | 1,200 | 1,200 | 1,500 | 1,500 | 10% | 6,200 |
| **Costs to FIG** | £0 | £0 | £0 | £0 | £0 | £0 | | |
| **Moneyline committed** | £285k | £285k | £285k | £285k | £285k | £285k | £1,710k | |

### A4.3.2 Introducing and Promoting a new Credit Union

**Aim: To introduce a new, full service credit union to the area and with partners, support its instigation and development.**

**The need in the area**

In 2008/9 the then National Financial Inclusion Task Force declared that the area where there was the greatest gap between the requirement for affordable credit and the provision of such facilities was Stoke on Trent.

At that point there was a poorly functioning credit union and nothing else. That Credit Union has since ceased to function (2017). Since that time partners have been very keen to attract another credit union to the area. A very active and successful credit union, operating for some years in a nearby location has engaged in discussions with partners and are indicating a wish to operate in this area.

There is more than sufficient need in the area for both a credit union and a CDFI to operate. The credit union would fill the gap between the CDFI and “regular” financial services.

| | Band 1 | Band 2 | Band 3 | Band 4 | Band 5 | Band 6 | Band 7 | Band 8 | Band 9 | Totals |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income band Per year** | Up to £15k | £15k - £19k | £20k- £29k | £30k- £39k | £40k- £49k | £50k- £59k | £60k- £69k | £70k- £99k | £100k + | |
| **National %** | 20.43 | 7.94 | 20.64 | 15.89 | 12.44 | 7.39 | 4.68 | 6.47 | 4.13 | |
| **Stoke %** | 28.18 | 10..25 | 27.26 | 14..82 | 11.39 | 4.51 | 2.02 | 1.98 | 0.59 | |
| **Households** | 32,347 | 11,764 | 31,285 | 17,013 | 11,924 | 5,181 | 2,317 | 2,271 | 676 | **114,778** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Newcastle %** | 23.06 | 8.68 | 24.36 | 16.32 | 12.13 | 6.08 | 3.27 | 4.0 | 2.11 | |
| **Households** | 12,772 | 4,804 | 13,487 | 9,035 | 6,715 | 3,367 | 1,813 | 2,212 | 1,167 | **55,372** |
| **Total Households** | 45,119 | 16,568 | 44,772 | 26,048 | 18,639 | 8,548 | 4,130 | 4,483 | 1,843 | **170,150** |

A credit union has the added advantage of offering budget accounts and being authorised to receive Universal Credit benefit payments from the government. As 48,000 (+ Newc.) individuals in the area are eventually to be receiving their benefits through this system, this is an important facility. The credit union's "normal" target markets would be households in bands 2 to 4 below. This gives a potential market of 87,388 households.

**Background**

At the time of the demise of the local credit union, this potential new credit union provided assistance and advice, but was not able to take over the local operation. Subsequently discussions were entered into and it now looks likely that they will move to operate in this area during 2019.

They are currently running a successful operation and are in "growth" mode. They are building up their operating teams to be able to deliver to a wider area. They have lending capital and reserves to allow this expansion. Subject to agreement with partners in our area and their own members, some of these monies may be available for use in this area. This would produce a viable business almost off the shelf with well-run systems and experienced management to operate for the good of clients locally.

They have indicated that they may require an amount of development funding to provide extra resource for the first period of development, probably lasting the first two years. This may be found locally, partners having indicated a willingness to at least part fund this requirement. This could still leave a requirement for funding for part of this arrangement. The two year costs would be in the region of #60,000.

For 2019 we are showing no progress against delivery targets to allow for set up and awareness raising.

Alongside the promotion of this resource, and when promoting all other services, reference to the evil of illegal money lenders who obviously are very active in the area, must be made. As there will be sufficient alternative lending available, this will be a major opportunity to reduce this predatory activity.

Good support with this is available from the National Illegal Money Lending Team.

**Targets and costs. New credit union**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|---|---|---|---|---|---|---|
| **Savers** | 500 | 750 | 1,000 | 1,500 | 2,000 | 2,000 |
| **Loans** | 500 | 750 | 1,000 | 1,500 | 2,000 | 5,750 |
| **Costs £** | 30,000. | 30,000 | | | | 60,000 |

### A4.3.3 Work with other providers to address shortfalls in provision arising from regulatory intervention in the rent to own market

**Aim: to ensure fiunancially excluded people in North Staffordshire have access to essential household goods at affordable prices.**

### Background

Traditionally financially excluded people who needed to access essential household goods have had relatively few sources:

- Until their abolition in 1988 single payments from the DSS for those in means-tested benefits. Since then budgeting loans available to some people and since the introduction of Universal Credit, in certain circumstances, budgeting advances;
- The 'rent to own' sector. Traditionally the market has been dominated by a small number of major players: Bright House and Perfect Home being two of the best known. Both had outlets in the area until Perect Home closed their outlet and moved their business online. The introduction of a price cap in April 2019 is likley to restrict access to this source of help for the most financially excluded. As the report at Appendix 1 shows there have been shifts in this market in recent years which will have left many of the poorest residents without this option.
- Borrowing money from the sub-prime market (Short Term High Cost Credit or Home Credit) or buying on credit from catalogues.
- The recycled and second hand market such as Furniture Mine or charity shops specialising in such goods such as the British Heart Foundation.
- Borrowing informally or illegally.

### Actions

We aim to map the availability of provision and ientify gaps. Then we will work with the providers of affordable and ethical financial products and others to draw up a plan to improve the provision of these goods.

This work stream, is inevitably flexible as it depends on a number of factors and the outcome of the mapping and plans. However, ideas could include exploring the possibility for bulk buying schemes and partnerships between lenders and retailers to drive down the cost of essential household goods.

### A4.3.4 Map the need for and provision of crisis support services (including Food banks) and invest in plugging gaps.

**Background**

As with the provision of help with essential household items, access to crisis support has declined in recent years. The situation in 2019 is that:

- neither top-level local authority offers a crisis support scheme anymore;
- district councils and the city council offer various discretionary scheme such as council tax hardship schemes and discretionary housing payments;
- some limited help is available from the DWP in certain circumstances;
- some local providers have access to charitable funds for emergencies;
- there is a thriving Foodbank network across Stoke-on-Trent and Newcastle-under-Lyme.

This support is patchy, inconsistent and often inadequate to meet urgent needs.

**Actions**

We will work with partners across the area to map the provision of crisis support and then put in place plans and actions to better coordinate these services.

Alongside this we recognise that the people who unfortunately need to make use of the local food banks, more than likely need help with their money. This service is designed to have an advisor present where they come to collect their food to make certain they have not missed support from the agency who issued their vouchers.

The use of food banks in the area has grown dramatically over recent years. In 2018/19 11,160 people were fed in Stoke-on-Trent, an increase of 20% on the previous year.

A service has been delivered by a local agency “Saltbox” which is a partner in the FIG through the Stoke-on-Trent Foodbanks.

Our aim is to extend that coverage to all food bank locations across both localities.

# Appendix 4.4: Work stream 4 - Delivery Model

### A4.4.1 Introduction

This plan outlines some of the measures that are necessary for the delivery of the strategy but do not sit comfortably within the other delivery plans or cover issues that are relevant to all plans.

These are:

- Performance measures;
- Risk;
- Training;
- Technology

### A4.4.2 Performance measures

This section describes our approach to developing performance measures.

The Measures of Performance are designed to reflect what it is that the plan is aiming to achieve over its lifetime. They are chosen to be easy to collect and to understand. They fall into three sections:

a. Measuring the progress of the project overall and its main constituent parts. This will consist of reports from those managing the various workstreams, through the project management team which will report to the Senior Partnership Group.

   The measures will include: general progress against agreed milestones and timescales around set up, commencement of delivery to customers and any issues which the delivery teams or project management team have with making the workstream achieve what was envisaged.

b. Throughput in volumes of people seen, basic demographics and growth of delivery to meet agreed targets and costs projections.
c. Impact Measures. These will be more longitudinal and will seek to measure the impact of the support given. Measures will include :
   - The reduction in the numbers of missed payments, the ability of supported people to manage their finances better and the number of repeat requests which signal that the problems is re-occurring.
   - The reduction in the number of over-indebted people in the area compared to previous and National Average figures.
   - The cash value of outstanding debts and of unsecured lending against National averages.

- The reduction in the level of arears in priority debts

d. Subsets of these top level measures will be developed for each funded project to show that the work is reaching the target group of people and delivering the volume required.

### A4.4.3 Risk

We have analysed a number of high-level risks that could affect the delivery of our development plan. Once each plan is underway we will expect Project Managers to create their own individual risk registers based on the specific activities. These specific risk registers will sit below this one.

The FIG and ultimately the Project Director will be responsible for monitoring this risk register and maintaining it.

| **Risk Identified** | **Risk Management & Mitigation** |
|---|---|
| Partners not in agreement with the Plan | Brief partners throughout the process and discuss any concerns. Proceed with their agreement. |
| Delivery options not available as partner not able to deliver/implement | Continue to work with partners to rectify position or seek alternatives if available |
| Delivery delayed by other influencers | Work with any objectors to remedy |
| Funding not achieved or part achieved. | Deliver what can be done without.<br><br>Gain feedback on submissions and retry and look at alternative funders or other means to deliver.<br><br>Prioritise effort by volume of need. |
| Conditions in the markets change. Nationally and/or locally. | Keep up to date on market developments, positive and negative and redesign delivery to meet the need. Both partnership groups to be responsible at each level. |
| Relationship changes in partner body | Seek early interaction for continued relationship |
| Change in Project management team | All work programmes and reporting systems to be in place early so that project ideals are understood and being |

| | |
|---|---|
| | implemented. Senior partners to have full view of this being in place. |
| Work stream fails | Make honest appraisal of reason for failure, Re organise or terminate with approval. |

**A4.4.4 Training**

To increase the scale of provision by the order we believe is required will require a step change in the number of money advisers and accredited specialist debt advisers operating locally.

To achieve this we will invest in training capacity within the project to initiate the creation of a Financial Inclusion Training Programme. Using existing resources and those we devise within the project the aim will be to take people with the right values, behaviours and motivation and give them the skills and knowledge to deliver high quality debt advice within a reasonable timescaler. Within the partnbership we have organisations with experience of operating similar programmes in different disciplines and partners who specialise in training adults.

The project team will contain a Training Coordinator who will lead on this piece of work and a Training Officer who will use industry best practice to devise a suitable training programme while the delivery of the training may be outsourced to one or more partner.

**A4.4.5 Technology**

We want to make best use of digital processes to enable those we seek to help to better manage their finances and for those providing these services to be as efficient and cost effective as possible.

**Background**

Over recent years there has been very rapid development of “FINTECH” (Technology for the financial sector) systems and applications. This has largely delivered cost savings to financial institutions. More recently, these developments have produced products for “end users”, that is the people who use financial services. However, there is little evidence yet that there are any such services available for those who may be financially excluded, but this is the area that is of interest to the FIG.

From the research undertaken during this project work produced by the Money and Mental Health Policy Institute (MMHPI) has shown that there could be a very good use of such technology particularly for Mental Health Sufferers.

It appears that the approach suggested in this work (MMHPI) could well also apply to those who have chaotic lives and cannot manage their money, whilst not actually being mental health sufferers.

Work is underway to investigate what is available and how it might be implemented. It is envisaged that there would be a need to trial any proposed ideas and develop those evidenced as appropriate.

The headings for the type of support which suggests itself as being useful include:

- Tools to help construct and control a budget
- Timely reminders of when payment of bills is due
- Visualisation of spending data
- Notifications of when spending patterns have changed or are not within budget parameters
- Double confirmation of cooling off periods before transactions are processed
- Ringfencing priority debts
- Automated price comparisons and switching
- Instant messaging to a third party (family, friend, money advisor)
- Self exclusion from new borrowing
- Identifying the need for extra support.

There are possibly many other aspects of this. What has to be clear is how this helps the user and guarantees their data is protected.

It would be possible to trial products on a limited scale but overall, to help us build the Trusted Brand the imperative must be assurance for the users, who are already considered to be vulnerable.

Our approach from here is to spend time looking at the options. To do this we would ideally need a small working group consisting of one or two from our partnership, possibly someone from a local tech driven business and preferably a small number of industry “experts” who can describe the art of the possible to us in plainspeak and understand what we are trying to do. Within this we believe there may also be an opportunity to develop an income stream which would help us deliver more sustainable services over the long term. These are important concepts which therefore demand time and effort.

The costs of this work are unknown at this stage.

**For partners**

As stated elsewhere in this plan, existing service providers will wish to look carefully at their systems to provide best value for money and better services for users.

There will also possibly be a requirement for some capital expenditure to support any changes from redesign at this point and also any extra provision required to host and maximise any new developments for the end users as above.

## Appendix 4.5 – Projected Volumes 2020-25

| Work stream & Activity | Target Beneficiaries | Need | Current Capacity | Potential Uptake | Target Year 1 | Target Year 2 | Target Year 3 | Target Year 4 | Target Year 5 | Total all years |
|---|---|---|---|---|---|---|---|---|---|---|
| **Specialist debt advice & money advice** | People in debt | 93,000 | 4,000 | 34,000 | 4,000 | 4,000 | 8,000 | 8,000 | 8,000 | 32,000 |
| **Advice – mental health** | People with poor MH | 67,500 (25% of 270k) | Nil | 4,000 within MH system | 500 | 500 | 1,000 | 1,000 | 1,000 | 4,000 |
| **Advice – older & disabled** | | A proportion of 80,000 | d/k as not separated out | 4,000 plus those seen in generic | 500 | 500 | 1,000 | 1,000 | 1,000 | 4,000 |
| **Financial Capability – Education in Schools** | 6 yrs at secondary | 18,000 | 1 school | | 5 | 15 | 30 | 35 | 50 | 50 schools |
| **FC-Governors** | 135 schools in SoT & NuL | 135 schools | 0 | 135 | 10 | 25 | 40 | 50 | 60 | 60 schools |
| **FC- Family Money Guidance** | Vulnerable families | Tbc | Limited | DK | 550 | 550 | 550 | 550 | 550 | 2,750 families |

| Work stream & Activity | Target Beneficiaries | Need | Current Capacity | Potential Uptake | Target Year 1 | Target Year 2 | Target Year 3 | Target Year 4 | Target Year 5 | Total all years |
|---|---|---|---|---|---|---|---|---|---|---|
| **FC- Adult Money Guidance** | Adults | Tbc | Limited - | DK | 250 | 250 | 250 | 250 | 250 | 1,250 |
| **FC- Parenting & Transitional Support** | Parents and care leavers | Tbc | Limited | DK | 3,000 est | 3,000 | 3,000 | 3,000 | 3,000 | 15,000 |
| **FC- Money Guidance to front line staff** | Frontline staff in partner agencies | DK | Limited | | 100 | 100 | 100 | 100 | 100 | 500 front line staff |
| **FC- Benefit Take Up** | 35,790 people under claiming in SoT | 14,400 or 26,860 (40%) | c.2,000 p.a. | 12,500 | 1,500 | 2,500 | 2,500 | 3,000 | 3,000 | 12,500 people |
| **FE – Moneyline** | Low income household | 61,687 households | | 6,200 – 10% of market | 800 | 1,200 | 1,200 | 1,500 | 1,500 | 6,200 loans issued |
| **FE – Credit Union** | Medium income households | 89,448 households | 0 | 2,000 – c. 2.25% of mkt | 500<br>500 loans | 750<br>750 loans | 1,000<br>1k loans | 1,500<br>1.5k loans | 2,000<br>2k loans | 2,000 new members 5.75k loans |
| **FE – Food banks & Crisis Support** | Those requiring emergency food | 11,160 | 9.532 people | An extra 20% per year | 11,343 | 12,500 | 12,500 | 12,500 | 12,500 | 61,343 |

## Appendix 5:

# Financial Inclusion Group North Staffordshire:

## A report by Alistair Grimes and Niall Alexander

***May 2018***

***"Never make something more accurate than absolutely necessary." – Enrico Fermi***

**Contents**

# 1. EXECUTIVE SUMMARY

## 1.1 Background

The starting point for this work is the initial work of the Financial Inclusion Group North Staffordshire (FIG), which demonstrated that in Stoke on Trent and Newcastle-under-Lyme there are 93,000 individuals who are 'over indebted' (the largest total outside of London).

The FIG argued that current capacity for dealing with such issues is around 19,000 each year, indicating a clear capacity gap at the local level.

At the request of the Council's Hardship Commission, the FIG identified that services need to look at both maximising income and reducing costs. The FIG has been funded by the Oak Foundation to undertake an investigation to:

*".. bring together all aspects of support for people who need help with money, from;*

- *Financial education packages in schools, budgeting advice, debt resolution;*
- *Access to cheaper utility bills and cheaper white goods, insurance;*
- *Provision of funds: emergency cash;*
- *Ethical lending, local banks and building societies.*

*There will be a full range of services, separated only to avoid conflicts of interest (e.g. paying commission to another service)".*

The FIG's objective is to do this through a single branded source, which will be highly visible to residents in Stoke on Trent and Newcastle-under-Lyme and which will become *the* trusted source for information and help on money matters.

## 1.2 What we were asked to do

In February 2018 the FIG commissioned Alistair Grimes and Niall Alexander to undertake this work. After an inception meeting, the work was broken down into a number of stages moving through:

- **Evidence gathering and data collection** (proof of need);
- **What works elsewhere** (proof of concept);
- **Identifying existing capacity, gaps in capacity and ways of building capacity**;

- **Identifying what might be reasonably achieved over a five-year period,** quantifying benefits and how that would be delivered (proof of value for money);
- **An initial business plan** over five years.
- **An initial sequence of activities and priorities in each year** to ensure that both short and long-term objectives are kept in focus and under review.

This report covers the first four stages (up to the business plan) outlined above and gives some options for how to develop a business plan and the initial sequence of activities.

## 1.3 What we have done

***Evidence gathering***

We have gathered and analysed two types of evidence:

*National statistics* on:

- Scale and changes in the UK non-standard credit market;
- Changes in demographic groups using non-standard credit;
- Debt levels (and changes) by socio-economic groups;
- Effects of benefit changes (including benefit sanctions) on low income groups;
- Rent/Council tax arrears;
- Advice agencies and debt/financial issues, including volumes and types of issue;
- Rent-to-buy market (BrightHouse);
- Poverty Premium (including utility costs).

*Local statistics*, using published data, extrapolation and analysis (and where possible our contacts within commercial credit) to calculate figures for comparable issues for both Stoke on Trent and Newcastle-under-Lyme. Some of these results have been put on a series of maps, so that stakeholders can see the ‘geography’ of the different issues.

***What works elsewhere***

The FIG selected a number of established organisations they were interested in hearing more about and visiting.

We organised visits or meetings with:

- Sheffield Money;
- Scotcash CIC; (in Glasgow);
- The Wheatley Group; (Scotland's largest housing association and partners in Scotcash);
- Conduit Scotland; who are the social lending subsidiary of Five Lamps based in Stockton on Tees but who also operate in Fife, Falkirk and West Lothian;
- Street UK; (in Wolverhampton).

***Understanding local capacity***

We interviewed and asked for information from a number of local partners and agencies including:

- Stoke City Council;
- Newcastle Under Lyme Council;
- Moneyline UK (a not for profit Responsible lender with collocated operations throughout Stoke on Trent and Newcastle Under Lyme);
- Aspire HA;
- Staffordshire HA;
- Severn Trent Water;
- Saltbox;
- Big Local;
- CAB;
- Potteries Moneywise;
- YMCA;
- Staffordshire CC.

In all we have interviewed 21 individuals from 12 organisations. A list of interviewees is included as an appendix.

***Options and models***

We have carried out an initial appraisal of a number of models which address the issues articulated in the brief. These are discussed in Section 4 of the main report.

## 1.4 Our initial findings

***Understanding the national picture***

- The UK still has a debt problem, with levels of unsecured debt returning towards pre-crash levels;
- Mainstream banks and mainstream finance are not interested in meeting the needs of low-income consumers who borrow under £500 over 9-12 months;
- Companies who used to serve this market, such as Provident Financial Group and BrightHouse are reducing their exposure significantly, leaving low-income households with even higher cost alternatives;
- High Cost Short Term Credit lenders like Wonga, and Quick Quid, that lend through online platforms have also reduced their volumes and altered their customer profile;
- Credit unions have challenges which limit their operation in this market area because they cannot charge the interest rates required to break even;
- A growing number of responsible finance alternatives (such as Scotcash, Moneyline UK, Five Lamps and Street UK) have developed over the last 10 years, offering mid-cost, rather than high cost credit to poorer, riskier consumers. They now lend £22 million[24] each year;
- A number of key policy strands are coming together including the renewed vigour of the FCA to support mid-cost credit alternatives and crack down on high cost lenders;
- The establishment of the End High Cost Credit Alliance founded by actor and activist Michael Sheen, which is focussed on supporting alternative finance provision with capital, resources, marketing and advertising.

***Understanding the local picture***

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[24] Responsible Finance: The Industry in 2017 (December 2017) http://responsiblefinance.org.uk/policy-research/annual-industry-report/

We looked at a wide range of indicators for both Stoke on Trent and Newcastle under Lyme. In relation to 10 key indicators they both performed worse than the UK average, with Stoke on Trent below on all ten and Newcastle under Lyme below on five:

- Children in poverty;[25]
- Social renting;[26]
- Lone parents;[27]
- Energy Efficiency ratio;[28]
- Adults with no qualifications;[29]
- Number of people living in most deprived 20% of IMD;[30]
- Working age receiving benefits;[31]
- Children's wellbeing index;[32]
- Hard pressed families;[33]
- Living in health deprivation hotspots.[34]

In addition to these indicators *weekly income (after housing costs) in Stoke on Trent (£395) and Newcastle under Lyme (£425) is lower than England (£495).*[35]

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[25] Children in lone parent households – HM Revenue & Customs; Children in out of work households – DWP (2016)

[26] Dwellings type by tenure, Census (2011)

[27] Population by household composition Census (2011)

[28] DCLG (2016)

[29] Census (2011)

[30] Communities & Local Government (Indices of deprivation, 2015)

[31] Department for Work & Pensions

[32] Number of people in each deprivation decile, Child Wellbeing Index 2009, CLG (2009)

[33] ONS Output area classification (2011)

[34] Number of people in each deprivation decile, Health domain, IMD, (2015)

[35] Weekly household earnings (£) ONS (2013-2014)

The healthy life expectancy of males and females across the two local authorities is also lower than England with Stoke on Trent (males 58, females 59), Newcastle under Lyme (males 62, females 63) against England's 63.5 for males, and 64.8 for females.[36]

Across *Newcastle under Lyme the average household income is £30,527 (11.6% lower than national average)*[37].

Across *Stoke on Trent the average household income is £25,649 (25.7% lower than national average).*[38]

84% of wards across Stoke on Trent and 38% of wards across Newcastle Under Lyme contain households that say they find it 'difficult' or 'very difficult' to manage their household income, both these figures are higher than the national average of 28%[39]

Across ***Stoke on Trent and Newcastle Under Lyme***, based on the 2016 evidence of High Cost Short Term Credit (HCSTC) usage and extrapolating the percentage of adults (18-64) there will be a ***minimum of 26,500 adults borrowing £27 million annually, with a further 81,500 adults owing around £53 million***[40]***.***

***What works elsewhere***

We visited or took evidence from Sheffield Money, Scotcash, Five Lamps / Conduit Scotland and Street UK. These are characterised as CDFIs in the report.

Sheffield Money, which had inspired the FIG to look at this issue had failed for a number of clearly identifiable reasons which we discuss in the main report.

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[36] Healthy life expectancy, ONS (2009-2013)

[37] Mosaic MPS6, Modelled impact of finance, education, health measures, Experian 2017 (supplied by Steve Johnson, Stoke on Trent Council)

[38] Mosaic MPS6, Modelled impact of finance, education, health measures, Experian 2017 (supplied by Steve Johnson, Stoke on Trent Council)

[39] Mosaic MPS6, Modelled impact of finance, education, health measures, Experian 2017 (supplied by Steve Johnson, Stoke on Trent Council)

[40] FCA High Cost Credit Review Technical Annex 1 : Credit reference agency (CRA) data analysis of UK personal debt (2017) using extrapolation of adult population 18-64 years old versus UK (not weighted)

Scotcash, Conduit and Street UK have all been running for more than 10 years. They have different delivery models, based either on premises or telephone/online (or a combination) but share a similar customer base with similar characteristics. These customers are also similar in characteristics to those of interest to the FIG.

