

South Tyneside Local Strategic Partnership



South Tyneside Credit Union



South Tyneside Council

# Enterprise in Disadvantaged Communities

A research report into a Neighbourhood Renewal Fund Project in South Tyneside



Paul A Jones and Simon Rahilly  
Liverpool John Moores University  
June 2006

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Neighbourhood Renewal Fund Project  
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South Tyneside Local Strategic Partnership



# Executive Summary

## 1 The project

*Enterprise in Disadvantaged Communities (EDC)* was a multi-activity Neighbourhood Renewal Fund project designed to address poverty and disadvantage in South Tyneside. It was organised and delivered by an anti-poverty partnership consisting of the Tyneside Economic Development Company Ltd. (TEDCO), South Tyneside Credit Union (STCU), South Tyneside MBC, South Tyneside Resource for Initiating Development of the Economy (STRIDE) and South Tyneside Citizens Advice Bureau (STCAB). The project ran from April 2004 to March 2006

## 2 The context

The aims of the project related directly to the Government's commitment to tackle deprivation in the most deprived neighbourhoods and to ensure that no one is disadvantaged by where they live. In line with the National Strategy Action Plan, "*A New Commitment to Neighbourhood Renewal*" (SEU 2001), EDC was built on an understanding of partnership working across sectors and of improving services within deprived neighbourhoods to narrow the gap with other areas.

## 3 The research

Liverpool John Moores University was commissioned to undertake research into the impact and effectiveness of the project. This took place from January to March 2006.

## 4 The findings

EDC exceeded project targets in the key areas of business development and start-up, benefit maximisation, conversion from high cost to affordable credit union loans, increasing credit union membership, provision of financial literacy training and the development of business skills for community and voluntary organisations.

Unlike many traditional anti-poverty initiatives, the EDC project took a proactive approach to tackling the multi-dimensional and multi-faceted aspects of poverty and disadvantage in low income communities. Its impact was maximised through the inter-agency approach developed by the steering group. This was an impressive distinguishing feature of the project. It enabled activities to be targeted on the areas of greatest need.

### Creating wealth

#### a. Business start-up in disadvantaged areas

61 businesses were established through the intervention of the TEDCO UCan2 project activity of which 41 (67%) were within the NRF wards. The original target was to create 28 new businesses, at least 25 of which were to be within the twelve NRF wards.

The case studies illustrate how the personal one-to-one support and professional business development service offered by UCan2 staff began to change the way beneficiaries thought about the organisation and management of their businesses.

#### b. The development of social enterprise

Through the development of a local forum, a Social Enterprise Strategy was agreed and adopted. However, the development of new social enterprises proved difficult. This reflected a general lack of social enterprise expertise within the Borough, coupled with a low level of commitment and understanding. Two social enterprises resulted from the project, one a subsidiary of STRIDE created to manage workspace and the other an accommodation scheme for young people.

## Retaining money

### a. Credit union high cost loan replacement

South Tyneside Credit Union's High Cost Loan Replacement Scheme enabled 85 people to free themselves from the high interest charges charged on loans taken out with home credit companies and other loans companies. Beneficiaries converted £148,958 of high cost loans into low cost credit union loans. In addition, these same people borrowed an additional £20,742 from the Credit Union. The Credit Union was able to provide an affordable alternative for people who had felt excluded from mainstream financial services and had previously relied on sub-prime lenders for their credit needs.

The credit union estimates that providing access to £169,000 of low cost credit has saved beneficiaries over £150,000 in additional high cost interest repayments that would have been paid to alternative lenders typically charging interest rates of around 177% APR.

### b. Local purchasing promotion

In line with the National Procurement Strategy for Local Government, South Tyneside MBC was keen to develop a procurement strategy that maximises the impact upon the local economy.

This project activity enabled an analysis of 5,500 creditors of South Tyneside Council. The analysis provided information on the size, structure, and distribution of the Council's suppliers. This data, on suppliers and on the value of spending, was entered on to the Council's database. This data collection, and analysis, has influenced the development of the Council's procurement strategies which are aimed at stimulating local supply contracts.

## Asset building

### a. Financial literacy

The EDC project included two initiatives to deliver financial literacy training. The first aimed to reach adults through a network of community organisations and the second to involve young people in schools and colleges.

Engaging adults in the programme was more difficult than expected. This confirmed the findings of previous research (Jones and Barnes 2006) that pointed to the reluctance of many people in low income communities to take part in formal financial literacy training. It also revealed some of the complexities in promoting involvement through intermediary organisations. Unless intermediary community organisations are actively committed to financial literacy training and also have the developmental skills to engage people in such training then outreach is very difficult to make happen.

Much more success was had with the young people's programme in which a large number of school pupils and students participated. However, the project revealed that, despite government intentions, financial literacy education in schools and colleges is often superficial. No evidence was gained of financial literacy education being delivered in schools or colleges in any structured or systematic manner.

### b. Credit union membership growth

Utilising NRF monies, the Credit Union was able to employ a community outreach worker over the two year period. The initiative resulted in an additional 531 new credit union members drawn from NRF wards, a 44% increase on the original two year target set within the EDC project.

### c. Loan guarantee feasibility study

This credit union project activity involved investigating options for extending affordable credit to financially excluded groups. The original idea was to explore the possibility of a loan guarantee fund to assist in lending to more

financially excluded individuals. This led STCU to participate in a feasibility study to explore a proposal to form a regional Community Banking Partnership within which a loan guarantee fund could operate. The idea was to link up community development finance institutions, credit unions and the technical expertise of the banks and building societies with the aim of providing a comprehensive financial service for financially excluded groups.

For a number of organisational reasons, the proposal to form a Community Banking Partnership was not accepted by the Steering Group. However, this project did result in creation of the independent community development finance institution, Money Answers South Tyneside Ltd (MAST), to respond to the needs of those financially excluded groups that the Credit Union currently had difficulty in reaching. MAST was established with a £200,000 grant from the Northern Rock Foundation and operates in close collaboration with the Credit Union and the CAB.

#### **d. Business skills for community and voluntary organisations**

60 voluntary groups were supported by TEDCO to adopt more business like approaches to their operation and organisation. 274 individual beneficiaries participated in training on 92 capacity building programmes. This project activity has made a significant impact on strengthening the community and voluntary sectors in South Tyneside.

### **Attracting money**

#### **a. Citizens Advice Bureau and the take-up of benefits**

The South Tyneside Citizen's Advice Bureau's strand of the EDC project resulted in an increase of £1,880,554 in additional annual benefits taken up by beneficiaries. This figure breaks down into 732 residents who were able to increase their benefit income as a result of assistance provided with a new claim, or with the review of an existing claim, or with an appeal to an appeal tribunal. This activity of income maximisation resulted in an average increased income of £2,569 per beneficiary per year.

The success of this work was not due to any new approach or initiative. Rather it represented "*business as usual*" for the CAB. It was not tapping into a previously unexplored area of need and can therefore be taken as indicative of what could be done on an annual basis with this level of NRF investment in a small number of skilled advisers.

#### **b. Business grants and loans**

Through the EDC project, business start-up grants of up to £2,000, were available to cover up to 50% of initial start-up costs of new businesses. Linked to this, TEDCO made available, from non-NRF sources, a loan fund which was designed for those who had no financial resources of their own and found it difficult to match fund the 50% grant.

The NRF grant fund, administered by TEDCO, was £47,934 over the two year period and eligibility was based on residency in an NRF ward. Despite the availability of grants and loans, take up was relatively low. The total amount of grants made was 29% below target.

## **5 Partnership working**

The success of EDC was due to the power and dynamics of a Steering Group led partnership that enabled the project to retain a holistic approach to combating disadvantage in its multiple and multi-layered forms.

The key elements of the success of the partnership included the clarity of vision and a shared understanding of the purpose of the partnership, the high level of mutual trust that developed through the period of the project, the clear lead set by TEDCO and its capacity to service the partnership efficiently, the enabling contribution of the local authority, the flexibility of the partnership's approach to project operations and the level of accountability each partner felt to the partnership.

## 6 Changing and sustaining service delivery

A measure of success of the project has been the way in which it has enabled the partner organisations to modify and change their operations and practices to better serve low-income communities in South Tyneside. TEDCO has modified terms and conditions to enable greater access to grants and loans in new funding streams, and, through the use of enterprise facilitators as business advisers, has developed new approaches to business start-up in low income communities. The credit union has reworked its lending policies and credit administration systems and developed even closer working relationships with CAB.

The project has directly informed a range of new initiatives and funding streams including:

- The new round of NRF which sees the Credit Union and the CAB working in much closer partnership and TEDCO further developing services based on project experience.
- The creation of MAST and the development of new approaches to reaching out to the financially excluded.
- The Local Enterprise Growth Initiative (LEGI) which encompasses elements born out of the experience of the project, particularly the approach to business advice in low income communities and to business start-up loans and grants. Grants now include such eligible costs as advance rent and public liability insurance not traditionally covered by grant funding but which proved major barriers to start up.
- The DTI Financial Inclusion Fund money advice project through which the CAB will be able to expand its network of money and debt advisers and utilise outreach through intermediaries to increase access to money advice in the borough.
- The DWP Financial Inclusion Growth Fund which will enable the Credit Union to provide access to affordable credit for those currently experiencing financial exclusion.

# South Tyneside Local Strategic Partnership

## Neighbourhood Renewal Fund Research Project

### Enterprise in disadvantaged communities

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## Foreword

When Bob Brennan (Small Business Service) invited me to the DTI in Sheffield to explain the workings of the Community Development Finance Initiative (CDFI) and the Phoenix Fund in 2003, the project that is reported here was not on our agenda. And while Bob may feel that he failed to convert me to the wonders of the DTI-model CDFI's, he did persuade me to go to the Community Development Finance Association conference in Cardiff which is where our journey began.

At that conference, Pat Conaty (New Economics Foundation) and Mick Brown (National Association of Credit Union Workers) launched their research on Community Development Credit Unions (CDCU's) (Brown, Conaty and Mayo 2003) which seemed to provide a much better fit for South Tyneside than CDFI's. A group of organisations in South Tyneside: the Credit Union, CAB, STRIDE (the community empowerment network), TEDCO (the local enterprise agency) and the Council met to work out our approach to creating wealth and alleviating poverty. Proposals were developed that linked local capabilities and needs with the developing national agendas of CDCU's and Community Banking Partnerships. Links were developed with all sub-groups of the Local Strategic Partnership and Neighbourhood Renewal Funding was secured for two years. This report is the evaluation of that project.

That the project has worked and worked well can be attributed to many things which are detailed in the report. However, a determination to find local solutions, solutions that were embedded in organisations and people in South Tyneside was a consistent theme throughout. This was always done against the backdrop of national models and agendas, drawing lessons and inspiration from practice elsewhere, but never entirely in step with them unless they seemed right locally.

This evaluation report shows the progress that has been made and indicates the even greater challenges ahead. It justifies the partners' commitment so far but also demands further commitment to reach more people in South Tyneside in ways that meet their needs best.

Doug Scott

Chairman, EDC Steering Group  
Chief Executive, TEDCO

## Acknowledgements

This research study into the impact and effectiveness of the South Tyneside Neighbourhood Renewal Fund project, *Enterprise in Disadvantaged Communities*, was commissioned by Tyneside Economic Development Company Ltd. on behalf of the project steering group. It was conducted by Liverpool John Moores University.

The research observations and conclusions are made by the authors, in consultation with the project steering group and other research participants. They do not necessarily reflect the opinion of TEDCO or any other members of the steering group.

The authors would like to thank the staff and volunteers of the Tyneside Economic Development Company Ltd., South Tyneside Credit Union, South Tyneside MBC, South Tyneside Resource for Initiating Development of the Economy and South Tyneside Citizens Advice Bureau whose good will, interest and enthusiasm made this study possible.

In addition, and in particular, they would like to thank all the project participants and beneficiaries who openly shared their experiences, thoughts and ideas with the research team in the interviews. Their contributions were invaluable to making accurate assessments of the impact of the project in South Tyneside.

Special thanks also go to the members of the project steering group who contributed to the thinking, ideas and assessments contained in this report. Steering group members who participated in the research process were:-

Doug Scott, Chief Executive, Tyneside Economic Development Company Ltd.

Shelagh Barton, Business Adviser, Tyneside Economic Development Company Ltd.

Ian Thompson, Manager, South Tyneside Citizens Advice Bureau

Sylvia Hudson, General Manager, South Tyneside Credit Union

Bronwyn Twizell, Social Inclusion Policy Officer, South Tyneside MBC

Neil Davies, Regeneration Officer, South Tyneside MBC

Karen Wood, Chief Executive, South Tyneside Resource for Initiating Development of the Economy

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## 1. Introduction

*Enterprise in Disadvantaged Communities (EDC)* was a multi-activity Neighbourhood Renewal Fund project designed to address poverty and disadvantage in South Tyneside. It was established with the purpose of creating and retaining wealth, of developing a business enterprise culture, of increasing employment and of implementing a series of measures aimed at reducing financial exclusion and hardship. It ran from April 2004 to March 2006.

The project was delivered by an anti-poverty partnership consisting of the Tyneside Economic Development Company Ltd. (TEDCO), South Tyneside Credit Union (STCU), South Tyneside MBC, South Tyneside Resource for Initiating Development of the Economy (STRIDE) and South Tyneside Citizens Advice Bureau (STCAB). The anti-poverty partnership became the steering group of the project and was formed from representatives of each participating organisation.

The EDC project comprised sixteen inter-related activities, additional to or linked into existing provision. These were grouped into the four thematic areas of creating wealth, retaining money, building assets and attracting money. Each partner led on specific activities but all remained accountable to the central steering group, facilitated and serviced by TEDCO. The aims of the project related directly to the Government's commitment to tackle deprivation in the most deprived neighbourhoods to ensure that no one is disadvantaged by where they live. The project aimed to contribute to the "national floor" targets for neighbourhood renewal and to the objectives within "Transformation", South Tyneside's local strategic partnership's (LSP) ten year strategy for communities and neighbourhood renewal (STC 2004a. 2004b). EDC exceeded its project targets in most areas of activity and clearly made a significant contribution to the social and economic well-being of South Tyneside. It was particularly strong in the key areas of business development and start-up, benefit maximisation, conversion from high cost to affordable credit union loans, increasing credit union membership, financial literacy training and the development of business skills for community and voluntary organisations. However, it was less successful in the development of social enterprise, in business grant take up and in business lending in black and ethnic minority communities. However, in all areas, the project was able to generate learning that has informed the ongoing strategic development of services aimed at creating wealth and tackling poverty.

The impact of the project was maximised through an effective inter-agency approach developed by the steering group. Through this active partnership, the project was able to innovate and initiate actions that brought together enterprise, business start ups, personal and business finance, community capacity building and financial education within a coherent strategy to tackle social and economic deprivation. This was an impressive distinguishing feature of the project which enabled it to engage a range of key players who, through a network of social and community contacts, were able to reach out and target the areas of greatest need in the borough.

This report outlines the key findings and conclusions of the independent research into the impact of the NRF EDC project undertaken by Liverpool John Moores University.

## 2. Research project and methodology

Research into the effectiveness of the EDC project was carried out by two senior researchers from Liverpool JMU during the period of January to March 2006.

The research project aimed to investigate the operation, performance and impact of the various project activities. In addition, it aimed to explore the dynamics and impact of the partnership constituted by the five participating agencies.

The scope and methodology of the research was identified in collaboration with the project steering group members. In fact, the research aim was to fully involve steering group members as contributors to a cooperative inquiry into the effectiveness of the project, its activities and the partnership. The objective was to learn from the experience of steering group participants in order to better inform the development of regional strategic actions targeted at tackling poverty and disadvantage in the future.

The research methodology included a quantitative analysis of statistical data kept by the project agencies and a series of in-depth interviews with project staff and beneficiaries for each of the activities within the EDC project. Most interviews were face-to-face and based on semi-structured questionnaires. However, sample random telephone calls were also made to project beneficiaries to ascertain data on project performance. Approximately 27 interviews were conducted by researchers during the period of the research. In addition a number of case studies were undertaken at TEDCO, STCU and the CAB. Research into the financial literacy activity involved attending a session conducted by a TEDCO/CAB worker with young people in a local college. Data was collated and thematically coded to generate findings.

Research findings were shared and analysed with the steering group and agency staff in order to generate collaborative learning outcomes from the project as a whole.

### **3. The Neighbourhood Renewal Fund Project**

#### **The Neighbourhood Renewal Fund**

The Neighbourhood Renewal Fund (NRF) was set up following the publication of "*A New Commitment to Neighbourhood Renewal. National Strategy Action Plan. 2001*" by the government's Social Exclusion Unit. Its vision was that within 10 to 20 years no-one should be disadvantaged by where they live. The approach that was adopted to realise this vision involved using national floor targets to act as key indicators of progress and the promotion of partnership working across departments and sectors. It centred on the involvement of local people and groups in deprived communities and on targeting activity on areas of greatest need whilst ensuring that provisions were mainstreamed and sustainable.

The government accepted responsibility for the funding of public services and for developing policies to tackle key concerns as well as targets against which standards and progress would be measured. It announced the setting up of a Neighbourhood Renewal Unit to ensure that all government departments were collectively working towards the neighbourhood's vision and to oversee the development of local strategies and funding for neighbourhood renewal. Neighbourhood renewal teams within government offices in the regions would act as the conduit of these additional resources and provide support to the local participating organisations and agencies.

At the local level Local Strategic Partnerships (LSP) would be set up to act as a single body responsible for producing neighbourhood and community strategies. The LSP would actively involve local people and bring together the key organisations across the public, private and voluntary sectors. The LSP would be responsible for ensuring that there was co-ordination across all sectors in the production of agreed policies, priorities and services to tackle deprivation within their neighbourhood. The LSP would also ensure that the strategy delivered measurable improvements through action at a neighbourhood level in a range of key areas set out by government in its targets for worklessness, crime, low skills, poor health, etc. To assist the LSPs, the government provided a Neighbourhood Renewal Fund (NRF) amounting to £800m for the LSPs to administer in the 88 most deprived local authority areas. In addition funding would also be provided for community empowerment and community run projects.

The purpose of the NRF was to help raise the standard in mainstream services thereby contributing to an improvement in the government's adopted "*national floor*" targets for neighbourhood renewal and other targets identified within the area's own renewal strategy. NRF was designed to contribute to improvements at the local neighbourhood level and to narrow the gap with other areas. The funding was made available under the powers within the Local Government Act 1988 but would not be restricted to local authority services. Recipients were required to be part of, and working with, their local LSP and signed up to its neighbourhood strategy. The local authority was also required to be committed to helping to meet the national floor targets and make an annual statement, to be agreed by the LSP, as to the use made of the NRF and its contribution to the strategy to tackle neighbourhood deprivation.

The EDC project aimed to contribute to "*national floor*" targets for neighbourhood renewal in South Tyneside; in particular by narrowing the gap in health and worklessness (ODPM PSA1), by increasing employment (DWP PSA3), by helping to build an enterprise society (DTI PSA 6), by increasing voluntary and community activity (HO PSA 8) and by reducing race inequalities and building community cohesion (HO PSA 9)

## **A Spirit of Change - South Tyneside's Community Strategy and Neighbourhood Renewal Strategy.**

The document, *"South Tyneside Story – A Spirit of Change"* (STC 2004b) set out South Tyneside's local strategic partnership's (LSP) ten year strategy for communities and neighbourhood renewal. It presented a policy framework for transformation on the basis that South Tyneside's *"extraordinary past"* had now become an *"ordinary present"*. The economic, social and environmental structure of the borough that was once built on shipbuilding, mining and heavy engineering had long since fallen into dramatic decline, a reality demonstrated by twelve out of South Tyneside's twenty wards qualifying for NRF funding. Average household incomes had become the lowest in the North East with South Tyneside now characterised by poor levels of health, low educational achievement and high levels of reported crime and social exclusion.

The policy framework echoed the key themes of the government's NRF strategy. Six priority groups were established, one of which was a social inclusion partnership led by the voluntary and community sector. Overall transformation was to be achieved through a series of related objectives within six priority thematic areas; enterprise and jobs, healthy living and care, safer communities learning, creativity and culture, housing and environment and stronger communities. EDC project NRF activities were designed to be aligned to objectives within two of these priority areas, - *"Enterprise and Jobs"* and *"Stronger Communities"*.

The *"Enterprise and Jobs"* priority area set out a vision in which *"wealth creation goes hand in hand with helping people from disadvantaged groups to achieve their ambitions"*. The context was one of high levels of unemployment and low levels of new business start-ups and inward investment. The LSP strategic aim was to encourage private entrepreneurs and new businesses alongside recognition of the important role of social enterprise in economic regeneration. Five of the strategic aims relating to the *"Enterprise and Jobs"* priority area set the context for activities within the EDC project. These were:-

- Creating and retaining wealth.
- Creating a culture where innovation and new enterprise flourish.
- Helping businesses to survive, develop, and grow.
- Getting more people into employment and self-employment.
- Helping disadvantaged and under represented groups into employment and self-employment.

Within this framework, EDC project set a series of objectives which included increasing the number of businesses and business start-ups, increasing social enterprises, increasing opportunities for business development within the black and minority ethnic communities and increasing procurement and spending within the borough.

