



**Report of:** Assistant Chief Executive (Customers and Communities) and the Director of City Development

**Report to:** Executive Board

**Date:** 19<sup>th</sup> June 2013

**Subject:** Welfare, Benefits and Poverty

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## Summary of main issues

1. The council, working with its partners, must do all that it can to help people experiencing poverty and deprivation. Whilst this agenda has been an important priority for many years it has been escalated in importance in recent times due to the current economic climate we are in and, particularly, the introduction of changes to welfare and benefits policies and arrangements.
2. Initial analysis of the welfare changes introduced in April 2103 shows that many people are struggling with the changes. There has been an increase in the numbers of tenants in rent arrears and more people falling behind with their Council Tax payments. Imminent changes around the Benefit Cap and Personal Independence Payments will see more customers faced with reductions in financial support. The impact on families and children is significant Universal Credit, with its digital by default and direct payment of rent to tenants implications, is expected to lead to increases in rent arrears and create an environment where high cost lenders are ready to take advantage of people desperate for access to quick credit.
3. Following the recent review of the corporate teams, the new Citizens and Communities directorate has been given the task of leading on the issue of tackling poverty and deprivation and developing new solutions and integrated approaches to ensure that the council is doing all that it can to mitigate the challenges of deprivation and poverty. Underpinning this responsibility are three key drivers for the directorate:

- Essential services should be provided in an integrated way and accessible to those most in need of services, support and advice;
  - Those requiring financial assistance need to have quick and easy access to financial advice and affordable banking services and credit;
  - Those seeking employment and/or training should have easy access to advice, support and awareness of training and employment opportunities.
4. Work is now on-going to develop a plan of action for the new directorate around the above drivers and this first report:
- a. provides an update on work currently being progressed on the financial inclusion agenda in Leeds, including presenting the annual report on the activities of the Illegal Money Lending Team (appendix 1) and providing a response to the Deputation to Full Council on 14 November 2012 about payday loan companies and their effect on residents in Leeds;
  - b. makes specific proposals around the creation of a common assessment framework for financial support provided by the council;
  - c. proposes the development of a co-ordinated welfare rights and advice sector service that includes a focus on supporting frontline staff to deliver effective signposting systems and deliver low level, non-specialist advice, and;
  - d. importantly, starts the development of a city-wide anti-poverty strategy that: prepares the city for further welfare changes; develops new activities and initiatives to tackle high cost lenders; seeks to maximise access to training and employment opportunities for local people; and seeks to develop more accessible and integrated service delivery solutions to provide more localised and targeted support and advice.

## **Recommendations**

1. Members of Executive Board are requested to endorse the proposals within this report which seek to provide a new focus on the welfare, benefits and poverty agenda.
2. Note the report attached as appendix 1 on the activities of the Illegal Money Lending Team.
3. Endorse the proposals to prepare for Universal Credit as set out above and in appendix 4.
4. Endorse the proposals and initiatives developed with members of the deputation to tackle high cost lenders as set in the report and summarised in appendix 5.
5. Note the continuing support and promotion of Leeds City Credit Union (LCCU) and endorse the proposal for officers to exploring further ways to help build extra credit union capacity and the expansion of services.
6. Note that the newly established Community Development Finance Institution (CDFI) has commenced trading and is providing services to financially excluded residents as outlined in the report.

7. Agree to receive a further report on this agenda in the autumn, with a particular focus on service accessibility and integration; improved access to financial advice and support and employment and training opportunities; and, the development of an anti-poverty strategy.

## **1. Purpose of this report**

- 1.1 The report updates members on the proposals being developed to help deal with poverty and deprivation in the city and provides information on the impact of the reforms on families with dependent children. Specific proposals are set out for a significant programme of work required to prepare for the roll out of Universal Credit along with a set of proposals for a campaign to tackle high cost lenders in the most deprived areas of the city.
- 1.2 The report also sets out propositions that would deliver a common assessment framework for those most in need of financial and advice services and would deliver the support in an integrated and accessible way.
- 1.3 The report proposes the development of an approach to tackling poverty that recognises the wider implications around health, education, jobs, skills and housing and the need to work with public sector, private sector and 3<sup>rd</sup> sector partners at a community level. It is intended that the approach would build on the propositions contained in the Commission for the future of local government.

## **2. Background information**

- 2.1 The Housing Benefit caseload has grown significantly over the last few years with the biggest increase coming from in-work customers in low paid employment. The implementation of the welfare changes from April 2013 has seen many families fall into rent arrears or further into rent arrears and Council Tax arrears. The programme of welfare changes, which started in 2011, has coincided with a growth in foodbanks and food parcel outlets in the city. Running alongside these changes has been a growth in the number of high cost lenders.
- 2.2 The Government's programme of implementing welfare change is set to continue over the next few years with the implementation of Personal Independence Payments, to replace new claims for Disability Living Allowance in June 2013; the implementation of the Benefit Cap, which will limit to £500 a week the maximum amount of benefit that a family can receive; and, the implementation of Universal Credit which will bring together all the major working-age income-based benefits (i.e. Housing Benefit, Jobseekers Allowance, Employment Support Allowance, Income Support and Tax Credits).
- 2.3 The **Benefit Cap** which will be applied in Leeds from 12<sup>th</sup> August 2013 impacts on 424 families in Leeds with dependent children according to the latest data. On average these families will see a reduction of £64 a week in their Housing Benefit. More detail is provided at appendix 2
- 2.4 **Personal Independence Payments** (PIP) replace Disability Living Allowance payments for people aged between 16 and 64. DWP's impact assessment states that there will be

savings of £2.2bn because of the change and it estimates that the number of people getting Personal Independence Payments will reduce by 500k nationally compared to the number getting Disability Living Allowance. New claims for PIP will start in June 2013 with the majority of current DLA recipients being reassessed for PIP from October 2015. Some people will be reassessed sooner if they were due a DLA reassessment anyway. As at November 2012, there were 23,700 people aged between 16 and 64 getting DLA in Leeds who will be faced with a reassessment for Personal Independence Payments.

- 2.5 Universal Credit** will require people to go online to make a claim, with payments being made monthly in arrears to a single person in the household. The monthly payments will include the 'housing benefit' element and this means that tenants will need to take responsibility for making regular rent payments from their monthly benefit payments. Currently, £65m a year in Housing Benefit is paid directly to working age tenants rent accounts in Leeds. The table below shows the number and type of benefit claims as at November 2012 that would need to be migrated to a single Universal Credit.

<b><i>Benefit</i></b>	<b><i>Numbers in receipt</i></b>
Income Support	13,900
Jobseekers Allowance	24,060
ESA / Incapacity Ben	30,130
Housing Benefit	53,350
Tax Credits	76,800

- 2.6** The intention behind Universal Credit is to ensure that people in work are always better off under Universal Credit. However, a number of out of work customers will be worse off under Universal Credit and this includes lone parents under the age of 25, some parents with a disabled child and single customers who are assessed as having limited capability for work. More details are provided at Appendix 2. The Government intends to provide transitional protection for those migrating to Universal Credit from existing benefit with the transitional protection staying in place until either there is a change in circumstance or the value of Universal Credit catches up with the protected amount.
- 2.7** These changes come on top of other significant changes that were introduced from April 2013 around **Social Sector Size Criteria** and **Council Tax Support**. Details of the impacts of these changes after the first two months are also provided in appendix 2 along with details of the impact of the reforms on children as requested in a white paper motion to Full Council in January 2013.

