



NORWICH City Council

Committee name: Cabinet

Committee date: 17/07/2024

Report title: Progress on Motion 12(c), approved at council on 30 January 2024

Portfolio: Councillor Giles, cabinet member for a fairer Norwich

Report from: Executive Director of Communities and Housing

Wards: All Wards

OPEN PUBLIC ITEM

FOR DECISION

Purpose

Motion 12(c) was approved at council on 30 January 2024. The motion stated: “It costs more to be poor: tackling the poverty premium in Norwich”. This report refers specifically to resolution 8c within the motion to “take reasonable endeavours to bring forward a Norwich Affordable Financial Services Strategy feasibility study, as part of the planned EDI Action Plan workstream... to June cabinet”.

The purpose of this report is to update cabinet on:

- (i) progress made to date towards the development of an Affordable Financial Services Strategy feasibility study as stated in motion 12c.

Recommendation:

It is recommended that cabinet:

- (i) **note** the work undertaken so far towards the preparation of a feasibility study for the development of a Norwich Affordable Financial Services Strategy; and
- (ii) **agree** that this feasibility study be progressed in parallel with the business planning elements of the council’s community-led plan *We are Norwich*, particularly the *Fairer Norwich* priority, with the study being considered by cabinet at a future date when the business plan has been fully developed.

Policy framework

The council has five corporate priorities, which are:

- An Open and Modern Council

- A Prosperous Norwich
- A Fairer Norwich
- A Climate Responsive Norwich
- A Future-Proof Norwich

This report responds to the ambitions as outlined under the *A Fairer Norwich* priority, specifically the outcomes “people have better health outcomes and longer life expectancy” and “tackle the root causes of disadvantage”.

Report details:

Motion 12(c), Council Meeting, 30 January 2024:

1. At council on 30 January 2024, amendments to motion 12(c) proposed by Cllr Galvin and seconded by Cllr Haynes – “It costs more to be poor: tackling the poverty premium in Norwich” – were passed. The motion is attached at appendix 1.
2. Within this motion, resolution 8c tasked the council’s strategy team to “take reasonable endeavours to bring forward a Norwich Affordable Financial Services Strategy feasibility study, as part of the planned EDI Action Plan workstream... to June cabinet”. This included the specific workstreams as set out below:
 - a. Present the evidence as collected based on Resolution 8(a) (see appendix 1).
 - b. Identify the relevant partnership prospects, including through the Norwich 2040 City Vision Partnership, highlighting challenges and opportunities.
 - c. Scope a top-level proposition in relation to the feasibility of a Norwich Affordable Financial Services Strategy.
 - d. Identify the resources that would be needed to deliver a potential Norwich Affordable Financial Services Strategy.
 - e. Set out a practically viable timescale for commencing work on a potential Norwich Affordable Financial Services strategy in alignment with the EDI Action Plan.

The feasibility study:

3. Work is underway to deliver against the tasks identified in the motion, albeit a final feasibility study is not yet ready for publication. Progress to date broadly breaks down into the following areas:

Gathering evidence of need:

- a. Local approaches to the provision of affordable credit should be evidence-based and built on a robust and detailed understanding of the needs of the local community. This is vital to maximising the effectiveness and value of local delivery, ensuring its scale meets local needs and that it can be targeted to those who need it the most.

- b. Building a holistic evidence base that includes modelling of the potential scale and cost of existing high-cost credit use will enable the council to make informed decisions about investment in local affordable finance provision.
- c. Work on developing this evidence base is advanced, with a clearer picture now emerging of the scale of the problem in Norwich, as well as nationally. This includes analysis of the latest poverty reports from the Joseph Rowntree Foundation, Plend, the Fabian Society and Fair by Design, and consideration of available datasets across access to support services, access to formal debt solutions, credit scores, and relevant data from Norfolk Community Advice Network (NCAN), the Financial Inclusion Consortium (FIC), the Office of National Statistics (ONS) and Norfolk Insight, as well as indices of deprivation (e.g. by examining Norwich's Reducing Inequalities Target Areas (RITAs) data).
- d. In addition to the above, officers are also seeking data around financial vulnerability markers, use of foodbanks and housing accounts in arrears as well as assessing the scale and impact for those on low incomes and benefits.
- e. The complexity of issues around this work are documented in [research by the University of Bristol](#) which finds that the average low-income household incurs about four different types of poverty premium, with around three-quarters (73%) incurring three or more premiums, over half (55%) incurring four or more, and more than a third (38%) incurring five or more. This highlights the challenge that is faced in reducing the poverty premium that low-income households pay, as it requires action across multiple domains and by multiple stakeholders.