The EDC project also related strongly to the *"Stronger Communities"* priority area and, in particular, shared its aim of:-

- Reducing financial exclusion and hardship.

At the start of the project, nine out of the twenty South Tyneside wards were amongst the worst 10% nationally for income deprivation. The LSP strategic plan highlighted the need to tackle the increasing debt burden of people in low income communities, the importance of improving the level of benefit take-up as one measure towards increasing average household income and the requirement to improve access to affordable financial services, particularly through greater uptake of credit union services.

## 4. South Tyneside Anti-Poverty Group - a focus on action

The South Tyneside Anti-Poverty Group arose out of a desire of the partner organisations to adopt a more strategic framework to tackling poverty and disadvantage in the borough. It was formed, in 2003, at the initiative of TEDCO in order to respond to the multi-layered and multi-faceted needs of people facing financial inclusion and poverty. The original objective was to create wealth and destroy poverty in the borough by linking actions to develop enterprise and employment, to build personal assets, to promote financial literacy, to end fuel poverty, to tackle debt and poor health and to develop community safety. The group came together at first to develop a wealth creation and anti-poverty strategy and campaign. It had strong links with the Local Strategic Partnership to which it reported through two of its partner organisations who were LSP representatives.

It was within this context of developing a holistic strategic response to tackling poverty and disadvantage that the Anti-Poverty Group put forward the NRF project bid to the Local Strategic Partnership. The NRF project, *Enterprise in Disadvantaged Communities*, was designed as sixteen inter-related activities grouped into the four thematic categories of creating wealth, retaining money, building assets and attracting money. Throughout the project, the focus was on developing linkages and cross agency involvement to maximise impact in the designated NRF wards in the borough. Rather than being a series of reactive actions to tackle identified problems, the project aimed to proactively engage the community in a range of initiatives aimed at building the wealth, enterprise and capacity of individuals and communities.

Each partner organisation or agency led on a particular activity but all remained accountable to the central steering group, formed from the original anti-poverty partnership and facilitated and serviced by TEDCO.

### Project activities

Agency	Activity	Thematic Category
TEDCO	1 Co-ordinate and deliver business start up support in disadvantaged areas (UCan2)	Creating wealth
	2 Increase business involvement in LSP/encourage local purchasing	Retaining money
	3 Micro Grants	Attracting money
	4 Black and Ethnic Minority Loan Fund	Attracting money
	5 Business skills for community and voluntary organisations	Asset Building
STRIDE	6 Social Enterprise Plan researcher/implementer	Creating wealth
	7 Secondary Co-operative Support	Creating wealth
	8 Business Development Manager, STRIDE	Creating wealth
STCU	9 High Cost Loan Replacement Loan Arrangers	Retaining money
	10 Increase Credit Union Membership	Asset building
	11 Loan Guarantee Feasibility Study	Asset building
	12 Loan Guarantee Arrangement Fee	Asset building
STMBC	13 Local Purchasing Promotion	Retaining money
STCAB	14 Increase Benefits Take up	Attracting money
	15 Financial Literacy (14-19 yr olds)	Asset building
	16 Financial Literacy (adult)	Asset building

## 5. Project evaluation

### Creating Wealth

#### a. Business start-up in disadvantaged areas

##### 1. Context

Developing an enterprise culture is recognised as central to the economic regeneration of South Tyneside (Comedia 2002, STC 2004a and b, 2006). For decades, employment in the Borough has become increasingly dependent on the public sector whilst business creation and development has lagged behind both regional and national performance (STC 2006). South Tyneside's community and local neighbourhood renewal strategies, outlined in the document, *"South Tyneside Story, A Spirit of Change"* (STC 2004b), stressed the importance of assisting more people into self-employment and of supporting businesses to survive, develop and grow. *"Helping business growth"*, it argued *"is vital to improving our economy"*.

In line with regional and national strategies, *"A Spirit of Change"* did not see the support of enterprise development solely in terms of financial investment through grants and loans. It regarded improving the capabilities and skills of entrepreneurs, promoting innovation and the transfer of knowledge as equally important goals. Corresponding to PSA target 6 (DTI 2004-6), the strategy for South Tyneside focused on the development of enterprise and self-employment in disadvantaged communities. This included a stress on supporting women and BME communities, both of which have been traditionally under-represented in business in the Borough. The strategy, which regarded economic and social goals as intrinsically linked, also targeted the development of social enterprises as *"key contributors to economic success"* (STC 2004b).

##### 2. TEDCO UCan2

The TEDCO NRF led project activity was known as UCan2. It has aimed to contribute to the strategic goal of developing enterprise in South Tyneside by offering a business development service to small entrepreneurs. The service was offered throughout the Borough but targeted the twelve most disadvantaged NRF wards. It aimed to support those who faced barriers to starting their own business and who found it difficult to access business services that were appropriate to their needs. Overall, it aimed to develop a link between enterprise, business start ups and tackling social and economic deprivation (Comedia 2002).

There are a number of business support services in South Tyneside including Business Link and the Local Authority Business Development Team. However, these services tend not to have the capacity nor the mission to reach out into low income communities in order to serve small entrepreneurs, many of whom find accessing mainstream services difficult. Traditionally, statutory provision has had difficulty penetrating target groups in disadvantaged areas. UCan2 aimed to fill a gap in provision by reaching out to disadvantaged communities. It *"aimed to target specific groups of people that experienced particular difficulties in gaining the confidence and skills to develop their own businesses in the past including lone parents, the disabled, long term unemployed and black and ethnic minority communities"* (TEDCO 2004).

The injection of Neighbourhood Renewal funding enabled an expansion of an existing UCan2 project from 1.5 to 3.5 business start up advisers. It aimed to create 28 new business start-ups, over the two year period, of which 90% would be in the NRF target wards. This TEDCO estimated would result in £280,000 additional Gross Value Added (GVA) in the Borough. The project was funded with a £210,000 NRF grant, complemented by £70,000 European Regional Development Funding .

UCan2 was designed as an integrated, business development service. It offered initial start-up counselling, financial business planning, marketing and sales advice, website design and access to a range of courses and training opportunities in organisational and operational management. Central to its methodology was an inter-agency approach. Through links with the CAB and the South Tyneside Credit Union, it facilitated a co-ordinated approach to personal and business finance. This inter-linkage was seen as one of the distinguishing factors of the project. In addition, it aimed to

access potential clients, in the most disadvantaged areas, by working through a network of community and partner organisations. *"The aim was", as noted in the original development plan, "to reach those clients who would not normally access TEDCO services"* (TEDCO 2004).

### **3. Business start-up grants and loans**

The UCan2 business development service was linked to the provision of business start up grants and loans. Grants of up to £2000 were available to cover up to 50% of initial start-up costs. The grants were designed to be used flexibly and to apply to any aspect of the new business that assisted in its development.

Under the NRF project TEDCO administered a grant fund of £47,934 over the two year period and eligibility was based on residency in an NRF ward. It was open to UCan2 clients and others in NRF wards who wished to develop a business without seeking further TEDCO support. UCan2 clients, not resident in NRF wards, were able to access other funding streams.

Linked to the grant funding, TEDCO made available, from non-NRF sources, a loan fund. This was designed for those who had no financial resources of their own and found it difficult to match fund the 50% grant towards set-up costs. This loan was repayable at a 5% flat rate (£2000 loan over 24 months costing around £93 per month) after an initial three month repayment free period. The loan was restricted to those accessing the grant facility. The loan could not be used up therefore by other clients using it to 'match fund' with other grants. As with the grant, the loan purpose was left as broad as possible to apply to all essential start up costs.

The availability of grants and loans was advertised through partner agencies, in particular InBiz, Shaw Trust and JobCentre Plus. The aim was to ensure that financial support was linked to access to a wider advice and information service, as well as to make sure a relatively small grant and loan fund was not exhausted through an overly large number of applications.

### **4. UCan2 achievements**

*"We will judge success by an increase in the levels of business start-ups"* (STC 2004b).

Research into the efficiency, effectiveness and impact of UCan2 was carried out by an analysis of the data held by TEDCO and by a series of semi-structured interviews with TEDCO managerial and operational staff. In depth interviews took place with the owners of three of the beneficiary companies and telephone interviews were conducted with a further four companies. This meant that over a 10% sample of beneficiary companies were consulted.

Statistical analysis revealed that there were 1,208 recorded enquires about UCan2 from 356 separate individuals over the two year period. 261 enquiries were for information and advice on starting up a business. Other enquiries were for business planning, accounting and financial planning, management systems, marketing and website development. The greatest demand was for business planning; this totalled 30% of all enquiries.

Over the two year period, 61 businesses were established with the support of UCan2, of which 41 (67%) were within the NRF wards. 29 businesses were created in year one (of which 18 were within NRF wards) and 32 in year two (of which 23 were in NRF wards). The original target was to create 28 new businesses overall at least 25 of which were to be within the twelve NRF wards.

Of the 18 businesses created in the NRF wards in the first year of the project, 14 were still trading by end March 2006. This calculates as a 22% failure rate of new businesses. However, this may be an underestimation as data was not available for the entire group of starts-ups in the first year (nor for the businesses created in year 2). There was evidence that many of the businesses failed to keep in contact with TEDCO after initial set-up and receipt of the grant.

Targets were not set by TEDCO for the number of businesses to be started by women, young people, the unemployed, the disabled, lone parents and by black and ethnic minorities. However, there were clear overall unspecified objectives for all these beneficiary groups. In the NRF areas, business start-ups were significantly higher, in percentage terms, among

Total UCan2	Year One	Year Two	Total	Target	Increase on target
Number of business start ups	29	32	61	28	218%
By women	10	9	19 (31%)		
By the under 30's	4	1	5 (8%)		
By previously unemployed	20	24	44 (72%)		
By disabled	8	3	11 (18%)		
By lone parents	3	2	5 (8%)		
By BME	0	1	1 (1.6%)		
Number of jobs created	40	40	80		
In NRF wards only					
Number of business start ups	18	23	41	25	146%
By women	8	9	17 (41%)		
By the under 30's	3	1	4 (10%)		
By previously unemployed	14	18	32 (78%)		
By disabled	6	2	8 (20%)		
By lone parents	3	2	5 (12%)		
By BME	0	0	0		
Number of jobs created	25	30	55		

women and noticeably higher among young people, the unemployed, the disabled and lone parents. Engaging with black and ethnic minority communities was much less successful with only one business identified as established by this target group.

Despite the availability of grants and loans, take up was relatively low. In year one, only five businesses out of the 61 accessed grants (£6,997 allocated in total). Of these five, three were in NRF areas. Three of the five also accessed loans (totalling £6,000), two of which were in NRF areas (£4,000). In year two, the pattern was somewhat similar. 6 UCan2 client businesses, all in the NRF areas, accessed grants worth £7,049. None accessed loans.

In the initial NRF application, TEDCO planned to calculate the Gross Value Added (GVA) of the new start businesses assisted through the NRF funding. GVA measures the contribution enterprises make to the economy and is as a key indicator of economic performance. TEDCO estimated that the creation of 28 new businesses would result in £280,000 additional GVA. In fact, as of March 06, TEDCO was not yet able to calculate the GVA of the 61 UCan2 supported businesses. This calculation is a factor of the income generated by the businesses and depends on the availability of year end accounts for the requisite period. The businesses established in year two of project would not yet have available accounts, neither did the majority of the businesses created in year one as accounts are only often finalised 18 months after the start of the business.

In addition, businesses, particularly sole traders, often seem unconcerned about the levels of profit other than it being sufficient to provide an income. Evidence suggests that clients often view the business plan as a merely a means to an end to access finance rather than a tool. Once the financial projections are complete they are rarely, if ever, reviewed to assess progress. They judge success on the levels of work rather than profitability and this is a major challenge for advisers as they help businesses grow and survive.

Statistical analysis identified quantitatively the project's achievements; however interviews with staff and beneficiaries revealed additional findings related more to the process of the delivery of the UCan2 service. These findings are discussed in the evaluation and analysis section below (Section 6). The case studies in the next section illustrate the experience of the beneficiaries who used the services of UCan2.

## 5. Case studies

### **SportsConnect North East**

SportsConnect North East is a South Tyneside based company providing personal development programmes for schools and youth organisations throughout the North East. These programmes are based on a range of activities that use sport, dance, yoga and martial arts to inspire mostly disaffected young people to achieve self-confidence, self-esteem and develop enhanced social skills while improving physical fitness.

However, SportsConnect was only an idea in the making when Finbar Lynch and Rachel Garbutt approached TEDCO for support. At the time, they were individually self-employed; Finbar was a sports coach and Rachel a freelance dance teacher. For about two years, they had worked together on a number of projects. However, just working together did not bring them the recognition, nor the shared identity that, they felt would promote and develop their work. They decided that it would be much better to establish a company and formally join resources. It was with this incipient idea for a Sports and Dance enterprise that they came to TEDCO for advice.

Both Finbar and Rachel already knew of TEDCO through the youth and community sector where, as an organisation, it is relatively well known. *"When we first met the adviser", Rachel explained, "we only had the outline of an idea, but we were very unsure about what to do next. Meeting the adviser gave us a sense of direction and helped us with the business planning".* They had done some basic research on the business plan but it was only with the assistance of the adviser that they were able to create a working document that would inform the development of their business.

*"The adviser gave us a lot of confidence and support", continued Rachel, "It was nice to be able to come to someone that was not friend or family and get an honest opinion".* They explained how their relationship with the adviser had been critical to the development of the company. *"From her", Finbar explained, "we gained the confidence to continue".* For him, that confidence was strengthened by participation in the five-day TEDCO management course, *"Mind your own Business"*, designed for new entrepreneurs and which covered the basic aspects of setting up and managing a business. On the course, Finbar felt he was able to develop his understanding of marketing, finance and tax, organisational management and business planning.

With the support of the adviser, and the experience gained from the course, Finbar and Rachel were able to clarify the direction they wanted the company to take and to formulate this in a revised and reworked business plan. TEDCO was able to offer, and pay for, the services of a marketing consultant and web site designer to assist in the creation of what was to become known as *SportsConnect North East*. The work done with the consultant and designer on both market analysis and brand identity was regarded both by Finbar and Rachel to have been essential to the success of the company. As sports and dance workers they now wear colour coordinated and branded sports apparel and portray a professional image. The website, ([www.sportsconnect-northeast.co.uk](http://www.sportsconnect-northeast.co.uk)), significantly contributes to their business-like approach and has been instrumental in developing networks and contacts throughout the North East and beyond.

In addition to business advice and support, TEDCO was able to offer 50% grant funding to cover basic set-up costs identified in the revised business plan. £800 was made available to assist with the purchase of a computer and sports equipment. This relatively modest investment enabled this new company to establish itself as a going concern.

SportsConnect was launched in June 2005, and, according to Finbar and Rachel, *"things are fantastic. We are developing a sports action team with 25 young people that we are expanding to three days a week and we are taking on much more work in schools".* Financial planning continues to be major challenge and they are endeavouring to balance short-term project work with regular provision in order to generate a more stable income. In regard to the latter, they have developed community classes in dance and football, football coaching sessions, the South Tyneside Gymnastics Club and

Cheer Leaders club. They are also working with young offenders as part of the Youth Offenders Team in South Tyneside and with the South Tyneside Drug Action Team on a project with young people who are at risk of being excluded from school. *"We are meeting financial targets, but managing the cash flow is the hard part"*, noted Finbar.

SportsConnect is organised as a partnership but, with the growth in business, is now beginning to take on casual staff. Finbar and Rachel have plans for expansion and growth, regionally and nationally, and look to TEDCO for ongoing support. *"We are working from home"*, they explained, *"but we do need to move into an office and find a store room. We intend to go back to TEDCO for advice on premises"*. They also stressed that they would be seeking advice on the recruitment and employment of staff. *"If TEDCO offered more courses, we would certainly go on them and it would be good to be on a mailing list of what is available"*, asserted Finbar.

SportsConnect is not hesitant about attributing its development to the support and advice it received from TEDCO. *"We had no preconceptions of the support we would get at TEDCO"*, explained Rachel, *"we did not really know what we'd get, perhaps some funding, but we got support for everything. Knowing we had that support was very important. We would not be a company without TEDCO"*, added Finbar, *"and we'd certainly recommend anyone starting a business to use TEDCO"*.

### **Musa – Bringing art to Life**

In October 2003, Carol Metcalfe was directed to TEDCO by Business Link. She had no previous knowledge of TEDCO, nor of its services, and came simply to meet an adviser about a new business idea she had in mind. Carol is a local artist, a MFA<sup>1</sup> graduate living in Jarrow, who was aware, for a long time, that many local artists struggle to market and sell their work. *"Within five years of leaving university"*, she explained, *"most artists don't make it and have to find other jobs"*. Her idea was to create a business that would not only assist artists to sell artwork but would assist them to develop their professional and business practice.

*"At TEDCO I found a fantastic adviser"*, Carol recounted, *"she had a knowledge of arts and crafts and a real understanding of what I wanted to do. She gave me masses of help"*. Carol received business advice and help with research to develop her business plan. TEDCO, she claimed, gave her a sense of direction through which she was able to firm up the mission, purpose and objectives of the business. She identified marketing, branding and design as key aspects of the advice she received. *"TEDCO paid for a web design company to work on the business website and we sat down together and came up with the idea of Musa - bringing art to life"*, Carol explained. It was this practical support that enabled Carol to create a professional image for Musa and launch a new not-for-profit company in June 2004.

Carol availed herself of some of the business courses offered by TEDCO. She undertook TEDCO courses on finance, business start up and business plan development. She also received ten days of accounting advice. In addition, information provided by TEDCO enabled Carol to participate in the New Entrepreneur Scholarships (NES) programme. This enabled Carol, along with others from some of the most deprived areas in England, to expand her business skills on an intensive 15 day management course at Babson College in the US, one of the world's foremost colleges for budding entrepreneurs. This opportunity had a significant impact on her understanding of business development.

*"TEDCO has done a lot more than they said they would do"*, continued Carol, *"they have been very significant in the development of the company. They enabled me to network and to build up masses of contacts. Since my time with them, we have won lots of awards through the contacts facilitated through TEDCO. I feel so strongly about the advice that I have been given that I recognise that Musa would not have operated without TEDCO"*.

Musa did not receive any cash grants or loans from TEDCO but, with its support and advice, was able to identify and to apply to a number of funding streams that have directly assisted in the development of the business. TEDCO also sponsored a Musa art exhibition.

In business development, transformation often begins when company directors or managers begin to see new potential or opportunity for the business. Carol recognises that TEDCO's support and interventions have helped her to see her business differently. From the original idea of supporting artists with sales and business development, Musa has evolved

<sup>1</sup> Master of Fine Art

into brokering contacts and relationships between artists and customers and into the management of the corporate or individual art projects that ensue. Musa advises artists on price and promotion and organises exhibitions of their work. But it now also works with companies, whether property developers, department stores or others, to ensure that commissioned art projects are managed efficiently and to budget.

Carol concluded that, from her involvement with TEDCO, she learnt business skills and competence. *"I knew the value of fine art but had little confidence in the business side of things"*, she noted, *"now I find myself convincing corporate business of the economic value of commissioning artwork, rather than just going buying off the shelf in a high street store, and how supporting local artists is an important element of their corporate social responsibility"*. With her sole business partner, Hilary Turner, her aim is to make Musa a financially self-sufficient not-for-profit business within a twelve month period. Currently, Musa is still dependent on private and public sponsors but with new contracts both secured and on the horizon, dependence on external subsidy will decline.

Musa is developing into an important local and regional company. At the time of the research interview, it had 15 exhibitions and events planned. It has won numerous awards including the University of Newcastle upon Tyne Enterprise Challenge Culture, Arts & Media Achievement Award 2004 and was one of four nominees for the Overall Business Viability Award from more than 60 entrants. Nevertheless, it is still early days and Carol is strongly of the opinion that the continuing support of TEDCO would make an important contribution to the future business development of the company. As Musa grows, there are training and advice needs in growth and change management, contract and project development, and possibly in the recruitment and management of staff. Carol anticipates that TEDCO will play an ongoing role in Musa for at least the next three years.

### **The Barber Shop, Hebburn**

Kerry McLaughlin completed a course in business administration at a local college and was keen to start her own business in men's hairdressing, a profession that she had worked in for eighteen years. She had thought about opening a barber shop for some time and confidence gained on the college course spurred her on to make a start. She came across TEDCO whilst surfing the internet looking for a start-up grant that would help her get the barber shop off the ground. She had heard something about TEDCO in the press but was unsure about what the organisation did or offered.

At the first interview, she was impressed with the welcome and reception of the adviser. *"She was so easy to talk to"*, explained Kerry, *"and she gave me lots of helpful information about starting up the business"*. Kerry had already done work herself on the business plan but welcomed the comments and advice of the adviser. On the basis of the financial projections in the plan, TEDCO was able to award the maximum 50% grant of £2,000. This secured the purchase of a £4,000 lease on a shop on a housing estate just outside of Hebburn town centre.

Kerry was clear that she valued the support of TEDCO as she was establishing the business with few financial resources. In fact, the refurbishment of the shop was done with volunteer labour and the helping hands of family and friends.

