



# **how local authorities can promote financial health, now and in the future**

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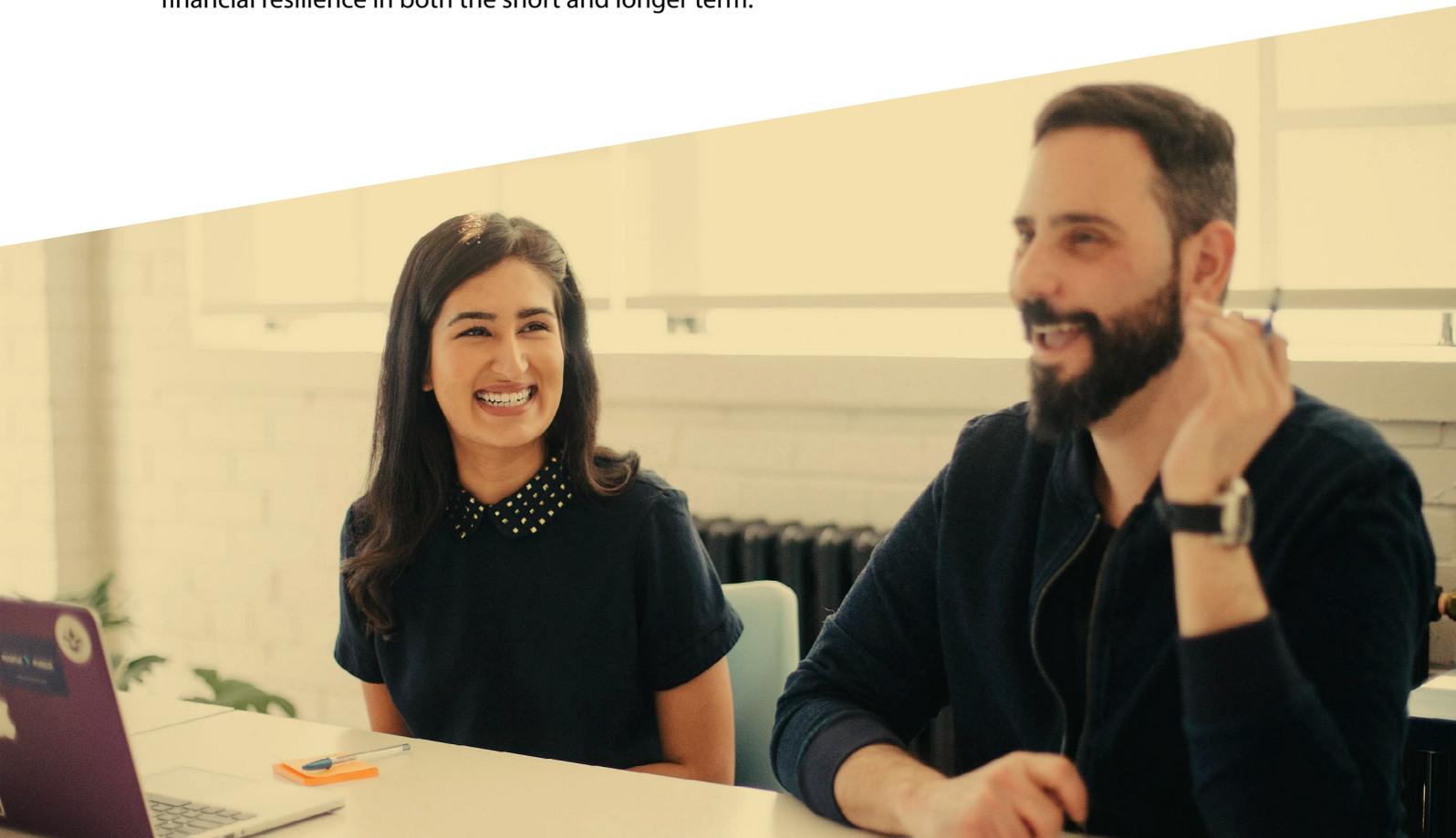
The impact of Coronavirus is causing uncertainty for everyone and presenting new challenges on an almost daily basis. For local authorities, the wellbeing and financial resilience of customers and staff are important considerations but it can be difficult to know where to start with so many pressing issues competing for attention.