In a number of very important respects their customers are different from those of a credit union. We discuss the potential role of credit unions, and their limitations, in the main report.

The CDFIs have:

- *Substantial loan books* – offering a loan is the key to engaging with low-income consumers;
- *A typical loan offer of £400 - £600 over 9-12 months* at a cost significantly below that of the nearest realistic commercial alternative for customers (usually Provident Financial or BrightHouse);
- *Gateway services*; offering access or signposting to debt, advice and financial capability services offered by local third sector organisations, or linked savings offerings, or in branch opening of bank accounts;
- *An approach based on what is best for the customer*, rather than maximising the loan they might take out (*some 30%-40% of people are declined for a loan but offered access to other support/ advice);*
- *A partnership approach* to working with local authorities, housing associations and the third sector based on complementing, not duplicating, expertise.

The CDFIs stressed a number of lessons to us:

- *Having a clear focus* for the business – especially the need to make sure that the loans element is sustainable;
- *Lending money is a volume business*. It needs scale to cover overheads and succeed;
- The need to *control bad debt and costs*;
- The need for *effective marketing and clear routes to market*;
- The importance of *a relationship of trust with the customer*;

- The need to have *effective partners offering debt/ financial advice and financial capacity building*;
- The *time taken to build up* to a sustainable volume of loans;
- The need for *good back office systems* to provide appropriate management tools and marketing information.

They also raised a number of issues that they faced going forward:

- Access to affordable capital for on-lending;
- Routes to the right parts of the market;
- The challenges of sustainability;
- The channel choice for customers;
- The need to upgrade and invest in IT systems.

***Local picture: advice and support***

Stoke on Trent and Newcastle Under Lyme have a range of organisations offering advice and support to those on low incomes who are struggling with debt and accessing benefits to which they are entitled. These include:

- Local authorities;
- Housing Associations;
- CAB;
- Severn Trent;
- Big Local;
- Saltbox.

The principal issues raised with us were:

- Uncertainty around welfare reform and the impact of Universal Credit;
- Increasing female financial exclusion through payment to single account in joint Universal Credit claims – has significant consequences for lending decisions.
- Linking up services without confusing the client/customer. Though relationships are generally good, Stoke on Trent does not have ‘synchronised’ groups to move people forward and out of their problems;
- Issues are often around families rather than individuals;

- Limited penetration amongst BME groups;
- Avoiding repeat clients – where the same problem comes back several times.

***Local picture: financial capacity building***

Partners in Stoke on Trent and Newcastle Under Lyme have also recognised that financial capacity building at both an individual and organisational level is required if inroads are to be made into the problems of debt, low incomes and financial exclusion.

One of the critical issues here is the extent to which advice organisations rely on grant support from local authorities, central government or charitable trusts such as the Big Lottery. It is not a revelation to note that the squeeze on non-statutory parts of local authority and central government spending continues and that there is increased pressure on such funds as the Big Lottery who cannot provide a permanent source of support.

Having said that the BLF supports Potteries Moneywise a specialist project of the CAB to build financial support and capability across the area and through one of its arms-length trusts, supports the Big Local project in north Stoke.

***Lessons***

We can take a number of important points from the sections on available data and the local situation.

- If we take the average for England as a benchmark on indicators of poverty, indebtedness and so on, then Newcastle under Lyme is above that average and Stoke on Trent is well above that average. This leads us to conclude that *there is a significant need in the area.*
- If we look at the capacity to meet this need, in the sense of services that are fully funded to deal with the potential number of clients (and the increases that are likely to come with the roll-out of Universal Credit) then there is an obvious shortfall.
- If we look at demand for small loans over 9-12 months in order to help families and individuals meet unexpected expenditure or to meet predictable annual expenditure such as Christmas, holidays, or the start of the school year then we note that traditional lenders in this area (such as Provident Financial) are moving

out of this market and rejecting customers who they see as too risky but have no realistic alternatives. *This means that there is a significant gap in provision as low-income groups will continue to need access to short-term loans.*

- *Credit Unions are unequipped to fill this gap* because the economics of lending under £500 over less than 12 months at an APR of 42.6% (currently the maximum they can charge) makes no sense at all. Even with no bad debt it will still lose money and as such, poses a threat rather than an opportunity to any credit union.
- The three examples we visited (Scotcash, Conduit/Five Lamps and Street UK) suggests that *a financially sustainable alternative is possible which can offer low-income customers small, short-term loans at a cost which is significantly cheaper than that offered by realistic alternatives such as Provident and BrightHouse. The availability of a loan is the critical spearhead which attracts customers and makes it possible to offer them other services.*
- This enables these alternatives also offer access to other forms of responsible advice and support through partnerships with other not-for-profit agencies.
- A crucial lesson is *that it is hard to make the loans element self-financing.* Even after 10 years of operation, some existing CDFIs are only just making a profit. The related implication is *that it is unlikely that profits from loans can fund/subsidise advice and other services.*
- Our view is that the *loans element needs to be seen as financially sustainable* through a combination of volume, price, control of costs and bad debt. The *advice and capability elements need to be funded separately* for the social and economic benefits it brings. This has implications for the business models discussed in the main report.

## 1.5 Options

We note that there is both a *market* for short-term mid-cost credit and a *need* for wrap around advice and capacity building services in Stoke on Trent and Newcastle under Lyme.

Our view is that they need to be understood as separate, but related, issues which will have different funding sources. It is, however, possible to bring them together on the ground as our case studies show.

***Short-term, mid-cost credit***

Finance is a volume sensitive business. Sustainability can only be built on scale, aligned with the right price and good control of bad debt and costs.

As noted in this report, the costs of lending are high. Consider, for example, the range of costs needed to support loans to low income households from shop front premises:

- Rental of shop unit;
- Associated utility costs, rates, cleaning etc;
- Costs of IT and loan software licences;
- Trade licences, FCA permissions;
- Bank costs, including DD origination costs;
- Credit reference costs;
- Acquisition costs, marketing, leaflets;
- Wages for staff;
- Administration and management costs;
- Cost of capital - typically 6% to 10%;
- Cost of bad debt / write off - typically 5% to 15%;

The operational costs are (largely) fixed. The volume and value of loans will generate the income from lending. To cover, for example, £100,000 of operational costs with income from lending, assuming £600 loans issued over 39 weeks twice per year, would need an APR of 99.9% APR and a volume of loans issued of 750, before bad debt is taken into account. These two examples show the impact of volume.

***Operational costs / the impact of volume; Example 1***

| **Operational Costs to be covered** | £100,000 | |
|---|---|---|
| **Term** | 39 weeks (new loan) | 39 weeks (repeat) |
| **Volume** | 450 | 300 |
| **Value** | £300 | £600 |
| **Income per loan** | £95.95 | £191.91 |

| | | |
|---|---|---|
| **Income from lending (before write off)** | £43,177 | £57,573 |
| **APR** | 99.9% APR | 99.9% APR |
| **Total income from lending** | £100,750 | |

***<u>Operational costs / the impact of volume Example 2</u>***

| **Operational Costs to be covered** | £100,000 | |
|---|---|---|
| **Term** | 39 weeks (new loan) | 39 weeks (repeat) |
| **Volume** | 3,750 | 2,250 |
| **Value** | £300 | £600 |
| **Income per loan** | £12.00 | £24.00 |
| **Income from lending (before write off)** | £45,000 | £54,000 |
| **APR** | 9.9% APR | 9.9% APR |
| **Total income from lending** | £99,000 | |

This cost structure rules out, *ab initio*, credit unions as the principal delivery mechanism.

Getting this number of loans requires the right kind of marketing and promotion. The case studies show that there are a number of ways of doing this – but they all take time and resources. Scotcash, Conduit, Moneyline and Street UK all use office bases and Conduit, Scotcash and Street UK all have a telephone/online offering.

The advantages and disadvantages of these channels are:

*Premises* – provide an obvious base from which to do business and one with which customers are familiar. With the correct location (e.g. a shopping mall) it can attract passing trade and allow brand awareness to be built. It also allows a more personal relationship to be built with the customer ("the handshake moment"), for the loan officer to assess the client ("the whites of the eyes moment") and to pass any declined client on to an embedded advice service. From the customer perspective it gives an identifiable person who can be trusted to deal with any issues, such as the need to miss a payment.

The disadvantages for premises include costs, the need to staff them up (to allow for sickness/ holidays), the down time due to 'no shows' and being locked into a poor location. Where CDFIs do have premises, they are often directly, or indirectly, supported by a housing association or local authority.

*Telephone/ Online* – provides a much more flexible service, and one that many new and younger customers are increasingly comfortable with.  It has the advantage for the organisation of being cheaper, avoiding the problem of 'no shows', allowing a speedier decision to be made and requiring less time to process an application.

The disadvantages include not being able to see and assess the customer directly and the fact that because of the customer demographic it attracts decline rates that are much higher.  In fact, on-line customers may not be from the groups that the FIG wishes to help. Street UK and Moneyline UK both believe that their non-branch channels attract a significantly different customer, a customer higher up the income scale, more male than female, susceptible to over-indebtedness rather than income shock and less 'sticky' (no relationship). Conversely, Scotcash and Conduit both believe that they are still serving a demographic that remains similar to the one seen in branch.  Finally, installing and upgrading IT systems is not cheap and usually comes with a series of teething problems that can affect customer confidence and satisfaction.

The business plan in the next phase, should it go ahead, will look at the build-up of loans over an initial five-year period and make some realistic assumptions about the level of investment required from partners and the point at which sustainability could be reached.

It will also look at the different levels of support and investment required to sustain a shop-based model, an on-line model, or a hybrid of the two.

***Advice and capacity building services***

There is a substantial shortfall in the ability of existing services to meet the needs of those who are indebted or need financial advice/capacity building in Stoke on Trent and Newcastle under Lyme.

Not all of those in this category are either reachable or treatable. Many affected individuals will remain off the radar for services and others will have such complex and deep-rooted problems that advice and counselling will not be sufficient on their own.

Where loans are used as a 'spearhead' to attract individuals who, in addition to needing money, will need other types of support, then the likelihood of take up increases (especially where the contact is face-to-face).

## 1.6 Conclusions and next steps

The FIG needs to consider the following questions.

- Is there evidence of unmet demand for mid-cost small sum credit in Stoke on Trent and Newcastle under Lyme?
- Is there evidence of unmet needs for financial and debt advice in Stoke on Trent and Newcastle under Lyme?
- Do the CDFIs we have looked at suggest that there is a sustainable solution to the most important of these issues which could be applied in Stoke on Trent and Newcastle under Lyme?

If the answer to these questions is 'Yes' then the FIG needs to consider:

- Which model(s) does it want to investigate further and use as the basis for a business plan to put to potential funders? Within this;
    - What are the capital requirements?
    - What are the running costs for delivering loans?
    - What are the running costs for delivering advice services?
    - What are the running costs for capacity building?
    - Are they all affordable?
- Which partners does it need to involve in further discussions to identify their roles as:
    - Investors of loan capital?
    - Investors in organisational support?
    - Funders of advice services?
    - Funders of capacity building?

    - Routes to market for loans?
    - Non-financial ways of supporting loan delivery?
    - Deliverers of advice services?
- What is the role for the credit union in this mix, given the failure of Staffordshire CU and the interest of Wolverhampton CU.

We believe that there is a significant opportunity in both Stoke on Trent and Newcastle under Lyme for partners to come together and make a real and lasting difference to those on low incomes who need access to better loans, better advice and better support.

# 1. What we were asked to do

## 1.1 Background

The starting point for this work is the initial work of the Financial Inclusion Group North Staffordshire (FIG), which demonstrated that in Stoke on Trent and Newcastle-under-Lyme there are 93,000 individuals who are ‘over indebted’ (the largest total outside of London).

The FIG argued that current capacity for dealing with such issues is around 19,000 each year, indicating a clear capacity gap at the local level.

At the request of the Council’s Hardship Commission, the FIG identified that services need to look at both maximising income and reducing costs. The former includes increasing the take-up of benefits, mitigating the effects of welfare ‘reform’ and providing better access to information and advice services. The latter is about the ‘poverty premium’ paid by low income groups; utilities, white goods and basic services cost more, and loans to pay for these also cost more because lenders price in what they see as the additional risks of non-payment.

This agenda may require current services to be delivered in different ways and it may also require new services (such as access to cheaper loans, savings, insurance, bank accounts) to be set up and delivered effectively across the area.

In order to take this forward, the FIG has been funded by the Oak Foundation to undertake an investigation to:

*“.. bring together all aspects of support for people who need help with money, from;*

- *Financial education packages in schools, budgeting advice, debt resolution;*
- *Access to cheaper utility bills and cheaper white goods, insurance;*
- *Provision of funds: emergency cash;*
- *Ethical lending, local banks and building societies.*

*There will be a full range of services, separated only to avoid conflicts of interest (e.g. paying commission to another service)”.*

The FIG's objective is to do this through a single branded source, which will be highly visible to residents in Stoke on Trent and Newcastle-under-Lyme and which will become ***the*** trusted source for information and help on money matters.

**1.2 The brief**

In January 2018 the FIG commissioned Alistair Grimes and Niall Alexander to undertake this work. After an inception meeting (Stage 1) the work was broken down into a number of further stages moving through:

- **Stage 2 - Evidence gathering and data collection** (proof of need);
    - To look at the national picture and the picture in Stoke on Trent / Newcastle-under-Lyme, disaggregated by financial circumstances;
- **Stage 3 - What works elsewhere** (proof of concept);
    - To look at evidence from the UK and other countries around practical solutions on access to finance, access to goods and services, benefit maximization, capacity building;
- **Stage 4 – Identifying existing capacity, gaps in capacity and ways of building capacity**;
    - To look at what can be built on locally, what might be bought in from elsewhere and where new local organisations need to be developed;
- **Stage 5 - Identifying what might be reasonably achieved over a five-year period,** quantifying benefits and how that would be delivered (proof of value for money);
    - To look at available capacity, how to create organic and sustainable development and avoid the temptation of 'funding steroids' (resulting in rapid growth and rapid collapse) as a short-term solution;
- **Stage 6 - An initial business plan** over five years looking at:
    - Key targets (based on what is achievable);
    - Investment required (both capital and revenue);
    - Organisational form and structure;
    - Management and governance;
    - Key partners and their roles;
    - How to measure and monitor progress.

- **Stage 7 - An initial sequence of activities and priorities in each year** to ensure that both short and long-term objectives are kept in focus and under review.

This interim report covers the stages outlined above (up to the business plan) and gives some options for how to develop a business plan and the initial sequence of activities.

## 2. What we have done so far

### 2.1 Stage 1 – Inception meeting.

We met with representatives of the steering group on 6th February to agree the final brief, identify information required from FIG members, agree on who should be interviewed and a short-list of potential visits.

### 2.2 Stage 2 – Evidence gathering

We have gathered and analysed two types of evidence:

National statistics 2007-17 for:

- Scale and changes in the HCST credit market;
- Changes in demographic groups using HCST credit;
- Debt levels (and changes) by socio-economic groups;
- Effects of benefit changes (including benefit sanctions) on low income groups;
- Rent/Council tax arrears;
- Advice agencies and debt/financial issues, including volumes and types of issue;
- Rent-to-buy market (BrightHouse);
- Poverty Premium (including utility costs).

Local statistics, using published data, extrapolation and analysis (and where possible our contacts within commercial credit) to calculate figures for comparable issues for both Stoke on Trent and Newcastle-under-Lyme. Some of these results have been put on a series of maps, so that stakeholders can see the 'geography' of the different issues.

### 2.3 Stage 3 – What works elsewhere

We provided an initial series of pen pictures describing those responsible finance lenders (also known as CDFIs) who have a track record in the business of lending to low income groups and other relevant services, such as access to bank accounts, savings, financial capacity building and debt advice. We also suggested a number of CDFIs that had failed, so that these lessons could be taken on board.

The FIG selected a number of organisations they were interested in hearing more about and visiting.

We organised visits to and meetings with:

- Sheffield Money (Rob Shearing, formerly CEO);
- Scotcash in Glasgow (Sharon McPherson, CEO);
- The Wheatley Group who are Scotland's largest housing association and partners in Scotcash (Sharon McIntyre, Financial Inclusion Innovation Manager);
- Conduit (Graeme Oram, CEO) who are the social lending subsidiary of Five Lamps based in Stockton on Tees but who also operate in Fife, Falkirk and West Lothian;
- Street UK in Wolverhampton (Kashaf Ali, CEO).

All the organisations above provided information and this is discussed in Section 3.

**2.4 Stage 4 – Understanding local capacity**

We interviewed and asked for information from many local partners and agencies:

- Stoke City Council;
- Newcastle Under Lyme Council;
- Moneyline UK; (a not for profit Responsible lender with collocated operations throughout Stoke on Trent and Newcastle Under Lyme);
- Aspire HA;
- Staffordshire HA;
- Severn Trent Water;
- Saltbox;
- Big Local;
- CAB;
- Potteries Moneywise;
- YMCA;
- Staffordshire CC.

In all we have interviewed 21 individuals from 12 organisations.

**2.5 Stage 5 – Options and models**

We have carried out an initial appraisal of a number of models which address the issues articulated in the brief. These are discussed in Section 5.

# 3 Our initial findings

### 3.1 Understanding the national picture: The UK still has a serious debt problem

"*Household debt – like most things that are good in moderation – can be dangerous in excess, dangerous to borrowers, lenders and, most importantly from our perspective, everyone else in the economy*." (speech at Liverpool University, July 2017)

So said Alex Brazier the Bank of England's Executive Director for Financial Stability Strategy and Risk, and a member of the Monetary Policy Committee in July 2017. His remarks are borne out by the evidence.

As Table 1 shows, UK adults owe rather a lot of money, much of it secured (Oct 2017: £1,356bn) mostly on their mortgages; but significant sums are unsecured (Oct 2017: £205.3bn). In the three months to October 2017 this combined debt grew to over £1.5 trillion. To give a sense of scale, the UK GDP is about £1.98 trillion, UK government debt is about £1.7 trillion and UK government spending is £772 billion.

**Table 1: Outstanding UK secured and unsecured lending (2017)[41]**

| 2017 | Outstanding secured (£billions) | Outstanding unsecured ( £ billions) | Total ( £billions) |
|---|---|---|---|
| **Aug** | **1,349.9** | **203.3** | **1,555.3** |
| **Sep** | **1,353.7** | **204.0** | **1,557.7** |
| **Oct** | **1,356.8** | **205.3** | **1,562.1** |

For most people credit is secured against an asset, usually a house, and unsecured credit in the mainstream markets allows adults to borrow at a reasonable cost to meet expenditure for a range of items.

A search conducted in April 2017 for the cost of various amounts of unsecured money, ranging from £1,000 to £25,000, for adults with good credit histories reveals a wide choice. (See Table 2, below).

[41] Bank of England

**Table 2: Unsecured mainstream loans APR and interest charged (April 2017)[42]**

| (a1) | (b1) | (b2) | (c1) | (c2) | (d1) | (d2) | (e1) | (e2) |
|---|---|---|---|---|---|---|---|---|
| **Amount** | **12 months** | | **24 months** | | **36 months** | | **60 months** | |
| | **APR (%)** | **TIC (£)** | **APR (%)** | **TIC (£)** | **APR (%)** | **TIC (£)** | **APR (%)** | **TIC (£)** |
| **£1,000** | **9.9** | **52** | **9.9** | **102** | **9.9** | **153** | **9.9** | **259** |
| **£,1500** | **9.9** | **78** | **9.9** | **153** | **9.9** | **229** | **9.9** | **389** |
| **£2,000** | **7.8** | **63** | **7.8** | **161** | **7.8** | **241** | **7.9** | **412** |
| **£2,500** | **7.8** | **103** | **7.8** | **201** | **7.8** | **301** | **7.8** | **508** |
| **£3,000** | **7.7** | **122** | **7.7** | **238** | **7.7** | **357** | **7.7** | **602** |
| **£5,000** | **3.6** | **96** | **3.6** | **187** | **3.6** | **278** | **3.6** | **463** |
| **£10,000** | **2.9** | **156** | **2.9** | **301** | **2.9** | **447** | **2.9** | **744** |
| **£20,000** | **3.0** | **322** | **3.0** | **622** | **3.0** | **926** | **3.0** | **1541** |
| **£25,000** | **3.1** | **416** | **3.0** | **778** | **3.0** | **1157** | **3.0** | **1926** |

APR = Annual Percentage Rate the equivalised algorithm comparing credit, cost and time, shown in columns b1, c1, d1, e1

TIC = Total Interest Charged, the amount of interest payable over the term shown in columns b2, c2, d2, e2. This interest is payable along with the principal shown in column over and above the principal sum borrowed shown in column a1.

### *Mainstream lending: the role and views of banks*

It is unusual for mainstream financial institutions like banks or building societies to offer personal loans under £1,000. It is also highly unusual for the period of the loan (the term) to be less than 12 months.

Mainstream banks operating in mainstream lending, or standard lending, have a wide market of borrowers to choose from. They do not need to delve into non-mainstream lending, which carries both financial and reputational risk.

The mainstream banks' rationale for not advancing loans with a value under £1,000 is partly based on a belief that there is usually a credit card or overdraft facility alternative for the prospective borrower and partly because small sum advances do not cover the true costs of lending.

[42] Websearch conducted on money.co.uk in April 2018, figure selected is ranked #3 on all loan offers to prevent outlier / loss leader bias

The costs of administering small loans do not represent a good return on capital (ROC) for the lender. Banks definition of a small sum is different from the general public's view. Broadly, the costs of administering a £10,000 or £20,000 loan will be the same as for a £1,000 loan, but the returns, evident in Table 2 (above) demonstrate that larger loans, over a longer term, carry the greatest ROC.

*In short, banks are not interested in lending small sums of money to poor people.*

***The non-mainstream market***

There are between 12 and 13 million people in the UK who are not seen as 'prime' borrowers by banks. They may have a blemished credit history, or no credit history at all (as in the case of new migrants). The consequence is that they pay more for their credit.

People's credit scores can improve with a regular repayment record, and it is possible for people to move up and down the credit ladder. In the non-standard market there are higher prices charged for the perceived risk of lending to an individual who is not considered as good a repayment risk as a prime, or secured borrower.

In the same way countries and companies have rating to determine the lenders likelihood of receiving their money back. Would you charge El Salvador, Greece, or Mongolia the same price for a $10 billion loan as Switzerland or Norway?

Within those personal lending markets where sums under £1,000 are lent, and for periods under 12 months, the administrative element (borne by the lender) represents a higher proportion of any repayment, the default rate will be higher and the risks to lenders greater. *This makes it a specialist market.*

Changes in financial regulation (including caps on interest rates and the total cost of credit) mean that this market is now much less attractive to commercial lenders who are reducing their exposure to low-income groups and moving more upmarket. This trend is likely to continue. It creates an immediate problem for low income consumers who still need to borrow small sums of money.

### *The role of credit unions*

Credit unions are often cited as the not for profit alternative for poorer households. There is some truth in this, as many credit unions, particularly community-based ones, operate within poorer areas. However, the most successful credit unions, those who dominate the statistical loans and shareholdings tables are employee based / industrial credit unions with a customer whose profile is closer to prime than near prime, or sub-prime. Sustainable credit unions have customers in higher income as well as lower income brackets, and longer, larger loans offset smaller, shorter ones.

Lending small unsecured sums to higher risk borrowers within the pricing constraints that credit unions operate under is a very difficult exercise. A report for the Bank of England in April 2017 "*The determinants of UK credit union failure*"[43] identified that the higher likelihood of failure occurred with those credit unions that were "*smaller, less capitalized, and less profitable….higher arrears rates, loan loss provisions and unsecured loans*[44]".

Credit unions in Great Britain are capped by law on the amount that they can charge - up to a maximum of 3% per calendar month on a reducing balance (equivalent to 42.6% APR). The consequence of this cap means that the credit unions need a majority of higher value, longer term loans to balance out the loss-making part of the loan book – which will be lower value, short term, and less revenue generating.

Table 3 below clearly shows that the costs of loans of the size seen in the short term non-standard credit market are difficult to lend sustainably for a credit union where the cost of lending is £108 per loan.