### **Payday Lenders**

- 2.8** Full Council received a deputation of Leeds residents on 14 November 2012, regarding payday loan companies and their effect on residents in Leeds. The deputation has been involved in a campaign calling on football authorities to cease advertising by payday loan companies anywhere in football. Details of the deputation are provided at Appendix 3
- 2.9** According to a recent analysis by Price Waterhouse Coopers and the Local Data Company, statistics show retail store closures have climbed tenfold in one year. However, pound shops, pawnbrokers, charity shops, cheque cashing, payday loan shops

and betting shops are bucking the trend and showing considerable growth. The table below shows the 'risers and fallers' by business type across the UK's top 500 town centres during 2012:

<b>Risers</b>	<b>Net Change (%)</b>	<b>Fallers</b>	<b>Net Change (%)</b>
Cheque Cashing/Payday Loans	+20.0	Card & Poster Shops	-23.4
Pound shops	+13.0	Computer Games	-45.0
Pawnbrokers	+13.2	Women's Clothes Shops	-7.2
Charity shops	+2.7	Recruitment Agencies	-15.1
Betting Shops	+3.3	General Clothing	-8.7
Supermarkets	+3.6	Health Foods & Products	-24.7
Coffee Shops	+3.4	Banks & Financial Institutions	-2.9

Table - Top risers and fallers by business type in 2012 (Source: Local Data Company)

- 2.10** A recent report<sup>1</sup> on high cost lending market (Home Credit, Pawn Brokers, Money Shops, Payday Lenders, rent-to-buy) has estimated the size of the business in the UK to be £7.5 billion. It is estimated that 5 million people in the UK access high cost credit of which 2 million use payday lenders.
- 2.11** There are no official statistics on the payday lending sector in the UK but Consumer Focus estimated the total value of loans in 2009 at £1.2bn while more recent media reports have suggested it is in the range £1.7 - £1.9bn. While still relatively small as a proportion of overall unsecured lending, payday lenders are one of the fastest growing areas in the financial services sector. According to research company Data Monitor, the payday lending market could account for £3.4bn of loans by 2014.
- 2.12** The StepChange debt charity, which provides a national debt counselling service, has said that more than twice as many people who sought help with debts in 2012 had payday loans compared with 2011. It helped 36,413 people last year who had payday loan debts, some 20,000 more than the previous year. They also reported that 42% of their clients under age 25 had payday loans. This is a four fold increase in just 2 years.
- 2.13** As a result of a recent OFT review, payday lenders will face advertising curbs and be under closer supervision. The government wants to limit the number of adverts shown per hour on TV and ensure that terms and conditions are displayed more prominently. It is interesting to note that:
1. 14 of the 50 web sites inspected failed to show the APR interest of their loans;
  2. In 24 cases, the percentage APR or the calculated examples were not prominent enough on their sites;
  3. 20 sites either omitted or downplayed important information about the costs and risks to the borrower;
  4. There were also problems with firms failing to put in place effective complaints handling systems and not conducting adequate affordability assessments;
  5. Their revenue streams rely heavily on rolling over or refinancing loans. Around one in three loans was repaid late or not repaid at all. 17 lenders actively promote rolling

<sup>1</sup> Apex Insight - High-cost credit: UK market profile and forecasts – November 2012

over loans for an extended term when borrowers would be better served by a repayment plan:

6. A number of firms are also using aggressive debt collection practices which fall far below the standards set out in the OFT's Debt Collection Guidance.

**2.14** The OFT are requiring 50 lenders (which together account for around 90% of the payday market by turnover) to take immediate steps to address areas of non-compliance and prove that they have done so within 12 weeks (by end of May 2013) or risk losing their licence. OFT are also considering referring the whole of the sector to the Competition Commission, which has wider powers to deal with some of the issues identified for the protection of consumers.

### **Financial Conduct Authority (FCA)**

**2.15** The new financial services regulator – FCA - will take over the Financial Services Authority's consumer financial watchdog powers and have powers to cap the cost of payday loans, but not until 2014. The FCA will be granted this key weapon, along with other ways to keep rogue lenders in check. There will however be a 'legal loan sharks' window of opportunity before regulators can limit charges in 2014.

**2.16** The FCA will have powers to create rules which will:

1. Limit the length of a payday loan
2. Impose a limit on the number of times a payday loan is rolled over
3. Make a payday loan agreement unenforceable
4. Force money or property to be returned to consumers and redress to be given to consumers by a firm

**2.17** While the regulator will have these powers, it has to assess whether they need to be used. A recent report (March 2013) from the Department for Business Innovation and Skills (BIS)<sup>2</sup> the Government Minister indicated that whilst: "the Government recognises that a cap might be appropriate at some point in the future" "The Government does not believe that a total cost of credit cap is the best way to address the concerns in the pay day lending market at this time."

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<sup>2</sup> Bis, March 2013, Government Response To The Bristol University Report On High Cost Credit

### 3. Main Issues

- 3.1 The pressures outlined in this report mean that the council, working with its partners, must do all that it can to help people experiencing poverty and deprivation.
- 3.2 Following the recent review of the corporate teams, the new Citizens and Communities Directorate has been given the task of leading on the issue of tackling poverty and deprivation and developing new solutions and integrated approaches to ensure that the council is doing all that it can to mitigate the challenges of deprivation and poverty. This report, therefore, seeks to set out some key proposals to improve our offer and work on the welfare, benefits and poverty agenda. It will be followed by a further report in the autumn as the thinking and work develops.

#### *Access issues*

- 3.3 In order to make services accessible and integrated we need to move away from bespoke provision of relevant services and develop truly integrated and innovative solutions for our customers. Whilst our one stop centre provision has gone some way to achieving this, there is still significant opportunity to achieve greater accessibility and true integration. We need to look at our network of one stop centres, libraries, housing enquiry offices and job shops and develop all of these facilities into community hubs or community satellite offices offering a wide range of advice and services accessible to local people. We need a new identity for such provision and need to bring together our resources and capacity to provide a wider range of support and services. By creating more access points (community hubs or community satellite offices – including mobile provision) using our existing network of assets we will be able to reach more people and provide a more holistic offer to citizens.
- 3.4 A report on the outcomes of the review of ALMOs is before the board today and this provides opportunities to explore further integration of face to face services and promote accessible services
- 3.5 We need to better promote and increase access to cost effective financial support, advice and credit. We need to reduce reliance on pay day and door-step lending and support our citizens to be able to budget more effectively and access financial services from affordable credit agencies, particularly the credit union and CDFI. This will require a new approach to promoting and accessing financial advice and credit through the development of easy access internet based solutions and accessible face-to-face provision through any of our community hubs and community satellite offices. Advice and support needs to be provided as early as possible to those suffering financial exclusion, or at risk of financial exclusion, and needs to cover a range of issues including: managing budgets; accessing cheaper alternatives (e.g. cheaper fuel, cheaper finance etc.) and reducing spend (e.g. stopping smoking, drinking etc.).

#### *Common assessment framework*

- 3.6 It will also require a new approach to delivering financial support through the establishment of a common assessment framework for financial support. This will require bringing together the range of financial services across the council in a way that supports the provision of a single package of direct financial support and financial advice to customers in a way that addresses individual need. This approach requires the integration of financial support schemes with welfare and advice services, whether

council- or advice sector provided, to deliver support in a way that provides a transformational service rather than a transactional service.

- 3.7 We need to be able to meet increasing demand for advice. We will look to integrate city-wide advice services in a way that increases capacity and increases the availability of effective signposting and enables frontline staff to meet low level, non-specialist advice requirements. It is proposed to link advice services and to develop and deliver an annual plan for advice and support that supports the approach to tackling poverty. Effective and integrated working around Financial Inclusion activity will be critical to the development of alternative affordable credit options that will form part of the overall financial assistance to be delivered through the common assessment framework.
- 3.8 We need to be able to provide easy access to citizens to training and employment advice and opportunities across the city. Securing employment is critical to supporting many people out of poverty and rebuilding self-esteem and confidence. All of our community hubs and community satellite provision should provide access to training and employment advice and opportunities, particularly important in the context of the welfare changes being introduced. We need to target our employment activity and opportunities at those most in need.

#### *New Social Contract*

- 3.9 The provision of the common assessment framework for financial support along with training and employment advice and opportunities would provide the basis for a new social contract around the way the Council and citizens interact about tackling poverty and deprivation. In order to work, the financial support schemes need to promote and recognise behaviours and actions that support citizens into work where appropriate. It is intended to review existing schemes of financial support provided by the council and present proposals to Executive Board in the autumn on options for scheme designs that work better to tackle poverty.
- 3.10 We also need to develop a wider multi-agency approach to tackling poverty and deprivation that covers affordable housing, employability, jobs, child poverty issues and related health matters. The intention is to present a wider anti-poverty strategy to Executive Board in the autumn along with the outcomes of the review of the design of financial support schemes.

