

Reshaping Financial Support

To update members on the LGA's programme of work on reshaping financial support and seek members' views on LGA improvement support on fair and effective debt management

For direction.

Summary

This report provides an overview of the work the LGA has delivered to support councils and shape policy under the heading of Reshaping Financial Support, particularly during the pandemic when many households' finances were suddenly and adversely affected by impacts on employment, health and schooling.

It outlines positive and constructive ways for the LGA, councils and partners to reduce inequality and support effective social and economic recovery through building financial inclusion, capability and resilience. It sets out proposals for joint working across Government and stakeholders to ensure that we are efficiently and effectively targeting support to where it is needed most, and where it can achieve demonstrable improvements in outcomes and wellbeing.

We have recently commissioned a piece of work on fair and effective debt management in local government. This paper seeks members' views on key priorities and ensuring the project facilitates wider sector-led improvement.

Is this report confidential? Yes No

Recommendation/s

That we continue to work closely with councils, Government, partners and stakeholders on developing support for low-income households, including local welfare schemes and access to financial services.

Action/s

That we develop the LGA's work on fair and effective debt management to inform a structured guidance and improvement offer.



Resources Board

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Reshaping Financial Support

1. Background

- 1.1. The LGA commissioned Financial Inclusion Centre to work with seven councils¹ as part of an Action Learning and SLI programme in September 2019. This built on a scoping exercise and [report](#) published in February 2019. The programme was funded with LGA improvement budget as well as contributions from partners including Barrow Cadbury Trust and London Councils.
- 1.2. Two Action Learning sets were delivered and a range of consultancy support and local projects began implementation between October 2019 and March 2020. This groundwork and engagement gave us a good idea of the key themes and priorities for councils in understanding and supporting low-income and disadvantaged households in their area. Key priorities included:
 - Data and evidence to identify need and target support
 - Effective leadership and ‘making the case’ for the impact of financial inclusion on wider service outcomes e.g. housing and employment
 - The design and delivery of specific forms of support e.g. local welfare schemes; debt, benefits and money advice (including partnership and referrals); financial education / capability; and access to financial services
 - The financial relationship between councils and low-income / disadvantaged households e.g. through housing, benefits or council tax – in particular support for vulnerable people
- 1.3. The programme was reviewed and the contract amended in April 2020 to focus on real-time support, guidance and policy development for councils, Government and stakeholders supporting low-income and disadvantaged households with the immediate impacts of the coronavirus pandemic. A key objective of the revised programme was to reach a much wider range and number of councils, whilst still drawing on the expertise of the seven ‘core’ councils.
- 1.4. The programme informed development of a range of emergency funding packages and policies including: Defra £63m for ‘food and essentials’; DWP [covid local support grant](#) (with a particular emphasis on child food poverty); test and trace support payments and the MHCLG hardship fund (linked to local council tax support)
- 1.5. We delivered webinars, meetings and engagement events, developed case studies, linked councils with policy-makers and engaged with a wide range of stakeholders and VCS partners.

¹ Councils with existing good practice and an ambition to improve / innovate were invited to apply. All councils that applied were taken into the programme: LB Barking and Dagenham, RB Greenwich, LB Tower Hamlets, Bristol, Brighton & Hove, Leeds and Newcastle

- 1.6. A key priority throughout the pandemic was local crisis support but we have consistently emphasised the need for councils to be able to plan and deliver more sustainable support to households as covid support is withdrawn and we move into social and economic recovery.
- 1.7. We have highlighted in our Spending Review submission the need to restore core, separately identified funding of at least £250 million each year for local welfare provision to ensure that all communities are fairly and effectively supported throughout recovery and beyond. The LGA would like to work with Government on a shared outcomes framework to ensure that crisis support is integrated more effectively with prevention, and outcomes data is collected more consistently and effectively to assess the impact of support on wider outcomes.
- 1.8. We have published and contributed to a range of support, research and guidance materials including:
 - [Protecting vulnerable people during the Covid-19 outbreak](#)
 - [LGIInform – financial hardship and economic vulnerability](#)
 - [Delivering financial hardship support schemes](#)
 - [The role of councils in improving access to affordable credit and financial services](#)
 - [Mapping support and liability for economically vulnerable households](#)
- 1.9. We have a regular contact list of over 250 people (across approx. 150 councils), which we are actively looking to extend. We also connect regularly with a wide range of stakeholders including the Money and Pensions Service, Money Advice Trust, Trussell Trust, Children’s Society, Lloyds Bank Foundation and many other advice and support providers.
- 1.10. The local practice and policy priorities we identify contribute to a range of Government programmes, policies and objectives including: Cabinet Office Fairness Group; cross-Government debt strategy; HMT Financial Inclusion; DWP benefit delivery, local welfare and poverty prevention; MHCLG work on council tax and local council tax support; Supporting Families (formerly Troubled Families, led by MHCLG, DfE and cross Government) and the National Food Strategy.
- 1.11. We have recently set up a [Knowledge Hub site](#) to facilitate sharing, host events and disseminate information from LGA, Government and partners.
- 1.12. The programme links to our work on national and local benefits administration and seeks to strengthen the evidence base on the connection between financial inclusion and resilience and wider public service objectives on health and wellbeing, housing, employment, equality and environmental sustainability.
- 1.13. We also report to and make links with the work of other LGA Boards, in particular the Children and Young People Board - who have overseen work on child food poverty and Supporting Families – and the Equality Advocates who work across all of our Boards to strengthen the LGA’s work on Equality, Diversity and Inclusion.

