MINUTES OF EVIDENCE

TAKEN BEFORE

FINANCIAL INCLUSION COMMISSION

THE FAWCETT ROOM, THE WOMEN’S ORGANISATION, LIVERPOOL L1 0AB

TUESDAY 2 DECEMBER 2014

MS DEBORAH LEE

Oral Evidence

Taken before the Financial Inclusion Commission

Members present

Sir Sherard Cowper-Coles (In the Chair)
Laurie Edmans
Dame Mary Marsh
Chris Pond MP

Jennifer Duncan and Lisa Stidle, in attendance from the Commission

Examination of Witnesses

Witness: **Ms Deborah Lee**, Head of Exchequer Services, Knowsley Council, gave evidence.

Chairman: Great. Well, Deborah, thanks very much for coming along.

Ms Lee: Yes, I am sorry for being late.

Chairman: No, no, not at all; we were overrunning. I am Sherard Cowper-Coles. I will just tell you a little bit about the Commission and get them to introduce themselves, and then we would like you just to speak to us with an opening statement. I will then ask a general question and then the Commissioners will question you. We have got about an hour.

Ms Lee: Okay.

Chairman: My background is I was a civil servant. I worked in the Diplomatic Service for 40 years, and then about a year ago I was recruited by HSBC to work on public policy, and as part of that I have been leading a study on what the group should be doing about financial inclusion. In the course of that I met Chris Pond and I worked around Pomery route, chaired the financial inclusion task force, which was wound up in 2011. Chris had what I think is the very good suggestion that nothing much had been done, at least at a national level, about financial inclusion, since the task force was wound up and the government has not done very much. It would be a good idea in the run-up to the next election for a small group to take stock of where things stood in the UK and produce a short menu of items of unfinished business in the financial inclusion sector.

That is what the Commission is about. It is cross-party. We have got Nick Hurd from the Tories, Wilf Stevenson from the Labour party, Archy Kirkwood from the Liberal Democrats, and then a sort of collection of the financial greats and the goods, some of whom are around this table. We have got a team of supporters here, so we will just go quickly around. We are recording this, and if you would like to give an interview afterwards for our website, there is a video as well. Let us just go quickly around and introduce ourselves.

Alaina: Hi, I am Alaina. I am mainly assisting Sherard in policy work in financial inclusions, so that is either with the HSBC or mainly with the Commission.

Ms Stidle: I am Lisa – we have already been in touch – I work for a company called Policy in Practice who are working as co-ordinators for the Commission during some of the organisation and the research for the Commission's report.

Ms Duncan: I am Jennifer Duncan. I am another one of the Commission co-ordinators. For my day job, I actually work for MasterCard. I was seconded over to work for the Commission. We have got an objective to try and promote them and increase financial inclusion in the UK.

Mr Pond: I am Chris. My day job is with Kreab Gavin Anderson, which is a communications agency. This is much more fun, and I also chair a thing called the Money Charity, which is a financial education charity.

Dame Marsh: I am Mary Marsh, and I mainly work in the charity sector, currently. I was a chief exec of the NSPCC, and I am now doing the leadership development for people working in charities and social enterprises. I also have non-exec roles with cabinet office and with HSBC, amongst others.

Mr Edmans: Hello. I am Laurie and I have spent a career in insurance, pensions, and other bits of financial services. For the last 20 years I have been particularly interested in financial capability rather than financial inclusion as such. To that end, I have also led a number of initiatives in that area over that period, and currently, amongst other things, I am on the board of the Money Advice Service.

Q. Chairman: Deborah, over to you. Download what you want to say to us, and then if there are points you do not have time to cover, please do write to us or get in touch afterwards if there are things that occur to you afterwards.

Ms Lee: Okay. Just in terms of introducing myself – because I did send my biography through very late – my role at Knowsley Council is head of Exchequer Services, which includes a range of services – revenues and benefits, payments and procurement – but also I lead on the council's financial inclusion strategy. I have been with the authority since 2002 in that role and prior to that I worked at a neighbouring authority. My background is actually finance accountancy, but I have worked in revenues and benefits for probably about 14 years. Just in terms of financial inclusion, I think from the brief what you wanted me to talk about was a little bit about what we think the issue is in Knowsley, and what we are doing to try and address that. I think we were actually fairly early in recognising the importance of tackling financial exclusion in terms of everything else that we are trying to achieve as a local authority – economic regeneration, growth –

