Community Finance Partnerships

Working together to build community finance provision in London

Project Background

City Bridge Trust funded Responsible Finance to work with two responsible finance providers in London to consider how building local partnerships could help to tackle financial exclusion.

The pilot was led by project partners Fair Finance (East London) and London Small Business Centre (East & South East London), and commenced in 2015.

NEF Consulting were commissioned by Responsible Finance to undertake a process and outcome evaluation of the learning activities of the pilot.

The learning review focused on the sustainability, replicability, impact of the partnership model.

We are enormously grateful to City Bridge Trust for their funding and ongoing support of this project.

Context

Financial Exclusion

Financial exclusion in the UK remains a significant challenge, despite its reputation as a global leader in financial services. A large number of people lack access to the services essential to modern life, or do not have the skills and ability to use and benefit from these services.

£490

was the estimated poverty premium in 2016

310,000

people borrow from illegal moneylenders

2 million

adults in the UK do not have a bank account

15 million

people report one or more signs of financial distress [1]

Financial exclusion affects a range of people across their lives, and is particularly prevalent in those who are on low, unstable incomes, or those who have experienced a life shock. This exclusion often means consumers will pay a 'poverty premium' for products and services, compounding their exclusion from mainstream services. Evidence shows that alternative providers who may be able to meet the needs of these groups face significant challenges, as responsible credit suppliers struggle to meet the demand created by the curtail of legal high-cost credit[2].

The Role of Local Finance Partnerships in Tackling Financial Exclusion

The funding base of London's Voluntary Community Sector (VCS) is transforming, from a reliance on grants and charitable donations to being driven by enterprise and the procurement of its own funds. This has meant a change in the way it works, and such change requires new skills, competencies and resources, yet many lack the support and partnership building necessary for this, leaving the sector fragmented and vulnerable.

Community Finance Partnerships blend the provision of financial services, community asset development and social innovation with the aim of tackling socio-economic disadvantage. A holistic approach by local organisations can provide scalable alternative financial services systems, unlocking greater access and choice for people and businesses across the UK, thus reducing financial exclusion[3].

Limitations of the Research

The complex set of barriers to financial inclusion are numerous and frequently overlap, with individuals sometimes moving in and out of financial exclusion over their lifetimes, either temporarily or for the long-term[4]. The process takes a long-time and a holistic range of support, tailored to each individual.

The pilot project enabled the testing of partnership approaches to tackling financial exclusion and the independent evaluation by NEF provided some useful learning that is relevant to those wishing to try this approach in other parts of London and across the UK. One key lesson is that a long term consistent and well-resourced approach is needed to have lasting and evidenced impact in communities.

The Evaluation

The pilot was led by project partners Fair Finance and London Small Business Centre (LSBC). They integrated the provision of enterprise support, availability of finance, and community development as a means of strengthening local communities by:

- Converting latent community needs into tangible demand for community finance.
- Boosting the supply of new capital to these areas.
- Creating a new generation of community enterprise.

Building community skills, knowledge and confidence to ensure inclusion of the less obviously sustainable organisations.

Creating collaborative advantage.