The Barber Shop opened for business in December 2005, and according to Kerry, is doing better than anticipated. However, major challenges remain. Financially the shop is covering its basic running costs but is not yet able to pay Kerry a living wage. The amount of work is very demanding on Kerry, the sole worker in the business, and she knows, that if the shop is to expand, she will have to take on an assistant before too long.

Kerry has not taken up any of the training opportunities at TEDCO. She finds that, with the pressure of being solely responsible for the business, she is unable to attend courses in the daytime. She would, however, attend if TEDCO could offer courses in the evenings. She is particularly keen to develop her understanding of marketing and promotion. *"Up to now, most marketing has been by word of mouth"*, noted Kerry, *"apart from one leaflet drop around the estate"*. Of course, personal recommendation is perhaps the most effective means of communication about a hairdressing business, but Kerry feels that the business would benefit from more structured market research and targeted promotion.

*"Opening the business has been the best thing I have ever done"*, stressed Kerry and she noted her thanks to TEDCO for its encouragement and support. *"Even though I did not see the adviser very often"*, she said, *"she always kept in touch by*

*letter and email*". TEDCO was a service that Kerry valued and one that, she recognised, could assist her in the future development of the business.

## 6. Evaluation and analysis

Findings from interviews with both project staff and beneficiaries confirm that UCan2 has made a significant contribution to the development of enterprise in South Tyneside. The case studies illustrate how the personal support and professional business development service offered by UCan2 staff began to change the way beneficiaries thought about the organisation and management of their businesses. It is clear that some of the beneficiaries have begun to think as entrepreneurs. This is confirmed statistically by the number of businesses created, particularly in neighbourhood renewal areas. However, challenges do remain and lessons can be learnt from the operation of this activity within the EDC project.

### Assessing impact

"*South Tyneside*", noted one member of staff, "*definitely needed something more intensive if TEDCO was going to reach people in the NRF wards*". Traditional business development services neither had the capacity nor the ability to reach out to sole traders or small partner businesses and offer the kind of client-oriented services TEDCO was able to offer in UCan2.

UCan2 exceeded its overall target of business start-ups by 218% and its target in NRF wards by 146%. This is an impressive figure as too was the 80 jobs created through the programme. Even though a final figure for GVA cannot yet be calculated, it certainly will be far in excess of the target set out in the original project action plan.

The strength of this project activity has been the creation of new businesses. But the support offered after start-up can be equally or more important. TEDCO has endeavoured to offer ongoing support to new businesses and to try and track their progress. However, this was not as successful as anticipated. From interviews conducted during the research process, there was an indication that many new businesses lost contact with TEDCO after the initial business planning period. There was some evidence of feeding the new businesses into the TEDCO NRF business liaison project activity (Activity 12) but no data was available of outcomes for particular UCan2 businesses. The report on the business liaison activity (Clelland 2006) noted that many of businesses visited as part of that activity regarded TEDCO as offering start-up help rather than ongoing business support.

Even though not specified in the Ucan2 action plan, social enterprise had been identified as an important target in the Borough's neighbourhood renewal strategy. However, no social enterprises were developed by UCan2. The limitations of social enterprise development through the NRF project is discussed elsewhere in this report (5.b)

### Quality of Service Delivery

Project beneficiaries spoke highly of the quality of the service offered by TEDCO. As was seen in the case studies, quality of service was often attributed primarily to the personal interventions and support of the TEDCO business advisers. It was the human touch that made the difference. As one staff member explained, "*what we learnt on the project was that hand holding and mentoring is very important when trying to support people without a business background*". Providing business information alone was not sufficient, what mattered was engaging with clients in a way that enabled them to develop their confidence and personal understanding of business and enterprise. It became apparent that effective advisers needed good inter-personal and teaching skills as much as they needed a technical business background.

Interviews with staff and beneficiaries confirmed that the service was able to effectively provide or direct people into appropriate business support services. Business and financial planning was particularly well appreciated. Support with brand identification and marketing, as with both SportsConnect and Musa, were also successful areas of service delivery.

However, there was less evidence of TEDCO achieving the coherence between the business support activities of UCan2 and the broader ambitions of the NRF project. The links between enterprise and the wider actions to tackle social and

economic deprivation were not always fully understood or appreciated by TEDCO staff and this created tensions internally. The project was funded through the Enterprise and Jobs strand of the LSP and reported to the LSP's South Tyneside Enterprise Partnership committee (STEP). The fully specified nature of the EDC programme contrasted with the jobs component of the Enterprise and Jobs strand, in which projects were developed and funded, in consultation with STEP, through the lifetime of the programme. Although STEP members understood and supported the anti-poverty EDC project, the lack of involvement in its development as it progressed (because it was fully funded from the outset) and the level of activity addressing the broader anti-poverty issues created tensions within the Enterprise Partnership (STEP). A manager explained, *"although a great deal of effort was put into communicating the details of the programme and its relevance to TEDCO and its partners throughout STEP and the LSP, we should have spent more time communicating with TEDCO staff and STEP partners as the project proceeded"*.

The low take up of grants and loans in NRF areas is a point of concern. Only 9 businesses out of the total of 41 in the NRF wards took up grants and only 2 of these took out TEDCO loans. Only two Ucan2 businesses (out of 20) outside NRF wards accessed grants and loans. The reasons for this are not fully clear. However, two reasons were ventured as possible explanations. First, although they lived in NRF wards, some of the people venturing into business were able to identify their own financial resources. Secondly, others were deterred from taking out a grant because it covered only 50% of the start-up costs. So, even though loans were available, they were not taken up as some small traders are reluctant to accrue further debts.

### **Value for money**

An overall investment of £280,000 has resulted in the creation of 61 businesses and 80 jobs overall. This calculates as a 'cost per job' of £3,500. In an evaluation report of a SRB and NRF programme in Lincoln, which also ended in March 2006, the authors wrote, *"the cost per job created by the Lincoln SRB programme is £13,708 compared to an average across a number of other public investment and regeneration programmes of £37,569, demonstrating excellent value for money"* (Focus Consultants 2006). TEDCO's activity within the EDC project is four times more cost effective than the Lincoln programme and nearly eleven times more cost effective than the quoted national average of the cost per job created. Clearly there is not a direct comparison between Lincoln and South Tyneside. The jobs in South Tyneside were the result of private endeavour and enterprise and not dependent on larger funded organisations. Nevertheless, it gives an indication of the value for money of this element of the EDC project. It is also important to note that 67% of the businesses and 69% of the jobs were created in the most disadvantaged wards of the Borough.

Value for money was maximised in Ucan2 as financial arrangements contained a certain level of flexibility. Staff noted how Ucan2, when funded through ERDF, was much more constrained which resulted in an inability to be fully client focused. Within Ucan2, NRF funding could be used to respond directly to client needs whether for consultancy, training courses or particular services. The flexibility in funding allowed the project activity to be tailored to suit the client.

### **Community engagement**

Ucan2 revealed that, if a business development project is to effectively reach out to disadvantaged groups, it has to engage with the community either directly or through intermediaries. A number of approaches were tried, in the words of one staff member, *"with the aim of trying to light a spark in order to create a business incentive"*. Some of these were more successful than others. An event in a McDonald's restaurant, for example, only attracted a few whilst street theatre seemed to be more productive.

The potential of working through intermediaries was recognised but remained under-developed. Some work was undertaken with area forums but engaging community organisations to promote service information and delivery remains a challenge for the future.

### **Cross agency involvement**

Prior to the NRF funded project, Ucan2 had already undertaken work to promote TEDCO through other agencies and clients were regularly accessed through such organisations as InBiz, Shaw Trust and JobCentre Plus. The high number of

disabled clients starting businesses (20% of the total in NRF wards), for example, was due directly to the link with the Shaw Trust, a national disability charity that provides training and work opportunities for disabled and disadvantaged people.

Yet for some staff, *"the greatest challenge was getting your head around working with different partners"*. CAB links were strong through one particular member of staff but probably had not permeated the entire organisation. Again, credit union links were strong through the same member of staff and through the fact that credit union membership became available to all TEDCO staff through the period of the project. But it was unclear if the benefits of credit union membership were regularly communicated to UCan2 clients.

UCan2's links with the other NRF partner organisations helped to raise the profile and status of all the organisations within the Borough. But there were clearly areas of more opportunity for cross-fertilisation and mutual support. The relationship between TEDCO and the Credit Union, for example, enabled TEDCO to extend its market reach and offer the possibility of business loans to people with whom it may not normally come into contact. This presented perhaps an opportunity for the Credit Union to learn from TEDCO and develop, with training and support, greater expertise and competency in business lending. This is a challenge that may well be taken up as MAST<sup>2</sup> takes responsibility for the account management of LEGI business loans (*see Section 6 c iii*).

### **Changing and sustaining service delivery**

The experience of delivering services through UCan2 has led TEDCO to a greater realisation of the challenges, and difficulties, of reaching out and developing enterprise in disadvantaged communities. There was evidence that some of the clients in the NRF wards already possessed a spirit of enterprise and had the confidence and capacity, if not the complete knowledge, to create a business. It was much more difficult to engage with people who experienced deeper social and financial exclusion. For not only did business advisers have to impart knowledge about business development, they had to communicate with people in a manner that built their confidence and self-belief and upgraded their basic skills in organisational management. As one adviser noted, *"NRF confirmed the fact that that there is not one size fits all. Responses have to be tailored to individual needs"*. Identifying as well as developing entrepreneurial talent became an important element of the job of the business adviser.

UCan2 led TEDCO to revise its concept of the role of business advisers in low income communities. Traditionally business advisers were finance driven people, but it was clear that if they were to engage with people in disadvantaged communities, they needed to be community orientated and able to respond to individual personal needs. Adapting the Sirolli concept of Enterprise Facilitators (Sirolli 2006), TEDCO developed a model of the business adviser as an enterprise facilitator, active and embedded in the community. It was this revised view, gained directly through experience within UCan2 that has informed South Tyneside Local Authority's successful submission to deliver the Local Enterprise Growth Initiative. As the LEGI bid (STC 2006) states, *"the Enterprise Facilitator is the catalyst for assessing and encouraging local enterprise working on an intensive one-to one basis with potential entrepreneurs"*. The facilitator will work in and through community organisations who will be intermediaries in the enterprise development programme. It is one of the *"big ideas"* of the LEGI bid and forms *"the centrepiece of a package of informal support measures for people who may... be considering enterprise for the first time"*.

UCan2 informed changes in service delivery in other important respects. The low take up of grants and loans needed to be addressed and it was clear, at least in part, that it was due to an inability to find the matched funding for grants or a reluctance to take on additional debt. Therefore, in the LEGI *"facilitators will encourage local residents to access finance in the form of 100% grants to test and develop their business ideas"*. Additional finance will be available through MAST (Money Answers South Tyneside), the Community Development Finance Initiative that has been developed as a result of the NEF initiative.

<sup>2</sup> MAST is an independent and autonomous community development finance initiative. However, it operates through the Credit Union offices by credit union staff. Knowledge and expertise generated through the operation of MAST does therefore inform credit union operations and practice.

## b. Building social enterprises

### 1. Context

South Tyneside Resource for Initiating Development of the Economy (STRIDE) has been in existence as a community network for 10 years and provides a voice for the voluntary and community sector on the Local Strategic Partnership. It provides support to the Stronger Communities Priority Group and the South Tyneside Open Partnership for Social Inclusion. Its original focus was upon regeneration through community enterprise, but it now recognises that this is just one of its core areas of work with the Community Networks and the voluntary and community sectors. STRIDE's focus has moved from the direct delivery of projects towards an enabling role in which it acts as a catalyst. In place of its own community enterprise team it entered into a partnership with TEDCO and ComEcon to support enterprise in the most deprived areas. This was in addition to its membership of the more broadly based coalition of organisations which successfully bid for NRF funding. Within the NRF partnership STRIDE was to be the lead organisation for three activities under the first category "*creating wealth*". These were the development, co-ordination and delivery of a social enterprise strategy and action plan, secondly, secondary co-operative support and thirdly, the development of new social enterprises. Of these the second did not get off the ground because of recruitment difficulties and the monies allocated were all vired to other projects within the partnership.

### 2. Social Enterprise and Action Plan

The plan here was to build capacity, provide training opportunities, support community groups with an interest in developing as social enterprises, organise two conferences and launch and implement a social enterprise plan for the borough.

#### **SOCIAL ENTERPRISE STRATEGY 2005 - 2006**

#### **South Tyneside Social Enterprise Forum**

**STRATEGIC PARTNERS:** TEDCO; STRIDE; COMECON; BUSINESS LINK; STC; CREDIT UNION; CAB

#### **RESPONSIBILITIES:**

Create and maintain the strategy;

Co-ordinate and lead the implementation of the strategy;

Report to the Transformation Partnership (via STEP) on progress towards targets.

#### **OUTLINE OF STRATEGY:**

1. increase community engagement
2. increase capacity to deliver social enterprise
3. build social enterprise skills and capacities in the Community
4. improve the availability of finance to the social enterprise sector
5. ensure appropriate premises are available
6. increase the profile of social enterprise in South Tyneside
7. establish a knowledge base for social enterprise in South Tyneside
8. investigate the feasibility of establishing a social enterprise zone and centres

To this end a part time Social Enterprise Plan implementer/ Researcher was appointed. A social enterprise forum has been established. It meets quarterly, and is open to all, but particularly encourages participation from those who have established social enterprises as well as those who are thinking of doing so. It exists to promote an opportunity for networking and learning from each other, to advertise the services of support agencies (TEDCO, STRIDE and COMECON) and to develop and implement a strategy for social enterprise. The STRIDE worker who has serviced the forum also acts as a referral agent linking people with ideas about social enterprises with the key support agencies.

The forum encourages participants to provide personal testimonies as a means of actively encouraging people to get to know each other. It feeds into both Social Enterprises Tyneside, which is an organisation of actual social enterprises, and NESEP (North East Social Enterprise Partnership) which aims to represent the interest of social enterprise at a regional level.

The forum has also provided an opportunity to inform participants of the progress of the other NRF funded activities to emphasise the context of the promotion of social enterprise as one of a range of strategies to tackle poverty and debt in the borough.

A Social Enterprise Strategy has been agreed and adopted. Action has been taken to begin its implementation. For example there has been a publicity campaign involving posters and scratch cards and adverts in the local paper. Links are being forged with regional strategic players. Monthly partnership meetings between the key support agencies attempt to consider and pick up issues that arise in the forums.

In addition a series of 12 capacity building seminars was arranged and delivered. Details of these seminars can be found in Appendix II. Evaluations of this course were very positive, but although it attracted participants from the community and voluntary sectors and from people outside the borough there was a disappointing attendance from some key players within the borough. It is thought that the label "*social enterprise*" may have put some people off, reflecting both a lack of understanding and a lack of ownership.

### **3. Developing New Social Enterprises**

This project proved to be more difficult than had been hoped. First, it proved to be harder than had been anticipated to recruit and appoint social enterprise workers. Secondly, although the idea had been to build on STRIDE's work with the voluntary sector to help develop social enterprises this proved to be a difficult task within the timescale of the NRF funding. This is in part a reflection of the work needed to strengthen the links between community development and economic development. It was therefore decided to adopt a "*top-down approach*" to attempt to set up a social enterprise within STRIDE as a means of showing the potential. A new appointment was made to begin researching various possibilities and carrying out feasibility studies and this led to the formation of ASSET BASE which is a social enterprise subsidiary of STRIDE. It has taken over the lease on a building with a view to managing workspaces for the community and voluntary sector. One of the ensuing social enterprises has been Starting Point which aims to find accommodation for young people.

### **4. Evaluation and Analysis**

STRIDE is the Community Network for South Tyneside and has a well established relationship with the voluntary and community sectors. It has forged a partnership with the business support agencies of TEDCO, which provides a wide range of business support services and skills development opportunities, and of COMECON, which focuses specifically on support for social enterprise. STRIDE is also well represented on regional social enterprise bodies such as Social Enterprise Tyneside and NESEP. With examples of successful developments of social enterprise in neighbouring authorities, the NRF funding seemed an ideal opportunity to help develop social enterprise within South Tyneside as a part of a co-ordinated and complimentary partnership of organisations seeking to tackle poverty and financial disadvantage. The fact that few new social enterprises were actually started over the two year period reflects a general lack of social enterprise expertise within the borough, coupled with a low level of commitment and understanding. This in turn hampered the provision of the support that would have been needed from other organisations to launch new social enterprises within the borough. Social enterprises were still too often seen as charitable organisations that might

at best fill in gaps where (private) business is not viable. The conclusion was that a considerable amount of further animation work was still needed to show the potential benefit of social enterprise and that there is a continuing need to strengthen the links between community and economic development.

Most of the work undertaken has to be seen as developmental work which has begun to raise the awareness of and interest in the potential of social enterprises and to build the necessary expertise and confidence within local organisations. The forum provided an opportunity to inform participants of the progress of the other NRF funded activities to emphasise the context of the promotion of social enterprise as one of a range of strategies to tackle poverty and debt in the borough. STRIDE has been a member of the management group for these activities but, apart from its joint work with TEDCO, there was little evidence of more significant cross-agency involvement as far as member organisations of the anti-poverty group were concerned.

## Retaining Money

### c. High Cost Loan Replacement

#### 1. Context

South Tyneside's community and neighbourhood renewal strategies, outlined in *"The Spirit of Change"* (STC 2004) specifically highlight the objective of reducing financial exclusion and hardship. It is within this context that the goals of tackling the prevalence of overindebtedness, reducing fuel poverty, enabling access to affordable financial services and increasing average household income in real terms are identified. These goals are underpinned, and supported, by a range of Government policies and targets, as reflected in HM Treasury's actions to promote financial inclusion (HMT 2004).

Household incomes are strained and debt problems exacerbated often because people on low incomes have little choice but to use high cost alternative credit providers. Research has identified the necessity of credit within low income families (Jones 2001, Jones and Barnes 2005) and how people, excluded from mainstream credit, have little or no access to affordable options. Loans with home credit companies, pawnbrokers and other extortionate lenders can result in never-ending spirals of debt and a severe reduction in uncommitted income terminating in greater financial exclusion and hardship.

#### 2. South Tyneside Credit Union Loan Replacement Scheme

South Tyneside Credit Union's high cost loan replacement scheme was designed to offer people on low incomes the opportunity to consolidate high interest debts through taking out a more affordable credit union loan. It targeted the most deprived neighbourhoods within the borough and focused on offering a service to people who were excluded from mainstream credit options and in debt to extortionate lenders.

The Credit Union was conscious from the outset that access to an affordable loan alone could not be the answer to overindebtedness and financial exclusion. Research has shown that a response to debt problems, based solely on making externally guaranteed debt redemption loans, achieve limited success (Jones 2003). STCU knew that any response had to be holistic through providing access to money advice, financial literacy education, budget accounts and ongoing support in addition to access to affordable loans. It was for this reason that a strong partnership was built with the Citizens' Advice Bureau as a central element of the loan replacement scheme. STCU endeavoured to put systems and procedures in place that would result in beneficiaries gaining long-term financial stability, control of their finances and, as a step towards greater financial inclusion, an enduring relationship with a credit union.

The scheme was piloted over an eighteen month period from October 04 to end March 06. It employed three full time staff and offered a comprehensive service that included initial money advice, advocacy with creditors, money management support, referrals for in-depth financial advice and access to an affordable consolidated loan. It was recognised that access to a budget or bill payment account is an important piece of the jigsaw and, given the NRF project experience, these will be increasingly offered to members. Budget accounts enable members, through a single payment, to pay their bills directly

through the Credit Union. The simplicity of a single payment and the discipline of these accounts were recognised as enabling members, with a history of indebtedness, to make the transition to financial stability.

NRF funding paid for the staffing, administration and loan losses incurred as a result of the Scheme. The scheme utilised the Credit Union's own money for lending.

### 3. Achievements

Research into the impact and effectiveness of this activity within the EDC project was based on a series of semi-structured interviews with credit union staff and beneficiaries. In addition, an analysis of the statistical data kept on the beneficiaries took place in co-operation with credit union staff.

Over its 18 months of operation, this activity has assisted 85 people to free themselves from the high interest charged on loans from extortionate lenders. Beneficiaries converted £148,958 of high cost loans into credit union loans provided at a much lower rate of interest. In addition, these same people borrowed an additional £20,742 from the Credit Union which they would have borrowed from an extortionate lender if the project had not helped to raise their awareness of the affordable alternative provided by the Credit Union. This resulted in a total of £169,700 being lent to beneficiaries as a result of this project activity.

The target for loans made through this activity, over the period, set at inception, was £90,000. The Credit Union's success in the first year meant that this target was revised at the end of the first year to £160,000. The project exceeded its amended target by 6% and its original target by 78%.