Q. Chairman: Could you just give us some basic demographics of the local authority area and –

Ms Lee: Yes. We are one of the most deprived local authorities in the country. I think the index of multiple deprivation puts us as about the third most deprived. We have a significant proportion of the population who are out of work and rely on benefits. We have got unemployment which is higher than the national average – 9.7% compared to 6.85% nationally. We have a working age population which is just a little bit above the average – 64% compared to 63%, but when you start to look at people claiming benefits in the area, we have got people claiming a key out of work benefit at 25% compared to 13% nationally. Now that does include pensioners as well. If you take out pensioners, it comes down to about 19.5% for us as a local authority working age, but I think that compares to a national average of 10.2%.

We do also have quite a large proportion of the population who are claiming incapacity benefit or employment support allowance – 11% compared to the GB average, which is 5.5%. Average earnings for a Knowsley resident is less than the national average – £462 compared to £518 per month. Therefore, we do have particular challenges, and in terms of financial exclusion, we have probably got a large proportion of residents affected by that. We have also been doing some research locally to look at the impact of welfare reforms. We are actually partway through a scrutiny review, which is a working group of elected members who are examining the impact of welfare reforms on our residents and communities, and are also looking at what more we need to do to try and address those issues. However, in terms of welfare reforms, we come within the top five hardest hit for most of the recent changes that have been implemented, particularly those that have come in since April 2013.

Chairman: This is Universal Credit and a range of other things.

Ms Lee: Well, it is really not Universal Credit yet.

Chairman: It is the bedroom tax.

Ms Lee: It is the social sector size criteria (bedroom tax) regulations in the main. The other change in welfare policy which has had a significant impact on our residents is the move from incapacity benefit onto employment support allowance; as a result of that, people have undergone a work capability assessment, and a lot of our residents have been advised that they are fit to work, so they should be on the work-related benefit as opposed to staying on employment support allowance in the support category. But what we are finding locally from the advice agencies that we work with – we commission advice agencies locally to support people affected by a range of issues – is that a significant number are appealing the assessment, and as a result of that, the majority of the appeals that go forward are getting the decision overturned.

Therefore it is a significant issue for our residents, because it does seem that almost the default position is to put somebody onto the work-related activity, but then if the resident can get support to appeal that, I think locally the figure is that 70% of appeals are successful. So it does seem to indicate that the decision was wrong in the first place.

Chairman: It sounds like systemic failure driven by ideology.

Ms Lee: I think the concern is that a lot of our residents do not feel able to pursue an appeal in these cases, because they are not getting money while they are waiting for that process to go through. This means that they are financially struggling while they are trying to get a decision overturned. I think that does put a lot of people off, actually, living with the decision.

Q. Mr Pond: When did that change, that people were not allowed to claim while appealing? That is fairly recent, is it not?

Ms Lee: Yes, I think so.

Mr Pond: We will check that out.

Q. Chairman: You are saying 70% of appeals against the move onto a work-related benefit succeed.

Ms Lee: Yes. That is local information that we have gathered from just the advice agencies that we commission locally. If I can perhaps, Chris, come back to the point about not receiving any money if a decision is being appealed, I think the issue is that if you are taken off employment support allowance and told that you should be on the work-related one – you should be claiming Jobseeker's allowance – if people then do not want to then sign up for the conditionality because they do not believe that they are job ready, then there is nothing else that they can claim. Perhaps I was not clear on that point.

Q. Dame Marsh: I think that – I do not know what scale it is actually at nationally – there has been quite a high rate of appeals overturned in other areas too. You may know from neighbouring authorities – have they got similar rates?

Ms Lee: It is not something that we have benchmarked against locally; I am afraid I do not have the statistics.

[Crosstalk]

Q. Dame Marsh: I mean, I have understood they are hard figures to get to, are they not, from your perspective, because you are getting it by feedback from people rather than –

Ms Lee: The way that we work in Knowsley is that we do have a budget to commission advice services, so we do actually have funding agreements, service level agreements in place with the local advice agencies that we commission the services from. As part of that, they have to provide us with the monitoring information on a regular basis, so they are required to report on all the appeals that they take, whether they were successful, the money that was gained in terms of back-dated benefits awarded, the money that has been gained in terms of the projected benefit going forward; but then they also have to give information on the number of clients that they are dealing with, what their issue is, what advice they are looking for.