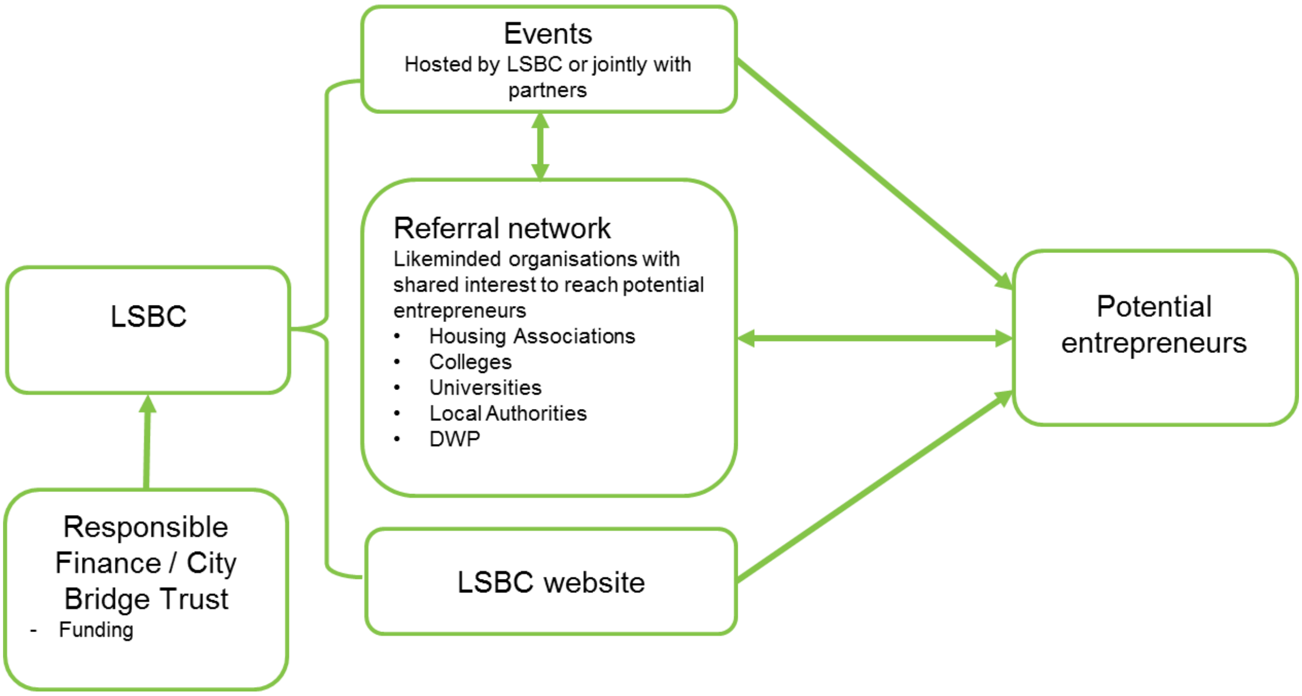
As the partnerships developed, the models showed the following characteristics:

Model Development – the development of the model was initially driven by one lead organisation, supported by the funding from Responsible Finance and City Bridge Trust. In their second phase of the model development the model evolved: Fair Finance became an advisor to the Peabody Trust who drove the model, yet remained part of the referral network. Phase 2 was supported by funding from the City Bridge Trust.

Support Delivery – The lead organisation of the partnership directly delivered support to beneficiaries.

