

Community and Equality Impact Assessment

As an authority, we have made a commitment to apply a systematic equalities and diversity screening process to both new policy development or changes to services.

This is to determine whether the proposals are likely to have significant positive, negative or adverse impacts on the different groups in our community.

This process has been developed, together with **full guidance** to support officers in meeting our duties under the:

- Equality Act 2010.
- The Best Value Guidance
- The Public Services (Social Value) 2012 Act

About the service or policy development

Name of service or policy	Developing a Community Banking offer for Barking and Dagenham
Lead Officer	Katy Brown
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Why is this service or policy development/review needed?

Since June 2020, the council has worked with the Financial Inclusion Centre on an options appraisal on access to affordable credit and finance for the borough, enabled by Local Government Association funding. The purpose of this appraisal was to set out evidence of the need and demand for affordable credit and financial services in Barking & Dagenham, looking in particular at subprime credit use, and use this insight to provide a suite of recommendations for what affordable finance provision could look like in the borough.

The options appraisal recommended that Barking & Dagenham partner with a dynamic, forward-thinking Credit Union to extend their delivery into the borough contribute to the development of a holistic community banking offer. This offers the simplest, quickest and most cost-effective route to offering a range of affordable financial products and services to the borough.

We are looking for an innovative, progressive and dynamic credit union, that can provide a broad range of financial services and products, catering to different customer needs including savings accounts, instant loans and transactional banking facilities – both in person and online. We are looking for a partner with a willingness to work with ourselves and community partners to ensure the Community Banking offer meets local need.

It is intended that a Community Banking offer can be launched in the borough in July 2021, however continual evaluation and evolution of the offer to ensure its impact and value for residents is essential.

This first draft Community and Equality Impact Assessment (EQIA) is intended to appraise the impact of a Community Banking offer on the community, based on the position at this point in time (December 2020).

1. Community impact (this can be used to assess impact on staff although a cumulative impact should be considered).

What impacts will this service or policy development have on communities?
Look at what you know. What does your research tell you?

Please state which data sources you have used for your research in your answer below

Consider:

- National & local data sets
- Complaints
- Consultation and service monitoring information
- Voluntary and Community Organisations

- The Equality Act places a specific duty on people with 'protected characteristics'. The table below details these groups and helps you to consider the impact on these groups.
- It is Council policy to consider the impact services and policy developments could have on residents who are socio-economically disadvantaged. There is space to consider the impact below.

Current landscape of financial vulnerability in Barking and Dagenham

We know that Barking & Dagenham is a deprived borough. Most recent data suggests:

- The borough is the 13th most deprived in the country based on the average rank of 10 indicators covering unemployment, benefit claims, income etc.
- The borough is the most deprived in London, ranking highest in terms of unemployment, carers allowance claimants and income support claimants
- Within London, Barking and Dagenham has the second highest proportion of children under 16 living in low-income households

Data from the Financial Lives Survey suggest a fairly broad level of financial vulnerability exists across the borough, as half of the population (51%) say they have a low level of financial knowledge, whilst 57% are not satisfied with their current financial circumstances.

Additionally, the Financial Lives Survey identified Barking and Dagenham as an area of the UK where higher proportions of adults than average have no savings or investments and are identified as being 'in difficulty' - those least financially resilient who have missed paying domestic bills or meeting credit commitments within at least 3 of the last 6 months. This indicates low levels of financial resilience across the borough.

The Money and Pensions Service have also previously undertaken research (2018) to measure the levels of individual over-indebtedness across the country. Over-indebted individuals are defined as those that either: find meeting their monthly bills / commitments a heavy burden; or have missed bill payments in three or more months out of the last six months. Barking & Dagenham's over-indebtedness stands at 24.6% which although lower than Newham (28.2%) is higher than our other near neighbours Redbridge (20.5%) and Havering (16.7%).

Council data highlights that last year (May 2019) over 10,000 households (with 30,000 inhabitants) across the borough owed debt to the council, in terms of council tax and/or rent arrears. The average person in council tax arrears owed £1,700, and those in rent arrears, £583. It was also noted that individuals living in households with council tax debt are 300% more likely to experience homelessness than those who do not.

In summary, this evidence demonstrates a depth of financial challenge not seen in other boroughs. Compared to other London boroughs, residents of Barking and Dagenham are more likely to be in debt, have fewer savings and be less confident managing money.