In the main it is Citizens Advice Bureau for us; we do have just one other local community advice centre that we also commission services from. We do get statistics from the CAB which show that the majority of their clients are presenting with either debt or welfare benefits issues. That is in the main the support that they are being asked to provide.

Chairman: Right, go on, Deborah. Sorry, we interrupted you.

Ms Lee: I think in terms of financial exclusion – you are probably well aware of this –the analysis that we did in Knowsley when we first started to look at the issue – probably back in 2006 because I do remember the task force and the learning from the Champions that were in place at the time – it is, obviously, a complex issue, and it has many, many contributing factors. Financial exclusion for one person is different to financial exclusion for another person. The research that we did locally which has informed our own financial inclusion strategy shows that – and this will not be a surprise – the main cause of financial exclusion is being on a low income. That is probably not a surprise. There are also trigger points, events that happen to individuals, sometimes outside of their control, which can move somebody, an individual, or a family, from being able to just about cope with their financial circumstances to getting to the point where they cannot cope anymore. That could be losing a job, it could be suffering a bereavement, it could be having another child – things that affect your financial situation but may also affect your mental health, well-being, and your ability to perhaps plan and organise yourselves.

We also looked at financial capability and believe very strongly that financially capability is very important. Tackling that and raising the skills of our residents to be able to better understand what their choices are and be able to develop the skills to cope better in the future if something changes; this is the key to having a sustainable approach, to trying to tackle the bigger issue of financial exclusion. What we tried to do was look at actions that would both try to prevent people from moving into a situation where they are financially excluded, but also looked at a range of interventions that we could put in place. It is very much a partnership approach, working locally with partners across the Knowsley area, and also with stakeholders, with individuals themselves who are affected by these issues, to try and develop a co-ordinated approach to tackling the wide range of issues.

It does involve intervention at a very individual level, and I guess you could say that through the advice services that we commission, there is face-to-face support there available, for people who are affected by debt issues or who need help to deal with welfare reform and the impact of that. What we are also trying to encourage the services that work with individuals on that basis to do is to look at upskilling individuals and look at referring them onto other services that can address the underlying issue. We also work with local credit unions. We very much promote our local credit unions as a source of affordable credit, and try and encourage residents to develop a savings habit. Very often it is just a couple of hundred pounds that people need to perhaps tide them over – the washing machine has broken or whatever it may be – and instead of them going to a high-cost high street retailer or using a doorstep lending company, we are keen to promote our residents going to local credit unions instead.

We have tried to develop a network of services that are connected up with each other. Perhaps I could describe that best through an example. We have a food bank in Knowsley which probably started back in 2011, and started off as a very small food bank in one small part of the borough. Under the project and the banner 'The Big Help Project', they have extended their services so that they actually now have somebody who can advise people that we refer to them on how to get back into training and employment. They have also got debt advisors as part of that service. We are liaising with the council's own 'into employment service' – we call it 'Knowsley Works' – so that if they have not got the capacity to deal with an individual in terms of moving them into employment or training, they can refer them onto one of our services. We are trying to establish a network so that people are not just getting the support to deal with the issue that they present with, but they are getting the support to be able to tackle whatever it is that is causing them to need that help in the first place.

Housing and being able to afford the impact of welfare reform in relation to rents is a massive issue for us. I think we are at second or third worst hit in terms of the bedroom tax, let us call it, when we look at the amount of money that has been taken out of people's pockets as a result of that policy.

Q. Chairman: Has anybody moved as a result of that?

Ms Lee: We have had a very small percentage of people who have moved as a result of that. We and the registered housing providers try and work with individuals to point them towards where they can find more affordable accommodation, but the problem that we have in Knowsley is that we do not have smaller properties for people to move to. While in theory you do not have to live in Knowsley – you could look at moving to Liverpool, for example, where there may be more smaller properties – I think across the Merseyside region generally there is a shortage of one- or two-bedroom properties. In the main, what we have done is we have used discretionary housing payments to try and support people while they try and find a way to either manage their money, or move, or move them into employment.

I think there is a geographical disconnect between the policy ideology and the infrastructure that is available locally to be able to achieve what I believe one of the desired policy objectives was, which was about releasing larger properties to relieve overcrowding. Overcrowding is not an issue for us in Knowsley, and I think also we do have very close-knit communities; people are born and bred, grow up, and stay in the area. We do have strong family connections; a lot of our families have a wider support network living nearby, they help with caring responsibilities, they help with childcare. Moving to another area if the property was available would cause other issues for some individuals.

