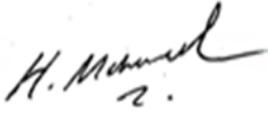


<b>LONDON BOROUGH OF CAMDEN</b>	<b>WARD:</b> All
<b>REPORT TITLE:</b> Debt Transformation and Income Maximisation	
<b>REPORT OF:</b> Director of Equalities and Community Strength	
<b>FOR SUBMISSION TO:</b> Resources and Corporate Performance Scrutiny Committee	<b>DATE:</b> 14 January 2025
<p><b>SUMMARY OF REPORT</b></p> <p>This report sets out the delivery plan for how we plan to tackle the Debt Challenge as articulated in We Make Camden: Everyone can get the support they need to avoid debt and be financially secure.</p> <p>It lays out some context, indicating what we know about indebtedness in Camden; and how we plan to: maximise incomes to prevent debt; increase the provision and efficiency of money advice in the borough; and become a more ethical and effective creditor.</p> <p>Contact Officer:  <b>Zoe Tyndall, Head of Debt and Financial Resilience</b>  5 Pancras Square, London, N1C 4AG  Zoe.tyndall@camden.gov.uk</p>	
<p><b>RECOMMENDATIONS</b></p> <p>The Resources and Corporate Performance Scrutiny Committee is asked to consider and note the report.</p>	

Signed by:



Hanad Mohamed  
Director of Equalities and Community Strength  
Corporate of Services  
Date: 6<sup>th</sup> January 2025

## **1. CONTEXT – UNDERSTANDING INDEBTEDNESS IN CAMDEN**

### **1.1 Summary**

- 1.1.1 Many households do not have access to formal credit, so their debt is primarily in the form of arrears on priority bills, often to the Council.
- 1.1.2 Many households owe multiple debts to the Council, but we do not offer a corporate approach to consolidating or prioritising these debts currently. Changing how we act as a creditor is critical to delivering on the Debt Challenge.
- 1.1.3 An estimated £124million of benefits are underclaimed every year in Camden. Therefore income maximisation, through access to benefits and earned income, is also critical to this work.

### **1.2 In detail:**

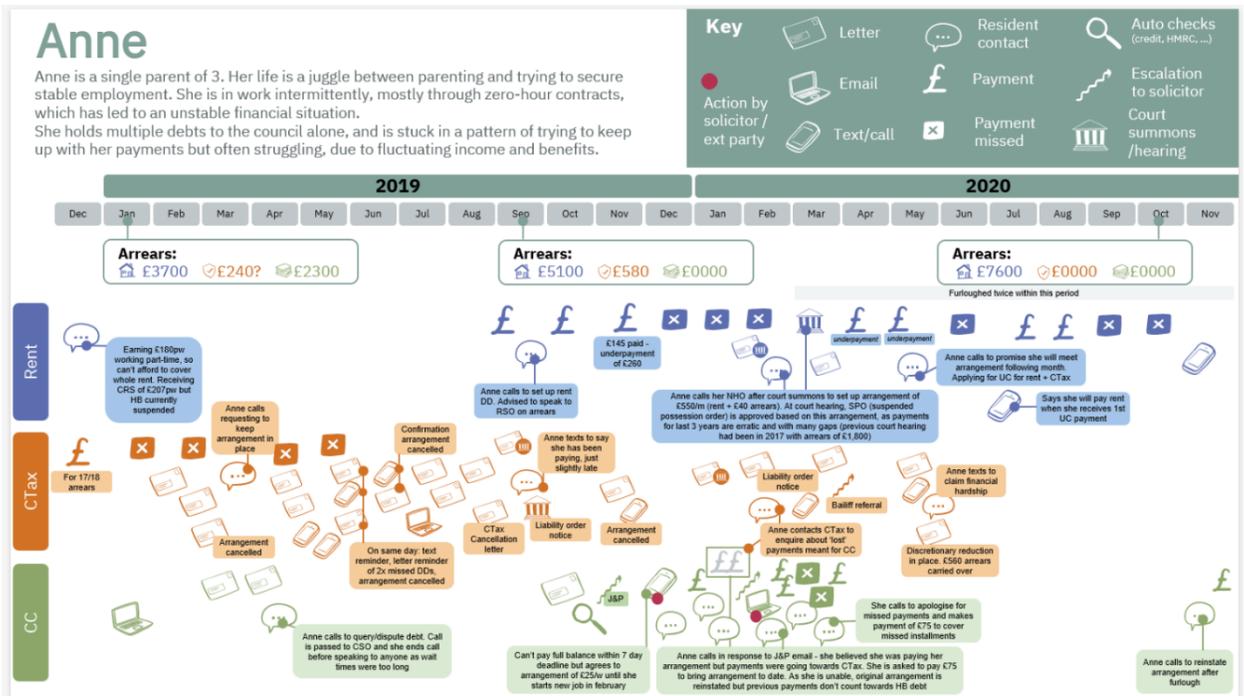
- 1.2.1 To understand the picture of debt in Camden, we've used a national segmentation by Fair4All Finance, of financial vulnerability and looked at the data locally versus London neighbours and the country as a whole
- 1.2.2 This analysis indicates that there are 85,000 financially vulnerable adults in Camden: 37% of the population. This is a lower total proportion of financially vulnerable adults than in neighbouring boroughs. However, Camden's proportion of those in the most destitute cohorts is much higher than comparable boroughs.
- 1.2.3 The analysis highlights two such cohorts which are a particular focus for our Debt Challenge:
- 1.2.4 There are around 38,000 adults who have incomes of £10,000-£20,000. They are social or Temporary Accommodation tenants, not just in poverty but destitution. Their incomes are too low to enable them to access formal