Although the full economic impact of Covid-19 remains to be seen, Covid has exacerbated the financial challenges already highlighted as well as caused a significant spike in demand for welfare support and related services. Council data suggests:

- 41.6% of the borough's residents are furloughed or on self-employed support
- 100% increase in council tax support applications between July 19 and July 20
- 257% increase in the number of applications to check benefits entitlement between March 2019 and April 2020
- 136% increase in the number of residents claiming unemployment-related benefits between February and May

This data suggests that increasing numbers of people are trying to manage lost or reduced income and are looking to compensate through accessing benefits. Additionally, the numbers of furloughed employments and those accessing self-employment support, highlight the scale of households still at potential risk of increasing financial hardship, pending the resolution of these schemes later this year.

Another indicator of financial vulnerability is an individual's credit score, which highlights how likely you are to be accepted for credit, based on an assessment of how well you have handled credit in the past. Credit scores are determined by several factors, including debts, county court judgements and insolvencies which all drag down credit scores.

Barking and Dagenham, with a rank of 26 out of 387, has the lowest ranking in the 2020 Good Credit Index out of the 32 London boroughs, whilst Westminster has the highest. Barking and Dagenham's ranking for 2020 is worse than the previous year, when we ranked 35th. This slippage down the rankings means Barking and Dagenham is a '*credit desert*' - there is a perfect storm of high need for credit, low credit scores excluding people from accessing mainstream credit and an over-representation of unaffordable lending options. In short, the borough's need for affordable credit massively outstrips its current supply.

Projected use of subprime credit use in Barking and Dagenham is also high. Estimates suggest there are approximately 6,000 annual users of high-cost credit across Barking and Dagenham, accessing approximately 20,000 loans at a total value of over £9.6 million. Whilst these figures are estimates, they are considered conservative estimates, given the exclusion of other non-mainstream credit sources, including illegal money lenders. Due to high interest rates, the value of loans repaid is thought to total approximately £16.7 million. This means an estimated £7.3 million is lost from residents' pockets each year through interest repaid and represents the value of potential savings should residents access loans from more responsible sources through a local credit union. This would be kept in their pockets and be disposable income for the local economy

What the development of a Community Banking offer aims to address

The borough is partnering with a dynamic and forward-thinking credit union to underpin and help facilitate a community banking offer.

The offer of a Credit Union does not always look the same and there is a spectrum of products and services - ranging from the basic to the advanced - that the borough can choose from. An advanced portfolio would demonstrate choice and a bespoke offer, for example savings products for particular reasons (i.e. Christmas), a wide range of affordable loan products (i.e. homeless prevention loans or child benefit loans), current and prepaid accounts, business loans and a white goods / furniture scheme. At a minimum, we are looking for a provider who can offer a broad range of financial services and products, catering to different customer needs, including saving accounts, instant loans and transactional banking facilities – both online and to those who are digitally excluded.

Projections indicate a significant social and economic return on investment for the borough. Based on 3 years and increased levels of uptake seen elsewhere, Barking and Dagenham could see 4,500 new members from across LBBB, with 3,300 of these opening and maintaining a savings account with £950,000 accumulated savings. In addition, access to the main financial services of a Credit Union delivers significant benefits and cost savings to LBBB households, in particular those on the lowest incomes and financially excluded.

Overall, the estimated financial gain for LBBB households over three years would be at least £2.4 million pounds, with each pound spent on the Credit Union implementation generating a social return for the borough of approximately £8.01. Over the three years period, this translates to an estimated average cost saving of £533 across all households - which rises to £1,601 cost savings for the most financially vulnerable households accessing the credit union services.

Wellbeing Valuation has been accepted as a robust and rigorous method of measuring social impact. This approach allows organisations to measure the success of social interventions by analysing how much they increase people's wellbeing. To do this, the results of large national surveys are analysed to isolate the impact of a particular factor on a person's wellbeing.

Using this methodology alongside other examples from across the Credit Union sectors estimates that over the initial three-year period the new credit union service would deliver an overall social impact of £11,406,787 for those residents who are on the lowest-incomes and financially excluded.