The average loan made was £1,748 which was considerably higher than the Credit Union had originally anticipated. The median loan was just a little lower at £1,200 and only 20 loans were for £500 or less. This was an indicator of the level

	Number	Percentage of total	
Loans made	85		
		Percentage of women	
Women	69	81%	
Women aged 30 and under	20	24%	29%
Women with children	40	47%	58%
Women aged 65 and over	5	6%	7%
Benefits or unemployed	41	48%	59%
Single parents (all women)	24	28%	35%
Employed	23	27%	33%
Retired	5	6%	7%
		Percentage of men	
Men	16	19%	
Men aged 30 and under	2	2%	13%
Men aged 65 and over	1	1%	6%
Retired	5	6%	31%
Employed	8	9%	50%
Benefits or unemployed	8	9%	50%

of debt within low income households. A debt of £1,200 in moderately affluent circles may not be regarded as particularly high. But when owed by people on low incomes to alternative lenders, at very high rates of interest, it can be overbearing and destructive of financial stability, health and security. The Credit Union estimates that the £169,000 loan portfolio has saved beneficiaries over £150,000 in additional repayments that would have been made to alternative lenders if they had not chosen a consolidation loan (*see section, Value for Money, below*).

It is interesting, but perhaps not surprising, that 81% of beneficiaries were women, mostly with children. As the managers of low income households, it is often women who suffer the greatest impact of overindebtedness. Only 36% of beneficiaries were in paid employment.

61 (71%) beneficiaries went on to save regularly with the Credit Union. In fact, encouraging saving was an important aspect of the Credit Union approach as building assets is seen as key indicator of improving economic stability and connecting people with a viable, hopeful future (Sherraden 1991). Of the 61 savers, 24 (28%) had a second loan, yet another indicator of increasing financial stability and a move away from a reliance on extortionate lenders. Three beneficiaries went on to a third loan. Second and third loans are not included in the activity loan portfolio as these loans were made according to standard procedures used by the Credit Union.

Of the 24 people who did not save at all, 21 defaulted on their loan and court proceedings were instigated as part of the Credit Union's loan recovery procedures (12 of these started to repay after Court or debt recovery action). A 28% default rate is certainly high. In terms of the value of the loan portfolio, the £26,000 worth of unpaid loans accounted for a 15% delinquency rate. A 15% loss on a credit union's loan portfolio is clearly not sustainable, without external subsidies, but, in context, compares to the increasing amount of write-offs currently sustained by high street providers. However, loan losses can also be a product of lending practices. At STCU, there was no record of any refusals of applicants to the loan fund, which raises the question as to the rigour of the administrative systems. In fact, in interviews, credit union staff recognised that they had learnt a number of significant lessons about credit administration through the operation of the scheme (*see section 5 below, Changing and sustaining service delivery*).

There was no detailed data on whether or not beneficiaries had resorted to using home credit companies, or other high cost providers, subsequent to obtaining a loan in the Credit Union. However, it was adjudged unlikely among those now using the Credit Union effectively. It was understood that at least three people among the defaulters had returned to high cost credit.

#### **4. Case studies**

As part of the research into the impact of the Scheme, semi-structured interviews were conducted with five of its beneficiaries. They had all sought help because they were trapped in a cycle of overindebtedness which was having a detrimental impact on their personal and family lives. In total, the five had borrowed £14,750 from the Credit Union to pay off debts to home credit and catalogue companies, to banks and to hire purchase companies. In calculating the interest charges made by the high cost providers over the period, the Credit Union estimated that consolidating the debt with a more affordable credit union loan would provide a total saving of £12,979 to beneficiaries.

##### **Beneficiary A** - granted a replacement loan of £2,300 over 3 years

Beneficiary A was a middle-aged divorced woman who had twice tried to commit suicide as a result of the despair which arose from overindebtedness to home credit companies. *"I took an overdose because of the situation I was in, I had a complete breakdown because of my debts",* she explained. *"I had nowhere or no one to turn to",* she continued, *"I had more going out in loan payments than I had coming in. I was not eating. I was living on bread and jam, I was desperate. I hid the debts from everybody; many times I would go to bed at 6.00 p.m. because I could not afford the heating".*

She explained she had drifted into debt through buying things for her children and grandchildren. *"I just gave into the temptation to use home credit companies. You can't afford the Provvy, so you go to Shopacheck, then can't pay that so you go to Greenwoods. Christmas comes so you top up here and there. I had catalogues too".* The cycle of indebtedness went from bad to worse and, as she related, *"I started drinking. I was not getting dressed. I developed health problems. That*

*was the only way I could get through, taking the diazepam. I was hiding from the knocks of the collectors on the door, a total mess, health problems, skin problems".*

Finally, she was able to ring Jarrow Town Hall and speak to a money adviser who suggested she approach the Credit Union for help. She had never heard of a credit union before but made an appointment to meet an adviser about her debts. *"They put me at ease and were totally non judgemental. They gave no lectures. I was just told I had to tell the truth about the creditors and that everything was private and confidential. I did not feel ashamed any more".* For her, the most important contribution the Credit Union made was that she did not have to deal with her creditors. From that moment, the Credit Union took over the responsibility of negotiating with them. *"I was left feeling a lot more stable, relieved that I did not have to answer the phone or door and explain to debt collectors who",* she added, *"were often abrupt".*

She has never looked back since. *"I would not have been here today if it was not for the Credit Union",* she explained, *"I would have tried suicide again. I was determined to get rid of myself".* But by the time of the research interview, she was ten weeks into a new relationship and feeling positive about her freedom from the stress of overindebtedness.

With a loan of £2,300, the Credit Union was able to reduce her repayments from £60 a week (out of an income of little more than £70) to a much more manageable £20. *"But the debt of £2,000 was, for me, millions",* she ventured, *"It kept me awake at nights all the time".*

In evaluating the impact of the Scheme, she stressed that the most important benefit for her had been the freedom from the debt that was destroying her life. *"The credit union loan was explained well",* she noted, *"but I did not realise about the savings at first. I was so upset about the debt that savings were not important. What was important was to have no debt".* She has not had, nor sought, any particular money advice. Once free of the debt, she has been able to manage her finances satisfactorily. She was not even too concerned about the terms and conditions of the loan – or even the cost of the loan – *"all I knew was that I could afford the payments, without high interest and without someone at the door. I am not sure what I am paying; just believe it to be reasonable".*

Once she had been introduced to the Credit Union, her trust in it was reinforced by relations and friends who had either direct experience or knowledge of credit union. *"I found out that I was at school with one volunteer and knew other members from church. I knew they were good people",* she remarked.

She was ready to recognise the evident advantages of home credit loans – they were, for her, accessible and readily available without any real exploration of personal circumstances. But it was that availability that led her into the trap of overindebtedness. With the support of the Credit Union, which she saw as very important, she considered she would never be tempted to go back to borrowing from home credit companies again.

Importantly for the Credit Union, as she has re-entered financial inclusion, she has opened an account and an ISA at the Halifax. When asked why she did not save in the Credit Union, over and above the savings amount paid with the loan, she replied that she *"did not understand how to get savings out of credit union as savings are frozen in the Credit Union when you have a loan".* Clearly the perception of the flexibility of credit union lending is an issue for the Credit Union.

In addition to more flexible savings, she felt the Credit Union service would be improved if there was access to transaction accounts and better information about insurance. She has neither home contents nor life insurance.

### **Beneficiary B** – granted a replacement loan £3,500 over 3 years.

Beneficiary B was a woman in her forties who lived with her partner on a low income estate in South Shields. She first came across the Credit Union at one of its outreach sessions in a small community house on the estate. Over the years, she had built up a series of debts with home credit companies who were, in fact, her primary source of credit. She had a bank account but only used it to receive benefit payments. At the time, she was paying £70 a week in loan repayments without making any real headway in reducing her overindebtedness. She had approached the CAB in the past, who had suggested a consolidation loan but she lacked the information as to how that could be obtained. It was only by meeting the Credit Union staff face-to-face that she discovered a way forward. She was not a person to read leaflets or printed material.

She was very positive about her experience of borrowing from the Credit Union. *"It was really easy",* she explained, *"I am not good with leaflets but the personal explanation given by the staff member was really helpful. She did everything and sorted things out. There was no one knocking at my door any more"*.

With the assistance of the loans officer, she was able to consolidate her debt and reduce her loan repayments on the outstanding balance by half. The £70 per week she was paying to the home credit company was now only £35 to the Credit Union.

In reflecting on her experience of borrowing from home credit companies, she recognised the advantages they had offered her in the past. The money was always readily available in cash when she needed it. *"But you just borrow to keep going",* she explained, *"the companies did not care if you could pay back or not, they never said no, and you just ended up with huge debts. You had no idea how much you were paying, you never thought to ask. You just accepted the £300 they offered"*.

The loan from the Credit Union broke the cycle of home credit borrowing. She no longer uses doorstep lenders, a fact that had caused upset for her home credit collector who she had known for many years. In the interview, she was clear about the benefits of credit union membership in terms of the affordable repayments and the ability to save. Since becoming a member, she has found she has been able to manage her money much more satisfactorily. With advice, she had set up a bank standing order to make payments to the Credit Union. It was evident that she had now built a level of trust in the Credit Union. She was not clear about all the terms and conditions of the loan but she knew fundamentally that it was a much better deal than home credit. *"Being released from the home credit debt was what mattered for me the most",* she stressed.

However, she did know about the terms of saving in the Credit Union which, as became more financially stable, she found disadvantageous. *"It was great that I could save as well and I do find the savings condition very helpful",* she stressed, *"but I can't touch my savings when I have a loan. So I don't save any extra in my own account. But I do put savings in the Credit Union, in my boyfriend's account"*.

Beneficiary B was open to using the Credit Union in other ways in the future. She already had a second loan and was familiar with the application process. She would welcome a current transaction account and the ability to use Pay Point. *"There are not enough people in South Shields who know about the Credit Union",* she added, *"I now recommend it to all my friends"*.

**Beneficiary C** – granted a consolidation loan of £2,700 over three years.

Beneficiary C was a sixty year old man, retired and on incapacity benefit. He had worked as a contractor all his life and was forced into early retirement over two years ago through a car accident. He lives with his wife and son.

Since losing regular employment, he has struggled on a low income and has found it difficult to meet bills and living costs. Over the period he took out a bank loan, a hire purchase agreement on a three piece suite and was struggling to pay home credit loans. All this resulted in his amassing a debt of £2,700 which he found near impossible to pay on benefits given the high interest charges. He was receiving phone calls from the bank, accruing charges for default as well as being pursued by the home credit company. The stress of the overindebtedness was having an impact on both his health and well-being.

He had not sought advice from the CAB or any money advice agency, but was introduced directly to the Credit Union through a friend of his daughter. He recounted the ease he felt in meeting the Credit Union adviser, who he found to be supportive, accepting and helpful. For him, the one-to-one contact was very important. *"I do not learn from leaflets but he explained everything to me well"*. The credit union was able to negotiate with the creditors and reduce his fortnightly loan repayments by 36%. *"The payments became more affordable",* he explained, *"I have no trouble now in paying, but now I am free from phone calls and letters. The credit union took a lot off my mind"*.

He has now progressed to become a regular credit union member and has already accessed two top up loans. He saves whilst repaying, but does not yet save over and above the amount deducted from his fortnightly payment. *"I have now £76 in savings, which for me is always something to fall back on in an emergency"*.

He reported that he found the terms and conditions of savings and loans to be both straightforward and easy to understand. However, like others, he was unsure of the details of the terms. He was unaware of the interest charged on the loan, what mattered was the amount payable per fortnight and the fact that it was affordable and a lot less than before. Equally important was the ability to pay in cash. He did have a bank account but has not used it since retirement. Instead, he uses the Post Office Card Account which he found to be convenient and which also affords him the opportunity to meet friends at the Post Office.

He now recommends others to join the Credit Union. Its biggest selling point, he argues, is the way it deals with financial problems and handles creditors to the long term advantage of the member.

#### **Beneficiary D** – granted a £1,000 loan over a three year period

Beneficiary D was a woman in her mid-fifties living alone on benefits on a housing estate where she was involved in a local tenants association. The credit union had asked to deliver an information session at the residents' *"tenancy house"* and it was there that she first encountered the Credit Union. She knew nothing of its purpose, operation or policies.

*"I was in with the Provvy"*, she explained, *"and was failing to manage. I was told by the Credit Union when they came to the tenants' house that I could pay Provvy off with a loan from the Credit Union"* which she did. The credit union handled the transactions and her weekly loan repayments were reduced from £50 to just £13. She has never looked back since.

Like other beneficiaries of the Scheme, she was attracted by the personal one-to-one contact with an adviser, *"I do not read leaflets"*, she noted, and the reduction in weekly repayments to a level she could afford. Like others, she was unaware of the Credit Union's interest rate, in fact she felt that it was unimportant; what mattered was the affordability of the regular repayments. What also mattered was the ability to repay in cash as she had no bank account. Benefit payments were handled via a post office card account.

Once freed of the home credit debt, she found she had no difficulty in repaying and even managed to save a small amount each week. She has gone on to become a regular member and has accessed further loans in times of need. She recounted a family crisis that occurred since obtaining the replacement loan which, in previous times, would have prompted another home credit loan. *"I would have been right back to Provvy, right back in the hole we were in"*, she explained, *"I was able to borrow from the Credit Union instead"*.

Leaving her dependence on home credit proved remarkably straightforward even though she had known the home credit collector, a local woman, for over 40 years. *"She was absolutely brilliant, it was easy to get a loan"*, she noted referring to the collector, *"but she had to admit that with the Credit Union I would be paying less money than that"*. She was adamant that she would not be tempted to return to home credit.

She had not sought any money advice but felt that the Credit Union system gave her control over her finances. She had no problems repaying and stressed that *"it keeps you out of debt"*. She has become an ardent credit union supporter and recommends membership, not just for the affordable loans, but for the way it teaches people how to save. Yet, for her, the best thing about the Credit Union was the people. *"At the Credit Union, you can talk to the people there about anything and they would understand"*.

#### **Beneficiary E** - granted a consolidation loan of £4,730 over three years.

Beneficiary E was a thirty-year old married woman who cared, with her husband, for her disabled son. He has cerebral palsy and needs 24-hour care which has resulted in both her husband and herself giving up work to look after him.

On leaving work, she had run up debts with a home credit company and catalogues which she found were the only financial providers ready to make a loan in her circumstances. So she was ready to admit the advantages of using

accessible home credit services. But, by the time she came across the Credit Union in a disability magazine, she was already in deep financial trouble. *"I could not afford to live, the payments were so high and I was received lots and lots of threatening letters"*.

She described her approach to the Credit Union as coming into a *"totally relaxed environment"*. She felt people were ready to listen, to understand, to relate to her circumstances and to take time to explain the terms and condition of borrowing. *"There was no sales pressure; they just wanted to help you"*. She compared this with her experience of home credit where she often felt vulnerable to being persuaded to borrow more than she needed and in a way that left her unsure of the loan's terms and conditions. *"They don't explain everything, it is all numbers and figures that do not mean anything"*, she argued strongly.

She explained how the Credit Union had asked her to bring in her home credit books as it was unusual to lend such a large amount of money. On the basis of her being a good customer to the home credit company and on the results of a credit check, the Credit Union decided to consolidate all her home credit and catalogue debts. Her weekly loan repayment was immediately reduced by 50%.

Like the other interviewees, she has now become a regular credit union member even though she admits she does not save as much as she could as she is still unsure of the terms and conditions of saving. Yet, for her, the Credit Union remains an important institution in her life. The affordable lending is paramount but so too is the welcome of the Credit Union staff. *"With the Credit Union, you can go to various offices, they are flexible, you can ring them and people know me. They make you feel special – it's a very personal thing. I am never tempted to go back to home credit"*.

## 5. Evaluation and analysis

### Assessing impact

In terms of loans made, this pilot project overachieved both on its initial first year, and revised second year, targets. In so doing, it made a significant impact in the lives of people who experienced financial hardship through over indebtedness to alternative credit providers. The fact that 71% of project beneficiaries went on to become regular savers and borrowers in the Credit Union is a significant to the promotion of financial inclusion and stability

In interview, the beneficiaries identified the value of the project in terms of:-

- Freedom from the worry and stress of overindebtedness.
- Release from feeling ashamed of being in debt to high cost loans companies.
- Better health that came with a feeling of security.
- The ongoing support offered not to return to high cost alternative lending.

They also identified longer term benefits that came about through credit union membership. These included:-

- A determination not to return to borrowing from high-cost lenders.
- A greater understanding of the benefits of credit union membership.
- The ability to save in the Credit Union and elsewhere.
- The desire to recommend credit union membership to friends and family.

The greatest impact of the project was in the lives of the beneficiaries. However, the impact was wider than this. The calculated savings on interest that would have been paid to high-cost lenders made a small contribution to the local economy. But this project was a pilot project and its impact must be measured also by the learning it has generated about lending in low income communities and to people facing overindebtedness. It has confirmed the need for a

holistic approach with multiple services being offered contemporaneously. A low interest consolidated loan alone is not always pathway to financial inclusion, although, as this project, has demonstrated, it can be the catalyst for the kind of change that leads to financial stability. Interestingly in interviews with some of the beneficiaries, it was not longer term money management advice that mattered the most, what mattered more was the support and encouragement gained from credit union membership. All the beneficiaries, freed from high cost repayments, claimed they could repay the Credit Union loan and to save successfully.

### **Quality of Service Delivery**

Beneficiaries stated that they were attracted to join the Credit Union because of:-

- Face-to-face contact with approachable and accessible staff.
- Not being judged nor lectured by the staff.
- The affordable repayments and their impact on the household budget.
- The ability of the Credit Union to deal directly with creditors on their behalf.
- Simple and straightforward explanations offered of the terms and conditions of borrowing in the Credit Union.

For beneficiaries, factors regarded as not so important included:-

- Understanding the actual cost of the credit – it was the affordability of repayments that mattered the most to beneficiaries.
- Understanding the details of the terms and conditions of the loan – what mattered more was borrowing from an organisation that they could trust.

The service offered was comprehensive. At initial interview, an exploration of the nature of the debt was conducted by a credit union project worker. From that meeting, all negotiations with and payments to creditors was undertaken by the Credit Union. A payment plan for repaying the consolidated loan would be negotiated and a credit union savings plan discussed and recommended. A referral to CAB debt counsellors would be arranged if necessary.

Standard credit administration procedures were applied and copies of repayment books to home credit companies were requested to ascertain ability the regularity of previous payments and credit checks were undertaken in all cases. However, given the level of default on the project, staff recognised the need to become even more rigorous in credit administration procedures. In particular, it was felt that the debt ratio calculation should have been done in reference not to income but to surplus income. Often income is already allocated and should not be used to calculate ability to repay without taking prior commitments into account. Other areas of improving the credit administration were identified as demanding proof of all income, asking for more evidence of expenditure (particularly by asking for copies of utility bills) and developing a more rigorous approach to financial statements. In the course of the project, the Credit Union developed a financial statement based on the common financial statement of the Money Advice Trust and the British Bankers Association.

Each applicant was dealt with individually and each decision made on its merits following discussions with the loan officer team. Irregular payments to home credit unions would not necessarily result in loan refusal if an adequate explanation could be given. Neither would a poor credit record if again an explanation could be given. The fact that no debt consolidation loan was ever refused is perhaps indicative of the approach taken.

Debt recovery was, however, vigorously pursued. The credit unions loan recovery procedures was implemented in all cases, including engaging the services of a debt collection agency.

## **Value for money**

The project over the eighteen month period cost NRF £180,000. This covered staff salaries, marketing, administrative costs and loan losses whilst loans came from the Credit Union's own capital.

If the value of this public investment was considered merely in terms of the costs of each loan made (£2118 per loan), it would be clearly expensive. However, it is important to consider value for money, not only in terms of loans made, but in terms of the:

- £150,000 plus saved in interest payments to high cost credit providers (this was calculated by subtracting the amount charged by the Credit Union from the amount that would have been charged by the alternative lender over the period of its loan. The credit union did this calculation in all cases. It did involve some estimation as it could not factor in such variables as possible early repayment to alternative lenders by borrowers. However, it is a reasonable estimate, given the available data)
- Building of the organisational capacity of the Credit Union as a long term ethical provider.
- Generating knowledge and information to inform further projects to tackle financial exclusion (e.g. HM Treasury Growth Fund and Money Answers South Tyneside).
- Proving the possibility of developing an effective service for financially excluded groups in partnership with the CAB and other agencies.
- Providing the impetus for the creation of Money Answers South Tyneside Ltd, a community development finance institution. MAST grew directly out of this project and, with a £200,000 loan capital fund, continues to offer loans to over-indebted people on low incomes.

## **Community engagement**

A large number of the NRF project beneficiaries learnt about the project through community and social networks. The importance of social networks in low-income communities has been demonstrated in recent research that found that only 11% of people on low incomes learnt about financial services from printed leaflets (Jones and Barnes 2005). Most learnt about them through family and friends and the networks they participated within in their communities.

For this reason, the Credit Union conducted an outreach project in local communities. This was also funded through NRF. (see section 5.f of this report).

## **Cross agency involvement**

The major cross agency involvement to emerge from the NRF project was the strategic partnership that developed with South Tyneside Citizen's Advice Bureau. This has had a major impact on the success of the project and its ability to offer beneficiaries a comprehensive and holistic service (see Appendix III).

## **Changing and sustaining service delivery**

The NRF project, as a pilot project, was able to make a significant contribution to ensuring the continuation of a sustainable local financial service that has the capacity and the competence to promote financial inclusion effectively.

The project made an impact on the internal operations of the Credit Union, on its relations with stakeholders and on its ability to initiate further actions to combat financial exclusion.