credit so debt takes the form of arrears on priority bills – namely social rent, council tax and utility arrears. Many of these arrears are being deducted from their benefits, further driving down income.

- 1.2.5 This group is very likely to be in negative budgets – where a household's essential monthly costs are higher than their income. Citizens' Advice have been documenting the rise in negative budgets and estimate that 22k households in Camden are affected.
- 1.2.1 This group needs income maximisation support to ensure they are claiming all of the benefits they're entitled to, and a corporate approach to debt collection as they likely owe the Council money across multiple debts, and will need flexible repayment options
- 1.2.2 The second key segment is slightly smaller (22,000 adults). They are very similar to the above but have slightly higher incomes (normally £20,000-£25,000). They do have access to credit, and are struggling with an average of debts across 5 creditors, including priority bills.
- 1.2.3 The support this group needs is welfare rights advice, corporate approach to debt collection and formal debt advice.
- 1.2.4 Further insight on all cohorts in Camden can be found in Appendix A.
- 1.2.5 This analysis is complemented by Policy in Practice, whose modelling indicates that up to £124million of benefits income goes unclaimed by Camden residents every year, due to complexity and stigma of the benefits system. Underclaiming does not happen equally across the population; this is an equalities issue as much as a cost-of-living issue. The biggest underclaimed benefits are Universal Credit, Council Tax Reduction, Pension Credit, and non-means tested disability benefits.

### **1.3 What does owing multiple debts to the Council feel like for a resident?**

- 1.3.1 The research above, and our own financial data, indicate that large numbers of households owe multiple debts to the Council. Below is an anonymised case study (names changed) of what a typical client in multiple debts might experience.



1.3.2 Anne began this period owing ca. £6,000 to the Council. During this period, Anne: Made 13 payments, and missed 12; Called the Council at least 17 times; Was sent at least 24 letters, but only 3 emails relating to her debts; Received 2 court summons, and twice her debts are passed over to external collectors. By the time Covid began and collection activity was paused, she owed over £7,000 to the Council

1.3.3 We want to start piloting how a corporate debt team might identify clients such as Anne\*; and provide a single point of contact that would integrate financial support and help her prioritise her council debts.