Mum or Dad would not be on hand to mind the children, pick them up from school – those sorts of issues.

Q. Chairman: The discretionary payments – are they funded by central government or do they come out of your budget?

Ms Lee: There is an allocation – I am sorry, I have got some statistics here in terms of the number of people who need a one-bedroom property and are currently in a two-bed property. It is probably not very hopefully showing you that little graph pad of notes. If you wanted –

Mr Pond: It would be helpful if we could have a copy, though.

Ms Lee: Okay. Well, we did do some analysis on bedroom tax particularly. It was fairly early on after the policy had been implemented. What we did is we looked at how many people had moved into work as a result of that, moved as a result of that, or were just trying to manage on the money. There is some more evidence that we can share with you. As an authority, we produced a booklet called 'The Poverty Trap', which was issued to local MPs and the LGA (Local Government Association) and all the people that we thought might be interested in it. It was talking about the cumulative impact of welfare reforms on individuals and what we felt the likely impact was going to be locally. That is something else that I am more than happy to share with you.

Q. Chairman: In a sentence or two, the matter of fact is it has made the situation worse – the cumulative effect.

Ms Lee: It is, yes. The bedroom tax – if I can call it that, because most people do – that is the one that has hit people most, because the cumulative impact of the welfare reforms – things like increasing non-dependent deductions – people just seem to have sort of managed that, they have not noticed that so much. With the bedroom tax, because it was all of a sudden from the 1 April there are another £12 or £25, or possibly £30 to be paid towards the rent, people have suddenly got to find that, and when they are on benefits – and I know employment and moving into employment is one possible solution, but for a lot of our residents they are a long way from the world of work and they need support to be able to get even work-ready.

Locally, employment opportunities are not available for people. The transport networks are not particularly good in terms of people travelling for employment, and if they do need to travel to employment or they are able to, then the actual cost of transport is quite prohibitive. Then you get into the realm of childcare costs if there are children, and how can they afford to balance all of that. Therefore the bedroom tax has hit people really hard.

Q. Mr Pond: Could you give us a flavour of some of your findings? What proportion of those affected by the bedroom tax then moved into employment?

Ms Lee: I would say it is less than 10%, but I have to qualify that by saying that that particular analysis was done about six months after the policy was brought in, so it was during the summer of 2013. We looked at how many people were affected by the bedroom tax on 1 April compared to how many were affected in September, October. We looked at every single case to see what had happened. In a lot of circumstances, or in a fair number of circumstances or cases, their circumstances had changed. They had become a pensioner, for example, and pensioners are exempt from the bedroom tax, or they had had another baby which meant that they were entitled to have another bedroom, which meant they were exempt from the bedroom tax, or their children who had been of an age where they were expected to share a bedroom had hit an age where they now qualified to have separate bedrooms. Thus there was quite a number where their circumstances had changed.

Coming back to the discretionary housing payments and the pot of money that we are allocated, the government has increased funding for discretionary housing payments over the last couple of years – I am just looking because I have brought the figures with me – but we topped it up in Knowsley because we knew that the demand was going to be significantly higher than the money that was allocated to us. The allocation that we received – I have got it here. In 2012-13 – so before those bigger welfare reforms – the allocation from DWP was just over £170,000, and we spent all of that. In the main that was spent supporting people in the private rented sector, and we would have been using that to help people who perhaps had been affected by the change which was about 12 months prior, where single people occupying a private rented property under the age of 35 were only entitled to the shared room rate, which meant a loss of about £30, £40 a week for a number of individuals.

They were going from 25, which used to be the age limit; so we had a number of people who were between the 25 and 35 age bracket living in private rented property, perhaps a one-bedroom property, where the rent might have been £70 or £80 a week, but their local housing allowance was only about £50 or £55. They were given some transitional protection to try and move to more affordable accommodation, but a lot of people just buried their head in the sand; it got to the point where the money was reduced or they were either going to be evicted or we were in the position where we needed to try and support them and work with them to move. That was our housing options and homelessness team in particular working with those individuals.