Internally, the project led to:

- Changing credit administration systems to ensure more effective loan granting and credit recovery operations. "We have certainly tightened up loan granting procedures based on the experience of the project", noted the Credit Union manager, "we are more rigorous than ever. We also now have a full time credit controller".

- Increasingly focusing on promoting saving as a key aspect of promoting financial inclusion. (Here further changes will need to be considered to ensure greater access to flexible savings. Research found at least two beneficiaries who had started saving outside the Credit Union, after achieving financial stability through the project, as they felt their savings would be inaccessible whilst they had a loan outstanding).
- Greater competence in the collection of statistical data on beneficiaries, on the basis of which decisions can be taken. This has ensured that systems are in place to monitor MAST and the DWP Growth Fund.

The impact on the relationship with stakeholders has been twofold:-

- The development of the strategic partnership with the CAB has changed the way the Credit Union offers a financial service to people who are over-indebted or facing financial exclusion. It has generated the creation of a new holistic and co-ordinated approach to offering people the opportunity to move towards greater financial stability.
- The links made through the project steering group with organisations and agencies in South Tyneside has raised the profile and status of the Credit Union as a key player in the social and economic regeneration of the Borough. This has secured further support for the Credit Union from Government, local government, the Northern Rock Foundation and other agencies.

The new initiatives that have arisen directly out of this project include:-

- The creation of Money Answers South Tyneside Ltd as an independent community development finance initiative. This local CDFI runs alongside the Credit Union and is able to reach out to financially excluded groups and offer a financial service which, in certain cases, can be more immediate and accessible than those of the Credit Union. It was established with a £200,000 grant from the Northern Rock Foundation. MAST will also manage the business loans offered through LEGI and which will be targeted at entrepreneurs in NRF wards (*for a discussion of MAST see section 5.g*).
- The partnership with the CAB has contributed to the CAB's success in gaining support from the DTI administered Financial Inclusion Fund to develop money advice services throughout the Borough. Money advisers will be based in the Credit Union as a direct result of the experience of the NRF project.
- The successful application to the DWP administered Financial Inclusion Growth Fund. This has ensured over £0.25 million in addition capital and revenue to continue and expand the work already carried out on the NRF project.

To end on perhaps a note of challenge, one initiative that has become nationally available in the Credit Union movement is not currently on the STCU agenda. This is the ability to offer credit union service accounts as the equivalent of a bank's current account. These accounts will enable members to have wages or benefits paid directly into the Credit Union. They will also offer the opportunity for the payment of direct debits and standing orders and for access to cash through the use of an electronic ATM cards. Several beneficiaries, who did not have or use bank accounts, stated that they would be interested if the Credit Union offered its own transaction account.

## **d. Local Purchasing Promotion**

South Tyneside MBC is a major contributor to the local economy. In line with the National Procurement Strategy for Local Government it is keen to develop a procurement strategy that maximises the impact upon the local economy. To further this aim it needed to gather intelligence on its spending and on its suppliers.

To this end NRF funding was used to engage Spikes Cavell and Co to undertake an analysis of council suppliers. The idea was to show the proportion of suppliers that were local to the borough, the proportion going to small and medium enterprises and the proportion of these firms that were potentially vulnerable to new requirements for electronic ordering. The analysis was needed both on a numbers (of suppliers, of contracts) basis and on a value basis.

Spikes Cavell and Co analysed almost 5,500 creditors of the council to provide information on the size, structure, and distribution of the council's suppliers. Data on suppliers and on the value of spending was entered on to their electronic Observatory. This will allow for trends over time to be observed by comparing data from future years and using this year's data as a benchmark.

## **Outcomes**

The data showed the proportion of suppliers and the value of spend (9.06%) that were from the South Tyneside district and the proportion from the Tyne and Wear region (33%). It also showed the proportion of SME suppliers (over 80% and 60% by value) and the proportion that are new businesses (16% of the suppliers were formed after 2000). This provides the council with the ability to consider trends over time and to compare its record with that of other authorities. It also presents opportunities for collaborative work with other authorities in the Region (for example by joining together as consortia thereby seeking larger supply contracts).

The potential impact of developing procurement strategies which stimulate local supply contracts is being taken forward by work into the "*local multiplier effect*" (Sacks 2002) which it is hoped will throw more light on the true economic impact of doing business with local suppliers. More work is also being carried at a regional level into the relevant EU trade regulations.

The analysis successfully identified those local businesses which were potentially at risk in the move to e-procurement. As a result they have been targeted for advice and assistance through STEP CHANGE.

Finally, the aim was to use the understanding that arose from this analysis of the council's procurement to stimulate greater interest from local businesses in bidding for contracts to supply the council. Improvements have been made to the council's website to provide better information on how to trade with the council, and to raise awareness (particularly amongst potential local suppliers) of the council's needs. Meetings to discuss the raising of the proportion of procurement from local firms have highlighted the need for more local people to be trained to have the skills needed within the construction industry.

## **Asset building**

### **e. Financial literacy**

#### **1. Context**

The NRF project aimed to implement a series of strategic and holistic actions designed to combat poverty and disadvantage in South Tyneside. It recognised, in line with government policy (HMT 2005, FSA 2003, 2005, Scottish Executive 2005) and recent research (Jones and Barnes 2005, Atkinson, McKay, Kempson and Collard 2006), that financial literacy is a key constituent element of the process of financial inclusion. Debt advice can tackle immediate problems and crises. However, it is only the development of a greater financial awareness and literacy that help to achieve financial inclusion in the longer term (Rossiter and Cooper 2005, Edwards 2003). If they are to take effective decisions regarding their own financial circumstances, people need to have the skills, knowledge and confidence to make informed judgements (AdFLAG 2000).

Despite the recognition of the importance of financial literacy education and the development of national strategies for financial capability (FSA 2003b), financial literacy provision often remains patchy and piecemeal (Coban, Dawes and Lee 2005). There has certainly been an increase in the number of initiatives but reaching those in the greatest need often remains difficult and problematic. People in low income communities gain, for the most part, their financial knowledge and information through local social networks (Meadows, Ormerod and Cook 2004) which often results in their making financial decisions based on myths and misinformation (Jones and Barnes 2005).

Young people are particularly susceptible to misinformation and misunderstandings about finance. In general, research has shown that young people take little interest in financial matters and gain most of their information from parents

(FSA 2004). Despite government initiatives, financial literacy education in schools still seems to remain poor or intermittent (FSA 2004). Where it does take place, it tends to be part of personal, social and health education (PSHE), of citizenship classes or of mathematics and business studies. It is often affected negatively by its position as a non-statutory subject (England and Chatterjee 2005). In order to increase its profile, from September 2005, financial capability was introduced in schools as an integral part of enterprise education.

## **2. The financial literacy projects**

The NRF project included two financial literacy projects. The first, delivered by the CAB, aimed to offer financial information and skills training to adults in low income communities. The second, organised conjointly by the CAB and TEDCO, offered financial literacy education to young people in schools and colleges. Underlying both projects was the aim to assist adults and young people to make informed judgements and to make appropriate decisions about finance, now or in the future.

In order to engage financially excluded adults living in NRF wards, the CAB organised financial literacy training in and through the community. This project reached out to adults, either as individuals or in groups, through the mediation of a network of community and voluntary organisations, including the Credit Union and the CAB itself. The project offered one-to-one support, short courses and group training sessions. It encouraged referrals from the Credit Union or from the CAB in order to support individuals to achieve long term financial stability. These referrals could be after immediate debt problems had been resolved or when access to a loan alone, was not sufficient to meet a person's best interests. The project linked into other aspects of the wider NRF project; in particular into the Credit Union's high cost loan replacement project and TEDCO's Ucan2 project. Over the two year period, the initial target was to involve 200 adults per annum in financial literacy actions.

The financial literacy project aimed at young people 14 to 19 year olds was organised by TEDCO and CAB together. It offered a series of workshops and events in schools and colleges. In many cases, it was an additional element to TEDCO's existing Enterprise in Education project, which already operated in all senior schools in South Tyneside. The project offered an introduction to financial literacy education and covered a range of subjects including understanding savings, loans (including sub-prime lenders) and investment products, budgeting and financial management. Over the two year period, the initial target was to involve 400 young people per annum in financial literacy actions. This was increased to 700 young people at the end of the first year, thus making the two year target for both the adult and young person strands of delivery 1500 participants overall.

## **3. Project achievements**

In the adult programme, over thirty community organisations were approached to participate in the financial literacy project. These included such organisations as Sure Start, the Shaw Trust, Age Concern, PHAB clubs, local residents and community groups, church groups, and organisations that work with victims of domestic violence. These community contacts helped to promote and generate a great deal of interest in the issue of financial literacy and resulted in a number of individual referrals to the CAB. However, very few of the planned financial workshops took place. 50% of those that did take place were with the North East Council for Addictions.

This resulted in the project reaching fewer adults than had been anticipated. In year 1, for example, only 76 adults rather than the 200 expected participated in the programme. Over the two years, 138 adults engaged in financial literacy support or training. However, feedback from those that did participate was positive and there was increasing indication of the relevance and importance of financial literacy training to participating groups. This coincided with national research that found that financial literacy training in the community was patchy but, where it did happen, was positively received by participants (Jones and Barnes 2005).

In terms of numbers, much more success was had with the young people's programme, which benefited from school and college access being assured through the TEDCO's Enterprise in Education programme. 1,109 pupils and students participated in the programme which represented an overachievement on the set target. However, in regard to quality of participation, feedback from both participants and CAB personnel delivering the programme indicated mixed results.

Overall, the financial literacy project fell short of the target number of participants in financial literacy training or one-to-one sessions by 17%. This was due to lower number of adult participants. It is clear that this concern about numbers was considered by the partnership and that there was a constructive sharing of ideas, and of network connections, in an attempt to deliver the programme. It is also worth noting that the target figure for participants in financial literacy training had been increased at the end of year one. The project overachieved on the original target set at the outset of the project.

## 4. Evaluation and analysis

### Assessing impact

On the adult programme, from evidence gained from the available feedback forms, it was clear that participants, who had availed themselves of individual support or of group work training, benefited positively from the experience. The greatest problem for the CAB in delivering the programme was accessing sufficient numbers within the target group and in encouraging people, often in very vulnerable circumstances, to participate in training or advice sessions.

Certainly, the project revealed the complexities of engaging adults in financial literacy training through intermediaries. Multiple contacts were initiated with a range of organisations. However, proposals and offers of training were not always followed up by the intermediary. Sometimes the purpose of the training was even misunderstood. On a number of occasions, for example, through certain intermediaries, people with higher income financial literacy needs attended the groups rather than the target group of low income, financially excluded people. The project revealed that unless the intermediary community and voluntary organisations appreciate the importance of financial literacy training, and have the developmental skills to engage financially excluded individuals, then outreach and engagement is very difficult to make happen. On the project, impact was greatest where community organisations saw the value of financial literacy education and promoted referrals and training themselves. The evident conclusion is that financial literacy programmes need to engage first with the intermediary organisations to ensure that the purpose and methodologies of financial literacy training are understood and agreed before moving on to recruit participants.

The financial literacy training delivered to young people supported by the South Tyneside Churches Key project was an example of good practice. This project works with young people who are in the process of moving to independent living. The course materials were planned with the participants and the project workers in advance, and the workers sat in on the sessions thus demonstrating their commitment to the value of the training.

With regard to individual adult referrals for financial literacy support, impact was sometimes compromised by a lack of definition between problem-solving money and debt advice and the longer term financial literacy advice and support. As one CAB worker noted, *"Within CAB a number of referrals were made but the general feeling was that during the debt management process clients did get budgeting advice and it was difficult to then ask them to deal with another adviser once they had built up trust with their money advice worker. Having worked with a couple of clients I had to agree with this conclusion"*. Clearly the process of debt advice does have strong elements of financial literacy education. However, the problem is that, in the longer term, debt advisers, given the pressure and focus of their work, do not have the time to deliver effective financial literacy training. It is for this reason, that in the new NRF programme, a clear distinction has been drawn between debt advisers and financial awareness workers. The latter offer longer term and preventative budgeting and money management advice whilst the former concentrate on the resolution of immediate financial and debt problems.

In schools and colleges, the problem was not the number of participants, but rather the quality of their engagement and participation. The words of a CAB worker are telling, *"Part of the problem was the nature of the delivery. Sometimes it was within the PHSE or citizenship curriculum, neither of which seems to have a set syllabus or assessment. This meant that the teachers rarely bought into the process which was imposed on them. Often they seemed confused by our presence, didn't know who we were, what we had come to talk about and looked upon the hour as a chance to catch up on work. Some did not even help with controlling behaviour which was on occasion entirely unacceptable. The students quickly picked up that this session was not considered important and paid little attention to the lesson. As a result little was gained and it was difficult to ensure that any clear message was delivered. Evaluation sheets often had flippant comments"*.

In fact, CAB's experience of the delivery of the project relates to prior research into financial literacy and young people. In 2004, FSA consumer research (FSA 2004) into young people and financial matters revealed that young people, in the 15 to 19 year age range, showed little interest in financial matters and, 40% of them, rated their school's coverage of money management as poor. The FSA report noted that *"81% of 16-19 year olds have a bank account, but only 39% have a savings account. And although they spent time shopping around for the best mobile phone deals, they did not do the same for financial products and services"*. An earlier FSA report (FSA 2002) confirmed the low priority given to financial education in schools and the lack of support among teachers for personal finance teaching to become a statutory requirement.

### **Quality of service delivery**

The quality of service delivery was undoubtedly compromised both by the lack of engagement of community and voluntary organisations and the poor organisation of provision in schools. A CAB worker reflected on her experience of working in schools, *"whilst we accessed a large number of students, the quality of our delivery was severely affected by the attitude of the school. The age of the students was an important factor and we seldom had an idea of what level of knowledge they had already. Tutor groups were often very poorly organised and it often meant that you were presented with a very mixed group in an unsuitable venue"*. However, she added that *"some students do seem to have benefited from the process and have reported that this is the first and only financial education they have received"*.

In many ways the CAB delivered a good quality of service to participants, given the constraints of working through intermediary organisations and of the lack of priority given to financial literacy training on the school curriculum. Materials and learning packs were produced by the CAB for use in the sessions and, from observation, they appeared relatively effective. Each set of materials was tailor made and often included innovative mechanisms (such as quizzes) to help engage and prompt discussion and debate. To improve the quality of outcome there would need to be even greater preparatory work with intermediary organisations and schools. In regard to adults, improvement would require a more focused community development approach aimed at engaging with disaffected and financially excluded people, whose prior experience of education was probably quite negative. In regard to young people, improvement would depend on developing the kind of programmes that are able to key in to their live issues and concerns in a way that sparks interest and engagement with the subject.

### **Value for money**

The two financial literacy projects engaged 1,247 people in financial literacy training and put the issues of financial literacy on the agenda of most secondary schools, as well as community and voluntary organisations in South Tyneside.

However, the value for money of the project should not be measured in the number of unit beneficiaries alone. The experience of the project has generated learning both in regard to the engagement of adults and young people which has already impacted on the future direction of the financial inclusion strategy in South Tyneside. Financial literacy provision is embedded in the MAST programme at the Credit Union and in the service delivery of the CAB. Financial literacy will also form a part of TEDCO's future work through its enterprise facilitators in low income communities. The aim of enterprise facilitation is to generate passion about financial management, a passion that ultimately depends on financial skill and knowledge (Sirolli 2006). The project also helped identify key common issues to be addressed and policies to be developed. One example was the need for Credit Union payments to be accepted as a priority debt (*see Appendix III*). Another was the potential value of the provision of financial awareness training for those facing possession proceedings because of arrears.

### **Community engagement**

The project revealed the clear challenge of engaging community and voluntary organisations and schools in financial literacy education provision. As has already been noted this was not easy and accessing participants through community networks was often problematic. As one worker wrote, *"a wide range of other agencies were approached where we felt their clients could benefit from this programme in a fairly specific way. But workshops did not always happen. Most project managers, once I was able to speak directly to them, thought financial literacy was an important and relevant issue but in*

*spite of follow ups rarely took us up on our offer. We produced outlines of workshops, showed them materials, all to no avail".*

The project did highlight the depth of the problem of engaging the community. As the CAB worker stressed, *"I feel that unless other agencies accept that part of their clients problems may be debt related we will not receive referrals"* and, *"in schools, financial awareness is part of the curriculum but it is not being delivered in any structured way"*. Despite investment in money and debt advice, there is still a considerable way to go to establish financial literacy education as a priority on the community and school agenda.

However, the success of the project in raising the profile of financial literacy education on the agenda of over thirty community organisations and of local schools and colleges should not be under-estimated. A firm base has now been created in South Tyneside for further developments in this area.

### **Cross agency involvement**

The cross agency involvement between CAB and TEDCO strengthened the delivery of the project. It stimulated greater linkages between financial literacy and enterprise development and clearly facilitated access to schools. The involvement with the Credit Union was also significant. Money and debt advice and access to low cost loans, if they are to make a difference in the longer term, depend on the increasing financial capability of beneficiaries.

### **Changing and sustaining service delivery**

The financial literacy projects made a significant contribution insofar as they revealed the need for increasing changes in service delivery if financial literacy education is to be effective. In many ways these projects were *"trail-blazing"* in that they were convincing organizations of the relevance and need for financial awareness training for their service users and students. The next stage would be these organizations demonstrating their commitment and ownership of this work by entering into contracts for the provision of this service.

Perhaps the greatest change is needed within schools and colleges. The project confirmed the findings of FSA consumer research (FSA 2002) and revealed that, despite some moves to include financial literacy on the curriculum, in most schools there is an absence of an explicit policy and strategy on the teaching of the subject. Many teachers appear to be unaware of the issues involved and have little or no access to relevant training and information materials.

However, on a positive note, the projects have influenced the continued change in strategy and policy development in regard to financial inclusion in South Tyneside. It is now a condition, for example, of obtaining a loan through MAST that the applicant must have an interview with one of the new financial awareness workers. Similarly, at TEDCO, business advice includes access to financial literacy insofar as the business course includes practical exercises in book-keeping and clients are all informed about the need for good record keeping and the necessity to make provision for taxation. In addition business plans all include a personal survival budget. Other significant issues and ideas for policy change also emerged from these projects. Yet still there remains a great deal to be done to ensure quality financial literacy education for all in South Tyneside.

## **f. Credit Union Membership Growth**

### **1. The context**

At the start of the EDC project, South Tyneside Credit Union had 2,263 adult members. This represented a 2.41 % penetration rate of the economically active population within the borough as a whole. Given the lack of access of many people on low incomes to affordable financial services, the Credit Union was committed to expanding its membership in NRF wards. Since its creation from the merger of five smaller community credit unions, STCU had made significant progress in developing the quality of its products and services. Yet, it realised that it had to do more, through direct marketing and outreach, if it was to increase the demand for those products and services in low income communities. Tradition, culture, a lack of financial knowledge and education can often result in people continuing to use high cost alternative lenders even though affordable credit union options are increasingly available. The path from financial

exclusion to inclusion for many depends on the building of their financial capability through direct one-to-one contact or through familiar and trusted social and community networks (Jones and Barnes 2005).

## **2. Growing STCU membership**

Most people in low income communities learn about financial services directly from neighbours, family, friends and people they meet. The problem is that, often, this knowledge can be erroneous and even lead people into greater use of high-cost alternative lenders. For this reason, the project activity aimed reach out to people in the NRF wards through community and resident organisations, community centres and local projects in order that they could learn about the benefits of credit union membership directly from people they knew and to whom they could relate. As the project demonstrated, people were much more likely to join on the recommendation of a friend or family member than from reading a leaflet or announcement in the newspaper.

NRF funding allowed the Credit Union to employ a community outreach worker over the two year period. This person already had community development knowledge and skills and was able to build relationships with a range of local community organisations. The community outreach worker was able to establish a programme of outreach and information sessions with community groups. Importantly, the worker gave the community groups a person to directly contact within the Credit Union.

## **3. Activity achievements**

The initiative resulted in an additional 593 new credit union members drawn from NRF wards, a 44% increase on the overall two year target. Over the period, the Credit Union recruited 869 new members in total, 68% of whom, therefore, were from NRF wards. In addition, the Credit Union recruited 77 young savers in NRF wards.

70% of all new adult members in NRF wards were women, which reflected the proactive contacts made through Sure Start and mother and toddler groups.

28% of all new adult members in NRF wards were under-thirty. This compares with the 20% of all STCU members who are under thirty. The increase in younger members was seen by the Credit Union as due to the direct marketing of community groups that particularly involved young mothers and children. There was some evidence too that the introduction of payroll deduction at the Local Authority and the Primary Care Trust had some impact on recruiting younger people.

There is evidence that through this activity the Credit Union was able not just to recruit but to retain members in the NRF wards. 337 became regular savers (57%) and saved a total £66625 over the period. 258 (43.5%) of the 593 new members went on to borrow from the Credit Union as well as to save. Only 60 (10%) closed their accounts.

## **4. Evaluation and analysis**

### **Assessing impact**

The 896 new adult members over the period of the project represented a rise in membership of 40% on the 2,263 members at the start of the project. 68% of this increase was in NRF wards. This membership rise exceeds the PEARLS international standard for membership growth in credit unions worldwide (Richardson 2001).