#### *Welfare and Benefits Service*

- 3.11 The Board is asked to note the establishment of a new Welfare and Benefits Service within the Customers and Communities directorate under the leadership of the Chief Officer (Welfare and Benefits). The Service will have responsibility for developing and delivering a common assessment framework, for review and recommending financial scheme designs that promote the Council's priorities and for supporting the development and delivery of the wider multi-agency approach to tackling poverty

#### *Universal Credit*

- 3.12 The Welfare and Benefits Service would also take responsibility for developing and co-ordinating preparations for changes to welfare and benefits. For a number of reasons, Universal Credit and Personal Independence Payments present different challenges to the reforms that have been implemented to date and require a more co-ordinated city-wide approach to implementation. This is because the changes affect people at different



times, require people to act in particular ways e.g. make online claims or take responsibility for managing a monthly budget and are implemented over a longer period. A city-wide, cross sector approach to supporting people to make the transition to the new schemes is required. The schemes will be administered by DWP agencies but the risks of people failing to cope with the new schemes requirements, or not being adequately prepared, impact mainly on local councils and local service providers.

3.13 A draft action plan has been developed for Universal Credit and is attached at appendix 4. The key outcomes from the action plan are:

- Stakeholders understand Universal Credit and what it means for them;
- Customers are prepared and supported to manage their Universal credit accounts;
- Use of doorstep/payday lenders is significantly reduced;
- Civic enterprise solutions develop in response to Universal credit challenges;
- An effective model is developed for delivering welfare services and tackling unemployment that centres around a greater role for Local Authorities;

3.14 The roll out of Universal Credit is planned to take until 2017 to complete and needs to be seen, therefore, as a significant medium-term responsibility for the council. Delivery of these outcomes will require partnership working with public, voluntary and advice agencies.

#### *High cost lending*

3.15 One of the main outcomes from the draft Universal Credit action plan is that use of doorstep/high cost lenders is significantly reduced and to help deliver this a more detailed action plan has been developed. The action plan is attached at Appendix 5 and follows on from a meeting officers had with members of the deputation and Leeds City Credit Union earlier this year. The discussion centred round the initiatives which were currently being undertaken in the city and also whether the deputation's successful football campaign could be developed in Leeds to secure benefit to the ongoing work around financial inclusion.

3.16 The key activities are to:

- Develop understanding across Leeds of the scale of the issue in Leeds
- Coordinate activity across public, private and the third Sector to deal with high cost lending
- Develop Communication Plan in two parts.
  - City Wide High Profile campaign
  - Local Neighbourhood promotion and education Campaign
- Build Capacity for alternative affordable credit
- Reduce dependency on and use of HCLs
- Provide direct support for those caught up in HCL
- Measure the impact of the approach

#### *Leeds City Credit Union*

3.17 A key partner in the battle to tackle high cost lenders is Leeds City Credit Union (LCCU). LCCU is working closely with the Council and other partners to develop support for residents who do not have access to affordable banking services. As part of the Local

Welfare Support Scheme adopted by the Council, the Executive Board approved a recommendation that an element of the scheme funding should be used to support, among other things, promotion and development of Leeds City Credit Union services and increased provision of advice and support. Appendix 6 provides more information on the initiatives under consideration as well as information about the Community Development Finance Initiative.

#### *Leeds Payday Loan Campaign*

- 3.18 As part of the wider, high profile campaign to tackle high interest and payday lenders and promote the use of more manageable forms of lending, it was felt worthwhile to contact the main Leeds professional sporting clubs to see if it would be possible to develop a positive campaign aimed at highlighting the problems of payday lenders and promoting facilities, such as LCCU, which could help those who may be detrimentally affected. Contact has been made, initially with Leeds United, Leeds Rhinos and Yorkshire County Cricket Club to determine if they would be interested, in principle, with such an approach. A positive response has been received and meetings have taken place with the clubs to discuss options. Other Leeds sporting clubs may also be approached as the campaign develops.
- 3.19 There was a further discussion about holding a high profile public event on the subject in Leeds, inviting speakers who have been at the forefront of national campaigns which have sought to secure greater control of the high interest market and particularly payday lenders. A date has been set in October for a half day conference covering various aspects of high interest lending. Given the consistent cross party support for financial inclusion initiatives in Leeds it is suggested that the platform for such a meeting would be broadly based involving local politicians and prominent city dignitaries. If developments emanating from dialogue with the sporting clubs in Leeds come to fruition, this could be promoted at the event also
- 3.20 The campaign should be ambitious and seek to establish a "Payday loan free city". Focusing on sport will assist in generating interest from the media and help to combat the significant advertising from the high cost lending sector.
- 3.21 Outside of the sporting area, initiatives could be explored with the Council's private sector partners to examine ways in which they may assist in promoting more sustainable lending services.

## **4. Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 Discussions have taken place with the deputation on high cost lending and related proposals have been developed with partners through the Financial Inclusion Steering Group. The Universal Credit action plan has been developed in conjunction with social sector landlords, the Advice Leeds Network and the 3<sup>rd</sup> Sector in Leeds.
- 4.1.2 The proposals to tackle high cost lenders will be subject to further consultation with public sector partners and other key partners and it is intended to include community representation in overseeing the delivery of the proposals.

## **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 An equality impact assessment is not relevant at this stage as the report is primarily a report for approving further action. The implementation of approved actions will be subject to equality impact assessments.
- 4.2.2 The programme of welfare changes has the potential to impact more on some groups than others.
- 4.2.2.1 The Social Sector Size Criteria impacts more on those with fewer options for moving to smaller accommodation because of need arising from disability, access to children, pregnancy or fostering arrangements. It also has potential implications for community cohesion, school attendance and educational attainment if families need to move localities as a result of the Spare Room Subsidy
  - 4.2.2.2 The Benefit Cap in Leeds impacts only on large families and also has possible implications for communities, school attendance and educational attainment if families need to move and children need to attend a different school.
  - 4.2.2.3 Universal Credit may cause issues arising from the need for people to manage a monthly budget and for couples where benefit payments will be made to one of a couple. The arrangements could lead to increased levels of rent arrears and debt and may increase tensions in some relationships where separate financial independence is replaced by a need for a more co-operative arrangement around sharing Universal Credit payments. These impacts may be felt more keenly amongst the more vulnerable and for individuals and families with more chaotic lifestyles including a number of families known to Children's Services.

## **4.3 Council policies and City Priorities**

- 4.3.1 The report deals with the issues of tackling debt, poverty and deprivation in the city which are key priorities for the City and contributes to a number of the City Priorities as part of the identified poverty-related actions – i.e., the Sustainable Economy and Culture Plan, the Health and Well Being Plan and the Children and Young People Plan (through the Child Poverty Strategy).
- 4.3.2 The development of a wider anti-poverty approach will support the Council's Best City ambitions. In particular, working with partners to maximise income, tackle high cost lenders, provide access to more affordable credit and promote healthy lifestyles will help reduce instances of fuel poverty, depression and other mental and physical health issues associated with debt and poverty and support the 'best city for health and wellbeing' ambitions
- 4.3.3 In relation to 'best city for children and young people', putting in place arrangements to support families to deal with the Benefit Cap, Spare Room Subsidy and Universal Credit can help support plans around school attendance and attainment. Developing welfare and benefit solutions around a new social contract can help support more families into work and lift families out of poverty.

#### **4.4 Resources and value for money**

- 4.4.1 The delivery of plans around preparations for Universal Credit and tackling high costs lenders will have resource implications. Some of the initiatives required to support the plans will be met from local welfare support scheme funding as agreed by Executive Board. For other initiatives, it is proposed to use the 'social fund' payment provided by the Casino operator to provide the required resources.
- 4.4.2 There are resource implications related to the delivery of the full plans and there will be resource implications arising from the wider anti-poverty strategy. It is intended to set out the resource implications more fully in the autumn report to the Executive Board. In the meantime the Assistant Chief Executive (Citizens and Communities) will seek to fund reasonable costs in delivering the action plans from existing budgetary provision, pending a further report to Executive Board.

#### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 There are no legal implications for the Council regarding the recommendations in this report, the information contained in the report is open to the public and although the report recommendation is to note progress it could be called in if deemed appropriate.

#### **4.6 Risk Management**

- 4.6.1 There are no identified risks associated with the issues under consideration.

### **5. Conclusion**

- 5.1 The proposals in the report are aimed at tackling deprivation and poverty through the establishment of a new social contract with a specific focus on developing wider anti-poverty initiatives. Cross-council and partner working will be required in order to be truly effective, particularly in the areas of high cost lending and preparations for further welfare reforms.
- 5.2 The key proposals are around designing financial support services that meet individual need, support the delivery of key Council priorities around employment and poverty and deliver efficiencies as well as providing an expert resource to support frontline workers in signposting and meeting the needs of customers in an environment where demand is increasing. This activity would be supplemented by more specialist advice and support delivered through partner a consortium and in line with annual plan that reflected the challenges ahead.
- 5.3 One of the challenges is being aware of, and offer alternatives to, the payday lending industry. This industry continues to grow rapidly but with this growth is increasing concern about the impact on citizens of using these lenders. Financial regulators have been very critical of the industry and have instructed 50 firms to amend their practices or face having their credit licences revoked.

- 5.4 A Deputation of Leeds residents attended the meeting of full Council on 14 November 2012 expressing concern at the activities of pay day lenders and in particular their prominent advertising on football club web sites and football sponsorship.
- 5.5 Officers have been exploring with the deputation the possibility of working with Leeds professional sporting clubs on a positive campaign to warn of the dangers of doing business with high cost lenders and also to work with the clubs on other potential for financial inclusion initiatives.
- 5.6 Other initiatives are being developed by partners to attempt to offer alternatives to pay day borrowing.

## **6. Recommendations**

- 6.1 Members of Executive Board are requested to endorse the proposals within this report which seek to provide a new focus on the welfare, benefits and poverty agenda.
- 6.2 Note the report attached as appendix 1 on the activities of the Illegal Money Lending Team.
- 6.3 Endorse the proposals to prepare for Universal Credit as set out above and in appendix 4.
- 6.4 Endorse the proposals and initiatives developed in conjunction with members of the deputation to tackle high cost lenders as set in the report and summarised in appendix 5.
- 6.5 Note the continuing support and promotion of Leeds City Credit Union (LCCU) and endorse the proposal for officers to exploring further ways to help build extra credit union capacity and the expansion of services.
- 6.6 Note that Headrow Money Line, the newly established Community Development Finance Institution (CDFI) has commenced trading and is providing services to financially excluded residents as outlined in the report.
- 6.7 Agree to receive a further report on this agenda in the autumn, with a particular focus on service accessibility and integration; improved access to financial advice and support and employment and training opportunities; and, the development of an anti-poverty strategy.

## **7. Background documents<sup>3</sup>**

- 7.1 None.

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<sup>3</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

## **Appendix 1 - Illegal Money Lending Team**

### **Annual Progress Report**

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#### **Summary of main issues**

1. The national Illegal Money Lending Team is run by Birmingham City Council Trading Standards department. It has been operating in the Leeds area since 2007, working alongside the Council and partners as part of the Councils overall financial inclusion strategy
2. In March 2011 the Executive Board agreed to extend the authority to Birmingham City Council to continue operating within the Leeds boundary until March 2015. The Executive Board also agreed to receive annual progress reports and this is the second report – the first was considered by the Executive Board on 11 April 2012.
3. This report provides information on developments and an updated action plan which has been developed by the Illegal Money Lending Team in conjunction with the Council and partners and is attached as an appendix.

## **1.0 Background information**

- 1.1 This report deals with the illegal market perpetrated by individuals who are more commonly referred to as “Loan Sharks”. It provides an annual report of the work of the Birmingham based Illegal Money Lending Team and sets out an action plan for work to be undertaken to address this issue.
- 1.2 The Birmingham Illegal Money Lending Team was established in 2004 as a pilot project, one of two in Great Britain; the other pilot area being Glasgow. The project was extended to Leeds in 2007, prior to the national rollout. The remit of the team is to investigate illegal money lending activity and establish if a problem exists and, if so, bring to justice those persons carrying on this activity.
- 1.3 The current partnership arrangement between West Yorkshire Joint Services and Birmingham City Council Trading Standards is to provide, at no cost to the five West Yorkshire districts, a nationally funded specialist ‘loan sharks’ enforcement team. The specialist Birmingham team operates a 24 hour dedicated, confidential hotline for consumers to report loan sharks. It investigates complaints about illegal money lending and takes enforcement action where there is sufficient evidence. It also provides a network of Financial Inclusion Project Officers who work within the regions to support local financial inclusion initiatives.

## **2 Main issues**

### **2.4 Key National Statistics**

Nationally, across the seven Illegal Money Lending Teams in operation:

- The Teams have written off almost £40 million of illegal debts (money victims would have paid back to illegal lenders if the Department had not acted)
- More than 220 prosecutions for illegal money lending have been secured, resulting in prison sentences totalling more than 150 years.
- Helped over 19,000 victims of loan sharks including the most hard to reach individuals
- An estimated 310,000 households are borrowing from illegal money lenders
- The highest interest charged by a loan shark was calculated at 131,000%APR.
- In 2012, 686 investigations into suspected illegal money lending activity were launched and 82 warrants were executed leading to 94 arrests.

### **2.5 Work in Leeds**

- 2.5.1 The Loan Shark Team work closely with the Financial Inclusion Partnership in Leeds and links have been established with a wide number of organisations working in communities at risk of loan shark activity. One of the main problems faced by the team is a reluctance of residents to report loan shark activity. The provision of publicity material and delivery of presentations to front line staff, volunteers, young parents, tenants and residents is an important part of the awareness work to try to overcome this reluctance.

2.2.2 In addition to partners such as the credit union and debt advice agencies, Council service areas are fully aware of the need to report any potential loan shark activity. Services include the One Stop Centres, Corporate Debt Team, Library Services, Welfare Rights and Benefits sections. The Loan Shark Team regularly attend and report to the Financial Inclusion Steering Group, which involves all Council service areas and partners who are engaged with financial inclusion work.

2.2.3 A range of work has been undertaken in Leeds to address Illegal Money Lending in 2012-2013.

This has been a combination of enforcement activity and educational work. The aim is to encourage those who are in the grip of Illegal Lenders to report any information in confidence to the dedicated hotline and to encourage residents not to borrow in the first instance and to use alternative lenders, such as Leeds City Credit Union, instead.

Key partners in the city have continued to provide excellent support and building productive relationships has been a key factor in obtaining results.

## **2.6 Enforcement**

A joint operation was conducted with West Yorkshire Police during Proceeds of Crime Act (POCA) week in October and enquiries are continuing in relation to this operation in West Leeds. There were no arrests at the time of the operation but enquiries are ongoing.

There was an operation in November 2012 in which an individual in the Pudsey area was arrested and cautioned.

An individual arrested in Harrogate in 2012 who was suspected of lending in Leeds received a caution in January 2013.

An individual was also arrested in Wakefield in April 2013 following a raid on his home. He admitted to acting as a loan shark for more than a decade and pleaded guilty to 11 offences of illegally lending cash and money laundering at Leeds Crown Court. He will be sentenced in May.

Work continues on information provided by members of the public anonymously and agencies in Leeds.

2.3.1 The team are currently working with West Yorkshire Police to further embed the message into their work and plan a joint campaign in October 2013. This is supported by Assistant Chief Constable Dodd. There has also been strong local support from local NPTs and the staff at Great George Street from West Yorkshire Police and Leeds City Council.

## **3.0 Targeted Education and Awareness Raising**

3.1 Leeds City Council's Corporate Intelligence Unit have been able to run a list of postcodes through their MOSAIC system (data mapping system based upon social characteristics) which helps to assess which areas of the city may be most at risk of illegal lending.