4. Mapping existing provision (locally as well as nationally):

- a. Dialogue with local credit unions (Wherry Dragon and Norfolk First) has been initiated to understand the existing offer within Norwich and to begin identifying the scale of demand and any emerging opportunities and challenges. These conversations are ongoing and have yet to take place with Norwich Credit Union and with local banks. When complete, a fuller and more robust picture of what is available in Norwich, how applicants are assessed, and the level of loan rejection rates will become apparent.
- b. The prevalence of illegal money lenders and the use of buy-now-pay-later schemes are also being assessed, liaising with Norfolk County council about the former, and the Financial Inclusion Consortium and local Citizens Advice teams to gauge the scale of use of the latter. This is complemented by planned analysis of Financial Conduct Authority data with a view to drilling down to a local level if this is feasible.
- c. Conversations with the council's own housing team are also ongoing to assess data on contents insurance uptake for social housing tenants and opportunities for the council to promote this as a means of reducing poverty premiums, noting that current use is low. Officers will also consider the opportunities provided by social tariffs (e.g. for energy or

water use) and discuss the potential of automated referrals and better promotion of these benefits with the Department of Work and Pensions (DWP) for those on Universal Credit.

- d. Going forwards, working with the Financial Inclusion Consortium, they will also investigate if there are local community finance providers operating in or near Norwich (such as community development financial institutions (CDFIs) like [Burnley Savings and Loans](#) (BSAL), an independent lending company that returns profits to charities, including local food banks and community centres).

5. The work of other local authorities and public sector bodies in affordable financial services:

- a. There is a clear need to understand how others are operating in this field and to learn from their experiences and expertise. The Local Government Association (LGA) has been working with a group of seven councils on a [Reshaping Financial Support programme](#) looking at how to design and implement early intervention financial support and services that can prevent low income households developing further financial issues.
- b. Officers are seeking to identify the relevant officers within local authorities in other areas that have led on this work to gain clarity around what is in scope and their organisations' ability to navigate wider, contextual forces playing out on a national scale; to consider the benefits of a commissioning model against whether councils are best placed to offer affordable finance, assessing value; and to consider reputational disbenefit, examining the reputational risks for a council if – for example – it is seen to promote vulnerable individuals' use of credit union loans which can draw people further into debt.

6. Strategy costings and timelines:

- a. The feasibility study will set out the costs of developing a Norwich Affordable Financial Services Strategy, noting the potential scope of the work and its complexity.
- b. The EDI Action Plan is scheduled for completion in December 2024. The strategy – if commissioned – would be a major strand of work within this plan.

Consultation:

7. Details of the consultation underway to deliver the feasibility study are given above. It should be noted that not all consultees have yet been identified. In headline, consultees include but are not limited to:
 - a. Relevant research and data providers, including in-house teams as well as external local, regional and national bodies.
 - b. Relevant financial services providers, including banks, insurers and credit unions.
 - c. Other public bodies operating in the field of affordable financial services.

- d. Relevant voluntary and community sector organisations, including the council's own groups, boards and consortiums (e.g. the Financial Inclusion Consortium).
- e. Potential partners – local, regional and national.

Next steps

- 8. The council will continue to undertake the work needed to develop an Affordable Financial Services Strategy feasibility study. Since the motion, council has agreed a community-led plan – *We are Norwich* – which includes a *Fairer Norwich* priority. It is recommended that progress towards the feasibility study is considered as part of the business planning process to deliver the community-led plan, as well as the development of the forthcoming EDI action plan which was agreed as part of the council's Equality Diversity and Inclusion Strategy in January 2024.

Implications

Financial and resources

- 9. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its corporate plan 2024-29 and its annual budget.
- 10. There are no proposals in this report that would reduce or increase resources. Costed proposals for the development of a Norwich Affordable Financial Services Strategy will be contained within the feasibility study when it is submitted to cabinet. The cost of the feasibility study itself is being met from current resources in the Strategy team.

Legal

- 11. No legal implications have been identified in the writing of this status report. Any identified implications for the development of a Norwich Affordable Financial Services Strategy will be presented in the feasibility study when it is submitted to cabinet later in the year.