The success of the project activity in attracting younger members is particularly significant. Nationally, credit unions often struggle to attract and retain the under-30s as active members (Jones 2005b). Clearly, the strategy of reaching out to younger people, mostly young women, through community intermediary organisations paid dividends. It confirms the fact that credit unions can appeal to younger people so long as they adopt the effective and proactive marketing and outreach strategies. As identified in earlier research, credit unions succeed when they become customer-focused rather than product-led (Jones 2005c).

## **Quality of Service Delivery**

Research interviews with new members who joined through community outreach sessions indicated the importance of the direct one-to-one contact with credit union personnel in enabling them to make the transition from dependence on high cost alternative credit providers to the active use of credit union products and services. It was the human touch and the conversations with staff members who were recognised as friendly, accepting and trustworthy that made the difference.

Credit union staff also identify, as factors in attracting financially excluded people into membership, the ease with which new members could join in community locations and the availability of instant credit. Straightforward and convenient membership application procedures and on the spot sign-up in community locations were clearly significant elements of success. People did not have to take forms away and submit them via a complicated procedure at a later date. The issue of instant credit was also an important one which, however, was later contested by the Credit Union itself. Research has often indicated that access to immediate credit is essential for financially excluded consumers (Collard and Kempson 2005). This project activity confirms this and many joined on the basis of access to an instant loan. However, the Credit Union experienced an increase in bad debt among this membership group. As a result the Credit Union reinstated the traditional practice of insisting on a prior savings period before loan application and suspended access to immediate credit. In the longer term, this may not assist in the Credit Union's ability to serve the underserved. The issue here is not necessary access to instant credit but, rather, having in place, an effective credit administration system based on the member's capacity to repay.

## **Value for money**

The NRF investment in this project activity of £67,917 mostly paid the salary of the community outreach worker. Research into the effectiveness of the activity could not really identify how many of the 593 new members would have joined anyway irrespective of the initiative. Some certainly would have done, particularly those who joined through agencies offering payroll deduction. However, it is also clear that many would have not. The activity was able to engage with people who would not have otherwise had the confidence or the information to join the Credit Union on their own initiative.

## **Community engagement**

The activity operated in twenty community centres and involved an additional twenty-nine community organisations in NRF wards including Sure Start, early learning centres, residents and tenants associations and action groups, mother and toddler groups and disability groups. In addition, the activity established contact points in over twenty local libraries and day centres. From interviews with beneficiaries, it was clear the activity had assisted the Credit Union to increasingly embed itself in the local community.

## **Cross agency involvement**

A number of new members came through referrals from the CAB and South Tyneside Welfare Rights. An analysis of the partnership between the CAB and the Credit Union can be found in Section 5.c, High Cost Loan Replacement, and in Appendix III, The CAB and STCU – working in partnership

## **Changing and sustaining service delivery**

The activity has resulted in the Credit Union learning more about the dynamics of marketing and outreach to people on low incomes through community organisations and networks. It informed the Credit Union's bid for the Financial Inclusion Growth Fund in which the Credit Union had to identify how it would engage with and bring into membership a significant number of financial excluded consumers who had had no prior contact with the Credit Union.

## **g. Loan guarantee feasibility study**

### **1. The Context**

Three million people are regular users of the alternative credit market (HM Treasury 2004). Excluded from mainstream credit, people in low income communities have often little choice but to pay the high interest rates of home credit companies and other alternative lenders (Palmer and Conaty 2002, Jones 2001). Frequently, this has disturbing negative effects on their health and well-being (Kempson 1996, 2002; Collard and Kempson 2005). It is the reason that Palmer and Conaty (2002) describe high cost alternative lending as *'stripping the wealth and assets of some of the country's poorest neighbourhoods'*. It contributes to local Citizens Advice Bureaux now dealing with well over a million new debt enquiries per year (Edwards 2003). The NRF project sought a solution to the financial needs of disadvantaged communities and a way to assist people to access affordable credit and to free themselves of overindebtedness to alternative lenders. The search to discover this solution formed the context for the loan guarantee feasibility study, led by South Tyneside Credit Union.

Conscious of earlier research (Jones 2003), STCU recognised that any solution could not be based on the provision of affordable loans alone. Overindebtedness in low income communities is often the result of financial exclusion which is characterised not just by lack of access to affordable credit but also by lack of a bank account, no savings, no assets, no insurance and no access to money or debt advice. (HM Treasury 2004). An effective response to financial exclusion needs to address all these elements in a co-ordinated and holistic manner.

### **2. The project**

At the outset of the NRF project, STCU and other project partners were attracted by the idea of a Community Banking Partnership (CBP) approach, based on an approach developed by the New Economics Foundation, the National Association of Credit Union Workers and Community Finance Solutions at Salford University (NEF, NACUW and CFS 2004). The attraction was the claim that a CBP could provide the financially excluded with a *"seamless service"* offering savings facilities, affordable loans, access to basic banking services, bill and debt repayment systems, money advice and support. This claim was based on the notion that a CBP brings together a credit union, a community development finance initiative (CDFI) (sometimes referred to as a community reinvestment trust) and a charitable trust within an overall group structure. For STCU, the inclusion of a CDFI was attractive as it seemed to provide a way to receive financial donations, or loans, from charities and other bodies for on-lending to excluded groups, in a way that was more difficult for a credit union. It could also allow loans to be made at higher interest rates which could support a higher risk loan portfolio. It also promised to open the door to business and enterprise lending, an area of activity in which credit unions have little background or experience. In addition, a charitable company (or possibly a 'future community interest company') offered the opportunity to develop new initiatives by attracting additional charitable funds and grant-aid. The charitable company could support the development of educational and advisory services, such as money advice and start-up business advice, which would need the support of external donor funds. In order to provide a comprehensive banking service, the CBP would enter into a relationship with a bank or building society and tap into their technical expertise.

In order to investigate the possibility of developing a North East Community Banking Partnership as a means of reaching out to financially excluded groups, South Tyneside Credit Union participated in a research study organised by the Sustainable Cities Research Institute at Northumbria University. This research project investigated the possibility of creating a regional Community Banking Partnership for the North-East in which STCU could be involved.

### **3. Project findings**

The research report, *North East Community Banking Partnership*, was produced and published by Northumbria University (Mellor and Affleck 2005). It explored the economy of the North East and the provision of financial services in low income communities. The report acknowledged that there was divergence of opinion as to the feasibility and the value of establishing a CBP. However, it concluded positively that the promotion of a CBP would be an effective way of promoting financial inclusion. The recommendations of the report were, nevertheless, somewhat more vague.

It recommended that further work be undertaken to bring together advice and support agencies, mainstream financial institutions and providers of community finance *"to explore what service enhancements can be achieved through collaboration to increase the customer base of the sector and to reduce transaction costs"*.

## **4. Project Outcome**

The credit union decided that the formation of a regional CBP would not, in the end, be the most effective way forward. Credit union directors and staff considered that not only would this entail loss of local control, but would result in creation of a regional support body which would itself become the focus for development and external funding. However, STCU did take forward from this project one important element of the CBP concept and adapted it to its own needs and requirements. In order to preserve local autonomy, and the link with the already existing partnership in South Tyneside, the partnership, with the agreement of the directors of the Credit Union, established the independent community development finance institution, Money Answers South Tyneside Ltd (MAST). Not technically part of any group structure, this CDFI is operated in close collaboration with the Credit Union, TEDCO and the CAB. It operates from STCU premises and is regarded by members as part of a *"seamless service"*. It enables the receipt of external charitable donations and was established with a £200,000 grant from the Northern Rock Foundation (a grant the Charity Commission had ruled could not be made to the Credit Union by the terms of the Northern Rock Foundation's own charitable status). It can charge higher interest rates if judged necessary to meet the needs of the financially excluded. As an independent CDFI, it will be able to administer business loans and is designated to do so in the Local Enterprise Growth Initiative. MAST began in March 2006. Its effectiveness is subject to evaluation and, given appropriate legislative and regulatory conditions, STCU is open to its future transfer of engagements to the Credit Union.

## **h. Business skills for community and voluntary organisations**

### **1. The context**

The voluntary and community sector is an integral part of the social and economic landscape of South Tyneside. Throughout the borough, numerous voluntary and community organisations contribute to the well-being of individuals and of communities in a range of different ways. Most of these organisations have a need for management and organisational training. They recognise the importance of developing the skills of their staff and volunteers so that they can better serve their members, clients or communities.

For many years, TEDCO has provided the sector with management and business-related training. This led TEDCO to recognise not only the high level of demand for business and organisational skills in the sector, but also the inter-relationship between the development of its organisational capacity of the sector and the expansion of the pool of business and enterprise skills within the community at large. Staff and volunteers who develop good business skills in a voluntary or community organisation often become more employable generally or even more able to develop their own enterprise or business. Both to support the sector and to develop the enterprise culture of the borough, the NRF project included a programme of business skill development for the community and voluntary organisations.

### **2 The project**

This project, delivered by TEDCO, aimed to strengthen and develop the community and voluntary sector through enabling staff, volunteers and representatives access business skills and organisational development training and courses. The aim was to engage 30 community organisations in training and development activity.

The programme of training aimed to be accessible to community and voluntary groups. This meant that training courses were normally short one day or even half day events that people could attend easily. On occasion, training was also delivered in an organisation's own premises. The planned programme was comprehensive and diverse, addressing such topic areas as business and strategic management, committee skills, team management, supervision, assertiveness, employment law, health and safety and first aid. Courses were planned in response to the expressed needs of the participating organisations.

### 3. Project achievements

Over the two year period, 108 voluntary and community groups accessed training programmes. There were 385 individual beneficiaries on 159 capacity building programmes. 61 beneficiaries obtained accredited training certification (mainly in First Aid) and 347 obtained non-accredited qualifications. The programme ran for an equivalent of 158 training weeks overall.

The project exceeded its original target of engaged organisations by 265%. By involving a wide range of staff and volunteers in courses and events, it made a significant impact on strengthening the voluntary and community sectors. *"The team building training was excellent,"* reported the co-ordinator of Women's Health in South Tyneside (WHIST), *"30 volunteers and 18 staff took part in the training which took place in our own premises. It enabled volunteers and staff to come together to see how we could develop our organisation"*. 65% of all beneficiaries were, in fact, women indicating the high level of voluntary and community commitment among women in the borough.

Organisations participating in the business skills training included larger voluntary organisations, including some local branches of large national charities, community groups and association, including some very small grass roots organisations, and, at least, six community businesses. Examples of organisations that participated in the training are Age Concern, Victim Support (South Tyneside), Women's Health in South Tyneside (WHIST), Community Regeneration Trust North East, Carers Association in South Tyneside, Alzheimer's Society, Tenants Panels, Apna Ghar and the Millennium PHAB Club.

### 4. Evaluation and analysis

#### Assessing impact

The over-achievement of the project's statistical target indicates the level of impact in community and voluntary organisations throughout the borough. It certainly revealed the level of need within this sector for management and organisational training. Much of the training offered was operational, addressing such basic areas as first aid, fire safety, food hygiene, word processing, digital photography and report writing. A significant proportion was organisational such as team building, communication, counselling, supervision and fundraising. There was also some training, but a lesser amount, that was more strategic. This included governance, budgeting and finance, strategic planning, evaluation and monitoring. Feedback reports from participants indicated that the training was well received and relevant to their organisations and themselves. However, how it impacted on the longer term strategic development of the organisations was not possible to assess. Keeping follow-up data on organisational development was not part of the project.

#### Quality of service delivery

Most courses were short day or half-day events. They were arranged to respond to the needs of voluntary and community organisations and were managed flexibly and informally. All courses were preceded by the drawing up of an action plan which identified the skills needs of the participating organisation. The quality of courses was seen by the TEDCO staff to be a result of this process of prior needs analysis. Courses were delivered mostly by external consultants and training agencies that were employed by TEDCO for the purpose.

#### Value for money

The NRF investment of £179k resulted over a hundred voluntary and community organisations receiving management and organisational training in response to their researched and identified training needs. The beneficiary unit costs were an average of £1,657 per beneficiary organisation cost and an average of £465 per beneficiary individual.

#### Community engagement

In reaching over one hundred community and voluntary organisations, way in excess of the original target, the project demonstrated it was able to engage effectively with the community. Contact was made primarily by mail-shots and

through networks already established by TEDCO. This two year project was, in fact, the concluding two years of a seven year project aimed at serving the voluntary and community sector. Many contacts had, therefore, already been established within the communities of South Tyneside.

### **Cross agency involvement**

If a strength of the project was its outreach into the community, a possible weakness was its seemingly lack of integration into the dynamics of the cross agency involvement of the partnership and into the primary focus on social and financial inclusion. It was a stand alone project which achieved its targets but which did not create, in the longer term, linkages and synergies between the delivery organisations. There were some initial meetings, for example, with the CAB but no real engagement between participating organisations and the CAB came as a result of the project. The same could be said of the links with the Credit Union, there was no evidence of any introduction of participating organisations to the wider issues of financial inclusion in the borough.

### **Changing and sustaining service delivery**

The project terminated with the conclusion of NRF funding. Unfortunately, there are no plans to continue the project in its current form.

## **Attracting money**

### **i. Increasing the take-up of benefits**

#### **1. Context**

The North East is the region with the highest levels of deprivation (Index of Multiple Deprivation, 2000), and within the North East, South Tyneside is the most income deprived district. 9 of its wards are within the 10% most income deprived in the country, and with the exception of one of its wards which is the least deprived in the Tyne and Wear region, income deprivation is widespread. Levels of income deprivation are reflected in rates of economic activity which show South Tyneside having a 72% rate compared with 74% for the region and 78 % nationally (NECBP, 2005). Conversely, there was a 5% rate of the population in receipt of Jobseeker's allowance, compared with figures of 3.1% for the region and 2.4% nationally.

South Tyneside has a well established Citizens Advice Bureau (STCAB) operating from two premises - the centre of South Shields and from Jarrow. Other sources of free advice are provided by the council's welfare rights service and two independent advice centres.

A range of services is provided by STCAB by a staff team which is comprised of 23 paid workers and an additional 38 voluntary workers (of whom 24 are trainee advisers). It is therefore a relatively large organisation. Its services range from generalist advice to specialist debt advice, welfare benefits advice, employment law advice, court and tribunal representation. In addition, it has developed a "*Money-Matters*" project in partnership with South Tyneside Metropolitan Borough Council (STMBC) which aims to target debt advice to those people with council tax arrears. In order to respond to the needs of South Tyneside's significant BME community, STCAB has operated, for ten years, a minority ethnic project designed to serve its particular needs. It has focused on serving the Bangladeshi community which is known to suffer extreme economic deprivation. The success of the project can be measured not just by the statistics showing use of the STCAB service by people of BME origin (10% of the caseload compared with 2% of the population), but also by the extent to which members of these communities are involved as staff and management committee members of the organisation (STCAB, 2005).

Unsurprisingly welfare benefit enquiries make up a substantial part of the overall work of STCAB: of the 33,551 enquiries in 2004 37% related to welfare benefits. The most significant increase in enquiries is in the area of consumer debt (by 2005 it had become the most common enquiry) although often debt and benefit income enquiries are related. (STCAB, 2005).

## 2. NRF Funded Activity

NRF funding enabled STCAB to employ a welfare benefits case worker (part-time), a tribunal worker and a training officer. All 3 had previously been in post with STCAB prior to the NRF funding. The aim of the welfare benefits case worker (who was mainly based in the Jarrow office) was to increase take up of benefits both by assisting with new claims and with the review of existing claims. The tribunal worker's brief was to provide advice and representation at social security appeal tribunals for clients appealing against a welfare benefit decision. The training officer was charged with training new volunteer advisers. A target for the income maximisation work was to increase take up of benefit income by £1,500,000.

## 3. Project Achievements

Research into the work funded by the NRF was carried out through interviews with the STCAB manager, the welfare benefits worker, the tribunal worker and the training officer. In addition six clients were interviewed - three from the Jarrow office and three from the South Shields office. Statistics were also provided giving information about the impact of the income maximisation work.

The original target was exceeded as an extra £1,880,554 per annum was taken up in benefits. A total of 732 residents were able to increase their benefit income as a result of assistance provided with a new claim, or with the review of an existing claim, or with an appeal to an appeals tribunal and this activity resulted in an average increased income of £2,569 per person per year. It was clear fairly early on that there would be no difficulty in meeting the target of an increased annual income of £1,500,000 enjoyed by 400 residents. The success of this work was not due to any new approach or initiative. Rather it represented "*business as usual*", albeit high quality and very productive business. It was not tapping into a previously unexplored area of need, as is often the case with "*Take-up campaigns*" (Alcock et al 1987) and can therefore be taken as being indicative of what could be achieved on a year on year basis with this level of investment in this small number of skilled workers. 331 clients were represented at appeal tribunals (compared with a target number of 200 over the two years of NRF funding). Analysis of the monies successfully gained on a case by case basis shows that representation at appeal was more likely to be needed to gain the larger sums of money.

### Welfare Benefit Recovery Analysis

Amount Recovered	%
£0.00- £1,000	31.76
£1,000 - £2,000	17.65
£2,000 - £3,000	12.35
£3000 - £4000	17.06
£4,000 - £5,000	11.76
£5,000 - £6,000	4.12
£6,000 - £7,000	1.76
£7,000 - £8,000	1.18
£8,000 - £9,000	0.59
£9,000 - £10,000	0.59
£10,000 - £11,000	0.59
£11,000 +	0.59

Type Of Benefit	%
Incapacity Benefit	18.65
Income Support	11.76
Disability Living Allowance	20.26
Attendance Allowance	2.61
Job Seekers Allowance	3.92
Pension Credit	3.61
Tax Credit	4.64
Industrial Injuries Benefit	2.01
Carers Allowance	3.45
Housing Benefit	9.84
Council tax Benefit	13.11
Other	6.14

Analysis of the sums gained by individual clients in one of the two years shows that a third gained up to £1,000 extra per year, a further third gained between £1,000 and £3,000 and the final third gained more than £3,000 per year. In that year one client gained more than £10,000 per year. The most common benefits involved related to sickness or disability: incapacity benefit, disability living allowance and income support.

This points to the significance of this work within the health agenda. The interviews confirmed the complexity of the social security system, with clients often needing to claim a number of different benefits whose component parts were subject to change as the clients' conditions change. The interviews that were conducted showed clearly that the achievement of this work should be seen not just in terms of attracting money. It also provided essential support and reassurance to people on low incomes often with a multitude of health problems, and in many cases made a lasting improvement to people's lives.

#### **4. Case Studies**

##### **Mrs. A.**

Mrs. A is a 70 year old woman. Her husband has cancer and is in receipt of attendance allowance. Their daughter suffered with a progressive condition which meant repeated periods of time in hospital. However, a claim that she made for disability living allowance (DLA) had been turned down. The CAB was able to represent her at appeal and the successful outcome resulted in a back payment of £2,000 as well as establishing ongoing entitlement to DLA. Mrs. A's daughter's condition has since deteriorated and she now needs to use a wheelchair and is in receipt of the highest rate of DLA.

The CAB was also able to successfully review the amount of benefit received by Mrs. A's 98 year old mother and was able to visit her husband at their home to advise about a claim for industrial injury.

*Mrs. A said "I can only manage to travel for about 10 minutes by car, I couldn't go further. I was advised about the CAB in the local shopping centre. It has a good local reputation. They are very reassuring when I phone (even though I have never met the person who answers the phone). They always get back to me. When I hear that voice it makes me know that someone cares."*

##### **Mr. and Mrs. B**

Mr. and Mrs. B have two teenage children. Both were in part time work, but Mrs. B became ill and as her condition became worse she was forced to give up her work. Their claim for income support was turned down because Mr. B was working two hours too many and they were forced to survive on his part time wages and her disability benefits for a year. This resulted in serious debt- particularly with the mortgage. They had two mortgage repossession hearings in the county court and one visit from the bailiffs. Mr. B was forced to change his part time job but still had ongoing financial debts from his previous self employment. They made another claim for IS in January 2005 but were again turned down. In June they made a successful claim for council tax rebate. This was backdated for 12 months and they were advised they to make a claim for IS as they should have an entitlement - Mr. B's hours were within the limit.

When they returned to the Jobcentre the benefits agency denied that they had already made a claim in January. They appealed with the help of the CAB and their benefit entitlement was backdated.

*Mrs. B said "We needed to be encouraged to go to the tribunal. I wasn't well, was being prescribed morphine and was depressed. It seemed to be their word against ours and I felt we had no chance. We were told about the CAB by my aunty. It was good to be believed and told that we were not lying."*

Mrs. B commented that when she registered as disabled no-one had informed her about any possible benefit entitlement. After a time of considerable financial worry they were now able to comment that their lives were significantly changed: *"Now we are up to date with our mortgage for the first time. We are getting free school meals and school uniforms. For the first time we can give our children some pocket money."*

## **Mrs. C**

Mrs. C is a pensioner who has recently been widowed. About 4 years ago her husband had become unwell, and as his condition deteriorated they made two unsuccessful claims for DLA. *"My husband became very disheartened. It felt degrading, like we were begging"*.