This value represents the uplift in well-being for these residents due to their relief from being heavily burdened with debt, feeling in control of their life and improved financial comfort. Essentially, if the credit union service was not implemented each resident would need to receive £7,605 to generate a similar increase in their wellbeing. Taking the minimum proposed project budget of £300,000 into account, for every £1 spent on the credit union service, an estimated £38.02 of social impact would therefore be created.

There is limited available research estimating the local economic impact of improving access to affordable finance. The most applicable return on investment research is taken from work undertaken by Circle Housing that estimated the 'economic multiplier' of its CH Money work

with Leeds Credit Union. Research from this work estimated that for every £1 investment, there was an additional £5.60 benefit to the economy. Within Barking and Dagenham, this translates into an economic multiplier of £1.7 million.

However above all, more affordable and sustainable options for accessing affordable credit and financial services will make a difference to the lives of the borough’s residents. This could be providing immediate access to credit and capital after an unexpected event – such as a boiler or washing machine breaking. As we heard during *The Fix*, these unexpected expenses have the potential to tip people into hardship. Having a Community Banking offer will provide an affordable alternative to high-interest loans that often result from unexpected expenses. A further benefit for residents is having increased access to everyday finance and banking, whether this is a current account or a savings account for a particular occasion, multiple needs can be catered for. Increased savings and keeping pounds in people’s pockets means people are providing with the choice and autonomy to regain control of their lives and spend on what is important to them.

Typical customer profiles for different subprime credit types have been identified as follows (collated from a collection of reports from the Financial Conduct Authority, Citizens Advice and Financial Inclusion Centre).

Table 1:

	HCSTC	Home Collected Credit	Rent to Own	Pawnbroker	Illegal Money Lending
Gender (typical)	Male	Female	Female	Female	Male
Median Average Age	32	42	36	39	35-54
Employment status	Working (F/P time)	Unemployed	Unemployed	Unemployed	Unemployed
Median Income (Net)	£20,000	£15,500	£16,100	£15,000	Under £15,000
Housing tenure	Rented	Socially rented	Rented	Socially rented	Socially rented
Credit score	Fair/poor	Poor / Very Poor	Very Poor	Very Poor	Poor / Very Poor

Although these are average profiles, these demonstrate the circumstances of individuals or households who are more likely to access subprime credit and, therefore, the households that the Community Banking offer aims to support and will especially benefit. A Community Banking offer will most directly benefit those who: are either unemployed, have a low income, are of working age, who rent (either socially or privately) and who have poor or very poor credit scores.

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Conclusion

Overall, Barking & Dagenham is a place of significant financial hardship, low average credit scores and, resultantly, significant use of high interest credit. This work represents an attempt to intervene in the subprime credit market to reduce its dominance and adverse outcomes it generates, while providing more ethical and affordable alternatives for residents, as well as wider support around savings and money / debt advice and guidance to boost financial resilience. This work directly and most significantly benefits those who are socio-economically disadvantaged.

Potential impacts	Positive	Neutral	Negative	What are the positive and negative impacts?	How will benefits be enhanced and negative impacts minimised or eliminated?
Local communities in general	X			<p>Financial gains for households, associated uplift in wellbeing and more money kept in local economy</p> <p>Opportunity to access more affordable credit, fairer financial products/services and money/debt advice and guidance</p>	<p>Widespread comms and marketing plan run by the credit union, LBBD and partners to maximise uptake of the offer, build membership to the credit union and ensure those who need the service most are aware of it</p>
Age	X			<p>Possibility to targeting cohorts of a certain age with products i.e. automatically opening savings accounts for care leavers or children of a certain key stage – to build financial education from a young age.</p> <p>Potential challenge around access to the offer for elderly and digital excluded residents.</p> <p>As table 1 shows, the average age of customers who tend to access subprime credit is 32-55 years old, meaning</p>	<p>Will engage early across the organisation and relevant service areas to discern where this possibility will be of greatest impact. Will use service user voice to help determine and shape provision</p> <p>We are asking the credit union to be digital by default, however it is also a requirement that the selected provider is able to deliver to those who are digitally excluded, ensuring elderly residents who are digitally excluded can still access.</p>