2. Fair and effective debt management

- 2.1. Councils' approach to recovering debt and supporting indebted households has been identified a key priority both during and in the wake of the pandemic – by councils, Government and partners.
- 2.2. MHCLG recently published [guidance on council tax recovery](#). The priority areas set out in this guidance align with those identified by councils we have engaged with through reshaping financial support, however, there are a number of practical and resource issues that need to be explored and resolved to ensure that these proposals can be adopted across the sector.
- 2.3. The most **recent analysis of debt advice provision** by the Money and Pensions Service (MaPS) identified that nine million UK adults are 'over-indebted' and demand for debt advice far exceeded supply, with around 60 per cent of demand being unmet. Our Spending Review submission highlights the need to ensure that councils have the resources to sustain crucial partnership working with MaPS and advice providers.
- 2.4. Other recent reports and initiatives include:
 - [Breathing Space](#) and development of the Statutory Debt Repayment Plan (SDRP)
 - Development of the [Standard Financial Statement](#) to assess affordability. Many councils continue to highlight challenges with adopting the SFS. Reviewing and working to resolve these issues will be a key strand within the LGA's programme.
 - [Cabinet Office – fairness in government debt management](#)
 - [National Audit Office \(NAO\) – tackling problem debt](#)
 - [Enforcement officer reforms](#) and proposals for an [Enforcement Conduct Authority](#)
 - The [Money and Pensions Service Money Adviser Network](#)
 - [Cabinet Office / Indesser Debt Market Integrator \(DMI\)](#)
 - Cabinet Office, HMRC and council Digital Economy Act (DEA) pilots. These used improved data-sharing to facilitate attachments to earnings. Next steps include proposals for using DWP benefits data to strengthen vulnerability assessment
 - Development of the [debt management vulnerability toolkit](#)
 - Development of the [LGA / Citizens Advice council tax collection protocol](#)
- 2.5. Councils face a significant and complex challenge in striking the right balance between recovering debt to fund essential services and providing appropriate support to vulnerable households. The LGA will continue to push for this balance to be properly recognised and understood by Government and stakeholders, particularly in discussions about councils' approach to recovery and enforcement.
- 2.6. Our Spending Review submission highlights the continued challenges presented by the council tax regulations and guidance, which make it hard for councils to initiate a deduction from benefits without getting a liability order. Councils identified an

increase of £500 million in council tax arrears between March and June 2021. We would like to work with Government to urgently review council tax guidance and regulations to ensure that councils are able to identify and support vulnerable households, whilst also ensuring that all those who are able to, meet their liabilities.

- 2.7. There are a number of requirements, tools and proposals within the initiatives above that we believe could usefully be brought together into a more integrated and consistent package of guidance and support for councils, as well as a number of areas where councils, Government and partners could share innovative and effective practice - both on fair and efficient recovery and support for vulnerable people.
- 2.8. The LGA has, therefore, commissioned a project on 'fair and effective debt management' to inform an integrated improvement offer for the sector.
- 2.9. We will continue to use our policy budget to lobby Government on key issues including council tax regulations and investment in improved data-sharing.
- 2.10. We are seeking members' views on appropriate focus and priorities within this project, and on the potential for informing (and seeking funding for) an improvement offer to councils – based on the project - in 2021/22. This could focus on practical support and guidance in key areas including debt advice referrals, affordability assessment; sharing data with partners to move towards a 'single customer view', integrated support for vulnerable debtors and ensuring the best standards in enforcement and recovery.

3. Implications for Wales

- 3.1. Local welfare and financial inclusion is a devolved matter, with a ring-fenced budget for councils provided by Welsh Government

4. Financial Implications

- 4.1. Current work will be delivered within existing LGA budgets. Funding for improvement support on fair and effective debt management in 2021/22 may need to be sought from partner organisations.

5. Next steps

- 5.1. Progress work on fair and effective debt management, in line with agreed priorities as part of the wider programme of work on reshaping financial support.
- 5.2. Continue to build links with other key council and LGA policy objectives and Boards including equality, diversity and inclusion; food poverty and sustainability; homelessness and rough sleeping, and the wider determinants of public health.
- 5.3. Continue to link work on financial inclusion and resilience with our work on the design and funding of the national benefits system and the role of local councils in welfare delivery.
- 5.4. Align continued LGA support and guidance for councils with national policy development / announcements (including Spending Review priorities). If, for example, there is a further extension to funding for local welfare support / covid local support grant.