The pot of money available for DHPs (Discretionary Housing Payments) has always been there to support private tenants as well; it is not just about social housing tenants now, and it is not just about bedroom tax. The allocation that Knowsley was given in 2013-14 was significantly higher – it was £650,000. The council decided to allocate funds from its own budget to support and top that budget up over two years – the last year and this year. We spent over £1 million in 2013-14 and 76% of those cases were people affected by the bedroom tax. As a result of the bedroom tax, housing benefit has been reduced by £2.4 million in Knowsley. That is the cut across all of our housing benefit claimants in the social rented sector. Their housing benefit cumulative collectively has gone down by £2.4 million, so clearly even topping it up with our own resources, £1 million is not enough to support everybody affected by that. Nor should we, because in some cases there are other solutions for people.

Q. Mr Edmans: Excuse me. Is that £2.4 million out of how much all the housing benefit [inaudible]?

Ms Lee: We pay out about £80 million in housing benefit, but that is social sector and private rented sector combined. I am not sure I have the split in front of me.

Mr Edmans: Sorry, I just wanted to kind of scale it. That is helpful, thank you.

Ms Lee: The majority – we have a fairly small private rented sector, so it is more weighted towards social rented, but I do not have the figures in front of me today on that.

Mr Pond: I should not say this, but it does seem a remarkably small saving for all the hardship and grief.

Q. Mr Edmans: That is what I suspected was the case, but I needed the other number to be able to see exactly what it was. If you were to take either number to scale, it would be about £80 million, before or after.

Ms Lee: In principle, I think what the policy is trying to achieve – I need to choose my words carefully. You can see what the policy is trying to achieve. I think it is the way that it has been implemented in that it has affected people who have longstanding tenancies, who perhaps have lived in a property for many years, who perhaps are a couple of years away from being pension age but have a three-bedroom property in an area where they have their family network. In a couple of years' time, they would not be deemed to have two spare bedrooms, so uprooting that individual and trying to move them, and realistically whether they are going to be able to find employment so that they become exempt from the bedroom tax – if it had been implemented so that it was for new claims or new tenancies, which is sort of how the local housing allowance changes were brought in, then it is something that you sign up for at the point that you take the tenancy, you understand that 'I want a three-bedroom property. If I go onto housing benefit, I am only going to get housing benefit for a one or a two because of my circumstances.'

It is because it was all working age and it is everybody now that it has caused massive issues. I am not saying it would not have been difficult if it had been implemented in a different way; it certainly would not have delivered the cut in the housing benefits bill that it has done. I sort of lost my train of thought slightly there – we were talking about DHPs. In terms of topping up the funding for discretionary housing payments for 2014-15, it is a similar amount we were given. We were given £660,000 by the DWP and we have topped it up – we have got just under £1 million for this year. I am not saying that we are not going to be able to top it up again next year; it is very unlikely that we will because, as a local authority; we have got to find £34 million worth of savings over the next two years, on top of £60 million that we have already delivered.

It is very unlikely that we will be able to allocate resources to what, at the end of the day, is a discretionary fund. In many respects, what has happened is we are actually masking the impact of welfare reforms. Our registered social landlords and housing providers are not seeing the impact that they would otherwise have felt on their arrears position because we are paying the shortfall; they understand that and they know that it is unlikely that that is going to continue, and they are very good in Knowsley at trying to work with tenants as well. However, if you have a family or an individual for whom work is not really an option, maybe because of health issues or whatever, and they are in a property that is too big for them, and there is nowhere for them to move to – what is the other answer? Trying to cut their outgoings, trying to look at ways that they can reduce spending on other areas.

Getting back to the financial exclusion issue, trying to educate people about trying to put some savings away so that if they do have an income shock, they are in a better position to deal with it, and do not have to go and borrow off the fellow down the road or whoever it may be, or the nice, fancy shops; I am trying not to say any names in particular, but we all know who they are – the ones that charge extortionate amounts of interest. Therefore, trying to educate residents, so that if they want a lifestyle that is socially included, I suppose – why should people go without a TV or whatever it may be – then there are other options for them in terms of affording that and funding that. I have probably gone off a little bit slightly.

There was another point that I wanted to make today, which was about the impact of sanctions on individuals, and the impact of the abolition of crisis loans and community care grants, which was another change from April 2013. All local authorities were given funding by the DWP, cut by about 13%, to deliver their own local welfare provision schemes. Again, it is up to us. We do not have to do it. We can if we want to. We put in place what we call an emergency support scheme in Knowsley. We have always said that it was not a replacement for the social fund or community care grants. We were very clear from the outset that we would not be giving any cash, because we were aware and had been advised by the DWP that the previous system was open to abuse in some cases. What we put in place was – working with the local food bank again – food vouchers and fuel vouchers; we do also provide furniture in some cases for people who have had a significant upheaval. It could be they have been made homeless; it could be they are fleeing domestic violence; it could be they are coming out of prison, trying to set up home, and do not have anything to start off with.

