

Maidstone Borough Council Financial Inclusion Strategy 2021-2026

Introduction

This document sets out Maidstone Borough Council's strategy for financial inclusion which is underpinned by the vision and cross cutting themes set out within its Strategic Plan.

Our Vision is for a vibrant, prosperous, urban and rural community at the heart of Kent where everyone can realise their potential.

We want a borough that works for everyone so a cross cutting objective for all our work is to create a place where deprivation is reduced and social mobility is improved and health inequalities are addressed and reduced.

The Financial Inclusion Strategy comprises this document and the financial inclusion action plan, appended to this document. The action plan details the activities that will be undertaken to achieve the aims of this strategy together with the lead officer from the Council and key partners to its delivery.

The strategy covers the period July 2021 to July 2026 and will be refreshed annually to ensure the outcomes from the action plan continue to meet the Council's priorities.

A summary of the different poverty metrics and their definitions is provided at the end of this document.

What is financial inclusion

Financial inclusion is the process which ensures a person's income is maximized to ensure that they can meet their basic living costs, support is provided to help ensure their outgoings are controlled and they can exercise informed choices through access to basic financial services. Without this, people are often described as financially excluded. People who are financially excluded are often those in poverty or experiencing disadvantage and as a result might:

- Struggle to meet normal living costs such as their fuel bills
- Struggle to budget, manage money and plan for the future
- Experience difficulties with problem debt
- Experience difficulties with rent arrears and homelessness
- Experience difficulties in accessing mainstream financial services
- Experience worse health and educational outcomes

As the impact of financial exclusion falls more heavily on low-income households, this strategy seeks to ensure sufficient support is provided to these households to maximise their income. This will be achieved through a number of means and will include supporting people of working age to access employment, and in overcoming barriers to work.

Why do we need a financial inclusion strategy?

National context

There can be little doubt about the importance of financial inclusion at this time. The financial environment was already difficult for many before the effects of the Coronavirus pandemic on our society took hold. There are now millions more people facing economic hardship due to the Covid-19 pandemic. The crisis has laid bare the existing weaknesses, vulnerabilities and structural inequalities that cause detriment for people in our communities.

 **28%**

of adults or 14 million people have experienced a direct negative effect on their income due to the coronavirus pandemic (as of May 2020)

 **12.5 million**

UK adults have little or no confidence in their ability to manage money

£ 22%

of all adults in the UK have less than £100 in savings

 **1 in 5**

adults would not be able to cover more than one month of living expenses if they lost their source of income

 **1 million**

people in the UK do not have a bank account

 **16%**

are borrowing to pay for essentials because they have run out of money

Rising costs of living in relation to basic needs such as fuel and food, together with higher housing costs are exacerbating the problems of vulnerable residents and pushing others currently at the 'tipping point' into potential difficulties.

Around four million UK households are in the grip of fuel poverty, unable to afford to heat their homes to the temperature needed to keep warm and healthy. Cold homes can cause or worsen a range of serious health conditions such as heart attacks, strokes, bronchitis, and asthma. Each year around 10,000 people die due to living in a cold home. Fuel poverty can also have a significant impact on mental health and is a known risk factor for suicide.

The national unemployment rate for January to March, when most of the restrictions were still in place was 4.8%. Most economists expect the unemployment rate to rise to 5.5% later this year as furlough ends before the number starts to fall.

In April 2021 there were 2.6 million people seeking either Jobseeker's Allowance or Universal Credit because they were "searching for work". This compares with 1.4 million in March 2020, before the pandemic began to take effect.

It's estimated that 1.6 million pensioners live in poverty, whilst latest annual Department for Work and Pensions (DWP) 'take-up' figures show that over a million pensioner households are missing out on Pension Credit (worth up to £1600pa or £32pw) which they are entitled to receive.

As a means-tested, tax-free benefit for pensioners that would open the door to many other potential benefits including:

- A free TV licence (if also over-75)
- Free NHS dental treatment, help with the cost of glasses/travel to hospital
- A Cold Weather Payment during periods of prolonged cold weather

Local context

Low levels of financial resilience following the period of austerity and welfare reform combined with the impacts locally of the pandemic have led to an increasing need for support among some of the borough's most vulnerable residents.

Unemployment across the borough has risen from 2.1% (2185) in January 2020 to 5.2% (5445) in April 2021 but this masks the more severe impact felt by people who live in more deprived wards where unemployment is as high as 9.8%.

The corresponding increase in the housing benefit and Council Tax support administered by the Council means that 9,599 households (including 6318 children) are now receiving support with 3550 of those households (2670 children) now living below the poverty line.