Statutory considerations

Consideration	Details of any implications and proposed measures to address:
Equality and diversity	<p>Tackling socioeconomic disadvantage is a key priority area within the council's newly adopted EDI Strategy 2024/27 and within the new community-led corporate plan – <i>We are Norwich</i> (under its <i>A Fairer Norwich</i> priority).</p> <p>Any solutions proposed within the feasibility study and – if commissioned – the Norwich Affordable Financial Services Strategy – would support socioeconomically disadvantaged groups.</p> <p>An EqIA would be undertaken to gauge the potential impacts of such a strategy and be a requirement of any commission.</p>
Health, social and economic impact	<p>A Norwich Affordable Financial Services Strategy would support better health, social and economic outcomes for Norwich communities. This aligns with the EDI Strategy cited above in that it supports its aim to focus on prevention and early intervention to reduce inequalities, as well as with the <i>A Fairer Norwich</i> Priority within the community-led plan, <i>We are Norwich</i>.</p>
Crime and disorder	<p>The scope and uptake of illegal money lenders will be considered within the feasibility study and further explored in the strategy if this is commissioned, seeking to provide households with appropriate alternatives to such financing.</p>
Children and adults safeguarding	<p>As per the EDI Strategy and community-led plan, both cited above, a Norwich Affordable Financial Services Strategy (if commissioned) would seek to protect those vulnerable to the poverty premium, building resilience for households and better supporting families facing financial hardship.</p>
Environmental impact	<p>No environmental impacts have been identified in the development of this report.</p>

Risk management

Risk	Consequence	Controls required
Operational	Whilst there has been progress, there remains challenges which have meant that a full feasibility study is not available for June/July cabinet. See item 15 below.	The strategy team will continue to undertake the work needed to develop an Affordable Financial Services Strategy feasibility study. Since the motion, council has agreed a community-led plan – <i>We are Norwich</i> – which includes a <i>Fairer Norwich</i> priority. It is recommended that progress towards the feasibility study is considered as part of the business planning process to deliver the community-led plan, as well as the development of the forthcoming EDI action plan which was agreed in the council's Equality Diversity and Inclusion Strategy
Legal	No legal risks have been identified as part of this report excepting those seeking support from illegal money lenders.	A Norwich Affordable Financial Services Strategy would address this issue by offering alternative and affordable means of finance.
Reputational	If it is seen to promote vulnerable individuals' use of credit, the council may suffer reputational disbenefit.	Consultation with other public bodies operating within this field will be undertaken as part of the feasibility study, and any mitigations identified will be carried through to the Norwich Affordable Financial Services Strategy, if commissioned.

Other options considered

12. No other reasonably viable options have been identified.

Reasons for the decision/recommendation

13. This report asks cabinet to agree that the feasibility study progressed in parallel with the business planning elements of the council's community-led plan *We are Norwich*, particularly the *Fairer Norwich* priority, with the study being considered by cabinet at a future date when the business plan has been fully developed.

14. Whilst there has been progress, there remains challenges which have meant that a full feasibility study is not available for the June cabinet as stated in the motion. These include:

- a. The requirement to move this report to July cabinet, following the cancellation of the June sitting.

- b. The significant scope of research needed to inform a robust and locally-focussed study.
- c. The paucity of data in a local context and the significant delay this has caused in identifying relevant sources and understanding the breadth of the issues faced.
- d. The identification of key organisations and the personnel within them who may be best-placed to help interrogate options.

Background papers: None

Appendices:

- Appendix 1: Motion 12(c) “It costs more to be poor: tackling the poverty premium in Norwich” (amended 30 January 2024).

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Motion 12(c) – Accepted Amendment

Motion to: Council

30 January 2024

Subject: It costs more to be poor: tackling the poverty premium in Norwich

Proposer: Councillor Galvin

Seconder: Councillor Haynes

An amendment has been received from **Councillor Giles**.

Councillor Giles is amending the motion as follows:-

Inserting the words “**presented through future Equality Information Reports**” after the words “**in Norwich**” in resolution 7)

Inserting the following resolution before resolution c) so that it becomes resolution c):

“c) Take reasonable endeavours to bring forward a Norwich Affordable Financial Services Strategy feasibility study, as part of the planned EDI Action Plan workstream, on the below to June Cabinet:

- (i) Presenting the evidence as collected based on Resolution 8A above**
- (ii) Identifying the relevant partnership prospects, including through the Norwich 2040 City Vision Partnership, highlighting challenges and opportunities**
- (iii) Scoping a top-level proposition in relation to the feasibility of a Norwich Affordable Financial Services Strategy**
- (iv) Identifying the resources that would be needed to deliver a potential Norwich Affordable Financial Services Strategy**
- (v) Setting out a practically viable timescale for commencing work on a potential Norwich Affordable Financial Services Strategy in alignment with the EDI Action Plan”**