We have reviewed our emergency support scheme, and we have seen that the majority of the people who present to us for help with food and fuel – I will leave the furniture aside, because actually what we have found is we have only had a couple of hundred people who have come to us for help with furniture, and in the main it is because they are trying to set up home independently; that is not a huge issue for us. It is the people that are coming to us for food or fuel. Did I bring it with me? The majority of people are coming to us because they have been sanctioned and they have not got money to buy food or to heat their homes.

Chairman: They are sanctioned because they failed to turned up for the –

Ms Lee: I do have to say that they have been sanctioned because the DWP say that they have not met the claimant conditionality. I can only give you anecdotal evidence, but the feedback that we get from customers and advice services locally is that quite often people do not know that they are going to be sanctioned, or they do not understand why they have been sanctioned. There is some confusion about people who think that they have changed their appointment, and then they turn up at what they thought was the designated time to find out that that message did not get through, so they have been sanctioned. Setting aside the reasons why, from my perspective, and whether it is right or wrong – I do not want to comment on that – the fact of the matter is that a sanction means that people have not got money in their pockets to pay for food or fuel. Therefore they are coming to us now –

Mr Pond: This can be a sanction of 20% or 40%, can it?

Ms Lee: Yes.

Q. Mr Edmans: How do people find their way to you from – are they referred, or do they have to work it out for themselves?

Ms Lee: No, they are referred. The local Job Centre will refer people to us; we have informed a wide range of partners about the local emergency support scheme, and there is information available on the website about the emergency support scheme. We have tried not to publicise it too much; we have tried not to put it out there as, 'We are here to help. Come to us for food or fuel'. It is very much on a referral basis. However, we do get residents who contact us directly and say, 'I have got no money. I have got no food in the house.' We are limited as to how far we can go in terms of resources and the administration of that service, and how far we can go in terms of verifying the circumstances. Generally we go through a checklist, and particularly if have got children or there are vulnerable adults in the household, if they are coming to us and saying, 'I have not got any food or fuel', then we say, 'Right. We will give you three days' worth. You need to find some other assistance, but as a minimum that is what we will give to you.'

As I have said, it is vouchers working through the food bank. The food bank will then pick them up and talk to them about, 'Do you need help to manage your money? Have you got debts? Can we help you back into work? Can we refer you onto another service?' That partnership was really important to us, because what we did not want to do is to just be on the end of the phone – because it is a telephone application – saying, 'Here is three days' worth. Go away. We do not want to see you again.' We wanted it to be, 'Here is where you can go. They can help you to look at ways that you do not need to put [inaudible]. You do not need to be in this position again.' Also a large number of people who come to us are single individuals, so they are the ones who get the least help because we are more likely in those cases to say, 'We will help you once but we will not be able to help you again.' They seem to be the ones who have been worst affected by the losses from the welfare reforms.

Q. Mr Edmans: Do you have any sense of the proportion of people who have been sanctioned and need that kind of help that actually get the help? Is it half of them or all of them?

Ms Lee: We have asked for information about the number of sanctions issued locally, but it is something that we are not able to get from our local Job Centre or from the DWP.

Mr Edmans: You are saying you have no way of knowing them.

Ms Lee: We cannot judge how many sanctions have been issued, and therefore what proportion of those people are coming to us for help.

Q. Chairman: Is there an appeal against sanctions, Deborah?

Ms Lee: Yes, I believe there is. They can ask for the decision to be reconsidered, but they are still without money or they have got less money while they are waiting for that to be decided. The other point that I was going to make – sorry, if I may – on the local welfare provision – because I have a finance background I really have to make this point – is that from next year there is no funding allocated for local welfare provision. The DCLG are not allocating any specific funding to local authorities for that scheme I was just talking about. What we have been told is that if we want to use revenue support grant funding, it is in there already, when actually the RSG (revenue support grants) money has not been topped up by that amount. We were given it as one-off funding for two years. If we decide that we want to continue with that local welfare provision scheme, we have got to look at cutting other services to fund it.