The CAB subsequently represented at two appeals following a home visit. On the second occasion the appeal was deferred because Mrs. C's husband was in hospital. He subsequently died but the tribunal then awarded £6,000 backdated DLA for 12 months and upheld his claim for the high rate mobility and the high rate care components.

In Mrs. B's case the additional income had come too late, but it is clear that it would have had a significant impact upon their quality of life: *"If we had had that money whilst my husband had been alive we wouldn't have had to rely upon our daughter and son so much. I could have called up a taxi instead of having to push him. I could have paid someone to sit with him for a few hours so that I could go to the shops or see a friend. All he ever wanted was a mobility scooter."*

## **5. Evaluation and Analysis**

It is clear that expert agencies such as STCAB can make an important contribution to the local economy as a whole by helping people to claim significant sums of additional benefit income that they are entitled to. In many cases STCAB advice and assistance resulted in successful claims, reviews or appeals will have life-changing impact upon people's lives. In this section we consider particular lessons that can be learnt from this NRF activity.

### **Assessing impact**

Examples of the impact of this work on individual households have already been cited in the case study section above. Many more were related during the course of this research. Given the scale of the income deprivation in South Tyneside it is perhaps unsurprising that an agency with excellent skills, values and commitment to the community can make such an impact. The difficulty is that the number of enquiries continues to rise and resources are limited. In short, demand for individual advice and representation outstrips supply. This is confirmed by the fact that the CAB does not need to advertise its services. Impact can also result from using the skills, expertise, experience and knowledge in other ways - for example in joint work with other organisations, by carrying out social policy and campaign work which helps to identify and promote issues requiring legal or policy changes which will benefit many more people than those directly receiving advice and assistance. Whilst this NRF funding was not specifically contributing to this sort of work, it was clear that indirectly it enabled STCAB to work with clients and discover evidence that contributed to the wider social policy agenda of Citizens Advice nationally.

Examples of initiatives that are having an impact are *"Money Matters"* in which STCAB works in partnership with STMBC to provide a service to people with council tax arrears. This may be one reason why the borough has the lowest household incomes in the region but one of the lowest levels of council tax debt. The outreach work with the Bengali community has already been mentioned. Similarly, STCAB has developed a partnership with STCU to provide a benefits advice and debt service to credit union members and to link financial awareness training with applications for CU budget accounts. The bureau has well established links with the local M.P. which provide a two way referral process for both individual problems and policy issues. There are plans to engage in discussions with district judges on the possible provision of financial awareness training against a decision to suspend a possession order, and to argue that defaulted credit union loan repayments should be accepted as a priority debt (*see Appendix III, section 5*).

It is evident that this is an agency that thinks about what it does and identifies issues arising from its successful casework which may have broader national social policy implications or require taking forward locally in a different manner. There remains a tension between the need to resource an advice service for individuals and to develop as an enabler promoting change in organisations, policies and legal provisions which will impact upon the population at large.

### **Quality of service**

The results can be seen as testimony to the quality of service delivery; the interviews bear even greater testimony and illustrate why such a quality service is needed and provided.

First, there is the commitment of the staff - not easy to sustain in a pressured environment where demand for services outstrips resources, and where most clients are experiencing real stress and difficulties in their lives. The model of combining volunteers with paid workers seems to work well. Attracting and training volunteers can add to the sense of commitment and local knowledge. This is often the route into paid work. That commitment can be seen by workers whose job satisfaction arises from being able to make a difference, and who would probably return to being a volunteer if their (uncertain) funded contracts were to come to an end.

Accessibility is an important aspect of the "quality service" and clients attested to this. *"The CAB is in a good location and is accessible. The dole is just around the corner"* (Jarrow client). *"I couldn't manage to travel more than 10 minutes by car"*, (Jarrow client). At present the service is only provided from two centres, one in Jarrow and one in the centre of South Shields. The latter is not easy to get into. There is a strong case for better premises and either for more offices or for more "outreach" services. A service that is able to visit at home is also important for quality. *"The tribunal worker came to our house to see my husband. He was in a bad state"*, (South Shields client).

Trust and reliability are also important components of a quality service, and again clients testified positively about some of the working practices that contributed to the quality of service in this regard. These two quotes illustrate the importance of reliability when feeling under stress. *"They are very reassuring when I phone (even though I have never met the person who answers the phone). They always get back to me. When I hear that voice it makes me know that someone cares."* (Jarrow client). *"They gave me a card with name and phone number. I was always able to speak to the same person. I knew that if I rang before 10 I could get through and they always rang me back. Continuity was important and it saved a lot of time."* There was also a sense in which STCAB managed to communicate that they were on the side of the clients. *"It seemed to be their word against ours and I felt we had no chance. We were told about the CAB by my aunty. It was good to be believed and told that we were not lying"* (South Shields client). *"Left to myself, I wouldn't succeed"* Jarrow client, *"It was as if we were on a desert island - us against them. The CAB service felt very personal. It was nice to be enabled to speak and to feel that you had backing"* (South Shields client) and *"The CAB gave me the confidence to see it through. They explained the worst-case scenario that I would have to repay at so much a week"* (South Shields client).

Finally, it was important that the service was personal and that it gave the impression that it had time for clients. Often there was a relationship that had built up over time but it was about more than helping with benefit claims and appeals. *"I come to the CAB regularly for information. I live on my own and can't read or write. I haven't got any family and prefer to come here than talk to a neighbour. I just phone in and they give me a time. They act as my counsellor - I suffer with depression - and they help calm me down. I would give them 100 points"*, (Jarrow client).

### **Value for money**

It is possible to assess value for money crudely in terms of the funding for the project (£272,716) against the benefit income attracted (£1,880,554). But this is crude - for example the costs figure is over two years, whereas the benefit income figure is an estimate of the annual increase in income. There is also a strong local spending multiplier effect: people on low incomes are more likely to spend their income locally and this will have a more significant impact upon the local economy.

There are other elements that are more difficult to quantify - the impact upon health and peace of mind that has been referred to in the case studies, the impact upon other services and organisations.

### **Community engagement**

The way that the STCAB has engaged with the Bengali community has already been referred to as an example of good practice. Other organisations (Shopmobility and other CABx) have looked to use the example of STCAB to develop their own practice in this area. A targeted outreach service is delivered at community centres, within Sure Start and Options (a domestic violence centre), but the welfare benefits service is largely delivered from two locations. In Jarrow, particularly, there is a sense that the CAB is a part of the community.

The CAB has a wide range of representatives of various communities on its management committee and is in a strong position to engage community interest in the service through its longstanding involvement of volunteers. A significant element of this is the training that is offered. The training officer post is seen as a key part of the STCAB's contribution to building on the social capital within the community. Five out of ten volunteers are from the Bangladeshi community, and there is a history of trained volunteers moving into paid positions.

### **Cross-agency involvement**

The involvement of the CAB in the NRF partnership reflects the fact that the aim was to combine welfare rights work with community and economic development, taking a more broad based approach to anti poverty work (Pearson et al 1996; Alcock, 2006). Whilst there were some notable examples of cross- agency involvement there is still a limit to which it permeates throughout the organisation. Joint initiatives with STCU (MAST) have already been referred to. About 18 months ago CAB workers became STCU members, and there has been a growing appreciation of the way that the two organisations can work together for the mutual benefit of clients and credit union members. *"Compared with arrangements with HP companies which often will not negotiate, the CU makes affordable agreements and is understanding in the repayment of loans. Even those clients in debt want to keep up their CU payments. They are approachable and understanding. Sometimes an appointment is made by means of a phone call, but they are only just across the road. We went on a training course"*, (STCAB worker).

The Training Officer recruited 3 STCU members to the CAB volunteers' course, as well as a TEDCO worker, who was subsequently seconded on a part-time basis within the CAB to provide financial capability classes.

### **Changing and sustaining service delivery**

The NRF money was used to fund 1 tribunal worker, 1 training officer and a part time case worker. All had previously been lottery funded (for six years in the case of the tribunal worker), but the grant had run out. The NRF enabled the posts to continue and thereby sustained service delivery for the two years. Given a continuing lack of certainty as to the source of future funding, redundancy notices had to be issued at Xmas. In the event, further funding through the next round of the NRF enabled these workers to be kept in post.

Previously there had been no computerisation of case records, and so it had not been possible to analyse and make estimates of income generated. The NRF requirement to be able to monitor outputs and performance against targets resulted in the CAB introducing IT systems which should be of significant use for funding and publicity purposes as well as for case management.

The experience of being a part of this successful partnership helped raise the profile of the CAB and its standing within South Tyneside. This in turn was likely to have been a factor in enabling the CAB to apply for funding from the DTI's Financial Inclusion Fund. This bid was subsequently amalgamated within a regional bid led by Citizens Advice and the outcome was funding for 5 new debt workers. In addition the CAB bid together with the CU as members of the anti-poverty group for further NRF funding. This resulted in the award of £425k over the years 06/07 and 07/08 with just over £250k going to the CAB.

## **j. Business grants and Loans**

Through the project, grants of up to £2000 were available to cover up to 50% of initial start-up costs of new businesses. The grants were designed to be used flexibly and to apply to any aspect of the new business that assisted in its development. The NRF grant fund, administered by TEDCO, was £47,934 over the two year period and eligibility was based on residency in an NRF ward.

Linked to the grant funding, TEDCO made available, from non-NRF sources, a loan fund. This was designed for those who had no financial resources of their own and found it difficult to match fund the 50% grant towards set-up costs. This loan was repayable at 5% flat (£2000 loan over 24 months costing around £93 per month) after an initial three month repayment free period. The loan was restricted to those accessing the grant facility.

The availability of grants and loans was advertised through partner agencies, in particular InBiz, Shaw Trust and JobCentre Plus. The aim was to ensure that financial support was linked to access to a wider advice and information service as well as ensuring a relatively small grant and loan fund was not exhausted through a overly large number of applications.

Despite the availability of grants and loans, take up was relatively low. In year one, only twelve businesses accessed grants. Seven businesses also accessed loans. In year two, the pattern was somewhat similar. 18 businesses accessed grants and 4 accessed loans. The total amount of grants made was 29% below target

The Black and Ethnic Minority Loan Fund did not, in fact, operate. Feedback from the BME community was that the loan fund was set at much too low a rate to be of use to entrepreneurs in the community. Traditionally, the BME community in South Tyneside access amounts of funding way in excess of the NRF project limits.

## 6 Research findings

### a. Assessing impact

*“Stronger communities - one of the Local Strategic Partnership’s biggest achievements in recent years has been to address financial exclusion in South Tyneside. We have increased benefit take-up, encouraged savings and decreased amounts paid to high-interest lenders. The Borough’s Anti-Poverty Working Group has developed an Anti-Poverty Strategy and used Neighbourhood Renewal Funding to focus on reducing financial hardship and social exclusion. This has moved forward in partnership with South Tyneside Credit Union, TEDCO, the Citizens Advice Bureau, and STRIDE. The group has worked to deliver a range of activities including support for social enterprises, financial literacy, asset building, and small grants and loans for business start-ups (STC 2005).”*

The above quotation, taken from South Tyneside’s Community and Local Neighbourhood Renewal Strategy and Local Area Agreement (2005), illustrates the impact the EDC project was regarded as making within the Borough. EDC captured the imagination of people involved in neighbourhood renewal as it placed financial inclusion at the heart of a holistic strategy to tackle poverty and disadvantage. Unlike many anti-poverty initiatives of the past, EDC was not designed as a series of ad hoc measures to combat the multiple problems that arise from disadvantage or economic decline. Rather, it was based on a strategic rationale that sought to bring together a range of community and economic initiatives and create interconnections in order to reduce financial hardship, to improve financial capability and to ensure access to affordable financial services. In placing financial inclusion centre stage to renewal, EDC was able to offer a new and innovative approach to the development of enterprise and well-being in South Tyneside.

From the research, as outlined in the individual activity reports, it was clear that the project had made an impact at a number of levels. Certainly, and perhaps primarily, project activities made an impact on their beneficiaries, many of whose lives were transformed through education, training or skills development, through business creation and enterprise or through the resolution of debt problems and access to affordable financial services. However, the project also made a significant impact on policymakers, on participating organisations, on inter-agency working and on developmental opportunities for the future.

Questions inevitably arise, however, as to overall impact of the project on the local economy and on the *“national floor”* targets for neighbourhood renewal (see Section 3.1). Project achievements evidently contributed to the local economy insofar as, for example, welfare benefit receipts rose by £1.9 million, low income borrowers were saved £150k in additional payments to high cost lenders and 41 businesses were created in NRF wards. Likewise, evidence suggests project activities made a contribution to the *“national floor”* targets of increasing employment, of fostering an enterprising society and of building community cohesion. There was less evidence, except in one of the activities, of making an impact on the *“floor target”* of reducing race inequalities. However, both in regard to the local economy and to the floor targets, the research was not able to quantify in statistical terms the extent of the impact made. For a number of identified reasons, data was not available to measure, for example, the Gross Value Added (GVA) of the new start businesses assisted through the NRF funding (See Section 5.a.4).

The impact on policymakers was, on the other hand, more measurable and clearly significant. Project methodology and achievements influenced the Local Strategic Partnership’s neighbourhood renewal strategy, the Council’s Local Enterprise Growth Initiative (LEGI) bid, Northern Rock Foundation’s financial support of MAST and the DTI and DWP’s Financial Inclusion Fund investment in the Credit Union and the CAB. What was interesting was how the thinking behind EDC influenced approaches taken by policy makers themselves. Strategic approaches to financial inclusion, involving both economic and community development perspectives, became part of the South Tyneside agenda. This was reflected both in the Council’s bid for beacon status, a Government award that recognises excellence in local government, and in the development of a well-being agenda as an additional strand to the local area agreement (STC 2005)

The impact on project organisations was also notable. TEDCO staff recognised that EDC had assisted them to better understand and to clarify the dynamics of inter-agency working, a learning curve that impacted on TEDCO’s

understanding of staff development. One TEDCO staff member developed, for example, through EDC, a close understanding of welfare benefits and of credit union operations that made a significant contribution to her work as a business adviser. This clarified for TEDCO the benefits of shared organisational learning opportunities. Similarly, EDC enabled the Credit Union and the CAB to develop much greater links with one another and with partner organisations, and thus to introduce more holistic joined up services. STRIDE's role changed through the period of the project. It became less involved in project delivery and more in the development of community organisations and networks. EDC enabled STRIDE to develop a greater awareness of what can be achieved in, through and with voluntary and community organisations. The Council regeneration officers, members of the steering group, felt similarly that EDC had clarified for them the "Change Up" agenda (Home Office 2004) and the importance of building the capacity of the community and voluntary sector. The impact on participating organisations led directly to enhanced developmental opportunities (*See Section f below*),

Overall, it was clear to the researchers that EDC had collectively raised the profile of all the partner organisations. Not only were they better known to each other, they were more publicly visible in the Borough as a whole. This process helped to mainstream the participating organisations insofar as they appeared more established and less peripheral within the wider community of South Tyneside.

## **b. Quality of service delivery**

In assessing the quality of service delivery through project activities, the research team was conscious of following quality criteria:-

- Did the activity conform to NRF requirements?
- Did the activities meet or exceed the needs and expectations of beneficiaries and communities?
- Did they create value for beneficiaries and communities?
- Did the project activities offer something more or better than beneficiaries or communities could get elsewhere?

Overall, EDC attained or exceeded the large majority of its targets set at the outset of the project (*see Appendix I*). In many activities, it exceeded the upwardly adjusted targets set at the end of the first year of operation. In monitoring target achievement, the researchers were impressed with the development of the statistical monitoring of data, during the period of the project, at TEDCO, the Credit Union and the CAB. Monitoring of statistical data is a quality issue and all three organisations made progress in keeping relevant computerised data to inform quality assurance. On the basis of this data, and the interviews with beneficiaries, the researchers were able to conclude that EDC did not just conform to NRF requirements but constantly met or exceeded the needs and expectations of beneficiaries and created added value for the local community as a whole. There was no evidence that beneficiaries could obtain similar project services from any other provider. EDC filled a gap in the market for service and product delivery to low income communities that was not being filled by any mainstream agency, company or organisation.

An indicator of quality service delivery, exhibited both by the project as a whole and by individual agencies, was the transformation or continuous improvement of activities on the basis of objective data supplied through the monitoring process. The project steering group monitored against set targets and was able to amend the programme, or to vire funds, to satisfy overall project goals.

## **c. Value for money**

Around £1.5 million of the NRF was invested in the EDC project. For this, EDC achieved the majority of its original and upwardly revised targets. The only exceptions were a slight decrease in grants made to start-up businesses and in the number of social enterprises established (*see Appendix I*).

Even though the research was unable to quantify in statistical terms the added value of all the activities, the return on the investment in the Credit Union and CAB alone more than exceeded the NRF investment. £1.88 million was

recovered by the CAB and £150k saved on high cost loan repayments by the Credit Union. Add to this the enterprise and activity generated through Ucan2, the skills development through Business Skills for Community and Voluntary Organisations and the financial capability training delivered by TEDCO and the CAB, and the extent of organisational learning that has informed change and development, then it is clear that EDC offered a positive return on NRF investment.

#### **d. Community engagement**

*“The Council and its partners have also been working hard to make our communities stronger through reducing poverty in the Borough. The Anti-Poverty Working Group has helped people to transfer high-cost debt through encouraging the growth of South Tyneside’s Credit Union. The award winning Money Matters Scheme (a partnership between the Council and the Citizens Advice Bureau) has also helped people with Council tax-related debt problems (STC 2005)”.*

The project engaged a range of community and voluntary organisations in a strategic mission to tackle poverty and disadvantage in South Tyneside. The Council, a key partner in the project’s steering group, adopted the role of enabler rather than provider whilst TEDCO together with community and voluntary organisations led on service delivery and action. This certainly created a sense of ownership among the organisations involved and facilitated the ability to engage with local communities through established local networks. It was for this reason that TEDCO, for example, wanted the Credit Union to administer its business lending portfolio.

How deeply the project engaged with local communities is a question that is harder to answer. Clearly, both the Credit Union and the CAB made advances in attracting members and clients from low income communities as did TEDCO in its business creation and business skills programmes. But, as one CAB manager noted, *“the project has not helped us to understand the nature of the people who aren’t our clients”*. In other words, even though the project made headway in establishing greater local community networks, there was still a lot of work to be done if communities were to be engaged much more effectively. The BME community was, for example, a case in point. Apart from the CAB activities, there was little evidence that the BME community engaged significantly in the project. It was clear to researchers that the role of STRIDE in developing community networks needed to be increased and developed and co-ordinated with the work of partner organisations.

#### **e. Partnership working**

The partnership of the five organisations existed prior to the NRF project and was already constituted with an anti-poverty working group. It was clear that the success of EDC was due, in large part, to the power and the dynamics of this partnership which enabled the project to retain a holistic approach to combating disadvantage in its multiple and multi-layered forms.

In reflecting on the effectiveness of the partnership, steering group members identified the key elements of success as:-

- Clarity of strategic vision and shared understanding of the purpose of the partnership.
- The high level of mutual trust that developed through the period of the project
- The lead set by TEDCO and its capacity to service the partnership efficiently.
- The robustness of meeting, communication and formal reporting structures,
- The level of accountability each partner felt to the partnership. Progress on activities was monitored collectively against performance.
- The enabling contribution of the local authority.
- The flexibility of the approach to project operations. Funding from one project area could be vired to an area of greater need quickly and efficiently.

However, the partnership was neither without challenges nor without room for improvement. In some areas, the expertise of one agency was not always communicated and shared with another as effectively as it could have been. The success of the CAB in BME communities, for example, was not transmitted in to the Credit Union, whose access in BME communities remained marginal. Equally, TEDCO's skill in business and enterprise could have assisted the Credit Union's own management and organisational development to a greater extent. The partnership could also appear somewhat static. Even though the steering group had reached out to other agencies (including housing associations, energy conservation groups, Age Concern, ComEcon, a social enterprise support provider, and the Northern Rock Foundation, for example), the personnel of the steering group changed little over time. For many of the group, however, this was not so much a weakness but a strength as it enabled consistency of approach and the development of the trust necessary for the partnership's success.

Perhaps unfortunately, in the new round of NRF, the coherence of the strategic and holistic approach promoted by the partnership may have been somewhat compromised. The credit union and the CAB are now in one funding stream and TEDCO in another. This has certainly the potential of diminishing some of the coordination of service delivery achieved so far. However, steering group members are conscious of this and are committed to continuing the anti-poverty group partnership into the future.

## **f. Changing and sustaining service delivery**

A measure of success of any project is the impact it has on future development. Certainly, the experience of delivering the project has led the steering group participants to a greater realisation of the challenges, and difficulties, of reaching out and engaging with disadvantaged communities. The learning afforded by the project has enabled participating organisations to modify and to change their operations and practices to better serve this target group in the future. TEDCO is modifying its approach to grants and loans in new funding streams, and developing the concept of enterprise facilitators as business advisers in low income communities. The credit union has reworked its lending policies and credit administration systems and developed even closer working relationships with CAB.