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			additional positive benefits anticipated for this cohort.	
Disability	X		<p>Financial gains for households, associated uplift in wellbeing and more money kept in local economy</p> <p>Opportunity to access more affordable credit, fairer financial products/services and money/debt advice and guidance</p>	No foreseen specific impacts in terms of disability
Gender reassignment	X		<p>Financial gains for households, associated uplift in wellbeing and more money kept in local economy</p> <p>Opportunity to access more affordable credit, fairer financial products/services and money/debt advice and guidance</p>	No foreseen specific impacts in terms of gender reassignment
Marriage and civil partnership	X		<p>Financial gains for households, associated uplift in wellbeing and more money kept in local economy</p> <p>Opportunity to access more affordable credit, fairer financial products/services and money/debt advice and guidance. Possibility to implement bespoke savings products such as 'save for a wedding'</p>	Will engage early across relevant service areas to discern whether the possibility of 'save for a wedding' product would be helpful for the borough. Will use service user voice to help determine and shape provision.
Pregnancy and maternity	X		<p>Opportunity to access more affordable credit, fairer financial products/services and money/debt advice and guidance. Possibility to access Child Benefit loans, to save and borrow specifically from your</p>	Will engage early across the Benefits Team and relevant service areas to discern where this possibility will be of greatest impact. Will use service user voice to help determine and shape provision.

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			child benefit for your children	
Race (including Gypsies, Roma and Travellers)	X		<p>Financial gains for households, associated uplift in wellbeing and more money kept in local economy</p> <p>Opportunity to access more affordable credit, fairer financial products/services and money/debt advice and guidance</p>	No foreseen specific impacts in terms of gender reassignment
Religion or belief		X	<p>Opportunity to access more affordable credit, fairer financial products/services and money/debt advice and guidance across religions.</p> <p>However, 'neutral' has been selected as Sharia and Islamic compliant finance prohibits earning or paying interest, having potential implications on the uptake of the offer in Muslim communities.</p>	<p>There is a fully Sharia compliant Credit Union operating across the Greater Manchester region, which we will use to research and model for equivalent provision in Barking & Dagenham.</p> <p>We will engage widely with the community on the design of the Community Banking offer, using existing spaces such as the Faith Forum to consult on this question.</p>
Sex	X		<p>Financial gains for households, associated uplift in wellbeing and more money kept in local economy</p> <p>Opportunity to access more affordable credit, fairer financial products/services and money/debt advice and guidance</p>	No foreseen specific impacts in terms of sex
Sexual orientation	X		<p>Financial gains for households, associated uplift in wellbeing and more money kept in local economy</p> <p>Opportunity to access more affordable credit, fairer financial products/services and</p>	No foreseen specific impacts in terms of sexual orientation

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Socio-economic Disadvantage	X		<p>money/debt advice and guidance</p> <p>Overall, Barking & Dagenham is a place of significant financial hardship, low average credit scores and, as a result, significant use of high interest credit. This work represents an attempt to intervene in the subprime credit market to reduce its dominance and adverse outcomes it generates, while providing more ethical and affordable alternatives for residents, as well as wider support around savings and money / debt advice and guidance to boost financial resilience. This work directly and most significantly benefits those who are socio-economically disadvantaged.</p> <p>As table 1 shows, those who are unemployed and have low household incomes c£15-16k are more likely to access subprime credit, meaning additional positive benefits for this cohort through Community Banking.</p>	<p>The whole essence of this work is to increase the financial security of those who are socio-economically disadvantaged.</p> <p>We are asking the credit union to be digital by default, however it is also a requirement that the selected provider is able to deliver to those who are digitally excluded.</p> <p>Appropriate pathways into Community Solutions and community support will be determined, to support those whose wider challenges need addressed, to ensure we tackle the root cause.</p>
Any community issues identified for this location?		X	N/A - This work relates to the whole borough and not a specific 'location'	

2. Consultation.

Provide details of what steps you have taken or plan to take to consult the whole community or specific groups affected by the service or policy development e.g. on-line consultation, focus groups, consultation with representative groups.

If you have already undertaken some consultation, please include:

- Any potential problems or issues raised by the consultation
- What actions will be taken to mitigate these concerns

The only consultation that has already taken place (as at December 2020) is internally within LBBD. This was an 'Ideas Challenge' where the purpose was to get initial and early views from staff within the council regarding what the community banking could look like i.e. what products or services could it include, how these could be linked into existing services, how the offer could be promoted, and how staff could be encouraged to save through the provision. This insight is being used to shape the design and implementation of the service, and to identify staff who are engaged and who could act as 'champions' within different areas. The outcomes / specific insights shared through this challenge are currently being read.