**Table 3: Credit Union loan scenarios £100 to £1000 APR and interest charged (2018)**

| | 6 months term | | | | 12 months term | | | |
|---|---|---|---|---|---|---|---|---|
| | APR | TIC (£) | Admin (£) | Net (£) | APR | TIC (£) | Admin (£) | Net (£) |

[43] Staff working paper No 658 The determinants of credit union failure, Jamie Coen, William B Francis and May Rostom (April 2017)

[44] "*The determinants of UK credit union failure* Working Paper No. 658 By Jamie Coen, William B Francis and May Rostom (bank of England, 2017)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **£100** | 42.6% | 10.76 | 108 | (97.24) | 42.6% | 20.55 | 108 | (87.45) |
| **£200** | 42.6% | 21.52 | 108 | (86.48) | 42.6% | 41.11 | 108 | (66.89) |
| **£300** | 42.6% | 32.28 | 108 | (75,72) | 42.6% | 61.66 | 108 | (46.34) |
| **£400** | 42.6% | 43.03 | 108 | (64.97) | 42.6% | 82.22 | 108 | (25.78) |
| **£500** | 42.6% | 53.79 | 108 | (54.21) | 42.6% | 102.77 | 108 | (5.23) |
| **£750** | 42.6% | 80.69 | 108 | (27.31) | 42.6% | 154.16 | 108 | 46.16 |
| **£1000** | 42.6% | 107.59 | 108 | (0.41) | 42.6% | 205.55 | 108 | 97.55 |

APR = Annual Percentage Rate the equivalised algorithm comparing credit, cost and time

TIC = Total Interest Charged, the amount of interest payable over the term This interest is payable along with the principal shown in left hand column over and above the principal sum borrowed shown in column.

Ratnam Maheswaran, Policy Manager at DWP's Credit Union Expansion Project (CUEP), stated in 2013 that *"The Credit Union feasibility study found that the average unit cost to a credit union to deliver a loan was £108."*

In 2017 credit union statistics in the UK from the Bank of England showed a very different picture of lending across the four nations of the UK. Credit unions are deeply embedded within Northern (and the Republic) of Ireland. They remain focussed on share-based lending, borrowing a multiplier of shares held as security. In Northern Ireland two in five adults (40%) are members. Across the remainder of the UK the average figure is one in fifty (2%).

**Table 4: Credit Unions in UK statistical profile (2017)[45]**

| | England | Scotland | Wales | Northern Ireland |
|---|---|---|---|---|
| **Number of Credit Unions** | 179 | 96 | 18 | 149 |
| **Total adult members** | 707,537 | 331,234 | 65,359 | 547,505 |
| **Adult members as percentage** | 1.63% | 7.57% | 2.63% | 38.38% |
| **Value of Loans outstanding** | £458,864,000 | £298,729,000 | £22,443,000 | £536,293,000 |
| **Number of loans outstanding** | 242,264 | 110,528 | 15,463 | 159,881 |
| **Average outstanding loan** | £1,894 | £2,703 | £1,451 | £3,354 |
| **Members shares balance** | £677,852,000 | £491,700,000 | £37,983,000 | £1,271,610,000 |
| **Average shares per member** | £958 | £1,484 | £581 | £2,323 |

[45] Bank of England (2017)

In the unsecured, non-mainstream market, the sums borrowed are small, typically £500 over 9-12 months. If there is no appetite for mainstream lenders to operate in the sub £1,000 space, and credit unions will lose money on loans of this size/duration, what can be done?

The high cost unsecured credit market is subject to much scrutiny and attention. It is seen as egregious and unfair, often predatory. The market can, indeed, be these things, but it is also nuanced. It has changed dramatically since tighter regulation and FCA scrutiny was introduced in 2014, and the payday cap in 2015. Nevertheless, it remains significant and mostly used by individuals and households in lower than average income brackets, except retail finance which, arguably, is a near prime rather than sub-prime domain. An in-depth piece of work in 2017 found the following figures for high cost credit (Table 5).

**Table 5: High Cost Credit consumers and debt (2016)[46]**

| High cost credit product | Annual consumers | Borrowing (£) | Total Consumers with debt | Outstanding (£) |
|---|---|---|---|---|
| **Catalogue** | 1,900,000 | 800,000,000 | 7,600,000 | 4,000,000,000 |
| **Store Card** | 400,000 | 200,000,000 | 1,900,000 | 700,000,000 |
| **HCSTC** | 800,000 | 1,100,000,000 | 1,600,000 | 1,100,000,000 |
| **Home Credit** | 700,000 | 1,300,000,000 | 1,600,000 | 1,100,000,000 |
| **Rent to Own** | 200,000 | 600,000,000 | 400,000 | 500,000,000 |
| **Running Account** | 200,000 | 200,000,000 | 300,000 | 1,000,000,000 |
| **Guarantor** | 100,000 | 200,000,000 | 100,000 | 300,000,000 |
| **Logbook** | 100,000 | 100,000,000 | 100,000 | 100,000,000 |
| **Retail Finance** | 2,300,000 | 4,400,000,000 | 5,300,000 | 6,000,000,000 |
| **total** | 6,700,000 | 8,900,000,000 | 18,900,000 | 14,800,000,000 |

The same detailed research in 2017 identified the typical mean and median net incomes of borrowers currently using these forms of credit (in all cases this is a borrower higher up the income ladder than previous analysis). The research also identified the percentage of borrowers within each category who were mortgage holders; whilst not a true proxy for

46 FCA High Cost Credit Review Technical Annex 1: CRA data analysis of UK personal debt (2017)

asset wealth, in most cases the possession of a home, can indicate broadly better off households.

**Table 6: High Cost credit users: income, whether has mortgage debt and age**

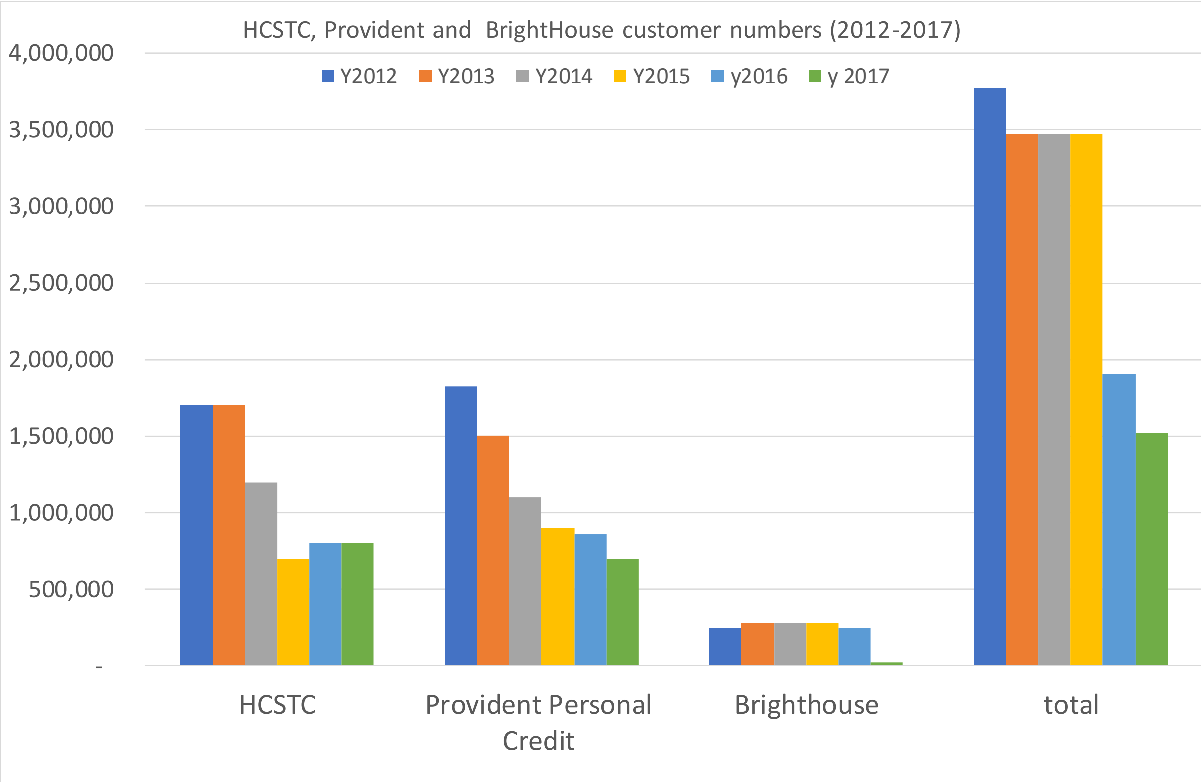
| High cost credit product | Mean Net income of borrower (£) | Median net income of borrower (£) | Percentage of borrowers with mortgage debt (%) | Median Age of borrower |
|---|---|---|---|---|
| **Retail Finance** | 31,900 | 24,700 | 48% | 41 |
| **Store Cards** | 21,800 | 17,500 | 20% | 36 |
| **Catalogue Credit** | 22,300 | 17,700 | 20% | 45 |
| **HCSTC** | 23,600 | 20,000 | 9% | 32 |
| **Rent to Own** | 18,400 | 16,100 | 2% | 36 |
| **Home collected credit** | 17,500 | 15,500 | 5% | 42 |

Within this range of choices, a traditional and common solution for lowest income borrowers was to use the cash advance, home collected, offer from Provident Financial. Their typical customer was a woman aged 35-45 with dependent children, living in social housing and with an income of £15,000/year through a combination of work and benefits. The rent-to-own company BrightHouse provided a similar service for a similar customer group.

Market changes and increased regulation by the FCA have affected home collected credit (Provident) and rent to own (BrightHouse) along with on-line lenders such as Wonga and Quick Quid. The result has been a reduction in the loans they offer to lower income groups and a business decision to move to higher earning and less risky customers. The changes have been dramatic, with Provident Financial Group’s home collected credit reducing from 1.8 million customers to 500,000 in under five years

Chart 1 below shows the fall off in customers from High Cost Short-Term Credit (HCSTC) such as Provident Financial Group’s home collected credit division and largest rent to own retailer, BrightHouse. The total number of customers served has reduced from 3.7m to 1.5m - a decrease of 60%.

**Chart 1: Reduced customer numbers across high cost credit products**




Notwithstanding the drop off in customer numbers the major players identify that they have changed the type of person that they lend to. For example, the Social Market Foundation report for CFA in 2017

"*Loans have increasingly been granted to individuals higher up the income distribution. There has been a reduction in loans taken out by those on the lowest incomes and this is consistent with the intention and forecast effect of the cap, namely that it would remove from the market borrowers (typically on lower incomes) who are less able to service their loans and for whom the severity and likelihood of detriment is greatest*"[47].

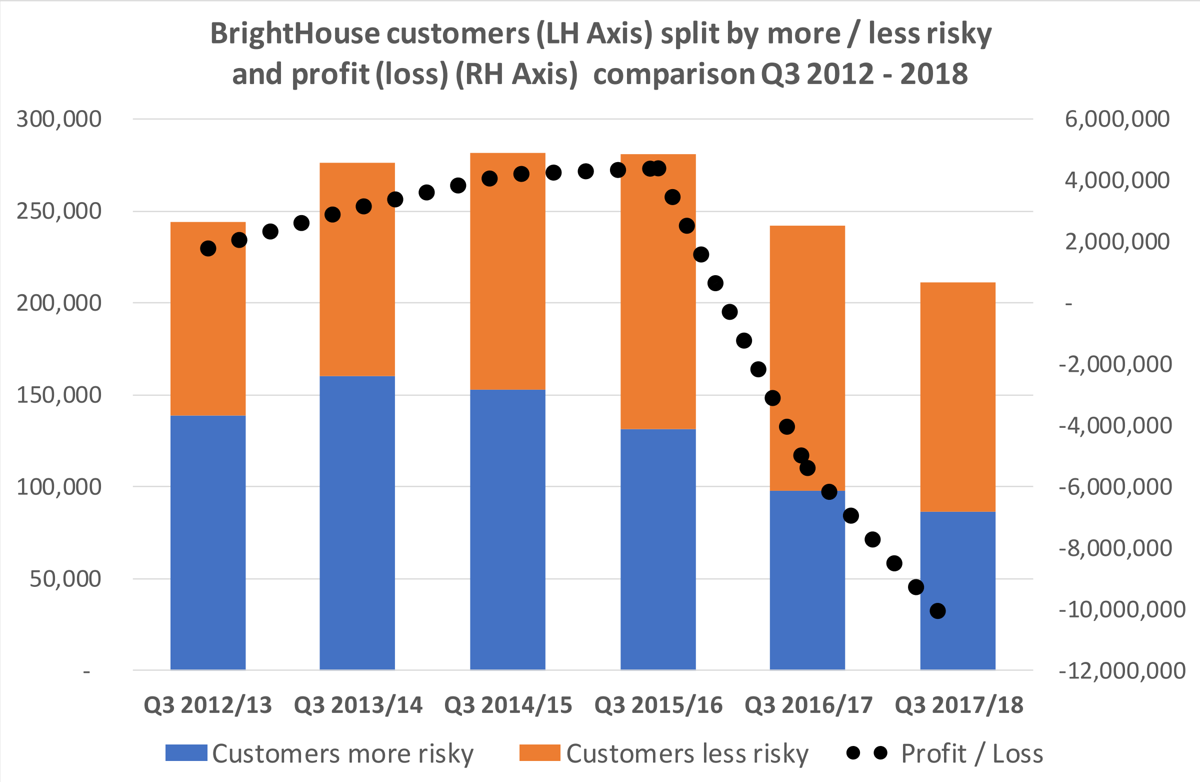
The OFT payday investigation report in 2014 identified median net income of £15,600. In July 2017 the FCA reported the same borrower now had a median net income of £20,000. During that period wage growth was stagnant and benefit income reducing.

BrightHouse reported significant changes in their customer. The percentage of "less risky" customers grew from 43% to 60% in the period 2012/13 to 2016/17. Moreover, this

[47] SMF, A Modern Credit Revolution: An analysis of the short-term credit market (CFA, 2017)

percentage was accentuated as the total volume of customers was reducing by around 25% in the same period from c282,000 customers to 211,000.

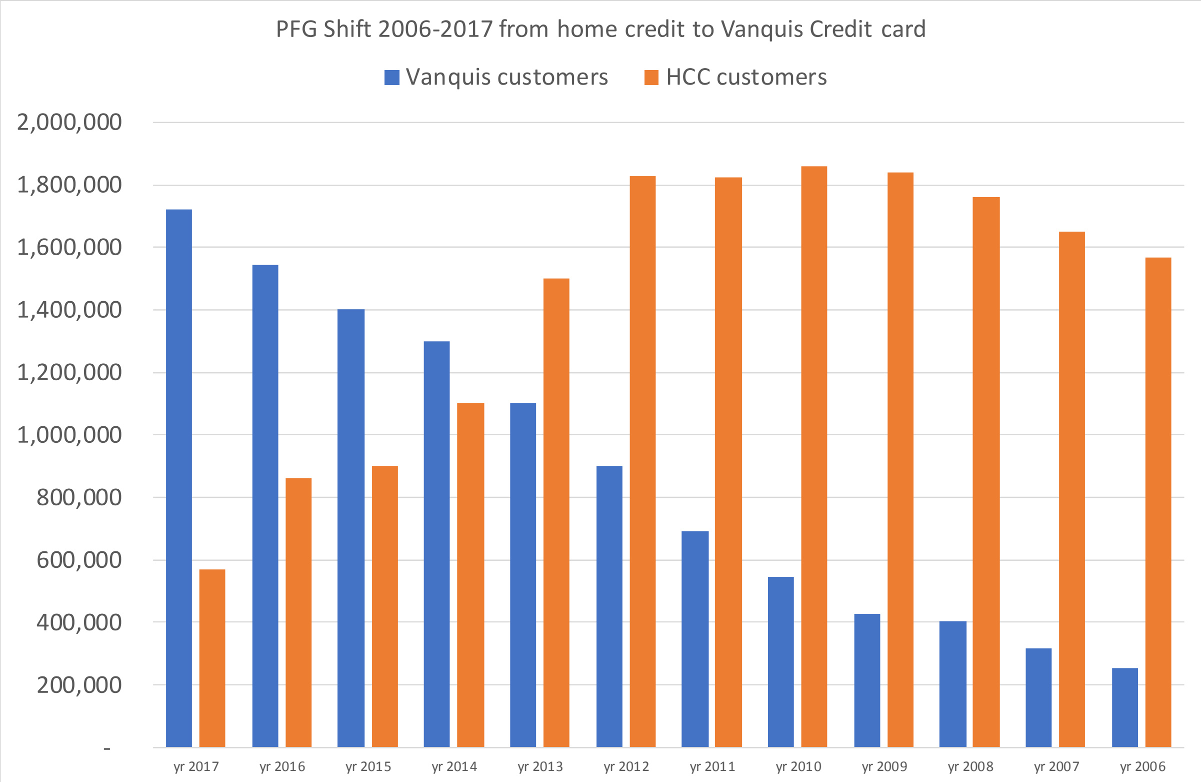
**Chart 2: BrightHouse customers, split by percentage CRG1, and profit / loss.[48]**




Provident Financial Group has most dramatically shed customers, reducing doorstep customers whilst increasing Vanquis Bank credit card ones. The Vanquis customer has a different profile, higher up the income ladder.

[48] Extrapolation of BrightHouse data from analyst briefings, annual reports by Niall Alexander (2018)

**Chart 3: PFG's decreasing home credit and increasing Vanquis Bank customer [49]**




The market for small, short-term loans has not disappeared; it is major players who are now leaving this market because they feel they cannot make money out of it. Where then can low-income groups go?

At the UK level, a number of responsible finance lenders (also called CDFIs) have entered this market over the last 10 years. The important point to grasp is that though they are not cheap (especially if seen through the prism of a politician who can borrow on their credit card at 17.9% APR) they are still significantly cheaper than Provident Financial, BrightHouse, or any realistic alternative. Overall, they now lend about £22 million to low-income consumers each year. We discuss some of the larger providers in the section on 'What works'.

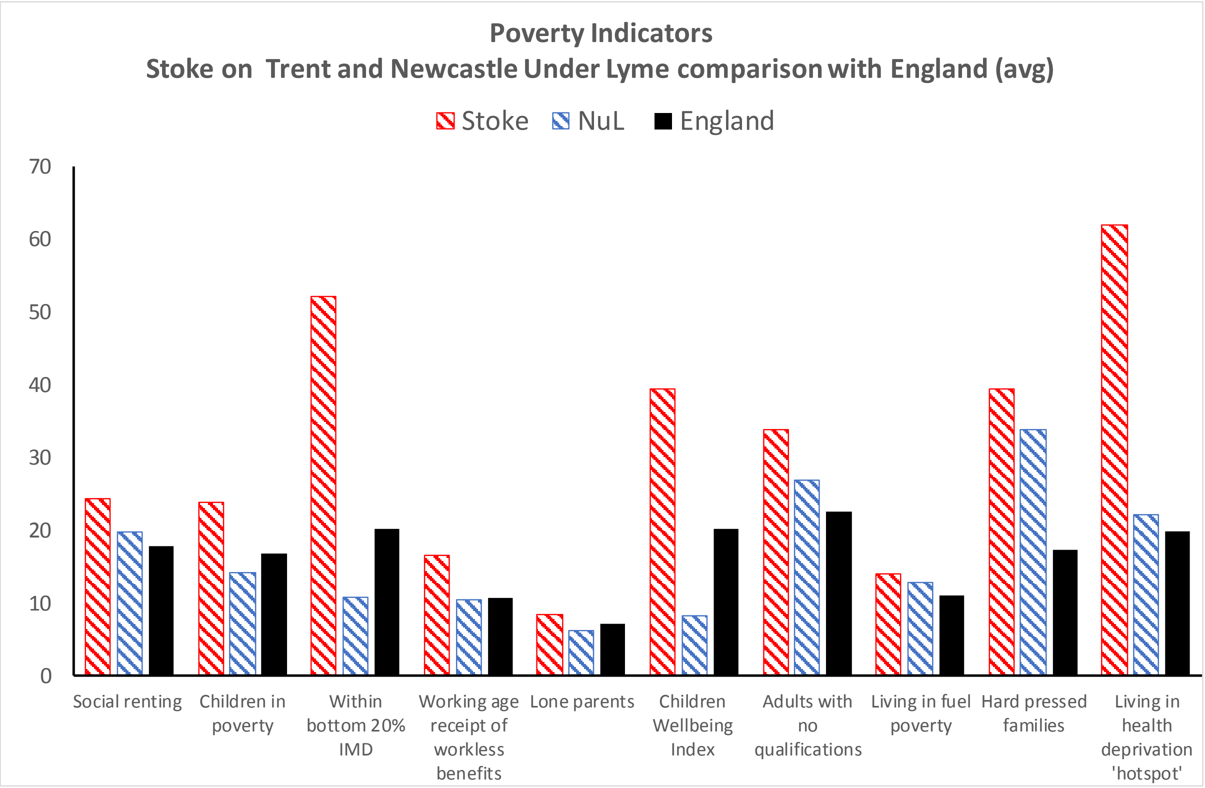
[49] Extrapolation from Provident annual reports and analyst presentation by Niall Alexander (2018)

### 3.2 Understanding the local picture: Stoke on Trent and Newcastle Under Lyme are below the national average on most poverty/income indicators

Across Stoke on Trent and Newcastle Under Lyme, based on the 2016 evidence of HCSTC usage, and extrapolating the percentage of adults (18-64) there will be ***a minimum of 26,500 adults borrowing £27 million annually with a further 81,500 adults owing around £53 million.***

This figure is likely to be significantly higher given the indicators of deprivation in Stoke on Trent in particular that are significantly worse than national averages (our estimate is 40,000 adults borrowing and 120,000 owing money) as shown in the next three charts.