The project has directly informed a range of new initiatives and funding streams including:

- The new round of NRF which sees the Credit Union and the CAB working in much closer harmony. It will enable the Credit Union to employ service point officers to assist volunteers to provide quality services to members and the CAB to employ financial awareness workers who will work closely with the Credit Union to offer members basic financial capability training and access to budget accounts.
- The new round of NRF which will enable TEDCO to further develop new business development services based on project experience.
- The creation of MAST and the development of new approaches to services for the financially underserved.
- The Local Enterprise Growth Initiative (LEGI) which encompasses elements born out of the experience of the project.
- The DTI Financial Inclusion Fund money advice project through which the CAB will be able to develop its network of money and debt advisers throughout the borough.
- The DWP Financial Inclusion Growth Fund which will enable the Credit Union to reach an increasing number of the financially excluded.

## 7 Conclusion

*“The financial inclusion work in South Tyneside is a great example of how co-ordinated activity by the public, private and voluntary sectors can make a real difference to quality of people's lives. It is both innovative and effective.”* (Tom Smyth. Government Office North East).

The Enterprise in Disadvantaged Communities NRF project was both ambitious and innovative. It was delivered by a group of partners not normally known for having close working relationships but whose enterprise and insight has not only benefited project activity beneficiaries but has made a lasting impact on the South Tyneside financial inclusion agenda. Already, even before the publication of this report, interest has been shown by Government and national agencies in the learning generated through this project. The link between the Credit Union and the CAB has been pioneering and will certainly influence the financial inclusion and capability agenda nationally.

The project successfully demonstrated the need, and the possibility, of new approaches to joined-up service delivery in low income communities. Perhaps, in many ways though, it revealed more of a need than it was able to satisfy within such a short time frame. It demonstrated how much more has to be done if poverty and disadvantage in low income communities are to be tackled effectively. It highlighted the need for new approaches in engaging communities in business development, for the centrality of strong community networks, for moving the social enterprise agenda forward and for increased co-ordination of money advice and financial services for people on low incomes. The good news is that the project has initiated future development in all of these areas which undoubtedly will continue to contribute to the transformation of South Tyneside.

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## Appendix I

### Project specific outputs

This chart indicates both target and actual outputs of the project. The target outputs are as noted in the original NRF bid. At the end of year one, target outputs were revised upwards in a number of cases. In the column, "All Years Target", the target figure used to compare with actual outcome figures is the revised target. The original target is in italics below the revised figure. The actual outputs are an increase on revised target figures in most cases. They are, of course, a much higher increase on the original target figures.

Output	Year 1 Target	Year 1 Actual	All Years Target as revised at end of Year 1.	All Years Actual	% Increase on Target
Output 1: People converting from high-cost to low-cost loans (STCU)	£30,250	£104,265	£160,000 (£90,750)	£169,700	+6%
Output 2: Additional members of the Credit Union (NRF wards)	100	136	300	531	+44%
Output 3: Clients represented at benefit tribunal hearings (STCAB)	100	147	200	331	+40%
Output 4: Money recovered (STCAB)	£500,000	£829,634	£1,500,000 (£1,000,00)	£1,880,554	+20%
Output 5: Individuals with marketable skills (STCAB)	12	12	24	24	0
Output 6: Number of residents with increased income (STCAB)	125	296	400 (125)	732	+45%
Output 7: Additional social enterprises created (STRIDE)	6	0	6 (4)	2	-67%
Output 8: Additional businesses created (TEDCO)	14	18	28	61	+54%
Output 9: Grants made (TEDCO)	£28,000	£19,934	£56,000	£43,303	-29%
Output 10: People receiving financial literacy training (adults and young people) (STCAB)	600	785 (includes 709 young people)	1,500 (1,200)	1,247 (includes 1109 young people)	-17%

22/09/05

Introductory - for business advisors and others new to social enterprise, and covering: overview of social enterprise, case studies, key differences from other business, the value base, differences in support methodologies, key growth areas/opportunities

29/09/05

Charities starting enterprises - for both advisors and charity staff or trustees considering starting or increasing trading activities, covering: arguments for and against trading, assessing capacity and compatibility with mission, charity law constraints, subsidiary/linked trading company structures

06/10/05

Public sector externalisations ñ for both advisors and public authority staff considering externalising or 'floating off' a trading activity, covering: the policy and funding environment, case studies, asset and staff transfers, regulatory barriers, cultural barriers, post-externalisation contracts

13/10/05

Business successions - mainly for advisors, including community workers, and covering employee buy-outs, community buy-outs, the buy-out process, case studies, tax-efficiency

20/10/05

Marketing values ñ for advisors, staff and others involved in any kind of social enterprise, covering: communicating values, ethical trading standards, ethical portals, public sector procurement and 'best value' contracting criteria

03/11/05

The care sector - for advisors, staff and others involved in any kind of care provision, covering: social firms, the policy and funding environment, case studies, specific issues in mixing care with trading, public sector care externalisations, direct payment co-ops, residential and domiciliary care providers, wages and benefits

10/11/05

The cultural sector - for advisors, staff and others involved in any kind of cultural initiative, covering: overview of the creative industries, specific issues and opportunities in mixing aesthetic and other cultural aims with trading, the policy and funding environment, links with leisure and tourism, case studies

17/11/05

The environmental sector - for advisors, staff and others involved in any kind of environmental initiative, covering: the policy and funding environment, environmental standards and measuring environmental impact, case studies, specific issues and opportunities

24/11/05

Raising big money - for advisors, staff and others involved in any kind of social enterprise development, covering: types and uses of finance, understanding the public sector and EU grants world, current opportunities, project and application development, social enterprise specific loan funds, equity and quasi-equity investments, venture philanthropy

01/12/05

Social accounting ñ for advisors, staff and others involved in any kind of social enterprise, covering: establishing performance indicators, analysis tools and methodology, fair trade and other standards, moderation, verification and best practice

08/12/05

Organisational development - for advisors only, covering: participative ownership and management structures, how to integrate organizational structure development into business planning, how social enterprise legal/financial structures differ from other organisational forms, latest news (CICs, LLPs, Charities Act)

# Appendix III

## STCAB and STCU – working in partnership

South Tyneside Citizens Advice Bureau and the South Tyneside Credit Union have informally collaborated with one another for a number of years. But it took the NRF project to stimulate a closer formal working relationship that has now resulted in a strategic partnership aimed at promoting financial inclusion in the Borough.

STCAB and STCU attribute the success of the partnership to the development of a common purpose and recognition that together they can offer a more effective service for people facing overindebtedness and financial exclusion. Their holistic approach is based on the co-ordination of a range of services that include: money advice, debt counselling, financial education, and ongoing financial support through access to savings accounts and affordable credit from STCU. In the near future, it is intended that money management and budgeting accounts will also be available. *"We recognise", says Ian Thompson, STCAB's general manager, "that together we can offer more options to clients to resolve financial problems than could be offered by one agency alone. We have the will to improve on service delivery together".*

### 1. Co-ordinating service delivery

Over the period of the NRF project, STCAB and STCU developed a co-ordinated approach to delivering a financial support service to low income consumers based on the following elements:-

- **Reciprocal promotion.** CAB and credit union services are now prominently displayed in respective offices and collection points of each partner. Leaflets and posters inform clients and members of the services of both organisations. STCAB and STCU front line staff and volunteers are informed about the respective services and are able to communicate information to clients/members.

**Proactive referrals.** Both organisations have a policy of proactively referring relevant people to each organisation. *"During debt and financial awareness discussions with clients", explained a CAB adviser, "we identify clients that may benefit from the Credit Union's services. We contact the Credit Union on behalf of the client, as an introduction and arrange an appointment – we make an active referral rather than act as a signpost".* CAB workers confirmed that they had no ethical problems in referring clients to one particular financial services provider on the grounds that they believed that the Credit Union enabled their clients to progress along the road to financial stability. The CAB adviser encourages relevant clients to open savings and budget accounts as a longer-term preventative measure aimed at supporting clients to manage their money better. Equally, the Credit Union regularly refers members with debt problems to the CAB for specialist money and debt advice. Both organisations agree that the rise in the number of referrals is due to a greater mutual understanding of the role and services provided by each organisation. Over the period of the project, statistics on the number and nature of referrals were not regularly and consistently kept. Keeping statistical records is clearly a challenge for the future.

- **Money advice.** Credit union workers have undertaken CAB generalist adviser training and the Credit Union is currently negotiating the purchase of the welfare benefit software, *'Lisson Grove Quick Benefit Programme'*, to aid staff to advise on income maximisation and help a client to claim their full entitlement to benefits. The credit union will, in all cases, refer to the CAB for more complex money advice queries. There are currently plans to run regular CAB advice sessions in the Credit Union office in the near future.
- **Debt Counselling.** Currently it is the Credit Union's policy that anyone applying for a MAST<sup>3</sup> loan must see a CAB debt advice worker who explores the financial situation of the applicant and where necessary negotiates an arrangement with their creditors. With the support of funding from the DTI's Financial Inclusion Fund, STCAB plans to have a dedicated CAB adviser based in the Credit Union's office.

<sup>3</sup> Money Answers South Tyneside Ltd is an independent community development finance institution established alongside the Credit Union and managed by credit union staff through the Credit Union offices. It was established as an independent entity in order to receive charitable donor funds and to serve higher risk low income loan applicants who need not necessarily be credit union members. MAST charges higher interest rates than the Credit Union. However, MAST does encourage credit union membership as a pathway to financial inclusion. As credit union legislation and regulation develops, MAST may eventually be integrated into the structure of the Credit Union.

- **Financial Education.** Under the new NRF arrangements, two CAB financial awareness officers will work two half days in the Credit Union and offer financial literacy training linked to the development of budget accounts. The financial awareness officers will give information, advice and education not necessarily linked to the solving of urgent debt problems. Their aim is to help people understand financial services and make informed financial decisions.
- **Appointments.** The credit union has now begun to make appointments for credit union members to see CAB advisers from the Credit Union's office. It is installing a new IT system which will give the Credit Union access to the CAB appointment system. Two CAB financial awareness officers will also make CAB appointments
- **Ongoing support.** The credit union offers ongoing support to new members and regularly follows up on progress through personal and telephone contact. The credit union's debt recovery systems monitor progress on accounts and repayments and help to encourage disciplined repayments.
- **Money management and budget accounts.** Under the new NRF arrangements, budget and bill paying accounts will be offered through the Credit Union. Financial Awareness Officers will complete budget details for the Credit Union and recommend whether clients can afford to pay back loans from MAST or a loan made through the DWP Growth Fund.
- **Savings accounts.** CAB advisers recommend clients to save in the Credit Union. Saving is prioritised as a key credit union objective. 71% of beneficiaries of the NRF high cost loan replacement project became regular savers in the Credit Union.
- **Affordable credit.** The success of the NRF high cost loan replacement project proved, both to the CAB and the Credit Union, that, when offered an affordable credit option together with the support needed to access that option, people are able to make the substantial transition from dependence on high cost credit providers to greater financial stability. MAST was designed to reach out to the most vulnerable and high risk clients and aims to direct people to standard credit union membership.

## 2. Governance

The STCAB and STCU partnership is managed and led by staff but depends ultimately on the support of the respective boards of management. Board support for the partnership as a strategic opportunity is seen as central to its success.

To this end, and as a result of the NRF project, two credit union volunteers sit on the CAB trustee board. In addition, one credit union board member, a TEDCO staff member, was seconded to the CAB by TEDCO. This role included becoming a fully trained generalist adviser and since the end of the project in March 2006 the worker has continued in this role as a volunteer. This inter-relationship at board level helps to develop mutual understanding and a shared purpose. *"Presence on the board is valuable", stressed one CAB employee, "I was aware at the ABCUL AGM that there is some mutual suspicion between the two organisations and involvement at board level helps to address this".*

Developing the commitment of all board members was not, as one credit union noted, always easy and not all initially appreciated the rationale and purpose of the partnership. For some it was difficult to see the strategic value of the relationship. For some credit union board members, the relationship even threatened to compromise the independence of the Credit Union as a financial co-operative. However, with the generation of tangible positive outputs, board members increasingly saw the benefits of the partnership and were positive about committing additional staff to develop the partnership.

## 3. Managing the partnership

STCAB and STCU staff are clear that the partnership has to be managed and not left as an ad hoc arrangement. Responsibility is taken directly at senior management level in the two organisations and the partnership is seen as a key element of operational practice. Staff members are identified in each organisation to lead on particular aspects of partnership arrangements and are accountable to partnership sub-committees.

Undoubtedly, the partnership has been able to flourish partly due to the strength of individual personal relationships. Within both organisations, there are leaders who are committed to the partnership and who are able to energetically communicate its importance to staff and volunteers. Without this charismatic and dynamic leadership, the partnership would certainly be much less well developed.

Through interviews and a survey of staff members, the following points were identified as having been essential to developing the partnership between the CAB and the Credit Union:

- **On-going development.** The partnership was able to develop because both organisations were committed to collaborative project working. Targets and goals were set that each organisation adopted in their individual action plans.
- **Mutual understanding.** Staff and volunteers were willing to learn about the other organisation, understand its business and to appreciate each others philosophies, practices and methodologies.
- **Trust.** Each organisation was able to develop a basic trust in the other. Participation in the NRF anti-poverty steering group facilitated and deepened this sense of trust.
- **No duplication.** Each service saw the other as complimentary to its own and areas of competence and expertise were clearly delineated. Financial and debt advice was seen as a CAB responsibility whilst credit administration was seen as a credit union competence. Even though the CAB directs people to the Credit Union, it has no role in the loan granting process, which is managed entirely by credit union and MAST staff. Credit union staff do not attempt to tackle complex debt problems, rather refer members to CAB. The reason for credit union workers to undertake CAB training was not to replicate CAB services but to ensure that the Credit Union understood the nature debt and the importance of referring appropriate cases for CAB debt advice. There was no attempt to overlap services.
- **Absence of competition and ego.** This characterised the players in the partnership but was seen by all as fundamental to developing a positive relationship.
- **Client/member orientation.** Both organisations were clear that the sole purpose of the partnership was to enable an improved service to members and clients. It was this customer focus that facilitated a willingness to make referrals.
- **Commitment to quality.** The partnership was seen as enhancing the range and quality of service offered by each organisation. Each organisation offered what the other could not. Also being perceived as working in partnership strengthened both organisations in the eyes of the public. If a person developed a relationship with one organisation and got referred to another, they were more likely to trust that referral. Both organisations provide a personalised service that clients often feel is lacking elsewhere.
- **Shared strategic understanding.** Thinking strategically as to how services could be co-ordinated, developed and promoted was key to partnership success. The partnership has changed over the period of the NRF project and is now more focused with a clearer sense of direction. The current NRF project is a direct outcome of the first.
- **Understanding funding imperatives.** Each organisation understood each other's financial realities. This enabled co-operation rather than competition in identifying and seeking external funding and working together on new funding bids.

#### 4. Staff induction and training

As part of staff and volunteer induction, the partnership is presented and explained in both organisations. Further, it features as part of ongoing staff and volunteer training sessions. Workers and volunteers at CAB are kept advised of issues through staff meetings and credit union volunteers at volunteer training days. Senior staff members from one organisation have spoken at the other's planning and training days.

Two credit union staff undertook the CAB adviser course in order to ensure credit union practice and procedures harmonised with those of the CAB. It was noticed that referrals increased significantly as a result of credit union staff undertaking CAB training.

## 5. Facing difficult issues

In the staff survey, the partnership was seen as both positive and effective. However, it has not been without its difficulties. Some workers and volunteers, for example, do not always fully appreciate the value of the relationship or find it difficult to operate in another organisational culture. There are also strains on organisational capacity. However, these difficulties have been managed and addressed in partnership meetings.

Particular difficult issues that have surfaced in regard to the relationship have included the following:-

- The issue of referral capacity is a constant issue for the CAB and money advice agencies in general. Given the rise of overindebtedness in society, the demand for services is increasingly high. Ensuring the ability to respond efficiently to an increasing demand from the Credit Union can be difficult to manage. It is anticipated that the introduction of funding from the Financial Inclusion Fund will help to increase the CAB capacity to meet demand.
- Among credit union volunteers, there was some evidence that there was misunderstanding as to how the partnership worked and, in particular, as to how the Credit Union participates in an anti-poverty strategy. The focus on anti-poverty, and the link with the CAB, could be seen as reaffirming some people's perceptions of the Credit Union as a 'poor person's bank'. Understandably this perception concerned some credit union volunteers. The challenge for the Credit Union is to focus on tackling financial exclusion whilst, at the same time, ensuring the Credit Union serves a wide and diverse membership in South Tyneside. This impacts on both the strategic and marketing strategies of the Credit Union.
- Tensions can arise from the fact that credit union loans are not regarded by the Courts as priority debts. Credit unions can experience some frustration that *"the CAB doesn't treat Credit Union debts as priority"*. This is a particularly acute difficulty if the defaulter had been referred to the Credit Union by the CAB in the first place. However, currently, the CAB has no option but to treat credit union loans as non-priority debts and, in cases of default, cannot be seen to prefer one creditor over another. As one CAB worker noted, *"credit union loans are not viewed by the court as priority and the Credit Union should understand this when granting loans and ensure that they have robust approval procedures"*. This statement seems to imply that the CAB does not expect the Credit Union to grant a loan to every referred client. This in itself is recognition that granting another loan is not always the best response for a person already experiencing difficulty meeting their financial commitments for multiple debts. Two proposals to address this problem have emerged through the partnership:-
  - The CAB makes it clear to referred clients that, if granted a loan, it is their responsibility to make repayment. In cases of default on the Credit Union loan and engagement with the services of the CAB once again, the client will need to demonstrate that it was an inability to repay through a new financial hardship situation, rather than lack of willingness to keep up payments.
  - ABCUL and Citizens Advice could jointly campaign to make credit union loans priority debts on the grounds that the Credit Union is often a lender of last resort. In addition, people becoming bankrupt face even greater financial exclusion and need to preserve their access to financial services through the Credit Union.

## 6. Strategic planning

Central to the development of the partnership is an approach to service delivery that is based on strategic planning. Both STCAB and STCU have been able to think through the direction and scope of the partnership over the longer term and generate a shared vision and mission of working together. *"We now have a strategic approach to resolving financial exclusion"*, notes the CAB manager, *"we have a greater understanding of how we can compliment each others services by jointly offering the best option for the client"*.

In interviews and the survey, key elements of the current strategic plan included:

- **Building awareness.** STCAB and STCU staff and volunteers were clear that the partnership, as supported through the NRF projects has increased the status and profile of both organisations locally and within the local authority. Credit union members who would not normally consider using the CAB have done so and, equally, credit union membership has grown through CAB referrals. Both organisations are now planning joint awareness raising campaigns and agreement has been reached to publish a Financial Awareness booklet for every household in NRF wards in the Borough. This will include information on both organisations and the services they respectively offer.
- **Marketing.** Related to awareness raising is the development of a joint marketing strategy. *"We have much more in common than many people realise"* explained one worker, *"members and clients come from all walks of life and increasingly do so, but traditionally they are from lower income groups. Some people are easier to access through the CAB connection and others through the Credit Union. By having joint marketing we can get a double hit"*,  
  
With the support of the Barclays Inclusion Fund, both organisations are initiating a joint marketing campaign. This will focus on the dissemination of shared working though increased outreach and publicity. Coordinated publicity materials for each organisation will be distributed conjointly.
- **Outreach.** Joint credit union and CAB outreach sessions are scheduled to begin in May 06.
- **Tandem development.** The partnership depends on constant communication as the aim is to develop both organisations at a similar pace. Strategic and action plans are co-ordinated between the organisations.
- **Policies, procedures and protocols.** Both the Credit Union and the CAB are committed to developing written policies and procedures that will formalise the partnership. A service level agreement, for example, is currently being worked upon. Already it is written in the MAST procedures that no one can receive a loan without first seeing a CAB adviser for an income and expenditure review,
- **Longer term solutions.** Both organisations are looking at longer term solutions to tackling financial exclusion over and above solving immediate debt problems through advice and the provision of low cost loans. Longer term solutions are seen to include preventative measures such as a greater focus on asset building (savings) and developing financial awareness through financial capability programmes. It is recommended that the Credit Union also consider benefit plus accounts and the development of financial transaction services through involvement with the current ABCUL banking project which aims to bring current accounts to credit union members.
- **Financial planning.** Funding has already been assured which would have been much more difficult to obtain had the relationship not already existed. This includes new NRF funding, the CAB DTI Financial Inclusion Fund face-to-face debt advice project, MAST funding and the Credit Union's funding from the DWP's Growth Fund. This amounts to over £2 million of additional capital and revenue funding to come into the borough based, at least in part, on the experience of the project. The strategic goal is to promote further co-operation in seeking out further financial support through developing joint funding applications to appropriate funders.

## 7. A developing relationship

The CAB/STCU partnership is one of the most positive outcomes of the NRF project. It has built sound relationships between the two organisations and contributed to a mutual understanding of services offered. The result has been a much improved and co-ordinated service to clients, members and beneficiaries.

Both organisations are committed to the ongoing relationship, which is now reflected in the continuation of the NRF, as well as in the new substantial funding attracted from the DTI and DWP administration of the Financial Inclusion Fund. Through the survey, CAB and STCU staff identified that they would like the partnership to develop further through the sharing of high street premises; the continued development the direct appointment system through which each agency has access to the others systems and is able to make appointments and the promotion of a greater awareness of services on offer through the partnership.

## Notes

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