I have to be honest with you and say that we have not spent all of the funding we were given for the two years. When we started with the scheme, we had no idea what the demand would be. Given that the funding that we were given was based on previous spend in the area, -13%, we were fairly cautious about what the scheme needed to deliver and how we needed to administer it. There is funding left over and it will be the council’s decision, elected members as part of budget setting as to what they do with that going forward. I cannot pre-empt what those decisions may be. Given the scale of the challenge that we have got as a local authority, and I know that many other local authorities are in a similar position, when we are considering cutting essential services and weighing that against continuing a discretionary scheme, it is very difficult to balance those two issues and provide the support that people are presenting to us for.

Mr Pond: It does occur to me, Chair, that –

[Crosstalk]

Mr Pond: Some of the stories that you [inaudible] food banks and people finding they have to move out of their communities, it is just –

Mr Edmans: I have just written, 'It sounds Dickensian' on my paper.

Ms Lee: That is the world we are living in at the moment, and we are trying to do our best as an authority and with our partners to try and come up with some solutions for that. There are a couple of initiatives locally; if I talk about the emergency support scheme, for example, we are looking ahead and perhaps thinking about when we may not be able to provide that; the issues around affordable credit and people using high-cost lenders to buy basic items, really, and paying 700 or 1,000s of percent for it. We are working with the food bank locally, and it is very early days, but what we are looking at doing is setting up a shop that will be a competitor to those sort of organisations which will be a bit of a social supermarket. It will be white goods and basic furniture, but with a credit union sitting underneath that.

Chairman: Yes, I have heard of that.

Ms Lee: Yes.

Chairman: South Yorkshire, yes?

Mr Pond: There is the organisation Fair for You, as well.

Chairman: Yes. Elaine and I went to a promotion of that. These outrageous shops that you see on the high street, which I suppose we had better not name –

Ms Lee: Sorry, apologies for interrupting you there.

Chairman: No, no.

Ms Lee: I mentioned before local credit unions, and we do work very closely with local credit unions, and we have actually as a local authority invested in one of our local credit unions; we are a corporate member. Through taking those sort of steps, we are helping to provide them with the capital that they need to lend onto our local residents. We worked out that even if we did not get a dividend on the investment – and we do; I think we got about 2% on the first year, which was not bad – when we looked at the impact on the local economy in terms of interest savings for local residents, so that money is not leaking out of people's pockets or out of the local economy, it made a very strong business case for putting that investment in, because it would have saved local residents something like £40,000 in interest savings, and it was for an investment of £65,000. That was just using a comparison of a doorstep lender like Provident to show.

We understand that the more that we can do to encourage residents and educate them about their choices and where they can get affordable credit, is going to help us in terms of economic growth. It will help us in terms of residents being able to move into work because they are not worried about debts that they have got, because everyone always wants your money once you start working. It will help us in terms of financial capability in trying to work with our schools; to start that as early as possible is something that we are really keen on, and having a much stronger financial capability element to the curriculum is something that we have talked about within Knowsley that would help to break the cycle. I think I heard on Parliament Today a debate about the number of young people that recognise the adverts that are now on at teatime for the payday lenders; a high proportion of young people could recognise three out of five of them as payday lenders. They are familiar to young people these days, so we are trying to break the cycle and educate people.

There is also an issue about credit unions. Credit unions have not got the resources or infrastructure to really advertise themselves in the same way as other financial service providers have, and there is still a perception that they are a poor man's bank.

Q. Mr Pond: Sorry. I did not mean to interrupt. What about promoting savings as a means of giving people a cushion and so part of building their financial resilience and it is part of your strategy group?.

Ms Lee: Yes. It is linked to getting people to access affordable credit, really, because we find it quite difficult to encourage residents to start saving by just having a conversation with them, 'Why do you not start saving? Put a pound a week away; it will soon build up' and all of that sort of stuff, although we do put adverts like that and try and get those messages out. The way that we do it is by referring people through to the credit union for Christmas loans, for example, or access to affordable credit. They will get the loan, but at the same time they will open a savings account, and they are doing the two things alongside each other. We have set up a payroll deduction scheme for our own employees to encourage them to save with the credit union; it comes straight out of their salary into the credit union. It is great for our staff – about 60% of our staff are also Knowsley residents – but is also great for the credit union, because obviously the savings are really important for them in terms of providing the capital that they can lend on to their members.