**Chart 4: Poverty Indicators; Stoke on Trent & Newcastle Under Lyme**



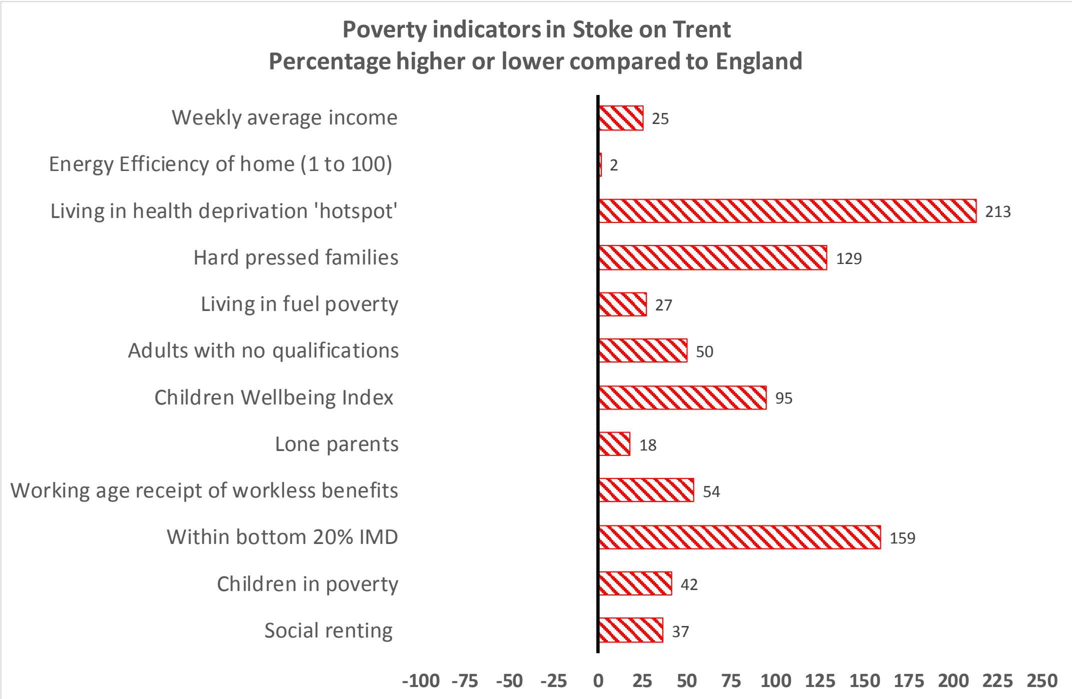



**Chart 5: Indicators of deprivation Stoke on Trent compared to England**

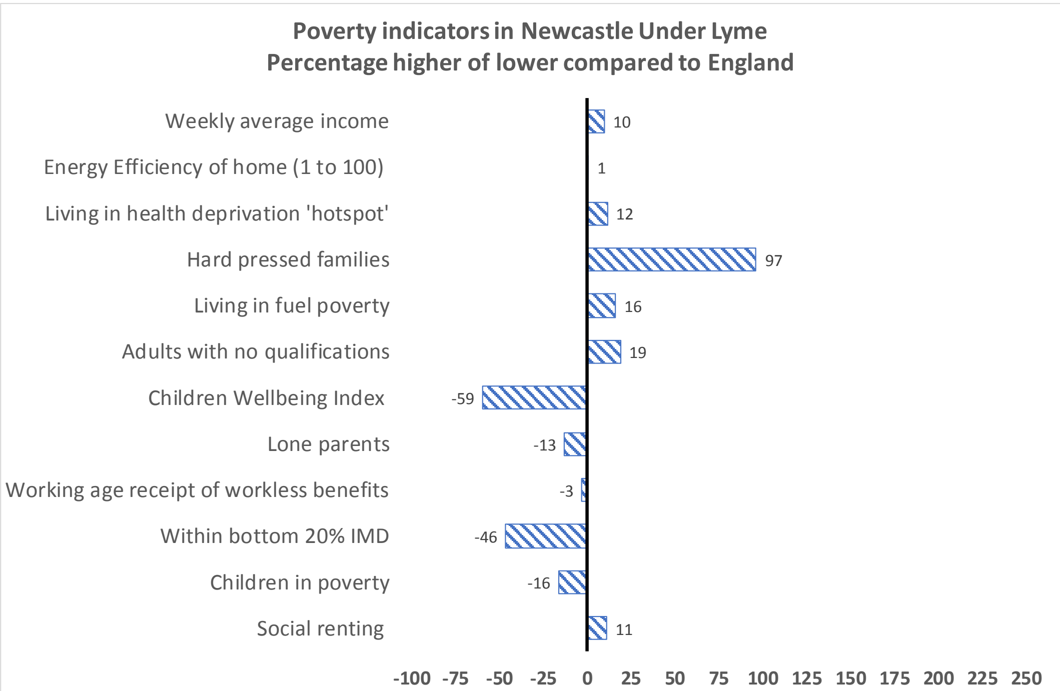
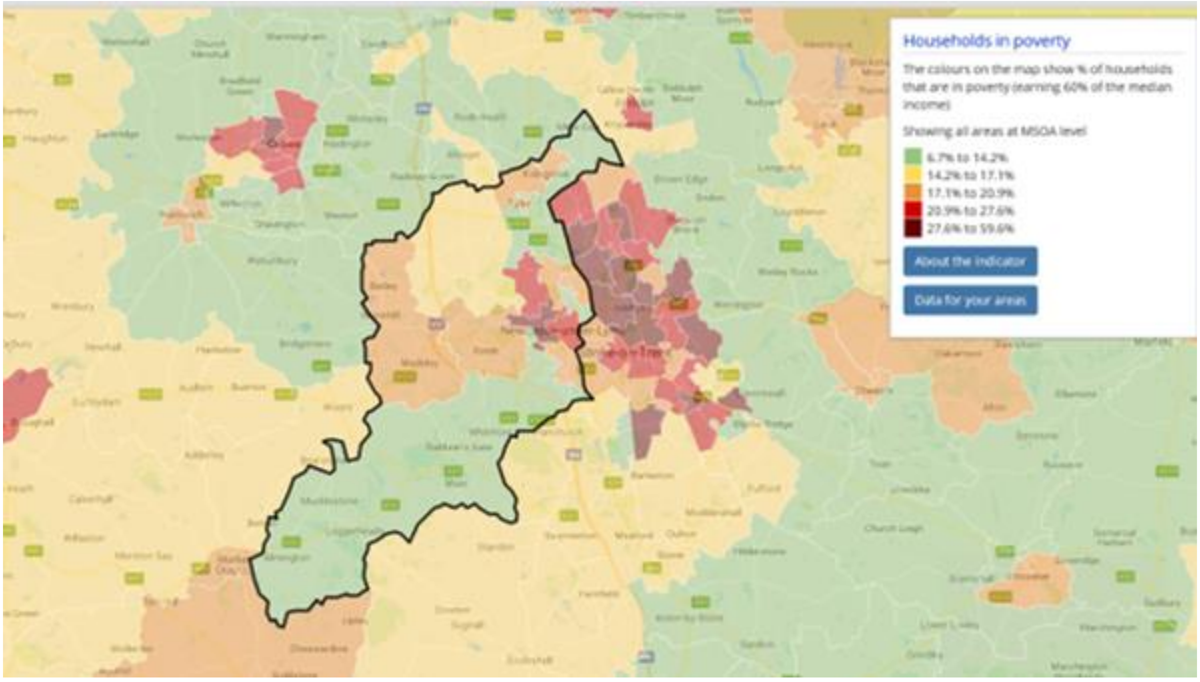


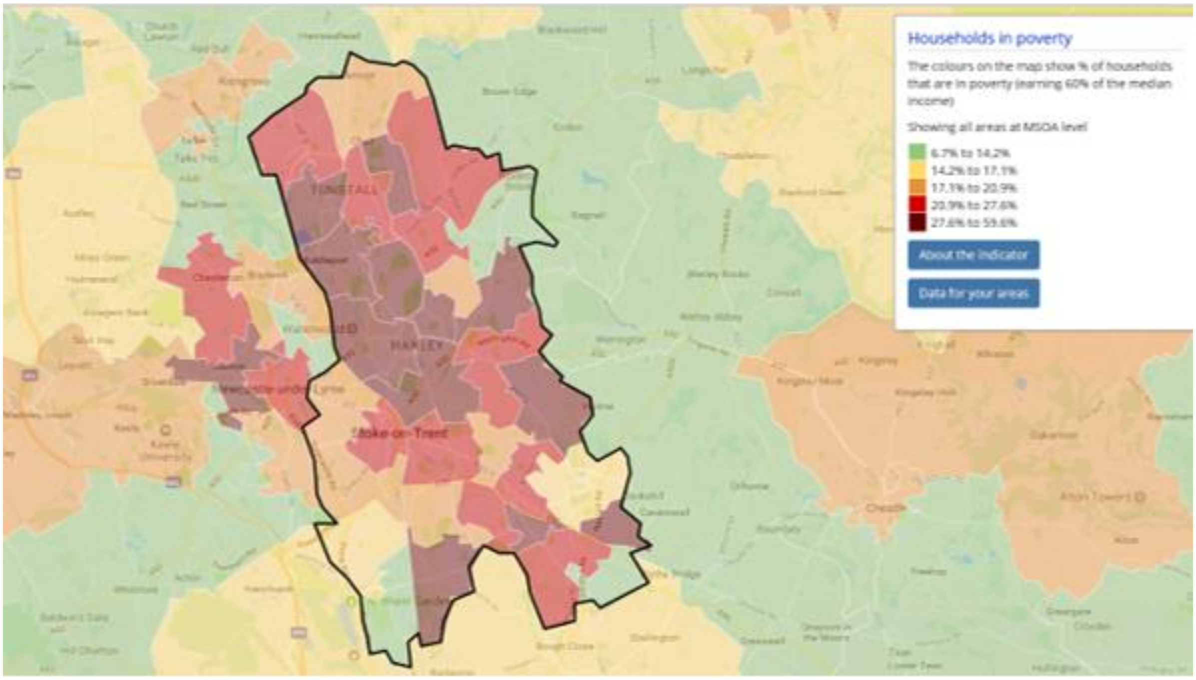

**Chart 6: Indicators of deprivation Newcastle under Lyme compared to England**

The profile of both local authorities identifies Stoke on Trent as being well below national averages in many indicators of deprivation. The following two maps identify households in poverty across both local authorities.

**Map 1: Households in poverty Newcastle Under Lyme**

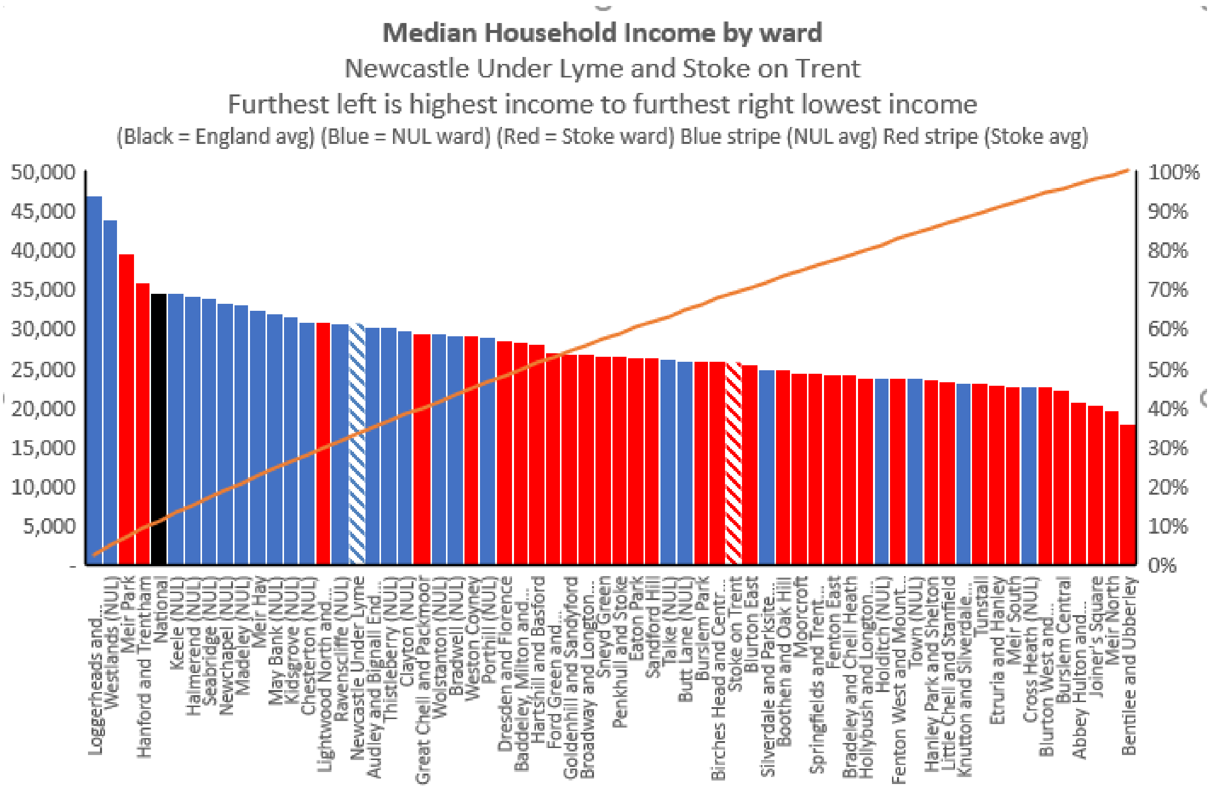



**Map 2: Households in poverty Stoke on Trent**



Across a whole spectrum of indicators there are further extrapolations that highlight Stoke on Trent as having above average levels of poverty.

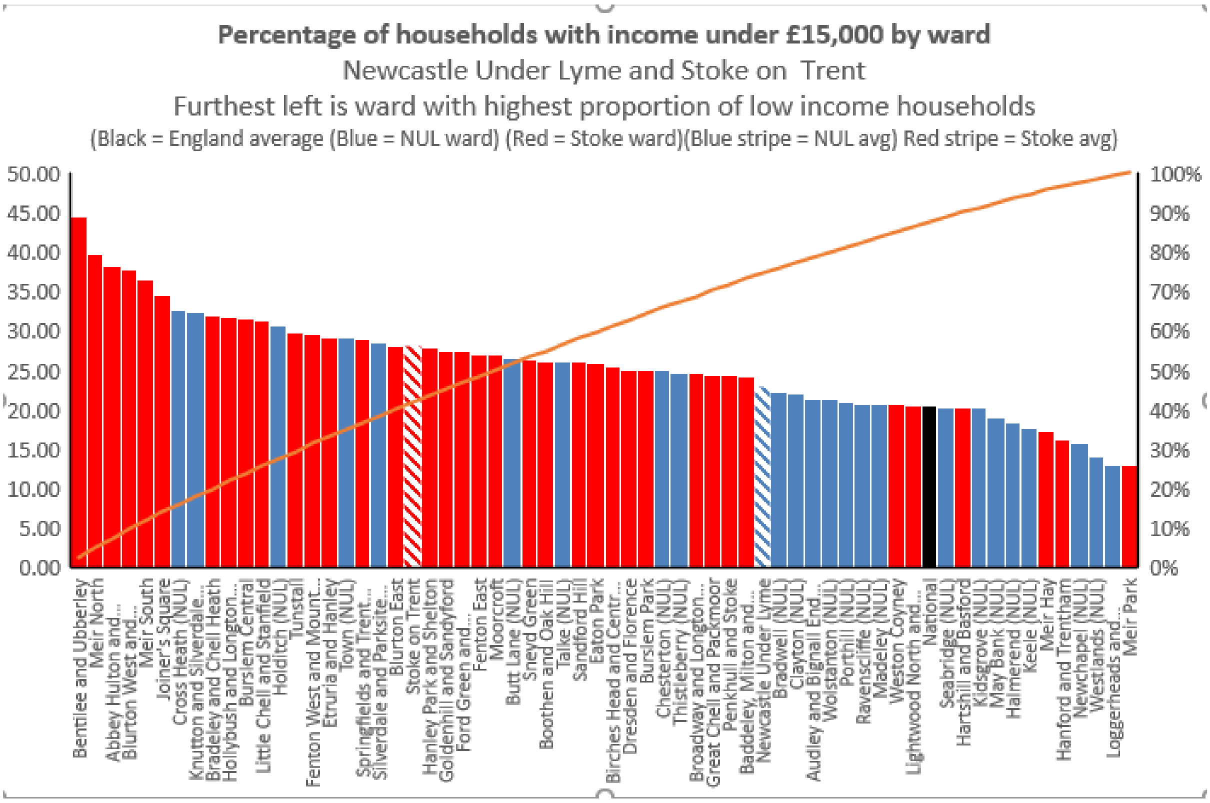
**Chart 7: Median household income across Stoke on Trent and Newcastle Under Lyme**




- 95% of wards across Stoke on Trent and 92% of wards across Newcastle Under Lyme have household income lower than the national average of £34,542;
- Across Newcastle Under Lyme the average household income is £30,527 (11.6% lower than national average);
- Across Stoke on Trent the average household income is £25,649 (25.7% lower than national average);
- 8 (of 37) wards across Stoke on Trent have household income that is less than 2/3$^{rd}$ of national average (i.e. £23,028 or less);
- Across both Stoke on Trent and Newcastle Under Lyme household income is noticeably lower than national average, as the graph shows, <u>everything to the right of the black column</u> (national average) is a lower household income (by ward). This is more pronounced across Stoke on Trent.

- The red striped and blue striped columns represent the averages for both Stoke on Trent and Newcastle Under Lyme (respectively).

**Chart 8: Percentage of households with income under £15,000**



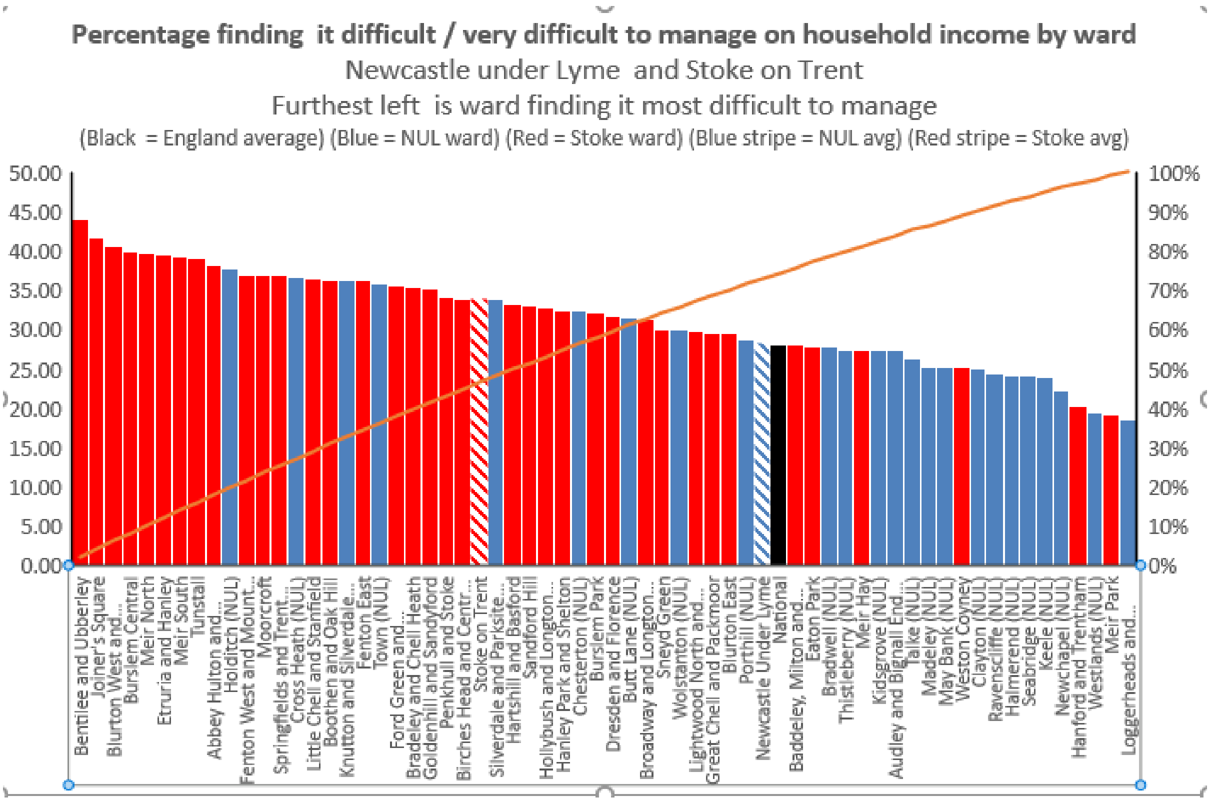

89% of wards across Stoke on Trent and 59% of wards across Newcastle Under Lyme contain households where the total of households with income under £15,000 is greater than the national average of 20.43%;

- Across Stoke on Trent, six wards have more than one in three households with income under £15,000; and
- Across Stoke on Trent 26 (of 37) wards have one in four households with income under £15,000;
- Across Newcastle Under Lyme there are 7 (of 24) wards where more than one in four households have an income under £15,000;
- Across both Stoke on Trent and Newcastle Under Lyme households with an income under £15,000 is noticeably lower than national average, as the graph shows, <u>everything to the left of the black column</u> (national average) is a ward where the

percentage of households in that ward living on income under £15,000 is greater than national average. This is particularly acute across Stoke on Trent;

- The red striped and blue striped columns represent the averages for both Stoke on Trent and Newcastle Under Lyme (respectively).

**Chart 9: Percentage of households finding it 'difficult' or 'very difficult' to manage on their household income across Stoke on Trent and Newcastle Under Lyme**

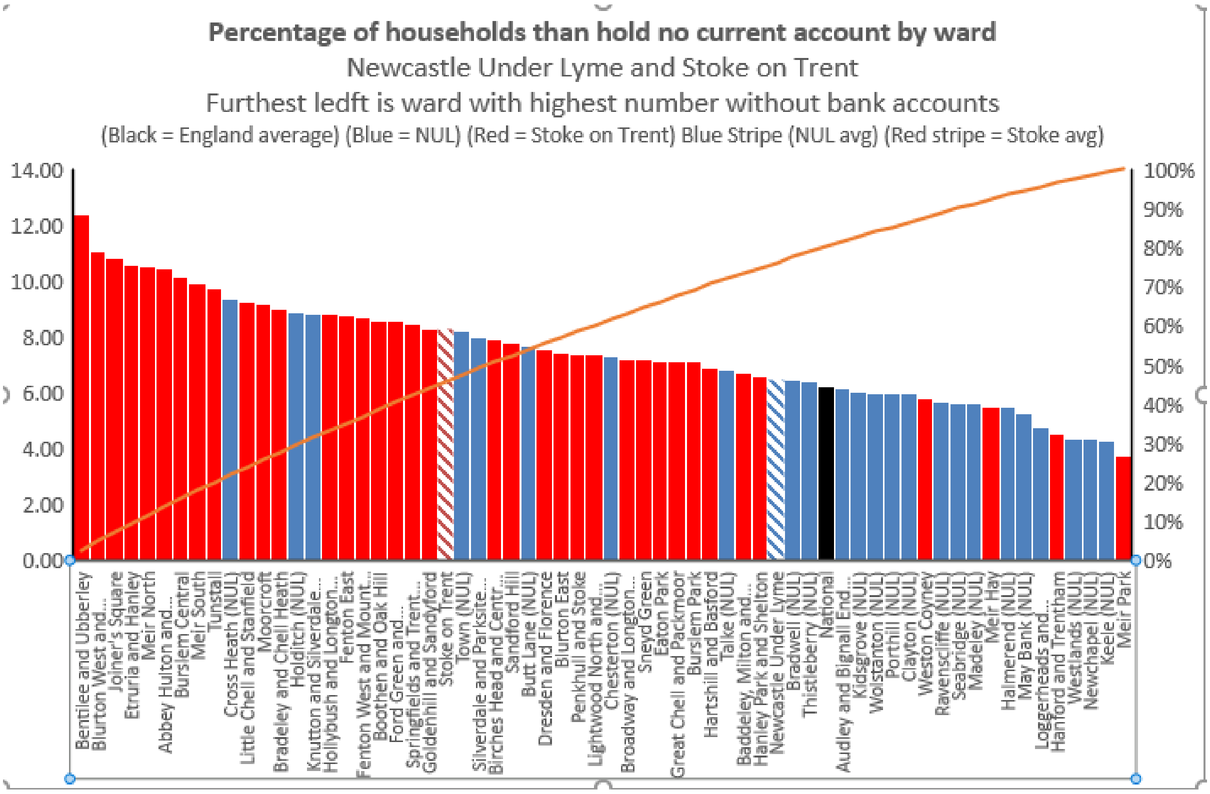



- 84% of wards across Stoke on Trent and 38% of wards across Newcastle Under Lyme contain households that say they find it 'difficult' or 'very difficult' to manage their household income. Both these figures are higher than the national average of 28%;
- Across Stoke on Trent 20 (of 37) households have, at least, one in three households finding it 'difficult' or 'very difficult' to manage of their household income;
- Across Newcastle Under Lyme, 5 (of 24) wards have at least one in three households finding it 'difficult' or 'very difficult' to manage of their household income;
- Across both Stoke on Trent and Newcastle Under Lyme, the number of households finding it difficult or very difficult to manage on their income is higher than the

national average, as the graph shows, <u>everything to the left of the black column</u> (national average) indicates the proportion of households in the wards that are finding it 'difficult' or 'very difficult' to cope financially. This is particularly acute across Stoke on Trent;

- The red striped and blue striped columns represent the averages for both Stoke on Trent and Newcastle Under Lyme (respectively).