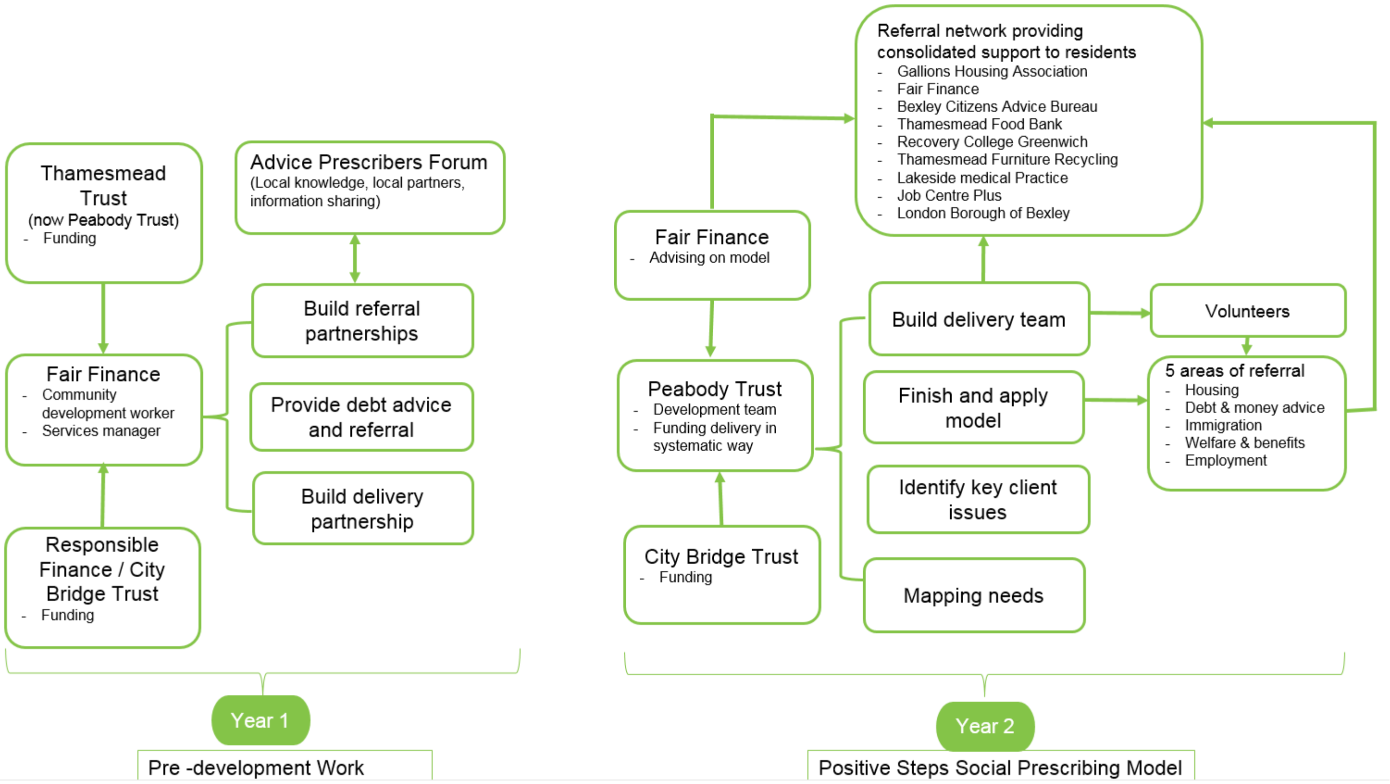
Client Outreach – The referral network consisted of a range of organisations within the partnership that played a key role in directing clients to the lead partner. This then worked as a two-way referral mechanism, in the case of Fair Finance.

London Small Business Centre (LSBC) Delivery Model



In this model LSBC are the driver and facilitator of the referral network, which is the key mechanism for outreach and engagement with potential entrepreneurs. Potential entrepreneurs can also contact LSBC through events hosted by them and their partners.

Fair Finance Delivery Model



Fair Finance tested two pilots, one in which they worked to support a local partnership to provide quality debt advice services in communities, and the other as a remote lending service to help hard to reach communities access personal finance.

In the first ‘pre-development’ phase, Fair Finance drove the model’s development, building a referral partnership of local organisations which referred clients to Fair Finance and other members of the network.

In the second year, the model developed into Positive Steps, a social prescribing model reliant on partner cross-referral. The model relies on the proximity of partner organisations, therefore it is unclear how it could be established in areas where services are more geographically dispersed. In this, as shown in the above graphic, the referral network has five core areas of referral, monitored by five core partners, with data collected for other referrals.

Overall, the study found increased wellbeing amongst service users and partners involved in the models.

Case Study - Partner

Bexley Citizens Advice Bureau (CAB), who partnered with Fair Finance, were interviewed as part of the research in order to understand the impact of the referral network.

CAB report that awareness of their services has increased since engaging in partnerships. In particular, beneficiaries have increased access to their services via newly established drop-in centre inside a GP practice. This has led to them receiving a 7 – 8 extra clients per week.

One of the key challenges to the partnership model was identified by CAB as a lack of continuity and commitment from other partners and volunteers.

Fair Finance has reported that since engaging in the partnership, internal knowledge on possible referrals has increased, administration time has been freed up, and a platform for collaboration amongst services has been created.