4300 households are estimated to be in fuel poverty and 330 households are in food poverty, reflected in the increased presence and usage of food banks by many low-income households.

Whilst the Citizens Advice Bureau has seen reduced demand for debt and other forms of advice throughout the pandemic, primarily due to the temporary restrictions in place on court action, the Council can evidence through analysis of Council Tax debt that the number of households falling into arrears number and level of those arrears are building.

8400 households have fallen behind with their Council Tax payments in the last year, with 836 households on a low income and receipt of Council Tax support in arrears.

What we aim to achieve

If we successfully deliver this strategy over the next five years, we will have achieved:

- A coordinated approach across the Council, voluntary sector and key partners to address the underlying causes and impacts of poverty
- A data led approach to identify and target coordinated support to residents in financial crisis or at risk of moving into financial crisis
- A reduction in the number of households living in fuel, water or food poverty
- A reduction in the number of households at risk of eviction or struggling with Council Tax debt because of financial difficulties
- Increased awareness and take up of mainstream financial services amongst low income households
- An increase in the income for those on the lowest income within the borough by ensuring they receive the benefits they are entitled to

Where are we now?

We are by no means starting from scratch. To create a focus and better coordinate activity in the area of financial inclusion the Council has already created a working group, chaired by the Chief Executive to bring together staff working across the organisation (Housing, Revenues and Benefits, Policy and Information) and external partners (Citizens Advice Bureau and Involve) that support low-income households.

Having introduced new systems to make better use of its data, primarily using housing benefit and Council Tax support data we are now able to better identify and understand those households most affected by changes in the welfare system, those at risk or in financial crisis due to a disparity between their income and expenses and where opportunities exist for interventions to improve the position for those households.

This and a greater focus on households at risk of financial crisis as a result of the pandemic has already led to work in a number of areas.

Pension Credit – the Council was able to identify 77 pensioner households that were living below the minimum income threshold provided by Pension Credit. Working with the Pension Service the Council contacted those households and is supported them in making an application for Pension Credit with 31 households having already been awarded the additional support with an average increase in household income of £36 per week.

Free school meals – The Council are able to identify 2,232 households (4,694 children) with entitlement to free school meals. With low take up rates reported nationally we have started a project to match data with Kent County Council to better understand local take up rates and target support to families currently missing out. The wider aim of the project will be to make better use of data to ensure that whatever route low-income households take for support, housing benefit, Council Tax support or free school meals - that the systems work together to maximise support.

Disability Allowances – The Council has analyzed its housing benefit data to identify where residents with a disability may have had a change in their circumstances which would provide for a higher level of housing benefit and Council Tax support. Making proactive contact with those households the Council has awarded an additional £155,000 in housing benefit and Council Tax support, with an ongoing average increase in individual household income of £1,500pa.

Water - The Council is working with South East Water and using data already held to help low-income households to reduce their water costs by accessing the Social Tariff. The Social Tariff is awarded to customers who have household income of under £16,385. We are able to identify those cases from our benefits data and have set up the sharing agreement to securely pass name/address of those cases to South East Water. New cases that come onto our system that meet that criteria will be automatically notified to South East Water on a monthly basis.

On receipt of notification from us, South East Water will automatically apply the Social Tariff without any application needing to be made and will notify the customer. The Social Tariff caps freshwater charges at a certain amount per year and in addition gives a 25% or 50% discount on wastewater charges.

Homelessness Prevention – through data analysis the Council can identify those households at greatest risk of homelessness and make proactive contact to provide tailored advice on income maximisation, budget management and make referral for specialist support.

Assisting those in Council Tax arrears – a dedicated Financial Inclusion Officer within the Council Tax team assists households in financial difficulty on an individual basis ensures customers are in receipt of the correct benefits and refers for debt advice where appropriate

Vision, Principles and Approach to delivery

Vision

Our vision is for a vibrant, prosperous, urban and rural community at the heart of Kent where everyone can realise their potential. Reducing deprivation, health inequalities and improving social mobility are recognised as key to its delivery.

Whilst this strategy will play an important part in that delivery, it's recognised that success will also be dependent on a strong local economy and communities with the skills and knowledge to reach their potential. This strategy therefore forms part of framework of strategies which include the council's Economic Development, Housing & Homelessness and Digital Strategies.

This strategy will focus activity around four workstreams:

[Workstream 1](#): Maximising income - through identifying and targeting coordinated support to residents in financial crisis or at risk of moving into financial crisis

[Workstream 2](#): Debt- ensuring that residents experiencing problem debt receive appropriate and timely advice and support.