**Chart 10: Percentage of households without a current account across Stoke on Trent and Newcastle Under Lyme**

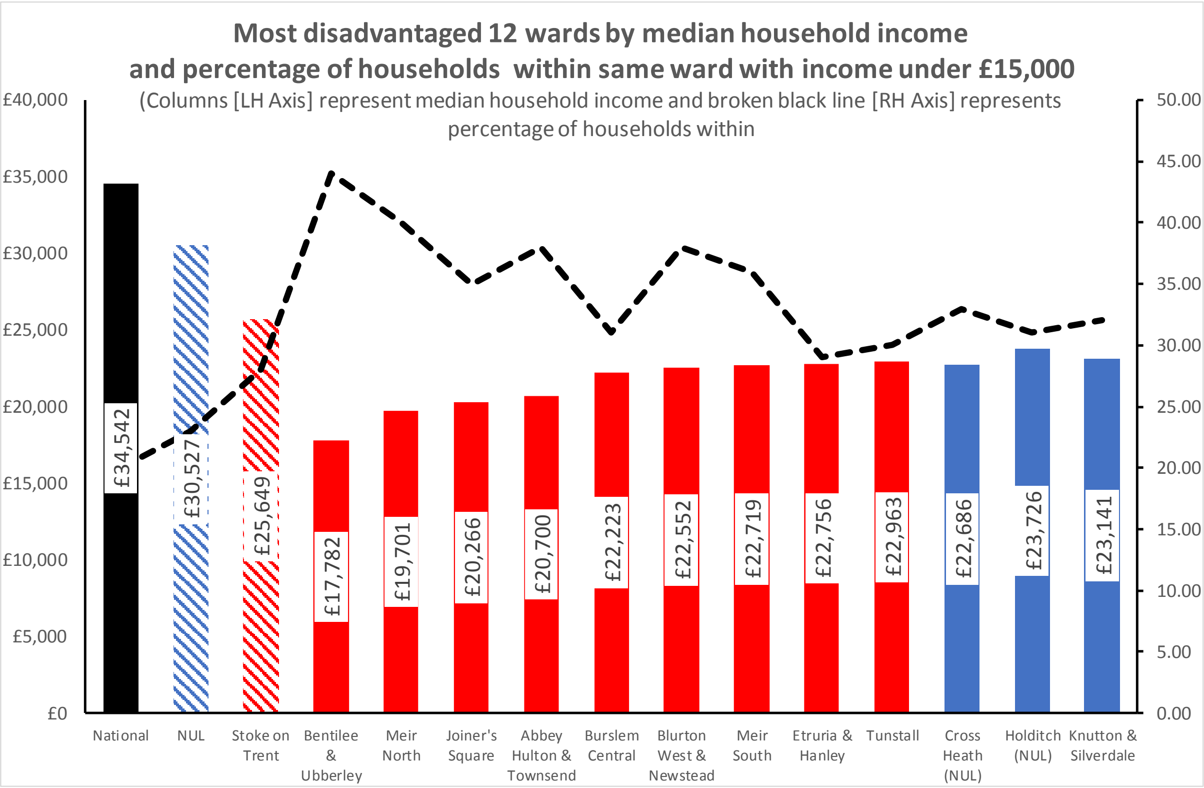



- 89% of wards across Stoke on Trent and 33% of wards across Newcastle Under Lyme are higher than the national average of households without a current account;
- Across seven Stoke on Trent wards, one in ten households do not hold a current account;
- Across both Stoke on Trent and Newcastle Under Lyme, the number of households without a current account is greater than the national average, as the graph shows, <u>everything to the left of the black column</u> (national average) indicate the proportion

of households in the wards without a current account. This is significantly more in Stoke on Trent than Newcastle Under Lyme which is much closer to average;

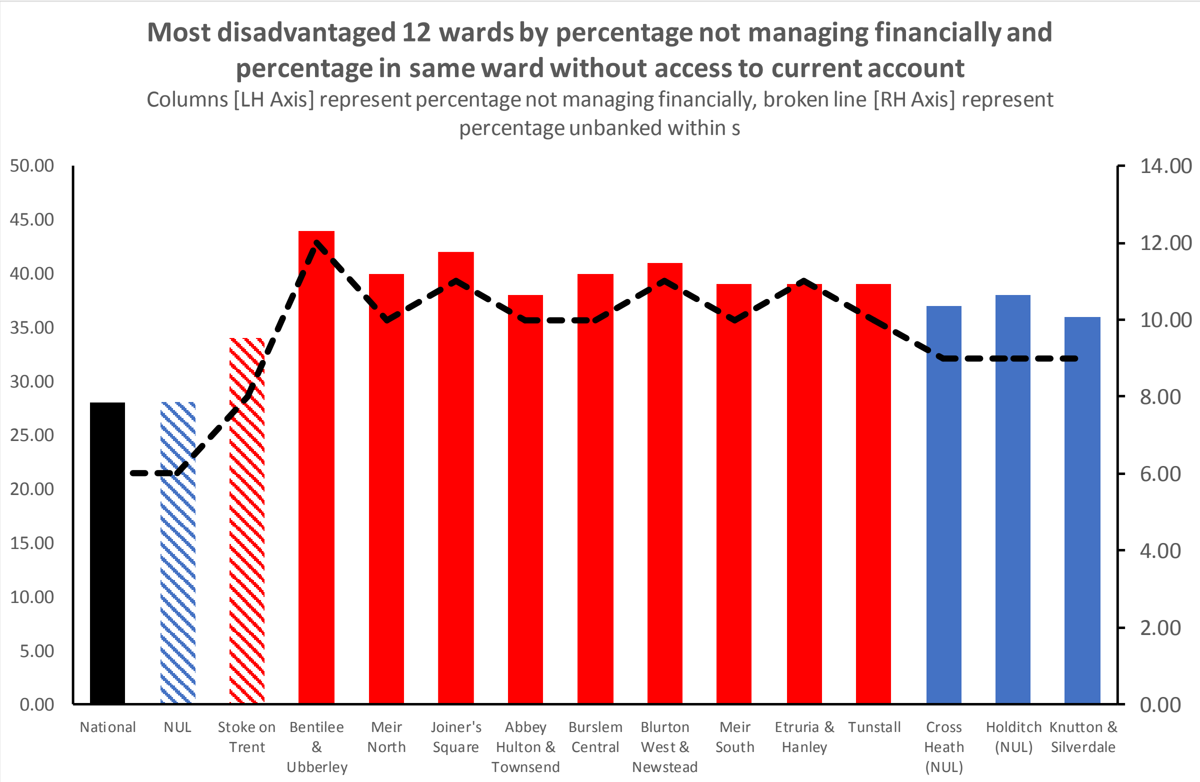
- The red striped and blue striped columns represent the averages for both Stoke on Trent and Newcastle Under Lyme (respectively).

**Chart 11: Detailed statistics on bottom 12 wards across Stoke on Trent and Newcastle Under Lyme by median household income and percentage of households with income under £15,000**




- Stoke on Trent shows alarming statistics relating to:
  - household income;
  - income under £15,000;
  - not coping financially; and
  - households without a current account.
- There are significant issues across the local authority but certain pockets appear repeatedly across nine wards that are home to around one in every four adults (c50,000) in Stoke on Trent;
- The average household income across these nine Stoke on Trent wards is £21,300.

**Chart 12: Detailed statistics on bottom 12 wards across Stoke on Trent and Newcastle Under Lyme not managing financially and percentage unbanked**




## 3.3 Evidence of what works

### 3.3.1 Sheffield Money

Sheffield Money provided the initial inspiration for some members of the FIG to investigate the potential for a co-ordinated response to financial exclusion in the city.

It started in late 2014 but ran into a number of difficulties and ceased trading in 2017. Five Lamps took over its loan activities.

Rob Shearing, the CEO spoke to the FIG about the lessons to be learnt. He concluded that:

- The operation opened for business in February 2015 but because it had not received FCA approval, it could not start operating till August. This meant that it spent £10,000 to £15,000 each month with no prospect of sales to pay for staff and other costs;

- The city centre office site was not as good a location as anticipated;
- The product range was too limited;
- The time to process applications (3-5 days) was too slow;
- Income from commission as opposed to income from lending was unsustainable;
- A move to an on-line service should have been done earlier.

The characteristics of customers were:

- 50:50 male/female;
- Main age group 25-35 in the worst postcode areas;
- 60% employed.

### 3.3.2 Scotcash

Scotcash was set up in 2007 as a partnership between Glasgow City Council, Glasgow Housing Association (now The Wheatley Group) and RBS. It received capital from Glasgow City Council, GHA (and a facility to draw on from RBS) and support for revenue costs from Glasgow City Council, GHA, Big Lottery Fund and the Scottish Government (via its housing agency, Communities Scotland).

Scotcash started lending money from an office near the town centre and later on from an office embedded in North Glasgow Homes HA (now ng homes). It also developed a number of outreach projects with smaller housing associations in Glasgow, funded by the Big Lottery from 2013. In 2017 it opened an office in Edinburgh with the support of Edinburgh City Council and Virgin Money. More recently Scotcash has developed an on-line offering.

The key statistics for Scotcash in 2016/17 were:

- 9,438 enquiries;
- 3,061 loans;
- £543 average loan over 39 weeks;
- £1.7 million lent;
- 194 bank accounts opened;

- 72% of customers are female;
- 61% on low incomes;
- £13,731 average income;
- 39% lone parents with dependent children;
- 4 out of 10 refused mainstream credit;
- 53% live in social rented housing;
- 22% in private rented housing;
- 2% home owners;
- 37% are aged 35-49;
- 32% are aged 25-34.

The issues identified by Scotcash which are relevant to this study are:

- The importance of a digital offer (92% of applications now on-line);
- Importance of RBS as a partner in early stages;
- Getting to the potential customer was the biggest challenge at the start;
- Need to understand the real costs of delivery (and how to cover them);
- Grants were vital at the start to cover start-up costs;
- Role of the Council in providing accommodation;
- Importance of integration with other services (advice etc.).

### 3.3.3 Conduit/Five Lamps

Five Lamps started as a regeneration agency in Stockton-on-Tees in 1985 as a response to closures in the steel industry. Its initial focus was on training for employability and welfare rights, along with support for business start-ups and business lending. Financial inclusion developed as an area of expertise through seeking to meet the needs of clients and customers for small scale loans and financial advice.

This led to the expansion of work in this field and the creation of an on-line or telephone-based service (rather than an office-based service). They were the first personal lending CDFI to secure full FCA permissions in 2015. Eventually Conduit was established as a separate offering around loans and in 2017 it expanded into Scotland, offering office-based services in Falkirk, Fife and West Lothian (paid for by the three local authorities concerned). Conduit is currently looking at expanding into Hull in partnership with the council.

The key statistics for Conduit in 2016/17 were:

- 7,800 loans;
- £4.4 million lent;
- £432 average first loan over 41 weeks;
- 79% of customers on-line, 17% ‘phone, 4% face-to-face;
- 66% on low incomes;
- 80% receive some sort of benefit;
- 70% of customers are female;
- 80% rent (4% home owners).

The issues identified which are relevant to this study are:

- Cost of capital;
- Collaborating with credit unions to gain access to unused CU capital;
- Marketing and referral routes.

### 3.3.4 Street UK

Street UK was established in 2001 and began trading in personal loans from its first branch in 2008. Street considers its USP to be:

- Price when compared to high cost lenders;
- Service when compared to commercial lenders.

Street operates from five branded “Street UK” premises across the West Midlands. It also operates as “Track UK” (online) across the West Midlands.

There are significant distinctions between the Street online and in branch customer. Online is typically male, transactional based, seeking cash advance for 3 months.

Retail, which is 90% of lending, is relationship based, female, seeking a loan over 9 months.

From its 2015/2016 social impact report Street UK described its business customer/performance as:

- 72% female;
- 43% of customers are single parents;
- 52% unemployed;
- 60% living in social housing;
- 70% with one or more defaults on their credit file;
- 54% under 34 years old;
- 6,500 loans issued annually;
- With a total value of £2.3m;
- Cost per loan of £119;
- Average loan £269;
- Average saving £215 compared with Provident.

Street UK have seen a continued demand for their services allied to continual challenges of accessing affordable loan capital. They continue to revise and revisit their model.

## 3.4 Local capacity

### 3.4.1 Loans – Moneyline

Across Stoke on Trent and Newcastle Under Lyme there are social lending alternatives, although they are limited. Moneyline UK is the biggest social lender operating across the two local authority areas. It lends to cover costs, and does not have larger sum, longer term loans to offset the small sum, short term loans that is the principal offering.

In 2017 the average Moneyline loan was just over £600 typically lent for 39 weeks generating interest and fees of £266 before defaults. For the customer the loan would incur a weekly repayment of £21.44. with a 190% APR. (For comparison, a credit union loan would be under £4.50/week cheaper).

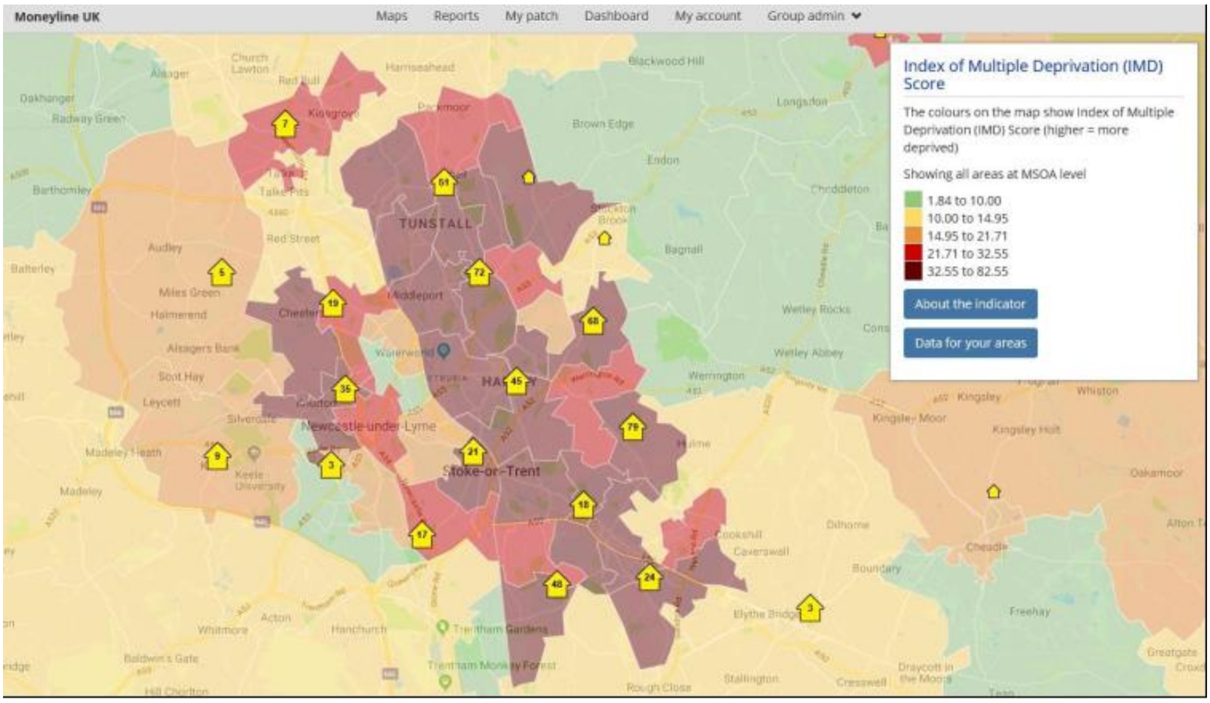
**Table 7: Comparing PFG with Moneyline UK**

| | PROVIDENT FINANCIAL | | | | MONEYLINE UK | | | |
|---|---|---|---|---|---|---|---|---|
| | 26 WEEKS | | 52 WEEKS | | 26 WEEKS | | 52 WEEKS | |
| | APR | TIC (£) | APR | TIC (£) | APR | TIC (£) | APR | TIC (£) |
| **£100** | 535.3% | 56 | 299.3% | 87.20 | 209% | 30.84 | 181% | 58.92 |
| **£200** | 535.3% | 112 | 299.3% | 174.40 | 209% | 61.42 | 181% | 117.84 |
| **£300** | 535.3% | 168 | 299.3% | 261.60 | 209% | 92.00 | 181% | 176.76 |
| **£400** | 535.3% | 224 | 299.3% | 348.80 | 209% | 122.58 | 181% | 235.68 |
| **£500** | 535.3% | 280 | 299.3% | 436.00 | 209% | 153.16 | 181% | 294.08 |
| **£750** | 535.3% | 420 | 299.3% | 654.30 | 209% | 230.00 | 181% | 441.38 |
| **£1000** | 535.3% | 560 | 299.3% | 872.00 | 209% | 306.58 | 181% | 588.16 |

In 2017 Moneyline advanced 547 loans across Stoke and Newcastle Under Lyme with a cumulative value of £431,500.

The loans are depicted by area (below) overlaid on a map of deprivation.

**Map 3: Moneyline loans overlaid on index of deprivation**



The household income of a borrower across Stoke on Trent and Newcastle Under Lyme was £18,375[50] significantly higher than the average household income of Moneyline's 2017 borrower at £14,820.[51]

A straight read across from ONS household income date is difficult as there are several methods used by ONS to determine income, notably, "original income", "disposable income", "final income" (which includes benefits in kind where a monetary value is placed on goods and services). ONS also apply an equivalised value to take into account the various household types.

In 2016 the ONS had a median equivalised household income of £26,332 and mean equivalised household income of £31,441.[52]

Within the poorest 20% of households the average disposable income per household was £13,100. In the second bottom quintile the average disposable income was £20,877. Most Moneyline indicators place their loans and loan profile within the bottom quintile, in Stoke on Trent and Newcastle Under Lyme it is perhaps bottom quartile.

**Table 8: Moneyline UK (Stoke on Trent and rest of Moneyline operations**

| | Moneyline UK[53] | Moneyline Stoke / NUL[54] |
|---|---|---|
| **Gross lending (total)** | £9,200,000 | £431,500 |
| **Loans issued** | 15,182 | 547 |
| **Gross loan average** | £606 | £789 |
| **Lone parents** | 38.4% | 36.2% |
| **Percentage lone parents in work** | 33% | 25% |
| **Social renting** | 57% | 63% |
| **In regular employment** | 36% | 31% |
| **In receipt of benefit** | 84% | 86% |

50 Information provided by Moneyline UK (May 2018)

51 From (draft) Moneyline Social Impact report 2017

52 ONS Effects of taxes and benefits on UK household income: financial year ending 2016

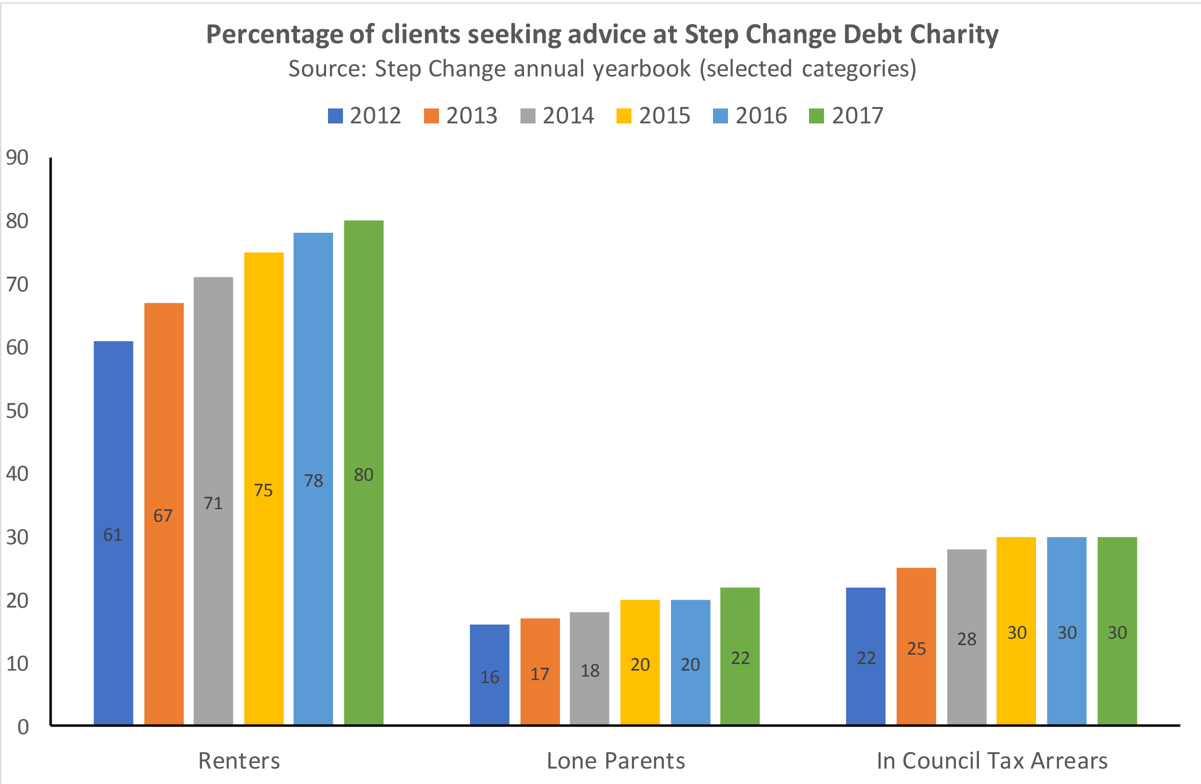
53 From (draft) Moneyline social impact report 2017

54 Information provided by Moneyline UK (May 2018)

All of the evidence suggests that Stoke on Trent (particularly) has a profound need for affordable credit alternatives and gateway services offering access to debt and money advice bank accounts, fuel advice and access to savings and insurance.

The Step Change debt charity report an increase across all regions of people seeking their help and advice. As a percentage of all clients they have seen a marked rise in renters, and lone parents, and an increase in non-priority debts notably on those debts related to arrears on their council tax.

**Chart 13: Step Change Debt Charity changes in customer profile (2012-2017)**




### 3.4.2 Money/benefits/debt advice

Stoke on Trent and Newcastle Under Lyme have a range of organisations offering advice and support to those on low incomes who are struggling with debt and accessing benefits to which they are entitled. These include:

- Local authorities;
- Housing Associations;
- CAB;
- Severn Trent;

- Big Local;
- Saltbox.

Clients come from a variety of referral routes and with a variety of initial problems they present, which often mask more deep-seated and intractable issues. Thus, a person going to Severn Trent about their inability to pay their water bill (and who is put onto one of its support programmes such as the Big Difference or Water Direct) might be in fuel poverty and need energy advice, and also need a bank account or use a food bank. A person seeking a loan might not realise that they are eligible for support from the Warm Homes programme which would obviate the need for that loan and so on.

The principal issues raised with us were:

- Uncertainty around welfare reform and the impact of Universal Credit;
- Linking up services without confusing the client/customer. Though relationships are generally good, Stoke on Trent does not have 'synchronised' groups to move people forward and out of their problems;
- Issues are often around families rather than individuals;
- Limited penetration amongst BME groups;
- Avoiding repeat clients – where the same problem comes back several times.

### 3.4.3 Financial capacity building

Partners in Stoke on Trent and Newcastle Under Lyme have also recognised that capacity building at both an individual and organisational level is required if inroads are to be made into the problems of debt, low incomes and financial exclusion.

One of the critical issues here is the extent to which advice organisations rely on grant support from local authorities, central government or charitable trusts such as the Big Lottery. It is not a revelation to note that the squeeze on non-statutory parts of local authority and central government spending continues and that there is increased pressure on such funds as the Big Lottery who cannot provide a permanent source of support.

Having said that the BLF has just renewed its support for Potteries Moneywise a specialist project of the CAB to build financial support and capability across the area and through one of its newly established independent trusts, the Big Local, supports at 10-year intervention in north Stoke.

### 3.5 Lessons

We can take a number of important points from the sections on available data and the local situation.

- If we take the average for England as a benchmark on indicators of poverty, indebtedness and so on then Newcastle Under Lyme is above that average (see section 3.2) and Stoke on Trent is well above that average. This leads us to conclude that there is a significant need in the area.
- If we look at the capacity to meet this need, in the sense of services that are fully funded to deal with the potential number of clients (and the increases that are likely to come with the roll-out of Universal Credit) then there is an obvious shortfall.
- If we look at demand for small loans over 9-12 months in order to help families and individuals meet unexpected expenditure or to meet predictable annual expenditure such as Christmas, holidays, or the start of the school year then we note that traditional lenders in this area (such as Provident Financial) are moving out of this market and rejecting customers who they see as too risky but have no realistic alternatives.
- Credit Unions cannot wholly fill this gap because the economics of lending under £500 over less than 12 months at an APR of 42.6% (currently the maximum they can charge) makes no sense at all. Even with no bad debt it will still lose money and as such, poses a threat rather than an opportunity to any credit union, especially a smaller credit union with under 6,000 members.
- The three examples we visited (Scotcash, Conduit/Five Lamps and Street UK) along with the in situ Moneyline UK social lender suggests that a financially sustainable alternative is possible which can offer low-income customers small, short-term loans at a cost which is significantly cheaper than that offered by realistic alternatives such as Provident and BrightHouse. The availability of a loan

is the critical spearhead which attracts customers and makes it possible to offer them other services.

- This enables these alternatives also offer access to other forms of responsible advice and support through partnerships with other not-for-profit agencies.
- A crucial lesson is that it is hard to make the loans element self-financing. Even after 10 years of operation, existing CDFIs are only just making a profit. The related implication is that it is unlikely that profits from loans can fund/subsidise advice and other services.
- Our view is that the loans element needs to be seen as financially sustainable through a combination of volume, price, control of costs and bad debt. The advice and capability element needs to be funded separately for the social and economic benefits it brings. This has implications for the business models discussed below.

# 4 Our initial thinking on options for the FIG

We have seen that there is both a *market* for short-term mid-cost credit and a *need* for wrap around advice and capacity building services in Stoke on Trent and Newcastle Under Lyme.

Our view is that they need to be understood as separate, but related, issues which will have different funding sources. It is, however, possible to bring them together on the ground as our case studies show. We now deal with them as separate issues and then discuss the best options for bringing them together.