Case Study – Wider Impact of Fair Finance's GP Referral Programme

NEF consulting conducted semi-structured interviews to understand the impact for clients who have utilised the partnership, one of which is highlighted below.

R, a woman in her mid-70s was left with a large and unmanageable debt after her husband died. After her mental health drastically deteriorated based on the stress and isolation the situation caused, her GP referred her to Fair Finance, resulting in her debt being released due to a Debt Relief Order. While R was unable to explain how Fair Finance helped in detail, when asked what would have happened without the support she received, she commented that she might have ended her own life. R's debt is now about to be cleared and she is feeling more confident and optimistic about life. R has started to reconnect with family members and goes out more.

Fair Finance report that their clients with multiple, complex needs typically feel more in control of their situation after intervention, and feel that they are working towards their goals and aspirations.

Case Study – LSBC Entrepreneurship

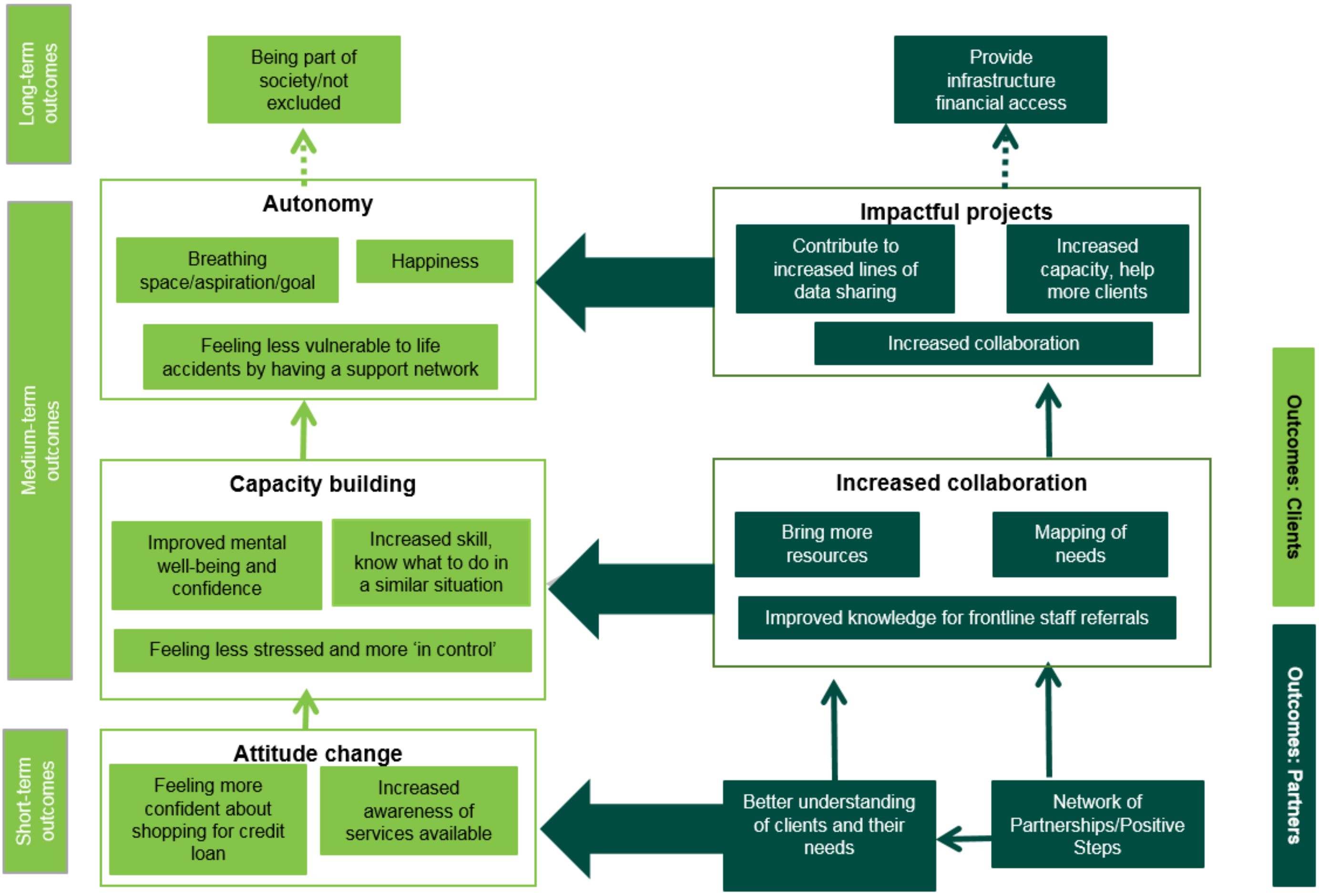
As part of their key objectives, LSBC aim to play a significant role in encouraging enterprise through business education engagement. As part of the partnership process, they set up links with local colleges and universities. These institutions have an increasing need to blend education with the possibility of self-employment, and their students are in need of ongoing inspiration and support after graduation.