- 3.2 Work has taken place with the three ALMOs on a joint project to ensure that all tenants have access to information on Illegal Lending and how to report it. This is a mixture of publicity targeted at tenants through text messages, newsletters, key local venues and also ensuring that all ALMO staff understand the issue and are able to assist tenants to report any information.

This is particularly relevant with existing and upcoming changes to the benefit system which may make borrowing from illegal lenders more tempting.

- 3.3 The team have been heavily involved in a joint campaign with West Leeds Debt Forum and a wide range of partners. The campaign is called "Feeling the Pinch?" and aims to provide information to residents about local services available to them. This has included a rolling programme of residents events as well as frontline worker briefing sessions. The frontline worker sessions were jointly delivered by Burley Lodge Advice Centre, Leeds City Credit Union and West Yorkshire Trading Standards. This campaign has been well supported by local media outlets including a radio station and Yorkshire Evening Post.
- 3.4 There is a minute long advert to be shown in GPs surgeries across Leeds in conjunction with NHS Leeds Health Improvement Team.
- 3.5 Work has also taken place with East Area Team based at Reginald Centre to target deprived communities and a week of action took place in Richmond Hill area on 11 March. The MOSAIC mapping has helped target this work.
- 3.6 Information has been distributed via Operation Confidence newsletter to 120,000 households in North East Leeds area and sessions delivered to Community Safety co-ordinators and neighbourhood managers. Work continues with Leeds Pubwatch and plans are in place to expand this to other areas of community safety.
- 3.7 £3,000 of Proceeds of Crime money is to be distributed to organisations in Leeds who have submitted bids to deliver a simple project promoting the message of the Loan Shark Team. On 28 February 2013 attendees of the Opportunity Knox event at Fairfield Community Centre, Bramley were asked to vote for their favourite project. The projects chosen and that were awarded money were:

Leeds Refugee Forum  
Breeze Leeds  
Cow Close Community Centre  
Mencap

Aire FM attended the event and there was also press interest from the Yorkshire Post.

- 3.8 Targeted training and briefing sessions will continue to be delivered to organisations across the city including housing providers, health forums, tenancy support groups. This is ongoing and appears to be more popular as the new welfare reforms come closer to implementation.

## National Illegal Money Lending Team (IMLT) – updated Leeds Action Plan March 2013

	Action	Timescale
<p><b>Work With Police</b></p> <p>Ongoing work with West Yorkshire Police to embed work of IMLT in their processes.</p>	<p>All 47 NPT teams across the region to be fully briefed and have a toolkit to identify and report IML</p> <p>Joint communications campaign planned for October 2013 highlighting IML</p> <p>Work with intelligence analysts to ensure that information is identified and passed on as efficiently as possible</p> <p>Police and Crime Commissioner to be fully briefed in person on issue</p> <p>Work with Leeds Divisional Intelligence team and POCA (Proceeds of Crime Act) team on identifying and tackling cases</p> <p>Input into joint Police and Community Safety initiatives including Operation Champion and Operation Confidence across city.</p>	<p>Ongoing</p> <p>October 2013</p> <p>March 2013</p> <p>March 2013</p> <p>Ongoing</p> <p>Ongoing</p>
<p><b>Work with Leeds City Council</b></p>	<p>Ongoing work with new combined Public Health team to continue to promote IMLT in city;</p> <p>Life Channel – information and video in all surgeries across Leeds on TV</p> <p>Frontline Worker Briefings – continue joint events with partners from advice, credit union and WYJS to offer information about local services tackling financial exclusion across city after successful events in West Leeds in October 2012</p> <p>Contribute to Public Health led Opportunity Knox events across city providing info on managing money, training opportunities etc across the city</p> <p>Neighbourhood Management Team – continue to work jointly to promote IML ahead of welfare reform - - initial day of action organised on 11 March 2011 in Richmond Hill area with Police and East North East Homes</p>	<p>Ongoing</p> <p>March/April 2013</p> <p>Ongoing</p> <p>Ongoing</p>

	<p>Community Safety Co-ordinators – continue to promote the project through work done by this team</p> <p>Leeds Pubwatch – continue to distribute beer mats and brief Pubwatch meetings</p> <p>Corporate Intelligence Team – continue to target our work by using data supplied</p> <p>Financial Inclusion Team – continue to work in partnership on wider Financial Inclusion agenda. Disseminate information through steering group meetings and mailing list</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p><b>Work with Housing Social Landlords</b></p> <p>Engage other providers of Social Housing in City</p>	<p>Representatives from the 3 ALMOs have formed a small sub group to ensure that co-ordinated work with IMLT is consistent throughout the city and is embedded into work done on Welfare Reform.</p> <p>Continue to provide briefing and training for staff and information to tenants through a variety of channels</p> <p>Work being done with Yorkshire Housing, Connect, Affinity Sutton, Sanctuary, Unity and Leeds Federated Housing to promote IMLT to tenants and staff</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p>West Yorkshire Trading Standards</p>	<p>Joint work on a variety of projects including SAFER project (protecting Leeds residents against Scams and Frauds) and Barclays Money Skills (providing financial education to hard to reach and young people)</p>	<p>Ongoing</p>
<p>POCA (Proceeds of Crime Act) Money</p>	<p>£3,000 of money taken from Loan Sharks made available for organisations to bid for in Leeds and residents given the opportunity to vote online and in person at event in Bramley on 28<sup>th</sup> February 2013 . 10 bids were received and 4 organisations were funded at £750 each. The winning organisations were Leeds Refugee Forum, Mencap, Breeze Leeds and Cow Close Community Centre. All will be running projects for their clients promoting IMLT in different ways.</p> <p>Venue and drama group funded for East and West Leeds Debt Forum Joint AGM on 21<sup>st</sup> March at Carriageworks which will also feature contributions from Cllr Peter Gruen, Leeds CAB and Leeds City Credit Union.</p>	<p>April 2013 onwards</p> <p>21 March 2013</p>

Local and Third Sector Group engagement	West Leeds Debt Forum – “Feeling the Pinch” campaign. Involvement in planning and supporting this campaign to ensure that as many residents of the area as possible have knowledge of local service that can help with debt, benefits, food, clothes etc  Variety of briefing session for local children’s centres, charities etc	
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## APPENDIX 2 – Welfare Reform and Child Poverty

1. Following a white paper motion at Full Council in January, a report was requested that showed the impact of welfare reform on child poverty in Leeds. The implications for children in Leeds are set out below:

- Social Sector Size Criteria:
  - Currently 4,200 children in 2,496 families in Leeds are directly affected by this change and are living in homes which are deemed to be too large;
  - Other children will be indirectly affected by this change where they are the subject of child access arrangements and their estranged parent rents a property that is large enough to accommodate the access arrangement;
  - Foster carers have now been allowed an extra room but foster carers with more than one foster child will still be affected by the spare Room Subsidy rules;
  - The Government has decided not to continue with a challenge against a Court of Appeal decision that disabled children unable to share a room should be allowed an extra room.
  
- Council Tax Support:
  - 27,844 children in 14,255 households have seen their CTS reduce by 19% since April 2013;
  - The Council's Council Tax Support scheme protected certain groups from reductions and this means that 16,455 children living in 8,861 households have been protected
  
- Benefit Cap
  - The Benefit cap will be rolled out in two phases from July 15<sup>th</sup> with the Cap applying in Leeds from 12<sup>th</sup> August 2103. In Leeds, the Benefit Cap will affects only families as there are no single people or childless married couples getting more than the cap limit of £350 and £500 respectively;
  - The latest figures from DWP show there are 1,998 children living in 424 families that will be affected by the Benefit cap with an average reduction in Housing Benefit for each family of £64.43 per week. The table below shows the spread of impacts for the families affected:

Weekly Loss Of HB	Number Of Claims	Total Weekly Loss Of HB	Average Weekly Loss
£0.01 to £10.00	67	£257.96	£3.85
£10.01 to £20.00	27	£390.51	£14.46
£20.01 to £30.00	36	£929.05	£25.81
£30.01 to £50.00	76	£2,944.14	£38.74
£50.01 to £75.00	75	£4,635.31	£61.80
£75.01 to £100.00	46	£3,950.91	£85.89
£100.01 to £150.00	57	£6,867.22	£120.48
£150.01 to £200.00	40	£7,301.38	£182.53
<b>Grand Total</b>	<b>424</b>	<b>£27,276.48</b>	<b>£64.33</b>