### *4.1 Short-term, mid-cost credit*

Finance, as we have seen, is a volume business. Put simply, the price to customers can reduce as volumes rise. Sustainability can only be built on this, aligned with the right price and good control of bad debt and costs. Across Stoke on Trent and Newcastle there will be at least 26,500 adults borrowing £27 million annually with a further 81,500 adults owing at least £53 million.

A basic loan book offering new and repeat loans, at 99.9% APR averaging £300 and £600 respectively, advanced over a 9-month term, building over a period to a total of 6.6% market share of high cost credit users (1,755) would return the following figures with an operating profit on the loan book of c£367,000:

**Table 9: Operating model (version 1) loans at 99.9% APR**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|
| **Loan Capital Issued** | (319,273) | (605,475) | (631,800) | (658,125) | (658,125) |
| **Loan repayments (capital)** | 163,875 | 559,050 | 623,025 | 649,350 | 658,125 |
| **Loan repayments (interest)** | 52,375 | 178,674 | 199,121 | 207,534 | 210,339 |
| **Write off (capital)** | (43,457) | (78,449) | (80,028) | (81,608) | (81,608) |
| **Write off (interest)** | (13,889) | (25,072) | (25,577) | (26,082) | (26,082) |
| **Loan book Profit / loan** | (4,970) | 75,153 | 93,516 | 99,845 | 102,649 |
| **Cumulative profit / loss** | (4,970) | 70,183 | 163,699 | 263,544 | 366,193 |

The following assumptions have been used to create this model:

**Table 10: loan book model assumptions**

| | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
|---|---|---|---|---|---|
| **Loans issued** | 1,013 | 1,755 | 1,755 | 1,755 | 1,755 |
| **New** | £300 | £300 | £300 | £300 | £300 |
| **Repeat** | £600 | £600 | £600 | £600 | £600 |
| **Term (all loans)** | 39 weeks | 39 weeks | 39 weeks | 39 weeks | 39 weeks |
| **% Split (New/Rpt)** | c90/10 | 85/15 | 80/20 | 75/25 | 75/25 |
| **Write off** | 14% new; 10% repeat | 14% new; 10% repeat | 14% new; 10% repeat | 14% new; 10% repeat | 14% new; 10% repeat |
| **APR (all loans)** | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% |
| **Investment** | £200,000 | £0 | £0 | £0 | £0 |
| **Cost of £300 credit / 9 months** | £96 (£10.15 per week | | | | |
| **Cost of £600 credit / 9 months** | £192 (£20.30 per week) | | | | |

This model is not nuanced. It does not show the peaks and troughs of consumer credit lending, where certain months are significantly higher than others. Traditionally October, November and December are the busiest periods, with January and February always quieter.

It does not include the cost of delivery (staff, offices, cost of capital, regulatory fees, licences, software, administration, marketing, data, insurances etc). It does though illustrate the challenges of delivering small sum credit at a price that (even under 100% APR) only generates a modest return of around £73,000 average spread over five years.

To deliver the number of loans in the model (8,033) with a peak reached in year 1, month 12 of 146 loans per calendar month will require something in the order of 425 applications each month (assuming did not appear rates of c15% leaving around 357 attending for interview). A 40% conversion will be close to the figure of 146. It is this type of formulation that most relationship based CDFIs will use.

This cost structure rules out, *ab initio*, credit unions as the principal delivery mechanism for the reasons mentioned earlier in Section 3. Although for illustration purposes the same numbers are shown below using credit union capped lending rates of 42.6% APR on all loans, the capping of small sum credit makes the model impossible without subsidy. At credit union rates the operating profit is in fact a deficit over a five-year timeframe:

**Table 11: Operating model (version 1) loans at 42.6% APR**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|
| **Loan Capital Issued** | (319,273) | (605,475) | (631,800) | (658,125) | (658,125) |
| **Loan repayments (capital)** | 163,875 | 559,050 | 623,025 | 649,350 | 658,125 |
| **Loan repayments (interest)** | 25,549 | 87,159 | 97,133 | 101,237 | 102,605 |
| **Write off (capital)** | (43,457) | (78,449) | (80,028) | (81,608) | (81,608) |
| **Write off (interest)** | (6,775) | (12,230) | (12,477) | (12,723) | (12,723) |
| **Loan book Profit / loan** | (24,683) | (3,520) | 4,628 | 6,906 | 8,274 |
| **Cumulative profit / loss** | (24,683) | (28,203) | (23,575) | (16,669) | (8,395) |

Our working assumption for building a sustainable loan business is that, based on the cost structures of our case studies, something like 1,750 loans averaging £300 (new) and £600 (repeat) will be required each year, with an APR in the region of 150% (we model at 150% APR) with a bad debt rate between10% to 14% or less, in order to achieve operational sustainability of £634,000 over the five year period an initial capital requirement of £200,000 is built into all the models.

**Table 12: Operating model (version 1) loans at 150% APR**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|
| **Loan Capital Issued** | (319,273) | (605,475) | (631,800) | (658,125) | (658,125) |
| **Loan repayments (capital)** | 163,875 | 559,050 | 623,025 | 649,350 | 658,125 |
| **Loan repayments (interest)** | 71,568 | 244,152 | 272,091 | 283,588 | 287,420 |
| **Write off (capital)** | (43,457) | (78,449) | (80,028) | (81,608) | (81,608) |
| **Write off (interest)** | (18,979) | (34,260) | (34,950) | (35,640) | (35,640) |
| **Loan book Profit / loan** | 9,133 | 131,443 | 157,113 | 166,340 | 170,173 |
| **Cumulative profit / loss** | 9,133 | 140,576 | 297,689 | 464,029 | 634,202 |

Getting this number of loans requires the right kind of marketing and promotion. The case studies show that there are a number of ways of doing this – but they all take time and resources. Scotcash, Conduit, Moneyline and Street UK all use office bases and Conduit, Scotcash and Street UK all have a telephone/online offering.

The advantages and disadvantages of these channels are:

*Premises* – provide an obvious base from which to do business and one with which customers are familiar. With the correct location (e.g. a shopping mall) it can attract passing trade and allow brand awareness to be built. It also allows a more personal relationship to be built with the customer ("the handshake moment"), for the loan officer to assess the client ("the whites of the eyes moment") and to pass any declined client on to an embedded advice service. From the customer perspective it gives an identifiable person who can be trusted to deal with any issues, such as the need to miss a payment.

The disadvantages for premises include costs, the need to staff them up (to allow for sickness/ holidays), the down time due to 'no shows' and being locked into a poor location. Where CDFIs do have premises, they are often directly, or indirectly, supported by a housing association or local authority.

*Telephone/ Online* – provides a much more flexible service, and one that many new and younger customers are increasingly comfortable with. It has the advantage for the organisation of being cheaper, avoiding the problem of 'no shows', allowing a speedier decision to be made and requiring less time to process an application.

The disadvantages include not being able to see and assess the customer directly and the fact that because of the customer demographic it attracts decline rates that are much higher. In fact, on-line customers may not be from the groups that the FIG wishes to help. Street UK and Moneyline UK both believe that their non-branch channels attract a significantly different customer, a customer higher up the income scale, more male than female, susceptible to over-indebtedness rather than income shock and less 'sticky' (no relationship). Conversely, Scotcash and Conduit both believe that they are still serving a demographic that remains similar to the one seen in branch. Finally, installing and upgrading IT systems is not cheap and usually comes with a series of teething problems that can affect customer confidence and satisfaction.

For comparison purposes the difference on a weekly payment of £300 and £600 loans across the three scenarios is shown below. An additional column has been added with the loans at a typical home credit APR (535%).

We can see that the difference between a credit union loan at 42.6% and our model rate of 150% is £2.16/ week for £300 and £4.32 for £600.

**Table 13: Repayments on £300 & £600 over 39 weeks**

| ***39-week term*** | **42.6% APR** | **99.9% APR** | **150% APR** | **535% APR** |
|---|---|---|---|---|
| *£300 loan* | £8.89 / week | £10.15 / week | £11.05 / week | £15.37 / week |
| *£600 loan* | £17.78 / week | £20.30 / week | £22.10 / week | £30.74 / week |

The business plan in the next phase, should it go ahead, will look at a detailed business plan, not the illustrative figures we offer here. The detailed plan will include

- Salary costs,
- Inflation,
- Premises costs,
- A nuanced loan book profile featuring seasonality,
- The build-up of loans over an initial five-year period,
- Realistic assumptions about the level of investment required from partners and
- The point at which operational sustainability could be reached.

It will also look at the different levels of support and investment required to sustain a premises-based model, an on-line model, or a hybrid of the two.

### *4.2 Advice and capacity building services*

We have already noted that there is a substantial shortfall in the ability of existing services to meet the needs of those who are indebted or need financial advice/capacity building in Stoke on Trent and Newcastle Under Lyme.

Not all of those in this category are either reachable or treatable. By that we mean to say many affected individuals will remain off the radar for services and others will have such complex and deep-rooted problems that advice and counselling will not be sufficient on their own.

What we can say is that where loans are used as a 'spearhead' to attract individuals who, in addition to needing money, will need other types of support, then the likelihood of take up increases (especially where the contact is face-to-face).

Based on the experience of our case study organisations, we can estimate that:

- For every 100 face-to-face applications, around 40% will be accepted and around 60% will be declined;
- Declines will trigger a much smaller percentage of people accepting debt/money advice;
- For on-line services the figures involve a much higher rate of decline and no obvious route to other wrap around services.

An estimate of the additional advice capacity eventually generated by a successful relationship-based loan-driven operation would be:

**Table 14: Warm handover to debt and advice**

| | **pcm** | **pa** |
|---|---|---|
| **Total loan enquiries** | 425 | 5100 |
| **Did not appear 15%** | 64 | 768 |
| **Total applications** | 361 | 4332 |
| **Loans approved 40%** | 144 | 1728 |
| **Loans declined 60%** | 217 | 2604 |
| **Warm handover to debt and money advice 25%** | 54 | 648 |

The proposition to partners who have an interest in working with individuals who would benefit from access to such services, such as housing associations, local authorities, public agencies and charitable trusts is that this would be a cost-effective way of reaching a target group and helping them to reduce outgoings (through cheaper loans) as well as providing advice.

Based on the staff/client ratios in existing providers, we could calculate the funding required to scale up services and the cost/benefits of this.

# 5 The next steps

The FIG needs to consider the following questions.

- Is there evidence of unmet demand for mid-cost small sum credit in Stoke on Trent and Newcastle Under Lyme?
- Is there evidence of unmet needs for financial and debt advice in Stoke on Trent and Newcastle Under Lyme?
- Do the CDFIs we have looked at suggest that there is a sustainable solution to at least some of these issues which could be applied in Stoke on Trent and Newcastle Under Lyme?

If the answer to these questions is 'Yes' then the FIG needs to consider:

- Which model(s) does it want to investigate further and use as the basis for a business plan to put to potential funders? Within this;
  - What are the capital requirements?
  - What are the running costs for delivering loans?
  - What are the running costs for delivering advice services?
  - What are the running costs for capacity building?
  - Are they all affordable?
- Which partners does it need to involve in further discussions to identify their roles as:
  - Investors of loan capital?
  - Investors in organisational support?
  - Funders of advice services?
  - Funders of capacity building?
  - Routes to market for loans?
  - Non-financial ways of supporting loan delivery?
  - Deliverers of advice services?
- What is the role for the credit union in this mix, given the failure of Staffordshire CU and the interest of Wolverhampton CU.

We believe that there is a significant opportunity in both Stoke on Trent and Newcastle under Lyme for partners to come together and make a real and lasting difference to those on low incomes who need access to better loans, better advice and better support.

This report makes the positive case for such an intervention.

## Appendix 1: Local interviewees

| | |
|---|---|
| Mick Brownsword | Staffordshire Housing Association |
| Claire Chilton | Severn Trent Water |
| Beverley Cleary | Business Improvement Manager, Newcastle under Lyme Council |
| Marc O'Hagan | Staffordshire County Council |
| Simon Harris | CEO SNS CAB |
| Christine Harrison | Partnership and Service Transformation, Stoke City Council |
| Chris Hewetson | Newcastle under Lyme Council |
| Karen Hollinshead | Revenues, Newcastle under Lyme Council |
| Shameem Hussain | Potteries Moneywise |
| Steve Johnston | Stoke City Council |
| Jay Lowe | Manager, Money Advice Team CAB |
| Paul Malkin | Income Collection and Management, Aspire Housing Association |
| Dan Marson | Benefits Manager, Stoke City Council |
| Mary-Ann Ripson | Saltbox |
| Mark Roberts | YMCA |
| Laurie Scott | Saltbox |
| Jane Spencer | Benefits Manager, Newcastle under Lyme Council |
| Eleanor Taylor | Stoke City Council |
| Alan Turley | Chair, FIG |
| Susanne Turner | Staffordshire Housing Association |
| Nicky Twemlow | YMCA |

## Appendix 2: External interviewees

| | |
|---|---|
| Kashaf Ali | CEO Street UK |
| Diane Burridge | CEO Moneyline |
| Sharon McIntyre | Financial Inclusion Innovation Manager, Wheatley Group |
| Sharon McPherson | CEO Scotcash |
| Graeme Oram | CEO Five Lamps/Conduit |
| Rob Shearing | Former CEO Sheffield Money |

## Appendix 6: Additional Evidence of Need

The first two tables in this appendix give a slightly different picture to the data collected in the previous appendix. Focusing on Stoke-on-Trent and Newcastle-under-Lyme they operate at ward level and demonstrate how a variety of issues or factors affect certain wards, the cumulative effect of which is to cause significant financial hardship and exclusion.

The first table below brings together several financial, educational and health measures taken from a variety of sources to demonstrate how multiple factors impact on certain wards across the area.

Not surprisingly the wards with the lowest mean and median household incomes tend to demonstrate the lowest levels of educational attainment, the poorest health and highest levels of child poverty.

The measures chosen are those that appear to have the greatest correlation with financial exclusion and the factors that cause it and are exacerbated by it.

This table also highlights the differences between Stoke-on-Trent and Newcastle-under-Lyme. In the former there is a greater consistency of poverty, with few relatively affluent areas. In the latter the picture is more varied with more relatively affluent areas but with pockets of significant deprivation.

The clearest indicator of this is the balance of red and green across the chart.

This table emphasises the scale of the issue and the engrained nature of the underlying problems that manifest themselves in problem debt, threatened homelessness and money-related health issues.

The second table looks at certain ‘target groups’ as defined by the MOSAIC system using data drawn from a variety of sources relating to households across the area. The table shows where these target groups are most likely to be situated, which will help us to plan where we need to locate interventions to have the greatest impact.

Once again wards where the final column (Sum 1-4) shows the darkest red are those with the greatest prevalence of households within the target groups. There is a noticeable correlation with the wards experiencing the greatest financial hardship, health issues, fuel and child poverty. This is not unexpected.

These charts were provided by Steve Johnston (Policy & Performance, Stoke-on-Trent City Council).

The third tables shows the income profile of 1,800 debt clients seen by Citizens Advice Staffordshire North and Stoke-on-Trent during 2018/19. It clearly demonstrates the link between low income and financial exclusion and over indebtedness.

## Modelled Estimates of Finance, Education, Health measures from MOSAIC MPS6, Experian 2017

| Code | Area | Median income | Mean income | <£15k | Comfortable on household income | Coping on household income | Difficult on household income | Very difficult on household income | Hold no current accounts | No qualifications | 1-4 GCSE or equivalent | A level or 5+ GCSE A*-C or equivalent | 2+ A level or 4+ AS level or equivalent | Degree or higher |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Category | General - Finances | General - Finances | General - Finances | General - Finances | General - Finances | General - Finances | General - Finances | General - Finances | Education | Education | Education | Education | Education |
| | Topic | Household income | Household income | Household income | Financial stress | Financial stress | Financial stress | Financial stress | Current accounts | Highest qualification | Highest qualification | Highest qualification | Highest qualification | Highest qualification |
| | Source | Consumer View | Consumer View | Consumer View | TGI | TGI | TGI | TGI | TGI | Census | Census | Census | Census | Census |
| | **National Mean** | £34,542 | £37,521 | 20.43 | 26.83 | 45.15 | 18.79 | 9.23 | 6.22 | 22.85 | 14.64 | 14.62 | 12.10 | 27.07 |
| **Newcastle-under-Lyme** | | **£30,527** | **£32,778** | **22.79** | **25.84** | **45.94** | **18.95** | **9.26** | **6.49** | **26.14** | **15.79** | **15.41** | **12.10** | **21.90** |
| E05006964 | Audley and Bignall End | £30,200 | £32,235 | 21.39 | 26.21 | 46.43 | 18.57 | 8.79 | 6.14 | 26.40 | 15.89 | 15.63 | 11.98 | 21.24 |
| E05006965 | Bradwell | £29,162 | £30,885 | 22.29 | 25.25 | 46.99 | 18.72 | 9.04 | 6.47 | 27.75 | 16.71 | 15.72 | 11.94 | 18.98 |
| E05006966 | Butt Lane | £25,945 | £27,255 | 26.47 | 21.95 | 46.54 | 21.00 | 10.52 | 7.66 | 30.08 | 17.07 | 15.57 | 11.58 | 17.03 |
| E05006967 | Chesterton | £30,878 | £32,535 | 24.90 | 22.89 | 44.83 | 21.36 | 10.92 | 7.31 | 27.27 | 16.95 | 15.80 | 11.91 | 19.71 |
| E05006968 | Clayton | £29,839 | £32,036 | 22.07 | 27.31 | 47.64 | 17.30 | 7.74 | 5.96 | 26.10 | 15.54 | 15.33 | 11.99 | 22.05 |
| E05006969 | Cross Heath | £22,686 | £24,148 | 32.57 | 18.44 | 44.82 | 23.47 | 13.28 | 9.33 | 31.88 | 17.20 | 14.89 | 11.65 | 15.82 |
| E05006970 | Halmerend | £34,166 | £37,563 | 18.31 | 29.03 | 46.73 | 16.87 | 7.37 | 5.47 | 23.64 | 14.71 | 15.48 | 11.89 | 25.80 |
| E05006971 | Holditch | £23,726 | £24,636 | 30.63 | 17.61 | 44.66 | 24.16 | 13.57 | 8.90 | 32.59 | 17.94 | 15.57 | 11.24 | 14.28 |
| E05006972 | Keele | £34,408 | £37,766 | 17.61 | 29.57 | 46.60 | 15.74 | 8.09 | 4.31 | 17.27 | 11.79 | 13.82 | 17.75 | 31.37 |
| E05006973 | Kidsgrove | £31,463 | £33,146 | 20.18 | 25.92 | 46.63 | 18.76 | 8.69 | 6.02 | 26.45 | 16.48 | 15.94 | 12.18 | 20.17 |
| E05006974 | Knutton and Silverdale | £23,141 | £24,458 | 32.37 | 18.80 | 44.98 | 23.06 | 13.17 | 8.83 | 31.97 | 17.72 | 15.45 | 11.19 | 15.27 |
| E05006975 | Loggerheads and Whitmore | £46,903 | £52,475 | 12.97 | 37.74 | 43.72 | 13.61 | 4.92 | 4.77 | 18.49 | 12.79 | 15.33 | 11.76 | 33.94 |
| E05006976 | Madeley | £33,019 | £36,278 | 20.72 | 27.13 | 47.58 | 17.57 | 7.72 | 5.62 | 23.77 | 14.45 | 15.30 | 11.76 | 26.30 |
| E05006977 | May Bank | £31,878 | £34,368 | 18.89 | 27.99 | 46.80 | 17.28 | 7.93 | 5.22 | 23.82 | 15.52 | 15.56 | 12.49 | 23.59 |
| E05006978 | Newchapel | £33,131 | £35,414 | 15.71 | 29.79 | 47.97 | 15.75 | 6.49 | 4.33 | 23.66 | 15.36 | 15.92 | 12.52 | 23.32 |
| E05006979 | Porthill | £28,844 | £30,755 | 20.97 | 24.17 | 47.11 | 19.54 | 9.18 | 5.97 | 25.94 | 16.06 | 15.74 | 12.37 | 20.92 |
| E05006980 | Ravenscliffe | £30,655 | £32,739 | 20.77 | 28.54 | 46.99 | 16.92 | 7.55 | 5.67 | 25.92 | 15.62 | 15.55 | 12.15 | 21.55 |
| E05006981 | Seabridge | £33,956 | £36,440 | 20.26 | 29.71 | 46.17 | 16.58 | 7.54 | 5.62 | 24.13 | 15.30 | 15.53 | 11.97 | 24.39 |
| E05006982 | Silverdale and Parksite | £24,817 | £25,966 | 28.49 | 21.09 | 45.13 | 22.15 | 11.63 | 7.97 | 30.71 | 17.09 | 15.52 | 11.52 | 16.43 |
| E05006983 | Talke | £26,116 | £27,830 | 26.04 | 26.87 | 46.74 | 17.68 | 8.71 | 6.84 | 28.94 | 16.15 | 15.40 | 11.58 | 18.81 |
| E05006984 | Thistleberry | £30,169 | £32,623 | 24.65 | 26.58 | 45.95 | 18.49 | 8.98 | 6.43 | 25.45 | 15.50 | 15.35 | 11.87 | 23.20 |
| E05006985 | Town | £23,656 | £26,353 | 29.18 | 20.20 | 44.06 | 22.69 | 13.05 | 8.22 | 25.65 | 14.70 | 13.51 | 14.72 | 22.71 |
| E05006986 | Westlands | £43,835 | £47,103 | 13.92 | 36.38 | 44.18 | 13.59 | 5.85 | 4.34 | 19.36 | 13.45 | 15.24 | 11.87 | 32.02 |
| E05006987 | Wolstanton | £29,228 | £31,109 | 21.34 | 23.78 | 46.28 | 20.26 | 9.68 | 5.99 | 25.52 | 16.16 | 15.78 | 12.41 | 21.24 |
| **Stoke-on-Trent** | | **£25,649** | **£27,257** | **27.94** | **21.08** | **45.12** | **21.79** | **12.02** | **8.27** | **29.53** | **16.78** | **15.21** | **11.88** | **17.81** |
| E05008714 | Abbey Hulton and Townsend | £20,700 | £21,961 | 38.20 | 17.52 | 44.21 | 23.53 | 14.74 | 10.47 | 34.47 | 17.97 | 15.12 | 10.57 | 13.67 |
| E05008715 | Baddeley, Milton and Norton | £28,235 | £30,032 | 24.25 | 25.64 | 46.39 | 18.61 | 9.35 | 6.70 | 27.91 | 16.34 | 15.57 | 11.78 | 19.54 |
| E05008716 | Bentilee and Ubberley | £17,782 | £18,844 | 44.38 | 13.41 | 42.56 | 26.37 | 17.65 | 12.39 | 37.40 | 18.82 | 14.89 | 9.97 | 11.11 |
| E05008717 | Birches Head and Central Forest Park | £25,776 | £27,250 | 25.44 | 21.19 | 44.89 | 22.10 | 11.82 | 7.94 | 29.07 | 16.88 | 15.32 | 11.88 | 17.69 |
| E05008718 | Blurton East | £25,404 | £27,134 | 28.03 | 24.82 | 45.61 | 19.23 | 10.34 | 7.41 | 29.41 | 16.41 | 15.42 | 11.52 | 18.35 |
| E05008719 | Blurton West and Newstead | £22,552 | £23,864 | 37.80 | 16.10 | 43.25 | 25.12 | 15.53 | 11.03 | 34.03 | 18.12 | 15.12 | 10.61 | 14.28 |
| E05008720 | Boothen and Oak Hill | £24,709 | £26,255 | 26.17 | 19.11 | 44.55 | 23.30 | 13.04 | 8.58 | 28.97 | 16.71 | 15.21 | 12.00 | 17.88 |
| E05008721 | Bradeley and Chell Heath | £24,112 | £25,495 | 31.87 | 19.46 | 45.16 | 22.48 | 12.90 | 8.98 | 32.41 | 17.44 | 15.24 | 11.04 | 15.39 |
| E05008722 | Broadway and Longton East | £26,721 | £28,138 | 24.63 | 22.24 | 46.39 | 20.82 | 10.55 | 7.21 | 28.94 | 16.89 | 15.50 | 11.89 | 17.82 |
| E05008723 | Burslem Central | £22,223 | £23,794 | 31.49 | 16.51 | 43.57 | 24.98 | 14.95 | 10.13 | 31.72 | 17.16 | 14.59 | 11.30 | 16.10 |
| E05008724 | Burslem Park | £25,795 | £27,039 | 24.96 | 22.36 | 45.60 | 21.29 | 10.76 | 7.12 | 29.13 | 16.81 | 15.60 | 11.95 | 17.44 |
| E05008725 | Dresden and Florence | £28,423 | £30,097 | 25.07 | 22.59 | 45.71 | 21.08 | 10.61 | 7.52 | 27.75 | 16.66 | 15.57 | 11.97 | 19.29 |
| E05008726 | Eaton Park | £26,289 | £28,060 | 25.87 | 25.07 | 47.07 | 18.81 | 9.05 | 7.13 | 29.53 | 16.33 | 15.28 | 11.66 | 18.20 |
| E05008727 | Etruria and Hanley | £22,756 | £24,546 | 29.20 | 16.74 | 43.79 | 24.62 | 14.85 | 10.56 | 30.47 | 16.77 | 14.27 | 11.59 | 17.18 |
| E05008728 | Fenton East | £24,147 | £25,276 | 27.02 | 19.04 | 44.80 | 23.13 | 13.04 | 8.73 | 30.97 | 17.27 | 15.30 | 11.63 | 15.84 |
| E05008729 | Fenton West and Mount Pleasant | £23,697 | £24,856 | 29.62 | 18.56 | 44.52 | 24.00 | 12.92 | 8.72 | 31.28 | 17.21 | 15.34 | 11.57 | 15.89 |
| E05008730 | Ford Green and Smallthorne | £27,047 | £28,800 | 27.43 | 18.91 | 45.59 | 23.57 | 11.93 | 8.57 | 28.62 | 16.83 | 15.45 | 11.88 | 18.86 |
| E05008731 | Goldenhill and Sandyford | £26,822 | £28,136 | 27.45 | 19.37 | 45.51 | 23.11 | 12.02 | 8.30 | 29.88 | 17.33 | 15.60 | 11.67 | 17.08 |
| E05008732 | Great Chell and Packmoor | £29,303 | £30,913 | 24.46 | 24.25 | 46.14 | 19.67 | 9.94 | 7.13 | 28.13 | 16.73 | 15.73 | 11.84 | 18.97 |
| E05008733 | Hanford and Trentham | £35,836 | £38,497 | 16.11 | 32.74 | 46.90 | 14.44 | 5.91 | 4.51 | 22.64 | 14.66 | 15.70 | 12.26 | 25.70 |
| E05008734 | Hanley Park and Shelton | £23,517 | £26,218 | 27.85 | 20.96 | 46.65 | 20.58 | 11.81 | 6.56 | 15.94 | 10.42 | 11.86 | 26.11 | 27.38 |
| E05008735 | Hartshill and Basford | £28,076 | £30,177 | 20.23 | 21.73 | 45.11 | 21.44 | 11.72 | 6.90 | 25.04 | 15.92 | 15.28 | 13.03 | 21.58 |
| E05008736 | Hollybush and Longton West | £23,756 | £25,153 | 31.65 | 20.64 | 46.50 | 21.41 | 11.44 | 8.79 | 32.24 | 17.10 | 15.19 | 11.15 | 15.70 |
| E05008737 | Joiner's Square | £20,266 | £22,244 | 34.54 | 16.21 | 42.13 | 26.03 | 15.63 | 10.78 | 31.65 | 16.78 | 13.78 | 11.14 | 17.17 |
| E05008738 | Lightwood North and Normacot | £30,843 | £32,711 | 20.57 | 24.42 | 45.82 | 20.25 | 9.51 | 7.34 | 26.19 | 16.30 | 15.20 | 12.11 | 20.81 |
| E05008739 | Little Chell and Stanfield | £23,288 | £24,621 | 31.35 | 18.87 | 44.64 | 22.81 | 13.69 | 9.25 | 32.08 | 17.70 | 15.35 | 11.17 | 15.07 |
| E05008740 | Meir Hay | £32,321 | £33,877 | 17.15 | 25.55 | 46.99 | 18.61 | 8.85 | 5.51 | 26.03 | 16.62 | 16.11 | 12.41 | 19.87 |
| E05008741 | Meir North | £19,701 | £20,937 | 39.70 | 16.98 | 43.37 | 24.38 | 15.28 | 10.49 | 34.96 | 17.99 | 15.00 | 10.47 | 13.32 |
| E05008742 | Meir Park | £39,437 | £41,976 | 12.95 | 33.81 | 47.01 | 14.24 | 4.95 | 3.77 | 20.35 | 14.70 | 16.08 | 12.78 | 27.17 |
| E05008743 | Meir South | £22,719 | £24,067 | 36.37 | 17.19 | 43.51 | 24.36 | 14.94 | 9.92 | 33.45 | 17.96 | 15.26 | 10.68 | 14.53 |
| E05008744 | Moorcroft | £24,292 | £25,802 | 26.92 | 18.33 | 44.79 | 23.39 | 13.50 | 9.18 | 30.06 | 17.16 | 14.92 | 11.70 | 16.72 |
| E05008745 | Penkhull and Stoke | £26,424 | £28,516 | 24.26 | 21.20 | 44.68 | 22.22 | 11.90 | 7.37 | 26.78 | 16.31 | 15.11 | 12.10 | 20.77 |
| E05008746 | Sandford Hill | £26,282 | £27,457 | 26.04 | 21.13 | 45.87 | 21.54 | 11.46 | 7.81 | 30.54 | 17.34 | 15.67 | 11.60 | 16.20 |
| E05008747 | Sneyd Green | £26,560 | £28,116 | 26.41 | 23.67 | 46.38 | 19.57 | 10.38 | 7.19 | 29.10 | 16.89 | 15.71 | 11.74 | 17.71 |
| E05008748 | Springfields and Trent Vale | £24,286 | £25,542 | 28.98 | 18.36 | 44.79 | 23.63 | 13.23 | 8.44 | 30.45 | 17.40 | 15.42 | 12.01 | 16.26 |
| E05008749 | Tunstall | £22,963 | £24,160 | 29.84 | 17.00 | 43.98 | 24.62 | 14.40 | 9.73 | 31.86 | 17.43 | 15.04 | 11.42 | 15.25 |
| E05008750 | Weston Coyney | £29,040 | £30,828 | 20.69 | 27.75 | 47.08 | 17.07 | 8.10 | 5.81 | 27.23 | 16.05 | 15.68 | 12.02 | 19.78 |
| **Stoke-on-Trent & Newcastle-under-Lyme** | | £27,231 | £29,047 | 26.27 | 22.62 | 45.38 | 20.87 | 11.13 | 7.69 | 28.43 | 16.46 | 15.28 | 11.95 | 19.13 |