Inserting the following after the new resolution c), to become resolution d): “**d) A potential Norwich Affordable Financial Services Strategy produced on a practically viable timescale may include:**”

Replacing resolutions c), d), e), f), g) and 9) with the following:

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“(i) A Project Mandate for investment in local credit unions, possibly including its ‘in house’ Wherry Dragon credit union. This could possibly be via subordinated debt or deferred shares, and would necessarily involve identification of how affordable finance products could be best used to support cost-effective council service delivery, by engaging with local providers to discuss potential product development opportunities. For example, this may include developing a business case in partnership with credit unions and Norwich 2040 City Vision partners to provide financial support through investment to develop targeted products in line with the council’s corporate plan objectives and the objectives of the Norwich 2040 City Vision (examples may include extending managed credit to those struggling via tailored, manageable loans, or targeted loans at reduced interest rates for home improvements that increase energy efficiency

(ii) Aligned with a plan of engagement with, and support of, affordable lenders, a plan to encourage and facilitate their adoption of the Affordable Credit Code of Practice as necessary.

(iii) Examination of using the criteria highlighted within the Affordable Credit Code of Practice to inform future commissioning/ contracting processes for affordable finance provision, to ensure the quality and effectiveness of local services.

(iv) Consideration of how access to affordable finance provision, including the council’s insurance offer to tenants, is robustly integrated with wider support services, including those of the council and local voluntary and community sector partners. This may include the development of an effective outreach campaign to support access to and uptake of affordable finance provision, drawing on behavioural insights to increase the effectiveness of the campaign. This could e.g. include embedding reference to local affordable finance provision and the ‘stop the loan sharks’ team within relevant council tax communication processes

(v) Development of, together with partners, a robust evaluation framework with clear metrics and success criteria to regularly assess the impact of this strategic work on access to affordable finance.

(vi) Consideration of how the aims of the Strategy align with the treasury management strategy, balanced with consideration of security, liquidity and yield.”

Removing resolution 10)

So that the revised motion becomes:-

The cost-of-living crisis and 15 years of stagnant incomes mean that many Norwich residents are going into 2024 worse off. The benefits of decreasing inflation and tax cuts will not be felt by the 20-30 percent of people with the lowest incomes who will

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see their incomes fall rather than rise, and special payments by the government will end in April.

The impact of the crisis on Norwich residents is well documented. Around 55,500 people in Norwich live in areas that are among the 20% most deprived in England.

High unemployment and poverty have been part of life in some wards in our city for generations but the cost-of-living crisis has sharpened the effects. Children's health is compromised. Recently we have seen evidence of children in Norwich suffering from rickets, and evidence from a head teacher of having to carry malnourished children to the doctor, two year olds trying to eat sand because they are hungry, and increasing absence due to ill health from poverty.

Norfolk is one of the worst-affected areas for malnutrition, with the Norfolk and Waveney Integrated Care Board (ICB) recording a malnutrition rate of 6.7%, the highest of any ICB in the country, according to a report from Future Health research centre.

The 'poverty premium' - the name for the syndrome where people living in poverty end up paying more for goods and services - worsens with increasing poverty. It harms the physical and psychological health, welfare and quality of life of residents. This penalty for living in poverty exacerbates the difficulties of managing a low income. The premium exists in many dimensions, but areas where its impact is worst include: not paying by the cheapest billing method; geographical premiums for e.g. car insurance; paying to access money; and having to use higher-cost credit.

All these elements add to keeping people in poverty, both in and out of work, and are impacting increasingly. Figures from the anti-poverty campaign Fair by Design show that in Norwich south a third of households have experienced one or more poverty premiums and the average cost of these premiums to households in poverty is £466. In Norwich north 26% of households were paying a premium of some kind, the total cost of the poverty premium is £4,681,591 and average cost to households in poverty is £ 454. This is money that could be in people's pockets, and in the local economy.

Debt is a particularly bad problem and increasing at an alarming rate. Figures from the latest Norfolk Community Law Service Impact Report (2022/23) show clients with £3 million of debt, up from £1.9 million in 2021/22, with a 52% increase in the value of debt written off/renegotiated from 2021/22, and average debt of clients up 113% from previous year. Increase in average debt for clients went from £4,429 in 2019-20 to £15,550 in 2022-23.

Council notes:

- 1) In 2018 the UN's special rapporteur on extreme poverty described in detail the gross misery that the UK's Conservative government has inflicted on the population through the "punitive, mean spirited, and often callous" policies of austerity. Today this situation is worse, and a second UN rapporteur recently described the government's approach as a human rights law violation.