Demos, the cross-party think tank, is delivering the Good Credit Project in partnership with stakeholders across South Yorkshire to help people access fair credit, reduce the need for unaffordable borrowing and improve the local credit environment.

Our ground-breaking [Good Credit Index](#) maps access to good credit across the UK. South Yorkshire highlights many of the credit challenges faced by people nationwide. **Barnsley and Doncaster count as 'credit deserts'**, two of only 29 areas where it is very difficult to obtain good credit. **Rotherham and Sheffield** perform better, but still face a combination of poverty, thin credit files and high insolvency rates. Sadly, the impact of Covid-19 won't be helping the situation but we know that local authorities are keen to support their communities wherever they can while protecting their business.

As part of the Good Credit Project and in response to the current crisis, we have put together a seven-point plan to help local authorities support their employees and customers during and beyond the pandemic.

This guide aims to suggest simple yet practical steps that can be quickly implemented to help boost financial resilience in both the short and longer term.



## Five steps to support your employees

### 1. Point your staff to reliable information

Signpost to local debt advice services and credit support networks on your staff intranet or noticeboards. [The Money Advice Service](#) website lists free advice agencies in your area. For the latest guidance about Covid-19, direct employees to the [Government website](#) which includes regularly updated information about work, housing and finances. It explains things like mortgage holidays and protection for renters, and benefit entitlements including Statutory Sick Pay and Universal Credit. Staff who would benefit from a mortgage holiday must approach their lender to get agreement and people who are renting have extra protection during the crisis but conditions apply. Full details can be found on the government website.

### 2. Explore your options for offering 'in-kind' benefits

Encouraging staff to make use of flexible working arrangements could help to give them time out to improve wellbeing, carry out caring duties, or deal with financial pressures. Remember that [salary sacrifice schemes](#) such as Cycle to Work and others might help their income to go further.

### 3. Link up with a local credit union

Credit unions are community-based organisations which are open to everyone and offer savings, loans and other financial products. They're owned by the people (members) who use them, not

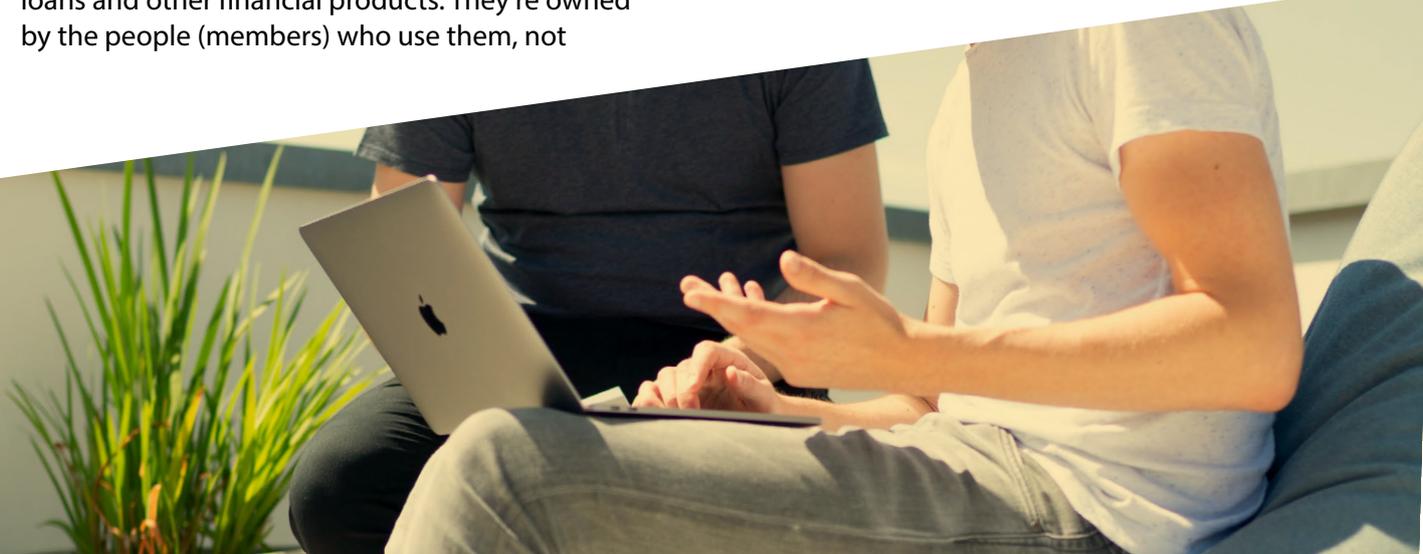
by external stakeholders, so their focus is on customer service rather than profits. You don't need to be an expert to help staff to understand the basics. Just [find your local credit union](#) which will be happy to explain its products and services to groups or individuals.