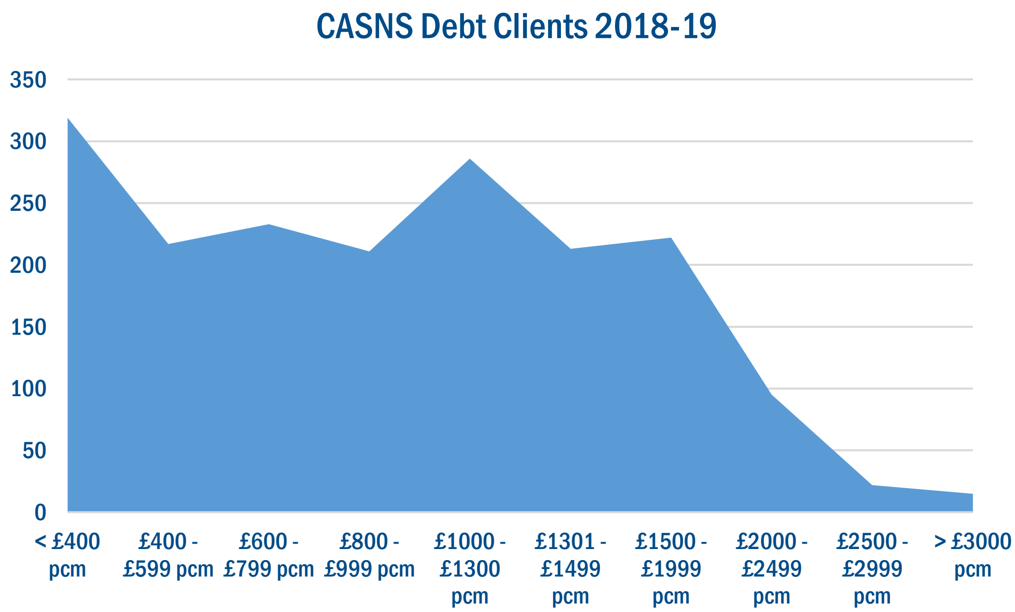
| Code | Area | Asthma | Arthritis | Rheumatism | High blood pressure | Poor blood circulation | Hearing problems | High cholesterol | Heart problems | Diabetes | Depression | Child Poverty – BEFORE HOUSING COSTS: Number of children | BEFORE HOUSING COSTS: % | AFTER HOUSING COSTS: Number of children | AFTER HOUSING COSTS: % | Fuel Poverty 2015: % of all Households |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Category | Health | Health | Health | Health | Health | Health | Health | Health | Health | Health | Child Poverty | | | | Fuel Poverty |
| | Topic | Medical conditions | Medical conditions | Medical conditions | Medical conditions | Medical conditions | Medical conditions | Medical conditions | Medical conditions | Medical conditions | Medical conditions | | | | | |
| | Source | TGI | TGI | TGI | TGI | TGI | TGI | TGI | TGI | TGI | TGI | CRSP, Loughborough Univ | | | | Dept of BEIS |
| | **National Mean** | 11.57 | 18.70 | 3.76 | 21.18 | 5.97 | 9.22 | 14.29 | 7.01 | 8.23 | 12.56 | | | | | |
| **Newcastle-under-Lyme** | | **11.89** | **20.99** | **4.09** | **23.01** | **6.34** | **10.33** | **15.37** | **7.82** | **9.08** | **13.07** | **3,287** | **13.78%** | **5,247** | **21.99%** | **12.8%** |
| E05006964 | Audley and Bignall End | 11.61 | 21.87 | 4.16 | 23.76 | 6.51 | 10.73 | 16.08 | 8.04 | 9.33 | 12.41 | 121 | 10.68% | 195 | 17.26% | 13.9% |
| E05006965 | Bradwell | 12.00 | 21.28 | 4.02 | 23.52 | 6.15 | 10.34 | 15.78 | 8.07 | 9.40 | 12.77 | 241 | 17.50% | 378 | 27.42% | 11.7% |
| E05006966 | Butt Lane | 12.47 | 22.54 | 4.47 | 23.96 | 6.90 | 10.82 | 16.62 | 8.71 | 10.19 | 14.19 | 253 | 20.30% | 394 | 31.65% | 13.6% |
| E05006967 | Chesterton | 12.35 | 19.00 | 3.68 | 20.69 | 5.88 | 8.68 | 14.16 | 6.83 | 8.51 | 14.68 | 226 | 13.35% | 361 | 21.38% | 11.1% |
| E05006968 | Clayton | 11.41 | 21.68 | 4.07 | 24.63 | 6.56 | 11.03 | 16.07 | 8.64 | 9.57 | 11.55 | 118 | 13.91% | 187 | 22.16% | 11.3% |
| E05006969 | Cross Heath | 13.62 | 21.42 | 4.63 | 22.01 | 7.07 | 10.01 | 15.43 | 8.23 | 9.89 | 17.42 | 252 | 19.59% | 395 | 30.75% | 15.1% |
| E05006970 | Halmerend | 11.42 | 22.90 | 4.34 | 24.50 | 6.47 | 11.23 | 16.35 | 7.99 | 8.88 | 11.30 | 48 | 7.76% | 79 | 12.71% | 14.5% |
| E05006971 | Holditch | 13.72 | 20.97 | 4.33 | 21.19 | 6.56 | 9.47 | 15.15 | 7.83 | 9.48 | 17.05 | 230 | 18.82% | 360 | 29.55% | 14.4% |
| E05006972 | Keele | 10.87 | 17.12 | 3.31 | 18.70 | 5.13 | 9.42 | 11.84 | 6.33 | 6.87 | 12.46 | 10 | 6.16% | 16 | 10.22% | 18.8% |
| E05006973 | Kidsgrove | 11.58 | 20.15 | 3.73 | 22.55 | 5.84 | 9.82 | 15.16 | 7.35 | 8.98 | 12.31 | 260 | 16.92% | 408 | 26.50% | 10.3% |
| E05006974 | Knutton and Silverdale | 13.36 | 21.53 | 4.49 | 21.93 | 6.80 | 9.98 | 15.47 | 8.10 | 9.48 | 16.66 | 191 | 18.52% | 301 | 29.20% | 14.9% |
| E05006975 | Loggerheads and Whitmore | 10.10 | 23.12 | 3.96 | 25.15 | 5.94 | 11.65 | 15.89 | 7.00 | 7.07 | 8.91 | 117 | 10.08% | 190 | 16.32% | 14.6% |
| E05006976 | Madeley | 12.27 | 23.44 | 4.70 | 24.79 | 7.02 | 11.33 | 16.53 | 8.82 | 9.28 | 11.84 | 83 | 9.77% | 134 | 15.85% | 10.6% |
| E05006977 | May Bank | 11.30 | 19.71 | 3.66 | 22.70 | 5.92 | 10.10 | 14.69 | 7.43 | 8.72 | 11.73 | 108 | 9.24% | 176 | 15.02% | 12.6% |
| E05006978 | Newchapel | 10.87 | 20.47 | 3.63 | 23.44 | 5.73 | 10.45 | 15.36 | 7.53 | 8.71 | 10.20 | 65 | 10.55% | 106 | 17.03% | 11.8% |
| E05006979 | Porthill | 11.77 | 20.68 | 4.07 | 22.73 | 6.46 | 10.02 | 15.33 | 7.83 | 9.48 | 13.01 | 33 | 4.35% | 54 | 7.17% | 12.4% |
| E05006980 | Ravenscliffe | 11.19 | 21.41 | 4.05 | 24.32 | 6.28 | 10.81 | 15.81 | 8.22 | 9.35 | 11.62 | 64 | 9.55% | 103 | 15.51% | 11.7% |
| E05006981 | Seabridge | 11.27 | 20.84 | 3.81 | 24.28 | 6.07 | 10.51 | 15.58 | 7.79 | 9.12 | 11.06 | 126 | 12.51% | 201 | 20.05% | 8.6% |
| E05006982 | Silverdale and Parksite | 12.81 | 21.42 | 4.40 | 22.41 | 6.71 | 10.26 | 15.35 | 8.12 | 9.52 | 15.28 | 186 | 19.50% | 291 | 30.45% | 13.3% |
| E05006983 | Talke | 11.54 | 23.74 | 4.56 | 26.13 | 7.03 | 11.99 | 17.29 | 9.43 | 10.26 | 12.43 | 123 | 18.90% | 191 | 29.39% | 11.2% |
| E05006984 | Thistleberry | 11.81 | 20.90 | 4.08 | 23.54 | 6.59 | 10.57 | 15.41 | 8.22 | 9.23 | 12.70 | 172 | 14.57% | 274 | 23.24% | 12.8% |
| E05006985 | Town | 12.83 | 18.42 | 4.29 | 19.41 | 6.75 | 8.95 | 12.96 | 7.14 | 8.83 | 17.81 | 63 | 13.04% | 100 | 20.91% | 17.8% |
| E05006986 | Westlands | 10.62 | 19.49 | 3.73 | 24.12 | 5.29 | 10.82 | 15.28 | 7.20 | 8.55 | 9.04 | 45 | 4.28% | 74 | 7.07% | 10.9% |
| E05006987 | Wolstanton | 11.75 | 19.28 | 3.82 | 20.98 | 6.12 | 9.51 | 14.33 | 7.06 | 8.60 | 13.63 | 128 | 11.06% | 207 | 17.84% | 13.3% |
| **Stoke-on-Trent** | | **12.87** | **20.65** | **4.30** | **21.72** | **6.51** | **9.60** | **15.03** | **7.73** | **9.34** | **16.09** | **12,900** | **21.84%** | **19,927** | **33.73%** | **14.0%** |
| E05008714 | Abbey Hulton and Townsend | 14.22 | 23.91 | 5.02 | 23.65 | 7.56 | 10.52 | 17.02 | 9.17 | 10.37 | 18.30 | 629 | 23.92% | 971 | 36.94% | 15.6% |
| E05008715 | Baddeley, Milton and Norton | 11.88 | 22.12 | 4.21 | 24.19 | 6.51 | 10.79 | 16.25 | 8.46 | 9.67 | 13.12 | 510 | 14.38% | 815 | 22.98% | 11.2% |
| E05008716 | Bentilee and Ubberley | 15.49 | 24.17 | 5.35 | 22.58 | 7.86 | 10.01 | 16.73 | 9.10 | 10.40 | 21.15 | 896 | 27.24% | 1,365 | 41.48% | 15.9% |
| E05008717 | Birches Head and Central Forest Park | 12.56 | 19.84 | 4.19 | 21.15 | 6.22 | 9.29 | 14.69 | 7.21 | 9.17 | 16.28 | 529 | 22.14% | 811 | 33.94% | 15.3% |
| E05008718 | Blurton East | 12.06 | 22.56 | 4.43 | 24.45 | 6.83 | 11.18 | 16.34 | 8.78 | 9.82 | 13.95 | 204 | 20.62% | 318 | 32.09% | 10.0% |
| E05008719 | Blurton West and Newstead | 14.68 | 22.42 | 4.75 | 21.57 | 7.25 | 9.26 | 15.65 | 8.34 | 9.76 | 19.46 | 422 | 24.06% | 649 | 37.01% | 15.3% |
| E05008720 | Boothen and Oak Hill | 12.92 | 18.64 | 4.36 | 19.77 | 6.29 | 8.84 | 13.55 | 6.86 | 9.04 | 17.84 | 257 | 19.34% | 403 | 30.29% | 16.9% |
| E05008721 | Bradeley and Chell Heath | 13.57 | 22.19 | 4.60 | 22.78 | 6.99 | 10.20 | 16.18 | 8.44 | 9.76 | 16.63 | 366 | 24.82% | 567 | 38.41% | 10.8% |
| E05008722 | Broadway and Longton East | 12.54 | 20.97 | 4.19 | 22.63 | 6.46 | 10.01 | 15.51 | 7.93 | 9.62 | 14.69 | 164 | 16.12% | 258 | 25.41% | 10.0% |
| E05008723 | Burslem Central | 14.11 | 19.74 | 4.69 | 20.15 | 6.84 | 8.65 | 14.35 | 7.44 | 9.61 | 20.11 | 417 | 28.39% | 626 | 42.60% | 14.4% |
| E05008724 | Burslem Park | 12.21 | 20.39 | 4.19 | 21.88 | 6.16 | 9.98 | 14.82 | 7.53 | 9.26 | 14.79 | 223 | 19.23% | 347 | 29.87% | 17.1% |
| E05008725 | Dresden and Florence | 12.31 | 19.92 | 4.00 | 21.65 | 6.25 | 9.38 | 14.87 | 7.53 | 9.21 | 14.76 | 297 | 22.84% | 454 | 34.91% | 14.7% |
| E05008726 | Eaton Park | 11.88 | 23.67 | 4.61 | 25.79 | 7.07 | 11.71 | 17.51 | 9.21 | 10.69 | 13.06 | 84 | 11.24% | 135 | 18.13% | 10.6% |
| E05008727 | Etruria and Hanley | 13.65 | 18.61 | 4.68 | 19.28 | 6.57 | 8.22 | 13.91 | 7.10 | 9.41 | 20.33 | 671 | 31.82% | 977 | 46.29% | 18.2% |
| E05008728 | Fenton East | 13.20 | 20.32 | 4.47 | 21.07 | 6.41 | 9.34 | 14.86 | 7.41 | 9.62 | 17.58 | 311 | 20.97% | 484 | 32.62% | 13.3% |
| E05008729 | Fenton West and Mount Pleasant | 13.16 | 20.31 | 4.46 | 20.99 | 6.71 | 9.65 | 14.55 | 7.55 | 9.47 | 16.99 | 284 | 22.41% | 436 | 34.50% | 16.0% |
| E05008730 | Ford Green and Smallthorne | 13.16 | 19.33 | 4.17 | 19.93 | 6.74 | 8.75 | 13.58 | 7.35 | 8.92 | 16.81 | 286 | 18.32% | 448 | 28.69% | 12.8% |
| E05008731 | Goldenhill and Sandyford | 13.09 | 19.87 | 4.16 | 20.76 | 6.42 | 9.05 | 14.35 | 7.44 | 9.14 | 16.13 | 323 | 21.03% | 503 | 32.74% | 12.0% |
| E05008732 | Great Chell and Packmoor | 12.11 | 21.34 | 4.06 | 23.13 | 6.27 | 9.92 | 15.82 | 7.88 | 9.45 | 13.74 | 455 | 20.16% | 706 | 31.31% | 12.4% |
| E05008733 | Hanford and Trentham | 10.53 | 20.53 | 3.58 | 24.63 | 5.73 | 10.76 | 15.40 | 7.82 | 8.79 | 9.37 | 136 | 6.46% | 223 | 10.63% | 8.9% |
| E05008734 | Hanley Park and Shelton | 12.37 | 10.35 | 2.76 | 10.87 | 4.21 | 6.03 | 6.40 | 3.41 | 5.50 | 16.73 | 294 | 30.82% | 431 | 45.10% | 28.4% |
| E05008735 | Hartshill and Basford | 11.95 | 17.45 | 3.79 | 18.87 | 5.85 | 8.43 | 13.01 | 6.10 | 8.05 | 15.79 | 228 | 17.51% | 359 | 27.50% | 17.0% |
| E05008736 | Hollybush and Longton West | 13.25 | 24.03 | 4.92 | 25.09 | 7.44 | 11.12 | 17.34 | 9.56 | 10.81 | 15.38 | 270 | 19.76% | 421 | 30.82% | 13.8% |
| E05008737 | Joiner's Square | 13.73 | 19.61 | 4.33 | 19.62 | 6.88 | 7.75 | 14.68 | 7.47 | 9.05 | 20.87 | 313 | 28.68% | 464 | 42.61% | 16.1% |
| E05008738 | Lightwood North and Normacot | 11.76 | 17.88 | 3.42 | 19.89 | 5.39 | 8.48 | 13.65 | 6.61 | 9.08 | 13.23 | 456 | 25.89% | 681 | 38.71% | 12.5% |
| E05008739 | Little Chell and Stanfield | 13.52 | 21.43 | 4.57 | 21.85 | 6.61 | 9.74 | 15.56 | 7.95 | 9.55 | 17.48 | 526 | 29.04% | 787 | 43.46% | 14.7% |
| E05008740 | Meir Hay | 11.92 | 19.00 | 3.50 | 21.12 | 5.35 | 9.02 | 14.30 | 6.63 | 8.20 | 12.52 | 137 | 12.25% | 220 | 19.67% | 7.3% |
| E05008741 | Meir North | 14.34 | 22.95 | 4.94 | 22.61 | 7.37 | 10.21 | 16.05 | 8.83 | 9.95 | 18.89 | 443 | 26.14% | 676 | 39.91% | 17.2% |
| E05008742 | Meir Park | 9.93 | 18.88 | 3.08 | 23.23 | 5.17 | 9.71 | 14.56 | 6.74 | 8.02 | 8.81 | 68 | 7.22% | 112 | 11.87% | 6.8% |
| E05008743 | Meir South | 14.21 | 21.51 | 4.58 | 21.42 | 6.98 | 9.60 | 15.24 | 8.16 | 9.42 | 18.29 | 487 | 27.82% | 737 | 42.10% | 15.4% |
| E05008744 | Moorcroft | 13.45 | 18.61 | 4.35 | 19.35 | 6.11 | 8.44 | 13.65 | 6.89 | 9.29 | 18.39 | 526 | 31.62% | 767 | 46.05% | 14.0% |
| E05008745 | Penkhull and Stoke | 12.13 | 19.45 | 3.89 | 20.54 | 6.43 | 8.85 | 14.46 | 7.13 | 8.59 | 15.58 | 176 | 14.95% | 278 | 23.69% | 15.2% |
| E05008746 | Sandford Hill | 12.91 | 21.40 | 4.28 | 22.39 | 6.43 | 9.91 | 15.60 | 7.86 | 9.46 | 15.06 | 218 | 16.28% | 346 | 25.81% | 12.9% |
| E05008747 | Sneyd Green | 12.33 | 21.62 | 4.17 | 23.18 | 6.36 | 10.45 | 15.75 | 8.20 | 9.32 | 13.90 | 251 | 19.91% | 391 | 31.01% | 13.2% |
| E05008748 | Springfields and Trent Vale | 13.18 | 20.38 | 4.32 | 20.67 | 6.55 | 9.47 | 14.67 | 7.46 | 9.17 | 16.80 | 308 | 19.40% | 482 | 30.40% | 15.3% |
| E05008749 | Tunstall | 13.81 | 19.44 | 4.50 | 19.78 | 6.44 | 8.81 | 14.08 | 7.16 | 9.40 | 19.11 | 492 | 25.91% | 742 | 39.05% | 17.5% |
| E05008750 | Weston Coyney | 11.33 | 22.02 | 4.11 | 24.52 | 6.29 | 11.09 | 16.22 | 8.37 | 9.50 | 11.79 | 135 | 13.94% | 215 | 22.23% | 10.8% |
| **Stoke-on-Trent & Newcastle-under-Lyme** | | 12.55 | 20.76 | 4.23 | 22.14 | 6.46 | 9.84 | 15.14 | 7.76 | 9.26 | 15.11 | | | | | |