However, we recognise we need to engage much wider and plan to consult with community groups and residents in early 2021, which is currently being planned. We have 2 community representatives on the Project Board (Citizens Advice and DABD), who have been engaged early and will help guide community and resident consultation. Broadly, we anticipate community consultation will cover – what would encourage people to take up the offer, identifying any barriers to accessing and seeking views on how people think the offer could make a difference to their life. This all points towards shaping what the offer looks like, to ensure it genuinely reflects the needs and aspirations of the borough's residents.

No potential problems are currently anticipated.

This EQIA will be updated as this consultation occurs, including the mitigating actions taken as a result.

3. Monitoring and Review

How will you review community and equality impact once the service or policy has been implemented?

*These actions should be developed using the information gathered in **Section 1 and 2** and should be picked up in your departmental/service business plans.*

Action	By when?	By who?
Review the EQIA in light of having carried out community consultation. This document will be updated with an overview of the consultation, its findings, any problems arising and how we aim to minimize the impact	April 2021	Katy Brown, Programmes and Strategy Officer, Community Solutions
Review the EQIA in light of service launch (estimated June/July 2021)	July 2021	Katy Brown, Programmes and Strategy Officer, Community Solutions
It is intended that the Community Bank will continually evolve and develop over time. Therefore the EQIA will be reviewed and monitored on a quarterly basis after the launch	October 2021, January 2021 etc	Katy Brown or relevant officer

4. Next steps

It is important the information gathered is used to inform any Council reports that are presented to Cabinet or appropriate committees. This will allow Members to be furnished with all the facts in relation to the impact their decisions will have on different equality groups and the wider community.

Take some time to summarise your findings below. This can then be added to your report template for sign off by the Strategy Team at the consultation stage of the report cycle.

Implications/ Customer Impact

The Borough Manifesto sets out the council’s commitment to empowering people and growing the borough inclusively, so everyone has the opportunity to live a healthy, safe and independent life. It identifies debt and financial insecurity as one of several complex challenges continuing to impact too many in Barking & Dagenham. A key strand of our Inclusive Growth Strategy relates to a cross-cutting theme around money, debt and poverty reduction. Increasing access to affordable credit and financial services through a Community Banking offer aligns with and builds on a range of activity already underway relating to debt, prevention and strengthening financial resilience, contributing both to this wider agenda as well as to other linked initiatives.

Two particular insights drive the borough’s desire to implement this offer. Firstly, Barking and Dagenham ranks 26th lowest out of 387 local authorities in terms of the credit scores of the local population. This has reduced from 35th place last year and is low enough for the borough to be classified as a ‘credit desert’ – a place where people are significantly excluded from access to mainstream credit. Secondly, conservative estimates suggest that 6,000 households take out approximately 20,000 loans at a total value of over £9.6 million each year. Due to high interest rates, the value of loans repaid is thought to total approximately £16.7 million. This means an estimated £7.3 million is lost from residents’ pockets each year through interest.

This is a significant challenge driving further poor financial outcomes that we must act to address. Working with a credit union to underpin a Community Banking offer, will increase access to more affordable credit and fairer financial services, linked into wider money and debt support and advice from Community Solutions and through the community.

Based on benefits realised elsewhere, it is predicted that this work could have significant return on investment. After 3 years, it is predicted that the borough could:

- Reach 4,500 new members
- Generate £2.7 million cost savings for local households
- Generate £11.4 million wider social, health and wellbeing impact
- Generate £1.7 million financial benefit for the local economy

Above all, the positive impact is really brought into focus when thinking about the benefits to the community. There will be increased access to credit and money to help cope with unexpected expenses and an array of savings and everyday finance products available to help people build savings, resilience and enable them to live healthier and more independent lives.

5. Sign off

The information contained in this template should be authorised by the relevant project sponsor or Divisional Director who will be responsible for the accuracy of the information now provided and delivery of actions detailed.

Name	Role (e.g. project sponsor, head of service)	Date
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Rhodri Rowlands	Head of Programmes, Community Solutions	