- Universal Credit
    - Although Universal Credit is intended to ensure that work always pays, a number of people out of work will get less benefit under Universal Credit than under the current benefits system.
    - Single parents aged under 25 will get around £14.50 pw less under Universal Credit;
    - Single parents under 25 with a disabled child will also get less under Universal Credit:
      - § Single parents u25 with a *severely* disabled child (i.e a child who is getting higher rate care component of Disability Living Allowance) will get around £14.40 pw less
      - § Single parents u25 with a disabled child (i.e. a child getting DLA bit not getting the high rate care component) will get around £44 pw less
    - Single parents aged 25 or over with a *severely* disabled child will get slightly more under Universal Credit (around £0.50 pw)
    - Single parents aged 25 or over with a disabled child will get around £29 pw less under Universal Credit.
    - The Government will provide transitional protection for people who are moved onto Universal Credit as a result of a managed migration programme. The transitional protection scheme will ensure no one is worse off in cash terms at the point of transfer and it will stay in place until there is a relevant change in circumstances or Universal Credit rates overtake the value of the protections.
    - People moving onto Universal Credit as a result of change in circumstances will not receive transitional protection.
- 2 The intention to pay Universal Credit monthly in arrears directly to one of a couple has the potential to create other issues that impact on children. In particular, there are concerns about the impacts on some households of:
- Replacing the current arrangements which see Child Benefit and Child Tax Credits paid directly to the mother with a Universal Credit system that sees the Child Tax Credit element paid to the main claimant;
  - Replacing a system of weekly, fortnightly and monthly payments to different members of the household with single monthly payment under Universal Credits to single member if the household; and
  - Replacing a system of direct payments to landlord with a system that will include the rent element as part of a single monthly payment.
- 3 The Council has put in place arrangements that limit the impact of welfare changes on children. The Discretionary Housing Payment scheme treats tenants needing an extra room to accommodate access arrangements for children as priority cases for financial support and foster carers are also treated as priority cases. The local Council tax Support scheme protects single parents with children under 5 from any reduction in support and children living in households where the householder is entitled to the severe or enhanced disability premium are also protected from any reduction under the Council's scheme.

- 4 In respect of the imminent Benefit Cap proposals, a casework team has been set up involving Benefits, Families First, Children's Services, Housing Options, ALMOs and Jobcentre Plus with the aim of identifying options for supporting families affected by the Cap. The main issue relates to the impact on families where there are children in primary school and especially where a family has more than one child at a primary school. The difficulty and upheaval involved in moving primary school means it is most likely that Discretionary Housing Payments will be made to support families in their current tenancies.
- 5 The table below provides information on the impact of the welfare reforms on ALMO tenants after the first two months. The focus of the statistics is on under-occupancy and Council tax Support.

	Nos. affected	Change in rent arrears	Change in numbers of in arrears
Under-occupancy	6728	+\$155,447	+2,436

- 6 The Council Tax collection rate position is shown below. As well as the changes around the Council Tax Support scheme which requires many people to pay more, there have also been changes around empty properties which also require people to pay more. The collection rate figures below take into account both these changes.

- 7 The collection rate as at 31<sup>st</sup> May 2013 is set out below with the previous year comparison as at 31<sup>st</sup> May 2012 shown in brackets

- Overall collection rate for 13/14 as at 31/5/13: 19.13% (19.53%)
- Overall collection rate for people affected by CTS changes: 14.2%
- Collection rate for people previously getting 100\$ CTB: 12.4%

The reduction of 0.4% against previous year collection rate represents a reduction in income of £1.1m.

#### *Customer demand*

- 8 There has been a sizeable increase in the numbers of people contacting the council following the implementation of the April 2013 benefit changes. The table below shows the changes in numbers contacting the council compared to the same period in 2012. Although there are no statistics itemising the reasons for the extra calls, information from Customer Services Officers confirms that the main reasons for the extra calls has been a) the changes to Council Tax Support scheme and b) the Spare Room Subsidy rules for ALMO and Housing Association tenants.
- 9 Most callers have wanted to know why the changes have taken place and have been expressing their concern about their ability to pay the extra charges.

	April 2012	April 2013	% change	Value change
Calls made: Revs & Bens	30,193	38,513	22%	8,320
Emails: Revs & Bens	4,294	5,434	24%	1,140
Calls made: ALMOs	23,644	31,338	33%	7,694
OSC: Revs & Bens	16,729	23,232	39%	6,503

OSC: ALMOs	10,706	13,054	22%	2,348
Totals	85,566	111,571	30%	26,005

- 10 The Advice Leeds Network is also reporting an increase in demand for advice and support although the figures are not quantifiable at this time. The concerns reflect the range of welfare reforms that have been brought in and cover issues arising from:
- a. Work capability assessments
  - b. Under-occupancy
  - c. Council tax Support



## **Appendix 3 – Transcript of Deputation to Council on Pay Day Lenders**

### DEPUTATION TWO – LEEDS RESIDENTS REGARDING PAYDAY LOANS

THE LORD MAYOR: Good afternoon and welcome to today's Council meeting. Please now make your speech to Council, which should not be longer than five minutes, and please begin by introducing the people in your deputation.

MR R WARD: Thank you, my Lord Mayor and fellow Councillors. My name is Bob Ward. I would like to introduce Doreen ward and Rob Bumby. Doreen and Rob are two Members of the campaign which started in March of this year. Let me explain that I have lived in Leeds since 1969 but, as you can probably tell from my accent, I was not born here, I come from was born in Northamptonshire, so I am one of the few people who can truthfully say I come from a load of old cobblers!

I have been supporting Northampton Town Football Club for all of those years since my middle teenage years and watching their fortunes (or should I say more often their misfortunes) on their website, and it began to irritate me earlier this year that every time I looked at the website there were advertisements for a well-known payday loans company, whose name I am not allowed to mention but I think perhaps you have all heard of it.

I started to contact some of my football friends, including Rob, Doreen and 25 or 30 other people all over the country, and we wrote a letter to the Guardian which had an amazing effect very, very quickly – it started a small tsunami of reaction in the press, on the radio, on Twitter, on Facebook and, as a result of that and continuing correspondence, the Football League, at the end of last season, decided to terminate the contract with this certain un-named payday loan company.

That followed in July with a resolution which was passed at the Football Supporters Federation Annual General Meeting in London, where a resolution was carried unanimously calling upon the footballing authorities in England and Wales to prohibit advertising by payday loans anywhere in football. That has not happened yet but we live in hopes. It took quite a long time to make a change to the smoking laws; it took a long time to change many other laws that we now take for granted.

Some clubs, as you will have noticed if you watch the television or look in the papers, still continue to advertise payday loan companies across the chests of their football shirts. One famous club which took part in the Matthews Cup Final in 1953, and another one up in Tyneside, recently have concluded contracts with this particular payday loan company. On those shirts, it is not just for adults, it is for juniors and, regrettably, even for babies. What sort of a society do we have when you can advertise payday loans on clothing for babies? What sort of message does it send?

The short-time and payday loans industry is a huge industry, it is about 200 companies, some operating online and others operating in thousands of High Street branches all across the land, with more or less no regulation at all. They charge interest rates, APRs, of 2000%, 3000%, even over 4000%. Compare that to Europe where allowable APRs are less than 20%. In this country Credit Unions charge around about —27%. In Leeds the Community Development Finance Institution is charging around 50%.

The problems with these short-term loans are getting worse and worse and worse. You can hardly open a newspaper or look at a television broadcast without seeing something of the effect these companies are having on our society. The best-known of these payday loan companies, the poster-child of the industry, if you like, in 2010 made 830,000 loans. In 2011, last year, they made two and a half million loans. On each of these loans, they made an average of £75 in interest and charges - administration charges, late payment charges and so on. £75 is a lot of money to a lot of families but compare that to the wages paid to Premiership and Championship footballers. If you are paying such a player and probably his agent out of those, it would take 250 new loans every week to pay that player's salary.