# Oak Foundation - 'Target Households' - Counts and Rates by Ward

| | | OF1 | OF2 | OF3 | OF4 | Sum 1-4 | OF1 | OF2 | OF3 | OF4 | Sum 1-4 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | LA-Ward | Nos. | Nos. | Nos. | Nos. | Nos. | % | % | % | % | % |
| | **Newcastle-under-Lyme** | **1874** | **2707** | **3110** | **4430** | **12121** | **3.4%** | **4.9%** | **5.6%** | **8.0%** | **22.0%** |
| E05006964 | Audley and Bignall End | 47 | 44 | 125 | 208 | 424 | 1.8% | 1.7% | 4.8% | 8.0% | 16.3% |
| E05006965 | Bradwell | 96 | 119 | 149 | 144 | 508 | 3.6% | 4.5% | 5.6% | 5.4% | 19.2% |
| E05006966 | Butt Lane | 126 | 40 | 163 | 376 | 705 | 5.0% | 1.6% | 6.5% | 15.0% | 28.0% |
| E05006967 | Chesterton | 283 | 153 | 325 | 333 | 1094 | 9.5% | 5.1% | 10.9% | 11.2% | 36.7% |
| E05006968 | Clayton | 2 | 153 | 37 | 89 | 281 | 0.1% | 7.8% | 1.9% | 4.5% | 14.3% |
| E05006969 | Cross Heath | 262 | 396 | 477 | 391 | 1526 | 9.0% | 13.6% | 16.4% | 13.4% | 52.3% |
| E05006970 | Halmerend | 3 | 6 | 20 | 67 | 96 | 0.2% | 0.4% | 1.2% | 3.9% | 5.6% |
| E05006971 | Holditch | 272 | 59 | 272 | 344 | 947 | 13.3% | 2.9% | 13.3% | 16.9% | 46.4% |
| E05006972 | Keele | 0 | 0 | 0 | 19 | 19 | 0.0% | 0.0% | 0.0% | 4.0% | 4.0% |
| E05006973 | Kidsgrove | 87 | 34 | 114 | 268 | 503 | 3.1% | 1.2% | 4.1% | 9.7% | 18.1% |
| E05006974 | Knutton and Silverdale | 341 | 84 | 229 | 236 | 890 | 18.0% | 4.4% | 12.1% | 12.4% | 46.9% |
| E05006975 | Loggerheads and Whitmore | 0 | 0 | 0 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| E05006976 | Madeley | 10 | 12 | 38 | 139 | 199 | 0.5% | 0.6% | 2.0% | 7.1% | 10.2% |
| E05006977 | May Bank | 0 | 286 | 12 | 44 | 342 | 0.0% | 9.8% | 0.4% | 1.5% | 11.7% |
| E05006978 | Newchapel | 1 | 0 | 0 | 19 | 20 | 0.1% | 0.0% | 0.0% | 1.2% | 1.3% |
| E05006979 | Porthill | 1 | 45 | 21 | 204 | 271 | 0.1% | 2.3% | 1.1% | 10.5% | 14.0% |
| E05006980 | Ravenscliffe | 5 | 102 | 61 | 101 | 269 | 0.3% | 5.4% | 3.2% | 5.4% | 14.3% |
| E05006981 | Seabridge | 35 | 99 | 104 | 231 | 469 | 1.3% | 3.8% | 4.0% | 8.9% | 18.0% |
| E05006982 | Silverdale and Parksite | 67 | 85 | 196 | 333 | 681 | 3.4% | 4.3% | 9.9% | 16.8% | 34.3% |
| E05006983 | Talke | 86 | 18 | 111 | 180 | 395 | 4.8% | 1.0% | 6.2% | 10.1% | 22.1% |
| E05006984 | Thistleberry | 129 | 165 | 186 | 273 | 753 | 4.3% | 5.5% | 6.2% | 9.1% | 25.0% |
| E05006985 | Town | 2 | 686 | 330 | 47 | 1065 | 0.1% | 25.3% | 12.2% | 1.7% | 39.3% |
| E05006986 | Westlands | 2 | 47 | 16 | 126 | 191 | 0.1% | 1.9% | 0.6% | 5.1% | 7.7% |
| E05006987 | Wolstanton | 17 | 74 | 124 | 258 | 473 | 0.6% | 2.5% | 4.3% | 8.9% | 16.3% |
| | **Stoke-on-Trent** | **9206** | **6954** | **22023** | **11211** | **49394** | **8.0%** | **6.1%** | **19.2%** | **9.8%** | **43.0%** |
| E05008714 | Abbey Hulton and Townsend | 1104 | 231 | 1095 | 542 | 2972 | 24.8% | 5.2% | 24.6% | 12.2% | 66.7% |
| E05008715 | Baddeley, Milton and Norton | 476 | 193 | 635 | 655 | 1959 | 6.1% | 2.5% | 8.1% | 8.3% | 25.0% |
| E05008716 | Bentilee and Ubberley | 1429 | 422 | 1774 | 647 | 4272 | 29.4% | 8.7% | 36.5% | 13.3% | 87.8% |
| E05008717 | Birches Head and Central Forest P | 54 | 420 | 996 | 591 | 2061 | 1.0% | 8.2% | 19.3% | 11.5% | 40.0% |
| E05008718 | Blurton East | 254 | 78 | 226 | 284 | 842 | 10.4% | 3.2% | 9.2% | 11.6% | 34.3% |
| E05008719 | Blurton West and Newstead | 548 | 273 | 897 | 365 | 2083 | 19.3% | 9.6% | 31.6% | 12.8% | 73.3% |
| E05008720 | Boothen and Oak Hill | 34 | 166 | 906 | 392 | 1498 | 1.1% | 5.6% | 30.5% | 13.2% | 50.4% |
| E05008721 | Bradeley and Chell Heath | 512 | 216 | 296 | 179 | 1203 | 20.9% | 8.8% | 12.1% | 7.3% | 49.2% |
| E05008722 | Broadway and Longton East | 37 | 165 | 275 | 307 | 784 | 1.4% | 6.4% | 10.6% | 11.8% | 30.2% |
| E05008723 | Burslem Central | 142 | 575 | 1332 | 227 | 2276 | 4.2% | 17.0% | 39.5% | 6.7% | 67.5% |
| E05008724 | Burslem Park | 13 | 73 | 268 | 273 | 627 | 0.5% | 3.1% | 11.3% | 11.5% | 26.4% |
| E05008725 | Dresden and Florence | 70 | 81 | 337 | 229 | 717 | 3.2% | 3.7% | 15.2% | 10.4% | 32.4% |
| E05008726 | Eaton Park | 44 | 219 | 90 | 228 | 581 | 1.9% | 9.5% | 3.9% | 9.9% | 25.3% |
| E05008727 | Etruria and Hanley | 119 | 376 | 1824 | 178 | 2497 | 3.4% | 10.7% | 51.8% | 5.1% | 70.9% |
| E05008728 | Fenton East | 111 | 110 | 889 | 417 | 1527 | 3.6% | 3.5% | 28.7% | 13.5% | 49.3% |
| E05008729 | Fenton West and Mount Pleasant | 98 | 254 | 396 | 581 | 1329 | 3.4% | 8.7% | 13.5% | 19.9% | 45.5% |
| E05008730 | Ford Green and Smallthorne | 121 | 266 | 497 | 485 | 1369 | 4.1% | 9.0% | 16.8% | 16.4% | 46.2% |
| E05008731 | Goldenhill and Sandyford | 186 | 60 | 379 | 491 | 1116 | 7.3% | 2.3% | 14.8% | 19.2% | 43.5% |
| E05008732 | Great Chell and Packmoor | 290 | 74 | 557 | 452 | 1373 | 6.5% | 1.7% | 12.6% | 10.2% | 31.0% |
| E05008733 | Hanford and Trentham | 62 | 7 | 89 | 148 | 306 | 1.2% | 0.1% | 1.7% | 2.9% | 6.0% |
| E05008734 | Hanley Park and Shelton | 0 | 65 | 531 | 21 | 617 | 0.0% | 2.8% | 22.8% | 0.9% | 26.5% |
| E05008735 | Hartshill and Basford | 45 | 140 | 626 | 75 | 886 | 1.4% | 4.4% | 19.7% | 2.4% | 27.8% |
| E05008736 | Hollybush and Longton West | 215 | 173 | 331 | 394 | 1113 | 8.2% | 6.6% | 12.6% | 15.0% | 42.4% |
| E05008737 | Joiner's Square | 72 | 893 | 1002 | 199 | 2166 | 2.4% | 29.5% | 33.1% | 6.6% | 71.5% |
| E05008738 | Lightwood North and Normacot | 33 | 30 | 537 | 106 | 706 | 1.6% | 1.4% | 25.7% | 5.1% | 33.8% |
| E05008739 | Little Chell and Stanfield | 513 | 63 | 705 | 219 | 1500 | 18.6% | 2.3% | 25.6% | 7.9% | 54.4% |
| E05008740 | Meir Hay | 97 | 17 | 117 | 84 | 315 | 4.3% | 0.8% | 5.2% | 3.7% | 14.0% |
| E05008741 | Meir North | 732 | 254 | 658 | 356 | 2000 | 25.4% | 8.8% | 22.8% | 12.3% | 69.3% |
| E05008742 | Meir Park | 0 | 0 | 0 | 2 | 2 | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% |
| E05008743 | Meir South | 682 | 137 | 437 | 389 | 1645 | 26.9% | 5.4% | 17.2% | 15.3% | 64.8% |
| E05008744 | Moorcroft | 170 | 132 | 1018 | 109 | 1429 | 6.7% | 5.2% | 40.3% | 4.3% | 56.5% |
| E05008745 | Penkhull and Stoke | 17 | 360 | 242 | 245 | 864 | 0.5% | 11.1% | 7.4% | 7.5% | 26.5% |
| E05008746 | Sandford Hill | 165 | 45 | 273 | 328 | 811 | 6.9% | 1.9% | 11.5% | 13.8% | 34.1% |
| E05008747 | Sneyd Green | 242 | 24 | 249 | 182 | 697 | 9.9% | 1.0% | 10.2% | 7.5% | 28.6% |
| E05008748 | Springfields and Trent Vale | 293 | 120 | 356 | 373 | 1142 | 9.8% | 4.0% | 11.9% | 12.5% | 38.2% |
| E05008749 | Tunstall | 180 | 235 | 1059 | 309 | 1783 | 6.1% | 8.0% | 36.0% | 10.5% | 60.6% |
| E05008750 | Weston Coyney | 46 | 7 | 124 | 149 | 326 | 2.1% | 0.3% | 5.5% | 6.6% | 14.5% |
| **Grand Total** | **Grand Total** | **11080** | **9661** | **25133** | **15641** | **61515** | **6.5%** | **5.7%** | **14.8%** | **9.2%** | **36.2%** |

**Debt Clients by income band 2018-19**

| | | |
|---|---|---|
| < £400 p.c.m | 319 | 17.40% |
| £400 - £599 p.c.m | 217 | 11.84% |
| £600 - £799 p.c.m | 233 | 12.71% |
| £800 - £999 p.c.m | 211 | 11.51% |
| £1000 - £1300 p.c.m | 286 | 15.60% |
| £1301 - £1499 p.c.m | 213 | 11.62% |
| £1500 - £1999 p.c.m | 222 | 12.11% |
| £2000 - £2499 p.c.m | 95 | 5.18% |
| £2500 - £2999 p.c.m | 22 | 1.20% |
| > £3000 p.c.m | 15 | 0.82% |
| | 1,833 | |




## Appendix 7: Money and Mental Health Institute policy note: "Debt and Mental Health – a statistical update"

MONEY AND MENTAL HEALTH POLICY INSTITUTE

# Policy Note

March 2019

Author: Merlyn Holkar

Policy Note Number 15

# Debt and mental health: a statistical update

## Introduction

Money and mental health problems are a marriage made in hell. There is a strong statistical relationship between these problems and often they can feed off each other, creating a vicious cycle of worsening mental health and growing financial difficulties.[1]

Financial problems can be a significant source of distress, putting pressure on people's mental health, particularly if they are treated insensitively by creditors. Some people in financial difficulty cut back on essentials, such as heating and eating, or social activities that support their wellbeing, to try and balance their budget. In many cases this has a negative impact on people's mental health.

"My financial situation causes stress every day, it's like a black cloud hanging over me every day. It never goes away... I often skip meals or eat breakfast cereals to save money, and rarely put the heating on, which causes more worry."

There are also strong causal links from mental health problems to financial difficulties. People with mental health problems are more likely to be living on a low income than those without,[2] and some experience sudden income shocks when they become unwell and less able to work.[3]

Common symptoms of mental health problems can also affect people's financial capability, making it harder to keep on top of money management, control spending, and get a good deal in complex consumer markets.[4] This can quickly result in running down savings, going without essentials or falling into problem debt.

"When my illness starts to decline, I lose the ability to organise and deal with everyday tasks. I get confused about when or if I've paid something. I cannot concentrate and eventually I am unable to do anything. When I am like this, I even have a problem with using the telephone, and so cannot call and explain my circumstances, and due to my condition, I do not even have the ability to leave the house in order to talk face to face with someone."

This policy note draws on nationally representative data to update key statistics on the relationship between debt and mental health problems, and sets out implications for policymakers, service providers and essential services firms.

We find that:

- Almost **one in five (18%)** people with mental health problems are in problem debt, **three and a half times** the rate among people without mental health problems (5%).
- **Half (46%)** of people in problem debt also have a mental health problem.

## Nationally representative data

The new statistics presented in this policy note are based on analysis of the 2014 Adult Psychiatric Morbidity Survey (APMS). The APMS is a nationally representative survey of English adults, carried out every seven years to provide an estimate of the prevalence of mental health problems across the country.

The APMS screens all participants for a range of mental health problems, using validated assessment questionnaires, meaning that it captures mental health problems even where a participant is not in contact with mental health services or aware that their symptoms might amount to a diagnosable mental health problem.

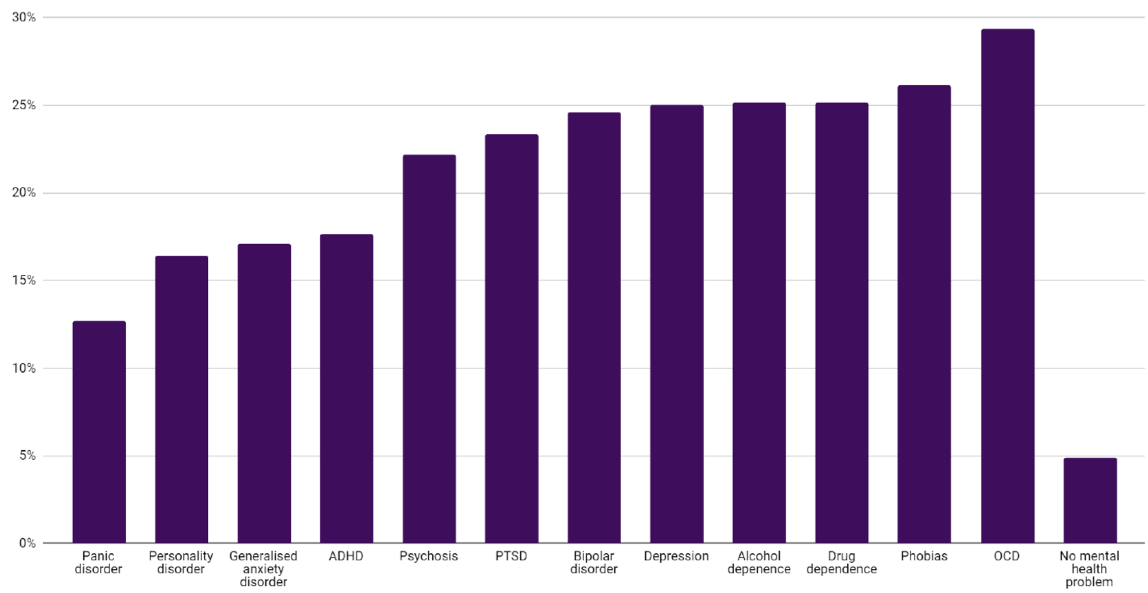
### Problem debt among people with mental health problems

Across England, 7% of the adult population are in problem debt, defined here as having been seriously behind on payments for bills or credit agreements, or disconnected by a utility provider, in the past year.

People with mental health problems are considerably more likely to have a debt problem. While one in twenty (5%) people without a mental health problem are in problem debt, this rises to almost one in five (18%) for people experiencing mental health problems. This implies that people with mental health problems are three and a half times as likely to be in problem debt as those without. Across England more than 1.5 million people are experiencing both issues.[5]

Regardless of what sort of mental health problem someone has - people with each condition are consistently more likely to be in problem debt than people without mental health problems, as illustrated in Figure 1. This ranges from around two and half times as likely for people with panic disorder, to people with obsessive compulsive disorder who are almost six times as likely to be in problem debt as those without mental health problems.

**Figure 1: Prevalence of problem debt among people with different mental health problems**



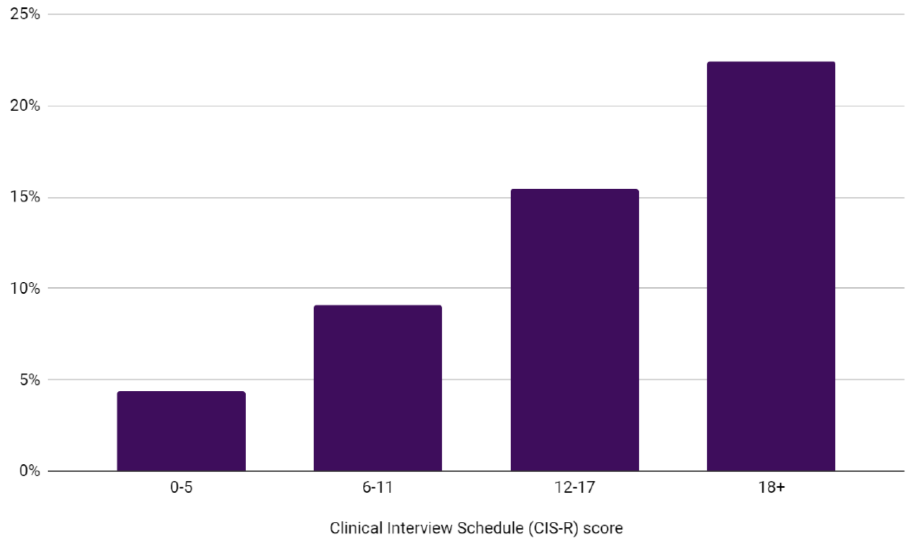

*Source: Money and Mental Health analysis of NatCen analysis of APMS 2014.*

This granular detail is useful as different mental health conditions are characterised by different symptoms and can affect people's finances in different ways.[6] But it's important to remember that many people don't neatly fit into one diagnosis, and that two people with the same diagnosis may experience different symptoms, so it is not helpful to make assumptions based on diagnostic labels.

"During a bipolar hypomanic episode I spend money on unnecessary extravagant items that I wouldn't normally buy on credit... when depression sets in, I worry obsessively about money that I owe, and [I] am unable to ask for help."

We also analysed the relationship between the severity of symptoms of common mental disorders and problem debt. The revised Clinical Interview Schedule (CIS-R) is a screening tool designed to identify common mental disorders - conditions such as depression and anxiety that affect one in six (17%) of the population at any time. Seven in ten (69%) people score fewer than six points, well below the threshold for a mental health problem, but a score of 12 or more indicates that symptoms likely amount to a common mental disorder, and require clinical recognition, whilst a score of 18 or more indicates a severe disorder.

**Figure 2: Prevalence of problem debt by severity of common mental disorder symptoms**




*Source: Money and Mental Health analysis of NatCen analysis of APMS 2014.*

As Figure 2 shows, the strength of common mental disorder symptoms is strongly associated with prevalence of problem debt. Fewer than one in twenty (4%) of people with the lowest levels of symptoms are in problem debt, and this rises for every band of symptom scores, to more than one in five (22%) people with severe symptoms of common mental disorders.

Previous Money and Mental Health research has highlighted symptoms of mental health problems as a key causal link between mental health and financial problems,[7] and these findings suggest that, even below the threshold for a diagnosable mental health problem, poor mental health may have an impact on people's finances. In practice, it also means that a person is more likely to be in financial difficulty exactly when they are least likely to be able to deal with it.

"Every time a debt letter arrived I binned it and didn't tell my partner. I tried different ways to organise our money, but my head was all over and I could not think logically... I was juggling payments constantly until they all came crashing down."

### Mental health problems among people in debt

For mental health services, understanding the prevalence of financial difficulty is critical to ensuring holistic and effective treatment. Similarly for creditors, understanding the prevalence of mental health problems among customers in arrears is essential to providing an inclusive service with effective support.

Almost half (46%) of all people in problem debt also have a mental health problem, compared to just one in six (17%) of people who are free from problem debt. The likelihood that a person has a mental health problem rises with the number of problem debts. 45% of people with one problem debt have a mental health problem, rising to half (50%) of people with two or more problem debts.

The implications of problem debt on people's lives can be severe. Whilst there is rarely one single factor that drives someone to take their own life, there is a strong link between problem debt and suicide.[8] People in problem debt are three times as likely to have thought about suicide in the past year. Even after controlling for other interrelated factors such as age, gender, employment and experience of traumatic events, we find that people in problem debt have approximately 1.8 times the odds of thinking about suicide.

"My debts feel like a weight around my neck and I often think that financially my husband would be better off without me - leaving him or taking my own life."

More than one in eight (13%) people in problem debt have thought about suicide in the last year, equivalent to 420,000 people. The analysis also reveals that three in every hundred (3%) people in problem debt have attempted suicide in the past year, compared to just 0.8% of those not in debt. This suggests that over 100,000 people attempt suicide whilst in problem debt each year in England alone.

### What can be done to break the link between money and mental health problems?

The links between mental health and money problems are many and complex. Action from a wide range of organisations, including government, regulators, essential services providers, NHS services and money advice organisations is required to minimise the psychological impact of problem debt and reduce the likelihood that people with mental health problems experience financial difficulties altogether.

#### Recommendations

To reduce the number of people experiencing mental health problems who fall into financial difficulty:

1. **Employers and government** should ensure people who need time off work due to a mental health problem receive adequate sick pay, and those who need a longer period of time out of work can access appropriate benefits.
2. **Financial service providers** should develop tools and settings that people can put in place when well, to protect themselves from harm at times when they are less able to engage in financial management or control their spending. Given the proportion of people in problem debt who will also be experiencing mental health problems, it is also vital that arrears and collections processes are designed to minimise psychological distress.

### Footnotes

[1] Holkar M and Mackenzie P. Money on your mind. Money and Mental Health Policy Institute. 2016.

[2] Independent Mental Health Taskforce, The Five Year Forward View for Mental Health, NHS England, 2016.

[3] Bond N and Barverman R. Too ill to work, too broke not to. Money and Mental Health Policy Institute. 2018.

[4] Holkar M. Seeing through the fog. Money and Mental Health Policy Institute. 2017.

[5] Money and Mental Health analysis of NatCen analysis of APMS 2014 and ONS mid-year population estimates 2017.

[6] Holkar M. Seeing through the fog. Money and Mental Health Policy Institute. 2017.

[7] Ibid.

[8] See A Silent Killer for a full exploration of the links between financial difficulties and suicide. Bond N and Holkar M. A silent killer: Breaking the link between financial difficulty and suicide. Money and Mental Health Policy Institute. 2018.