The partnership between LSBC and these learning institutions has focused on providing workshops and covering a range of topics to engage pre-start, early stage and growth business, in addition to providing face-to-face business advice and loan funding to start-ups.

Theory of Change

Together with Fair Finance and informed by the data collected, NEF developed a draft Theory of Change (ToC), shown below. This displays the indicative pathway of change for both clients and partners – based on the assumption that a strong partnership model underpins and accelerates the change experienced by individuals over time.

While this was not applied at the start of the project, it is a useful management and modelling tool for those wishing to adopt this approach.



Key Lessons Learnt

The establishment of effective monitoring and evaluation as a means to evidence impact and access future funding, at the start of the project. This would need to clearly define outcome framework and the roles and responsibilities of all partners.

Future research should involve administering surveys to stakeholders in a range of different formats, to capture the change before and after the intervention. This information is best captured at various key points throughout the partnership process, and so targeted at times when people are best able to reflect upon and assess the changes.

Financial education programmes face a range of unique challenges. There is limited research and knowledge about how the interplay of factors determines actual behaviour change surrounding accessing and managing credit, budgeting and building up financial resilience in complex communities. Longitudinal studies should take place conducted over time. Ways to establish counterfactuals should be agreed at the outset of the monitoring process. This must be set against a context where funders appreciate the necessity of such monitoring and evaluation, and the resources available to small organisations to carry this out.

Recommendations

The partnership models used by the organisations in this pilot have clear scope for replication. The key factors in determining the success and future sustainability of Community Finance Partnerships were identified as:

The availability of adequate financial and staffing resources for continuous engagement and coordination of the partnership network members and events.

The level of commitment for collaboration from partners, including the continuous exchange of knowledge and information. This should be managed as closely as possible.

The presence of a central body providing strong guidance, coordination and leadership.

A co-developed outcomes framework implemented from the start for monitoring and evaluation purposes. Ultimately, this will allow for understanding of the impact of the partnership. Key stakeholders need to be involved in the design of this framework, and it should be realistically considered whether partners have sufficient resources to collect and analyse impact data. Partners should be incentivised to feel motivated and able to collect data and monitor progress.

Endnotes

[1] Centre for Social Justice (2016) *Targeted, Timely and Reliable Access to Credit, https://www.centreforsocialjustice.org.uk/library/targeted-timely-reliable-access-credit*
Financial Inclusion Commission (2015) *Improving the Financial Health of the Nation, http://www.financialinclusioncommission.org.uk/pdfs/fic_report_2015.pdf*

[2] Financial Inclusion Commission (2015) *Improving the Financial Health of the Nation, http://www.financialinclusioncommission.org.uk/pdfs/fic_report_2015.pdf*

[3] Responsible Finance (2017) *Tackling Financial Exclusion Through Local Finance Partnerships, http://responsiblefinance.org.uk/policy-research/local-finance-partnerships/*

[4] Mitton, Lavinia (2008) *Financial Inclusion in the UK.* Joseph Rowntree Foundation, http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.487.9430&rep=rep1&type=pdf