### 4. Partner with a credit union to make payroll deductions available

A no-cost benefit that employers can offer staff is payroll deduction which is quick and easy to set up. Many credit unions offer the option of letting employees borrow and/or save by having contributions deducted from their salaries and they also take care of the admin. Members of such salary deduction schemes may also be eligible for discounted rates on credit union loans which provide an alternative to higher-cost options.

### 5. Allow employees to take part of their salary early via salary advances

Help your employees to access their salary early to meet unexpected costs, by adopting low-cost financial technology-powered tools, such as [Wagestream](#) and [SalaryFinance](#). These are more confidential than salary advances upon request and there's no extra admin burden. They allow employees to access money they've already earned when they need it and as an alternative to high-cost credit. Some tools can also calculate micro-savings via a simple to use app to encourage workers to put small amounts of money aside as a cushion against financial shocks.



## 6 steps to support your customers

### 1. Work with your housing team or organisations such as Citizens Advice to promote financial advice to tenants

While many local authorities have financial advice on their website, a lack of technical knowledge or increased distress in these challenging times can mean the advice fails to reach those who need it most. Proactively offering advice through leaflet drops or linking up with voluntary sector support services could ensure people have access to the information and advice they need.

### 2. Encourage Universal Credit recipients to budget effectively

Different circumstances for receiving Universal Credit still require effective budgeting. Consider steering recipients towards a specific 'jam jar' account provided by your local credit union to help them manage their finances. These accounts separate income into different 'jars' allocated to bill payments, a food shop budget etc., set by the account holder. Bills are automatically paid from each jar on time, and any money left over goes into the account holder's savings (building up a cushion against financial shocks) or bank account.

### 3. Address council tax debt and promote saving

Partner with your local credit union to enable customers with council tax debt to convert it into a Save As You Borrow loan. This will promote a habit of saving to reduce the likelihood of the customer getting to debt again, while still ensuring the debt is collected.

### 4. Partner with the charities to source emergency furniture and white goods

Explore whether local charities or social enterprises are able to source second-hand furniture and white goods to tenants in need. Some of the organisations will be unable to sell to the public at the moment, but could arrange contactless and safe deliveries in partnership with the local authority.

### 5. Work with your local credit union to provide a loan to those who are at risk of being evicted

Evictions are very costly: housing associations [can lose up to £30,000](#) on every social housing eviction, and emergency accommodation costs local authorities a lot. The CEO of Landlord Action thinks around "40-50 percent of evictions ... could have been avoided." A pilot project in London saw the council provide a small grant to the credit union to give interest-free loans to those at risk of eviction. The project saved the council over £1 million pounds, and [saved 300 families from eviction](#). Local authorities can be central in providing early warning of eviction and working with credit unions and housing associations to set up such a scheme.

### 6. Share data with credit reference agencies for recognition of rent in tenants' credit scores

Building a better credit score is essential to accessing better credit options. Consider joining a [scheme with Big Issue Invest and credit reference agency Experian](#) to improve the credit scores of your tenants by sharing tenancy and rental payment information with Experian on a monthly basis.

**Would you like to learn more?**

Go to our website <https://www.goodcreditindex.co.uk/> or contact Joanne Ainley at [joanne.ainley@demoss.co.uk](mailto:joanne.ainley@demoss.co.uk).