## 2. DELIVERY PLAN – OUR GOALS FOR THE COMING YEAR

### 2.1 Delivery Plan

To deliver on the We Make Camden Challenge:	We need to work towards two goals:	With four enablers:	In year one we'll focus on six projects:
Everyone can get the support they need to avoid debt and be financially secure	Provide accessible, trusted, quality advice and support to those in and at risk of debt, via:	A multi-disciplinary in-house team, focusing on early intervention	1. Develop our service to better target and track outcomes of our £7m Local Welfare Assistance fund
		A well-funded, supported and networked independent advice sector	2. Use Council data to run proactive, preventative campaigns supporting those at risk of problem debt
		Enable revenues officers to collaborate to support residents with multiple debts	3. Improve partnerships with the Camden Advice Network, to better support their work
	Collect our own revenue and debt ethically and effectively	Change Camden policy to model best practice in public sector debt collection, and inspire change elsewhere	4. Run pilot interventions to test new approaches to supporting households with multiple debts to the Council
			5. Define best practice public sector debt collection and support revenues colleagues to begin to transform services accordingly
			6. Run welfare reform experimental trials, with external evidence partners

## 2.2 Goal One: Provide accessible, trusted, quality advice and support to those in and at risk of debt

- 2.2.1 The independent advice sector will always be the primary provider of debt advice and financial support. A key focus is working with colleagues in Community Partnerships to start reviewing sufficiency of the Advice Grant in time for its renewal in 2027.
- 2.2.2 We will also look at how we can increase capacity without just spending more – how can we work more closely with accredited advisors, to speed up their work by giving them more direct access to relevant teams.
- 2.2.3 Whilst the independent sector is primary, there's more we can do in house. The key thing which a Council team can do is intervene at the early intervention stage – how can we use the data we hold to spot those at early risk of debt (e.g. those who cancel their Direct Debits and now make individual monthly payments; those who are routinely a few days late without ever hitting reminder stage) and proactively reach out.
- 2.2.4 As outlined in Project 2, over the next year we'll test data-led campaigns aiming to increase incomes and prevent early-stage debt from escalating. This will be outbound case work only – the team will not be able to pick up inbound demand.
- 2.2.5 To deliver these goals, we're repurposing the investment the Council has been making in the Tackling Poverty team, by skilling up these officers in a wider range of advice functions. This means that the staff issuing Cost of Living

payments will also be empowered to do a wider range of functions – for example engage with revenues officers on Council debts, and support with money management and benefits uptake interventions.

2.2.6 NB to reflect this shift, and to reduce the stigma associated with poverty, we have changed the name of the team from Tackling Poverty to Money Advice Camden, as of 1<sup>st</sup> October 2024.

2.2.7 Key to the in-house team's success will be that it protects capacity for proactive, data-driven outbound work; it will not be an open access service.

### **2.3 Goal 2: Collect our own revenue and debt ethically and effectively, and prevent it from escalating**

2.3.1 This area is much more complex change and transformation process, but our goals are:

- Developing our digital and data infrastructure to build a Single View of Debt
- Piloting what a corporate debt support team might look like, developing models of support for financially vulnerable customers who owe multiple debts to the Council
- Improving the tools available to Revenues officers so that they have a holistic picture of a resident's debts, including those not to the Council, so that we can set more realistic and affordable plans

2.3.2. To design this work we are exploring how we bring in expertise from outside the Council, both in terms of experts by experience in the community and learning from creditors in other sectors

2.3.3. More broadly, we'll look at our role in influencing national debts on what policy change is needed to improve the underlying financial situations of our residents, particularly through welfare reform.

## **3. WORK TO DATE**

3.1 Debt Transformation: In 2024, the team has delivered on following areas:

3.1.1 We've begun working with other services to test new models of support for people in debt to the Council with three small cohorts: 1) those in Temporary Accommodation rent and service arrears; 2) those with rent and communal heating debt; 3) those receiving Final Notice warnings for Council tax debt.

3.1.2 A group of Revenues Heads of Service have been meeting every six months to review how we prioritise different debts to the Council, and has decided to adopt

the Single Financial Statement, creating a consistent format used across the Council to review resident finances and set arrangements.

3.1.3 We have identified 'ASH', the digital product used by Credit Control, as the most appropriate platform to develop into a Single View of Debt, and have identified work needed to roll this out across all revenues teams.

3.2 Income Maximisation: In November 2024 we developed the Council's in house income maximisation capacity, creating a team of four new welfare rights advisors, who are working solely on proactive campaigns. Data from across the sector shows us that this is a more efficient approach to increasing incomes than open access teams.