Yesterday on Radio 4's Today programme in the morning, an industry spokesman for the Consumer Finance Association, I think they are called, claimed that 45% of customers of payday loan companies are in the ABC1 demographic group. He did not break that down any further, so that 45% may have been 1% A, 2% B and 43% C1, but whatever we break that up, 55% of people taking out these loans are in the C2, D and E social categories.

One payday loan in three is taken out to pay off payday other loans. A third of payday loans are 'rolled over'.

THE LORD MAYOR: Your five minutes is up, I am afraid. Could you make your final point?

MR R WARD: I could, yes. What I would ask you to do is to continue the excellent work which you are doing already but to spread the message that such loans are dangerous whenever, wherever and however you can to your tenants, constituents, community groups, colleges, doctors' surgeries, schools in the city centre and in suburban centres, wherever you can and also take it up with your Members of Parliament on whichever side of the Chamber you sit. Take it up with your Members of Parliament.

THE LORD MAYOR: I am afraid I must ask you to finish.

MR R WARD: Thank you very much. Thank you all. *(Applause)*

THE LORD MAYOR: Councillor Lewis.

COUNCILLOR J LEWIS: Thank you, Lord Mayor. I move that the item be referred to Executive Board for consideration.

COUNCILLOR G LATTY: Seconded, Lord Mayor.

THE LORD MAYOR: All those in favour? *(A vote was taken)* CARRIED.

Thank you for attending and for what you have said. You will be kept informed of the consideration which your comments will receive. Good afternoon.

MR R WARD: Thank you, my Lord Mayor, thank you all. *(Applause)*

## Appendix 4 - synopsis of Universal Credit action plan

Universal Credit fundamentally changes the way the main income-based benefits are delivered. The change will apply to around 100,000 Leeds residents and requires online applications and much greater budget responsibilities from customers. It will be rolled out in stages but with customers moving over to Universal Credit (UC) at different times dependent on the roll out programme and the changes people face in their lives. This chart details the key elements of the Leeds Universal Credit Action including; outcomes, priorities and targets.

Outcomes	Priorities	Targets
Stakeholders understand Universal Credit and what it means for them,	<ul style="list-style-type: none"> <li>Personalised information is sent to residents, including information on likely UC entitlement,</li> <li>Public and voluntary services have sufficient information to prepare for UC.</li> <li>Assessments created on the likely impact on areas such as health, employment, housing, crime, advice and poverty as well as any specific implications for council and landlord services.</li> </ul>	<ul style="list-style-type: none"> <li>Raise awareness with claimants about UC, what it means for them and when and how to claim UC</li> <li>Raise awareness with landlords about UC and when and how it affects their tenants and their business</li> <li>Ensure relevant partners and stakeholders understand the potential impacts of UC and are able to build any necessary actions into their planning</li> <li>Develop and deliver an effective communications strategy that influences final delivery decisions.</li> </ul>
Customers are prepared and supported to manage their Universal Credit accounts	<ul style="list-style-type: none"> <li>Digital inclusion to become a council obsession and measures are developed to promote it.</li> <li>Access to bank accounts, budgeting support and jobs and skills opportunities should feature in the local delivery partnership arising from the Local Support Service Framework</li> <li>Key role for all agencies in identifying people requiring support and that start work asap</li> </ul>	<ul style="list-style-type: none"> <li>Put in place a Local Support Services Framework that supports most vulnerable</li> <li>Increase digital inclusion and improve capacity for citizens to manage accounts independently</li> <li>Increase bank account ownership and access to financial services that work with Universal Credit;</li> <li>Put in place effective migration strategy for customers moving from Housing Benefit to UC, including identifying payment exceptions where appropriate</li> </ul>
Use of doorstep/payday lenders is significantly reduced	<ul style="list-style-type: none"> <li>Public and private agencies, advice services, voluntary services, landlords, trading standards and the finance sector to work together to combat door step lending.</li> <li>Alternatives to doorstep lending need to be identified.</li> <li>Direct action campaigns against lenders developed and consistent messages from front line services at every opportunity.</li> </ul>	<ul style="list-style-type: none"> <li>Increase understanding and awareness of the impact of debt in the city</li> <li>Put in place a multi-agency campaign against payday/doorstep lenders in the city</li> <li>Develop alternative sources of help, advice and practical support to deal with debt and money issues at a city and community level</li> <li>Develop advice and support available to reduce/minimise repossessions, evictions and homelessness</li> </ul>
Civic enterprise solutions develop in response to Universal Credit challenges	<ul style="list-style-type: none"> <li>The council to become more enterprising and Leeds businesses to become more civic.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure full engagement with the Chamber of Commerce on implications for and requirements on businesses</li> <li>Develop good practice guide for employers on how to support employees under UC</li> <li>Encourage civic enterprise to support communities in responding to the challenges of UC</li> </ul>
An alternative model for delivering welfare services and tackling unemployment that centres around a greater role for Local Authorities	<ul style="list-style-type: none"> <li>Develop delivery models for UC that are more local, deliver better outcomes by aligning relevant services, reflect local issues and local markets and support City region and Enterprize Zones ambitions.</li> </ul>	<ul style="list-style-type: none"> <li>Develop a collaborative model for delivering effective jobs and skills initiatives that reflects ambitions and capacity of the city region</li> <li>Develop a collaborative model for delivering welfare services that reduces unemployment, provides support for those can't work and is cost effective to deliver</li> </ul>

## Appendix 5 – High cost lenders action plan

Priority area	Actions	Resource implications	Comments
Develop understanding of the scale of the issue in Leeds	<ul style="list-style-type: none"> <li>- Financial profiling at SOA level</li> <li>- Mapping of provision of HCL through</li> <li>- Mapping of local financial services</li> <li>- Utilise data analysed during the Advice Sector Review to map current resources and activity to tackle debt issues across Leeds</li> </ul>	<ul style="list-style-type: none"> <li>Y</li> <li>Y</li> <li>Y</li> <li>N</li> </ul>	It is possible to estimate the extent of HCL across Leeds from national data supplemented by local research. It is not possible to map Payday lending from this source due to the predominance of web delivery. The Leeds Financial Inclusion Research can be utilised linked with national data to attempt to analyse at a local level. More detailed analysis would be required which could utilise data from advice agencies, LCCU, ALMO's and LCC Revenues and Welfare Rights. Data analysis used to identify specific localities to focus on in the first instance
Coordinate activity across public, private and 3 <sup>rd</sup> Sector to deal with HCL	<ul style="list-style-type: none"> <li>- Presentation to Financial Inclusion Steering Group on HCL campaign</li> <li>- Coordinate activity across ALMO's to ensure that best practice is delivered uniformly across city.</li> <li>- Encourage all social housing providers to engage with best practice examples</li> <li>- Area Management Locality working to coordinate partners at a community level</li> </ul>	<ul style="list-style-type: none"> <li>N</li> <li>Y</li> <li>Y</li> <li>N</li> </ul>	Critical element of the approach. All public sector (police, health, council, ALMOs) need to engage in campaign and understand the role they play – whether that is providing intelligence, direct advice, support to stop smoking etc.
Develop Communication Plan in two parts.  1. City Wide High Profile campaign	<ul style="list-style-type: none"> <li>- Engage major sports organisations in campaign against HCLs and promoting alternatives particularly LCCU;</li> <li>- Engage with major public and private sector employers and the banking sector to support the campaign</li> <li>- Engage with Leeds's University and NUS to support the campaign</li> <li>- Engage with local media to seek their involvement in the campaign</li> <li>- High profile public meeting/media event to launch campaign</li> <li>- Investigate the use of "void space" on advertising hoardings, both public and private sector</li> <li>- Investigate prominent banner adverts on public buildings</li> <li>- Ban websites carrying adverts for HCLs;</li> <li>- Discourage contractors promoting HCLs;</li> <li>- Review FI website to make more high profile and to support HCL campaign;</li> <li>- Develop a social media campaign through Facebook, Twitter etc</li> </ul>	<ul style="list-style-type: none"> <li>Y</li> <li>Y</li> <li>Y</li> <li>N</li> <li>Y</li> <li>Y</li> <li>Y</li> <li>Y</li> <li>Y</li> <li>Y</li> <li>Y</li> </ul>	<p>Need to engage media specialists in developing an effective campaign.</p> <p>Glasgow and Dundee City Councils have banned websites that carry adverts from payday lenders</p>