We did look at the idea of setting up a junior savings scheme, and we looked at – it is something that Glasgow did, I think – whether we could incentivise our young people to open a credit union account, perhaps by saying, '15, 16 year-olds, if you join the local credit union and start saving, we will match it with £10', but unfortunately we just have not got the funds to do that. However, I think it would be a really good way to get young people into the habit. We also work with partners like the illegal money-lending team locally in communities, particularly in areas that we know are being targeted by loan sharks, and we will have a week of activities. Engaging young people as part of that is a big part of the work that is done. We find in that way that children from the schools – it seems to work really well with primary schools – are going home and they are telling their parents, 'Look what I have learnt today. Did you know that if you borrow from a credit union you could buy five Xboxes instead of just one from this place.' Putting it in those sort of terms makes young people really engage, and as a result their parents get engaged in it.

Personally, if we could do more with young people to break the cycle so that they are growing up with 'Being a member of the credit union is the norm. I am not throwing my money away on a payday lender because I will pay 10 times more than I need to' – if we could establish that sort of culture, then we would go a long way towards addressing financial issues.

Q. Chairman: We are slightly running out of time. Mary has got a question. I would like to ask you for the record, presumably you agree with the purpose of the Commission, the hypothesis that financial exclusion remains a major problem in this country.

Ms Lee: Yes.

Chairman: From what you say, it sounds as though it is getting worse, not better.

Ms Lee: It is bringing different people into the financially excluded bracket as well.

Chairman: What I would like to ask you is if you have got any more practical ideas for what you think the Commission should be saying, we have not got time now but if you could write to us. Mary will then ask a question and then perhaps we should wrap up.

Q. Dame Marsh: I just wanted some clarification. It is on your statement of building financial capability through education, and those small initiatives working with the illegal money-lending team. Have you got a wider partnership with your local schools in relation to what they are beginning to do with the curriculum, both primary and secondary?

Ms Lee: It is a little bit patchy, to be honest; it is something that has worked better in parts of the borough than in others. In Kirkby, as a particular area, the schools engage really well with the financial inclusion agenda. What we did is we established a forum, which brought in partners from different areas and we have schools' representatives on there, but in terms of individual schools, the way that they deliver whatever financial capability training that they do is different in different areas, so there is not really a co-ordinated approach. That is something that perhaps needs to be driven from within the local authority from the director of Children and Family Services from Education.

Q. Dame Marsh: I appreciate it is difficult for local authorities to drive anything coherently across all schools in your area because you have lost the leverage on that. It does seem that that would be a very good way of lifting the profile of some of these things, rather than it just being a patchwork.

Ms Lee: Yes, it would. We funded with the Children Safety Education Foundation a booklet that we provided to all of our schools, and a 'Money Matters' workbook that went out to all of our secondary schools. That was something that we did a couple of years ago to try and help schools have the resources to be able to deliver some of the key messages that we wanted to get across to young people. That was, as I said, a couple of years ago.

Mr Pond: The Money Charity produces a lot of that material, which is certainly useful.

Ms Lee: Yes. The resources are fantastic.

Dame Marsh: It is doing something; it is not just information, it is what you say about encouraging junior savings schemes, and that is the thing which makes the difference.

Chairman: It is also students now with big loans.

Ms Lee: Yes. We have made links with the college locally to try and get some financial mentors among the student community, so that they are at least aware of some of the issues and are signposting their peers onto other support services.

Chairman: Well, thank you very much. It was very sobering. I congratulate you on all the council is doing. If you want to – and you can mark these either for publication or not for publication – it looks as though you have got some rather interesting slides there on your financial inclusion strategy for the borough and various other material; if you could email that to us, we would be very grateful. If you do not want it published, say so, or if you do not mind it being published. If you have got further practical ideas for things that you would like us to recommend the next government does, and it should not be just stuff by central government or stuff by regulators, feelings you have about the mainstream banks in your area, what they are doing or not doing; high-cost credit, not just the payday lenders but organisations like BrightHouse – any of those areas where you think you would like to see change in order to bring more people into it

Ms Lee: It sounds like Christmas.

Chairman: We would be grateful. Well, we can load up the Christmas tree, but people may not want to take the presents home.

Ms Lee: Excellent, thank you.

Dame Marsh: It was great that you had more time, because unfortunately the other person who was coming was not able to come.

Mr Pond: She is unwell; but thanks very much.

Chairman: Thank you.

Dame Marsh: It was very helpful to hear all of what you had to say.