3.2.1 The team have completed their first outbound campaign – securing £250,000 in new income for low income pensioners through increasing Pension Credit uptake to 54 households.

3.2.2 The team are now working on two further campaigns: 1) Supporting residents who are being migrated to Universal Credit. The team is contacting ca. 100 households who have failed to migrate from legacy benefits to UC and have therefore had their benefits stopped completely. 2) Supporting residents who are losing benefit income due to non-dependant deductions (NDDs). These NDDs particularly affect multi-generational families, and often result in underpaid benefits. We are working through our data, making contact with those we think are underclaiming and helping to correct their claim.

#### **4. LEGAL COMMENTS OF THE BOROUGH SOLICITOR**

4.1 The report sets out a number of data driven projects. Any sharing of data will need to be compliant with the council's data protection obligations and advice will need to be sought from the Council's data protection team on individual proposed projects (if not already done so) including the requirement to undertake a data protection impact assessment.

#### **5. RESOURCE IMPLICATIONS**

5.1 The Executive Director Corporate Services has been consulted and his feedback is included in the body of the report.

#### **6. ENVIRONMENTAL IMPLICATIONS**

6.1 There are no proposals with environmental implications made in this report

**REPORT ENDS**

## Appendix A: Cohorts of financially vulnerable adults in Camden, Fair4AllFinance

Segments	Definitions	# adults in Camden	Implications for our services
<b>Forgotten Families</b>	Lowest incomes of any segment (under £20k, many under £10k). No savings, mostly working minimal hours or not at all. Social tenants. Many not just in poverty, but destitution, meaning they have very little access to formal credit, meaning their debts are in the form of CT, rent and energy arrears.	38,444	We would prioritise this group for intensive support, particularly taking a corporate approach to debt collection as they likely owe rent, council tax and social care. This group also benefits from welfare rights support and money management. We need to consider how we use enforcement agents with this cohort as unlikely to net revenue for us, rather just create more system costs for us in long run.
<b>Credit Crisis Families</b>	Similar to Forgotten Families but with slightly higher incomes (though mostly still under £25k). Incomes mean they do have access to credit but are struggling to manage these debts. Many have debts across 5+ providers.	22,540	We would prioritise this group for intensive support. This is the group that most likely needs accredited debt advice, from us or more likely from Advice partners, as well as the support offered to Forgotten Families
<b>Squeezed and sliding</b>	Getting by but squeezed. 25-44. Reasonable household incomes (£30 - £50k), but also using savings as income as costs rise. High credit card usage.	13,536	We would not necessarily prioritise this group for direct support, but signpost to money management advice. They are likely to be digitally confident and able to access national services.
<b>Ungolden years</b>	This group are mostly over 45s, with many in retirement. They have low but quite stable incomes, with limited ability to earn more. Some are homeowners. They have the highest savings and lowest debts of any group, but are still struggling with rising costs. Less likely to use credit, so get by on less as costs rise.	8,900	Relatively high priority, particularly where they are paying for social care. This group needs support building confidence to use affordable credit (and sometimes equity release schemes) to avoid poverty; and help avoiding fraud and scams.
<b>Difficult Debts</b>	This group are generally working age (35-44) and have highest incomes of any segment (£35k - £50k+), but also have some of the highest debts. These are people who have always been comfortable using credit, but debt has spiralled as costs and interest rates have risen. This is the group you might uncharitably call "wont pay" when it comes to council tax arrears.	1,251	Not high priority given the very low numbers in Camden. This group needs to be supported to access independent debt advice, but should be able to meet their priority bills (likely to be Council Tax debt) with the right independent support.
<b>Unsteady Starters</b>	This is the youngest segment (18 - 34). They are most likely to be on zero-hours contracts, and are privately renting or staying with family. Around half have children. They tend to use BNPL, overdrafts and credit cards, and it takes effort to keep on top of them all. Not high debts now but at risk of spiralling.	809	Not high priority, given the very low numbers in Camden. However the subset who are not in work are key to our young people mission. This group needs support with money management, employment and skills and low level debt advice.