2. Local Neighbourhood promotion and education Campaign	<ul style="list-style-type: none"> <li>- Develop promotional and educational material to support local campaigning activity against HCL and promoting LCCU</li> <li>- Provide comparisons between HCLs and more affordable options;</li> <li>- Provide guidance on dealing with money issues that avoid using HCLs;</li> <li>- Create programme of events to keep issue fresh, raise awareness of issues and to raise awareness of frontline role;</li> <li>- Provide briefing and training to frontline staff;</li> <li>- Develop HCL toolkit for frontline staff;</li> <li>- Link with illegal lending team campaigns where appropriate;</li> <li>- Investigate advertising on side of council vehicles</li> <li>- Work with Secondary Schools to develop media for education on HCL's possibly utilising such as "Shontal" theatre group</li> <li>- Investigate possibility to produce video production of the "Shontal" play for use by community groups and schools</li> </ul>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>N</p> <p>Y</p> <p>Y</p> <p>Y</p>	Short, sharp targeted messages that residents can identify with.
Build Capacity for alternative affordable credit	<ul style="list-style-type: none"> <li>- Develop a programme of initiatives to support the delivery of expanded credit facilities through LCCU and Headrow Money Line (CDFI)</li> <li>- Engage with the banking sector to seek their support for working closely with LCCU to enhance provision</li> </ul>	<p>Y</p> <p>N</p>	LCCU support initiatives package currently under development
Reduce dependency on and use of HCLs	<ul style="list-style-type: none"> <li>- Set costs reduction targets for ALMO tenants;</li> <li>- Promote alternative options including CDFI, LCCU Payday Loans and LCCU Budgeting Accounts;</li> <li>- Use control zones in worst affected areas;</li> <li>- Support social enterprise models for furniture re-use;</li> <li>- Investigate possibility of developing a "Brighthouse" social model for white goods and furniture</li> <li>- Link in with fuel poverty activity, including Wrap-up-Leeds, Warm Front and Community Energy Together (switching scheme)</li> <li>- Work with employers to educate and support staff about Payday Loans and alternative arrangements</li> <li>- Work with Public health to tackle lifestyle issues</li> <li>- Discourage HCL as a way of paying council/utility bills</li> <li>- Work with Food Banks and other anti-poverty initiatives</li> </ul>	<p>N</p> <p>Y</p> <p>Y</p> <p>N</p> <p>N</p> <p>N</p> <p>N</p> <p>N</p>	Continue to promote community fuel deals, healthy lifestyle, digital inclusion, grow your own, furniture re-use and accessible credit.
Provide direct support for those caught up in	<ul style="list-style-type: none"> <li>- Increase money, debt and benefits advice</li> <li>- Include debt review in rent/Ctax arrears cases;</li> <li>- Ensure a unified approach to debt collection by utilising the</li> </ul>	<p>Y</p> <p>N</p> <p>N</p>	Need to provide expert advice on debt and money issues that helps people out of debt. Focused support in targeted arrears around

HCL	Corporate Debt Team and coordination through the Corporate Debt Liaison Group		HCLs
Measure the impact of the approach	<ul style="list-style-type: none"> <li>- Agree indicative KPIs</li> <li>- Review and refresh approach as required</li> </ul>		<p>Key measure will be around access to affordable credit. Indicative measures that support this will be along the lines of:</p> <ul style="list-style-type: none"> <li>- Increase in LCCU membership</li> <li>- LCCU/CDFI loans and value</li> <li>- Amount of debt managed by agencies</li> <li>- Nos signing up to Community Fuel deals</li> </ul> <p>Other measures will be needed and useful to have more qualitative measures that could come from advice sector/tenants surveys or commissioned research, particularly about the effectiveness of raising awareness of a campaign.</p>

## APPENDIX 6 – Affordable credit options

### *Leeds City Credit Union initiatives*

- *Promotion and marketing of LCCU.* A major factor in developing alternative lending facilities to the Pay Day lending market is the lack of capacity of LCCU to be able to intervene in the market in any significant way. Promotion and marketing is an obvious area of difference. This is illustrated by the major media campaigns pursued by Payday lenders including daytime TV and the example of the £24m sponsorship deal of Newcastle United by Wonga.
- *LCCU Web based payday loan financial product.* LCCU has been investigating obtaining the rights to use a fully automated web based pay day loan product from a credit union in London. Although the London credit union involved is very willing to let Leeds City Credit Union use the product there has been licensing issues with the software suppliers which has caused delays. Work is underway to resolve these issues and to develop a scheme to replicate the product in Leeds. The outlook at the moment is that LCCU will be able to make this pay day loan product available during 2013, providing there are no further unforeseen barriers. For the credit union to be able to offer a pay day loan product it has to be web based and as fully automated as possible, otherwise the low level of interest that a credit union is permitted to charge would not cover the costs of issuing very short term and low value pay day type loans. Consideration is being given to delivering this product through Headrow Money Line (see below) which would provide more flexibility on interest rates charged. Even as a web based automated product, the credit union may be bearing a development cost that will not be recovered from the interest charged on the loans.
- *Increasing access to LCCU services.* Work is underway to develop proposals to install kiosk technology in a number of One Stop Centres to provide greater access to LCCU services in those centres where there is no LCCU branch.

### *Community Development Finance Institution (CDFI)*

- The CDFI in Leeds (Headrow Money Line) started lending in November 2012. In the initial months of trading, Headrow Money Line (HML) is taking a deliberately cautious approach to lending in order to embed systems and to protect against risk. HML is providing affordable credit to many of the residents who have been turned down currently for credit union loans. In so doing it will enable these residents to have access to the broader network of support either provided directly through HML or through partner agencies.
- HML offers a source of credit which is significantly lower in cost and therefore much more affordable than payday loan companies, doorstep and similar lenders. CDFIs operating around the country charge interest in the region of 40% to 70%. HML is currently operating at the higher end of this range in order to ensure security of the business and give time to assess the impact of bad debt provision. Although this seems high, it is significantly lower than the typical rate charged by doorstep lenders (300% and above) or of some "payday" lenders (up to 4000% plus).

- HML have processed 34 loans totalling £16,500 in value with a maximum cap of £1,000 set on each loan. There have been two non-payers to date – 50% of applicants referred to HML from LCCU have been rejected because the business risk was judged to be too high and there was concern about affordability of the loan for the client.
- Loans to the value of over £100,000 are rejected by the credit union each month and some of these applicants are invited to apply for loans through the CDFI. The CDFI started operation in the Autumn and the first loans were offered in November. It has been a deliberate policy to start trading in a cautious manner in order to protect the financial viability of the organisation. To date 38 loans have been issued and it is too early to be able to fully evaluate the effect of the CDFI.
- It is hoped that those who have taken out a loan with HML will eventually be migrated to become a LCCU member and have access to lower interest loans and also be encouraged to save. A case study is shown below which provides an insight into what is possible now that the CDFI is operating in Leeds

## **Case Study**

Mr X was turned down for a credit union loan and was offered a loan through Headrow Money Line. He borrowed £1000 over 12 months in order to pay off two existing loans that he had; one with a payday lender and the other with a logbook loan company. The payday lender was charging over 4000% APR interest and the logbook loan company was charging 500%.

## **Loan comparisons**

On the basis of the lower interest rate charges of the two companies ie 500% APR, the amount of charges that Mr X would have had to pay over a 12 month term would have been **£1,320** ie. Total repayments of £2,320

The consolidation loan from Headrow Money Line, over 12 months will see charges of **£353** over the term of the loan.

Mr X is currently meeting his repayments and will have paid off his loan in October 2013. If he continues to make his repayments and clears his loan he will be able to take out further credit directly with the credit union on lower interest rates.

He has taken out membership with LCCU and now has a current account which he is using to manage his finances.