[Workstream 3](#): Fuel and water poverty - supporting residents to lower their energy and other household costs.

[Workstream 4](#): Financial skills and services - supporting residents to gain the necessary skills and access to basic financial services to better manage their money.

Workstream 1: Incomes are maximised and households in crisis or at risk of crisis are protected

The complexity of the welfare system and mix of different agencies involved in providing support is recognized as one of the many challenges facing low income households. Whilst the introduction of Universal Credit aims to improve that, many households fail to claim support available and suffer unnecessary hardship as a result.

With low income households being less resilient when faced with other financial challenges this puts them at greater risk of homelessness, spiraling debt or an inability to meet basic living costs.

Initial focus and actions for this workstream include:

- Work with key partners to share data and best practice with the aim of making the systems and process of claiming support clear and easy to navigate
- Run a series of campaigns to target the take up of unclaimed benefits amongst low income households
- Provide and promote the tools necessary for residents to check and claim the full range of support available to them.
- Identify and target discretionary support and specialist advice to households at risk of moving into a crisis.

Workstream 2: Ensuring that residents experiencing problem debt receive appropriate and timely advice and support

The presence of unmanaged 'problem' debt impacts on the health and wellbeing of families and communities, often leading a cycle of debt or progressive court action from which it's difficult to break free.

This is evident within the collection of Council Tax where many low-income households follow a pattern of repeated arrears, with the additional burden for the individual and Council of court action and fees.

Initial focus and actions for this workstream include:

- Work with key partners to share data and best practice with the aim of identifying and supporting residents experiencing problem debt
- Benchmark current practices against the recently published Debt Management Vulnerability Toolkit aimed at ensure proven best-practice tools are deployed to support to individuals in vulnerable circumstances
- Improving the referral process across partner agencies and take up of specialist debt advice
- Amending the Council's debt recovery processes to support those identified as experiencing a repeated pattern of problem debt
- The targeted use of Discretionary Housing Payments and Exceptional Hardship Payments to support those identified as experiencing a repeated pattern of problem debt

Workstream 3: Fuel Poverty

Fuel poverty can be driven by a combination of low income, high energy costs and poor energy efficiency within the home. The impacts include poor

health outcomes, added financial pressures and an adverse environmental impact.

With workstream 1 to target income maximisation, this workstream focuses on energy costs and efficiency,

Initial focus and actions for this workstream include:

- Matching of energy efficiency data and low-income household data to target property improvements based on property and household need
 - Promotion of national and sector-based schemes to increase the take up of energy efficiency measures amongst low-income households
 - Working with utility providers to promote appropriate tariffs and support available to low income households
 - Identify and support households to change to the most appropriate supplier/tariff
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Workstream 4: Supporting residents to gain access to basic financial services

Access to basic financial services is key in terms of receiving payments through employment or the welfare systems, being able to access affordable credit through mainstream lenders and accessing the full range of goods and services available online.

Whilst significant progress has been made in reducing the number of people without at least a basic bank account, this remains an issue for many low-income vulnerable households.

Initial focus and actions for this workstream include:

- Understanding and removing the barriers to residents accessing a basic bank account and wider financial services

- Working with and promoting the aims of Kent Savers Credit Union and other ethical lenders
 - Support trading standards and other partners in educating residents on the risks of illegal money lenders
 - Promotion of budgeting and money advice services / tools.
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How we'll measure progress and success

When designing and delivering change, it is important to recognise what success looks like. We will measure success in terms of the measures set out below

- The number and value of unclaimed benefits that residents are supported to claim
- A reduction in the number of households in financial crisis or at risk of moving into crisis
- Increased take up of debt advice services by households with problem debt
- A reduction in the number of households identified as being in a repeated pattern of Council Tax debt
- The number of low-income households supported with energy efficiency measures
- The number of low-income households supported to access a more appropriate tariff

Poverty metrics

Relative poverty

This metric developed by The Social Metrics Commission, an independent and non-partisan organisation dedicated to helping policy makers and the public understand and take action to tackle poverty defines a household as

being in relative poverty if their total resources available are less than 60% of median income equivalised for their household composition.

Food poverty

The Minimum Income Standard (MIS) provides a minimum acceptable level of food expenditure based on household composition. Households are categorised as being in food poverty if their residual income after priority costs is less than the minimum income standard (MIS) of food expenditure, based on the number of occupants in the household.

Fuel poverty

Households are categorised as being in fuel poverty if their income is already below the relative poverty line, or if fuel expenditure at the median UK level would bring their income below the relative poverty line.

Water poverty

Households are categorised as being in water poverty if their estimated water costs account for 3% or more of their disposable income.