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- 2) Today in the UK an inexcusable one million children live in destitution, four million children face food insecurity, and 4.2 million children live in poverty, and this council states, and deplores the fact that it is this Conservative government's cuts in public services, wages, and benefits that have put them there.
- 3) Local councils like Norwich can support tackling the poverty premium within service functions relating to housing, economic development, community and wider support functions. Norwich city council continues to work to improve sustainable warmth for its citizens and on ongoing financial inclusion initiatives.
- 4) Given its leadership role within local communities, Norwich city council is well placed to ensure that the right partnerships are in place to facilitate a coordinated approach.
- 5) Norwich city council has an insurance provider available for tenants (11) and a long history of establishing and working with credit unions and advice organisations to support its communities' access to credit and advice. Currently under 9 percent of tenants use the scheme for insurance and the trend has been downwards for the past five years. The credit unions are also seeing a fall in users. An increase in the use of both of these services will assist in protecting residents from paying the poverty premium.
- 6) Given the financial pressure on councils, investing in credit union capital can allow credit unions to expand their operations while retaining the investment as an asset on the council's budget sheet, which may present a more attractive funding proposition than a grant.

Council **RESOLVES** to:

- 7) Ask cabinet to make an immediate written commitment to monitor and address poverty premium impacts and levels in Norwich, presented through future Equality Information Reports, similar to the council's Fuel Poverty Commitment
- 8) Take action on this commitment, by asking cabinet to consider developing and working within a strategic framework to:
 - a) inform improving access to affordable financial services. This will require building a holistic local evidence base that includes estimations of the scale and cost of the issue. Effective ways of improving access to affordable financial services should further be informed by considering the success of national and international projects to address the issue (e.g. the No Interest Loan Scheme Pilot).

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- b) Draw on people’s lived experiences to inform strategies to reduce the poverty premium in Norwich.
- c) Take reasonable endeavours to bring forward a Norwich Affordable Financial Services Strategy feasibility study, as part of the planned EDI Action Plan workstream, on the below to June Cabinet:
 - (i) Presenting the evidence as collected based on Resolution 8a) above
 - (ii) Identifying the relevant partnership prospects, including through the Norwich 2040 City Vision Partnership, highlighting challenges and opportunities
 - (iii) Scoping a top-level proposition in relation to the feasibility of a Norwich Affordable Financial Services Strategy
 - (iv) Identifying the resources that would be needed to deliver a potential Norwich Affordable Financial Services Strategy
 - (v) Setting out a practically viable timescale for commencing work on a potential Norwich Affordable Financial Services strategy in alignment with the EDI Action Plan
- d) A potential Norwich Affordable Financial Services Strategy produced on a practically viable timescale may include:
 - (i) A Project Mandate for investment in local credit unions, possibly including its ‘in house’ Wherry Dragon credit union. This could possibly be via subordinated debt or deferred shares, and would necessarily involve identification of how affordable finance products could be best used to support cost-effective council service delivery, by engaging with local providers to discuss potential product development opportunities. For example, this may include developing a business case in partnership with credit unions and Norwich 2040 City Vision partners to provide financial support through investment to develop targeted products in line with the council’s corporate plan objectives and the objectives of the Norwich 2040 City Vision (examples may include extending managed credit to those struggling via tailored, manageable loans, or targeted loans at reduced interest rates for home improvements that increase energy efficiency).
 - (ii) Aligned with a plan of engagement with, and support of, affordable lenders, a plan to encourage and facilitate their adoption of the Affordable Credit Code of Practice as necessary.
 - (iii) Examination of using the criteria highlighted within the Affordable Credit Code of Practice to inform future commissioning/ contracting processes for affordable finance provision, to ensure the quality and effectiveness of local services

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- (iv) Consideration of how access to affordable finance provision, including the council's insurance offer to tenants, is robustly integrated with wider support services, including those of the council and local voluntary and community sector partners. This (REMOVE should) may include the development of an effective outreach campaign to support access to and uptake of affordable finance provision, drawing on behavioural insights to increase the effectiveness of the campaign. This could e.g. include embedding reference to local affordable finance provision and the 'stop the loan sharks' team within relevant council tax communication processes.
- (v) Development of, together with partners, a robust evaluation framework with clear metrics and success criteria to regularly assess the impact of this strategic work on access to affordable finance.
- (vi) Consideration how the aims of the Strategy align with the treasury management strategy, balanced with consideration of security, liquidity and yield.