

Meeting: Resources Board

Date: 28 February 2023



Fair and effective debt management, advice and support

Purpose of report

For information

Summary

Councils' approach to both debt recovery and support for indebted households is an important aspect of our work on supporting low-income households, particularly in the context of current cost of living pressures, which are impacting both on councils' capacity to provide support and on households' ability to manage their finances.

This paper provides an overview of some of our current lobbying and support work in this area, including work that we are commissioning for delivery in 2023/24

Is this report confidential? No

Recommendation

That members note the current work programme and make recommendations for any further concerns or challenges we need to prioritise

That members review and agree the proposals for a pilot debt maturity framework for local government

Contact details

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Background

1. The LGA's work with councils on debt covers a number of key areas including:
2. Longstanding asks on the legislation, guidance and funding for council tax administration and local council tax support. In particular, we would like it to be easier for councils to implement a repayment plan without moving to a liability order. We would also like councils to have sufficient resources to provide local council tax support to all households who will struggle to meet their liabilities
3. Work with councils, Money and Pensions Service, debt advice charities and government on the local provision of debt advice, including its effective integration with other forms of advice and support
4. Work with councils on recovery and enforcement, with a recent emphasis on fair and effective support for vulnerable residents.

Debt advice

5. We are currently working with councils and the Money and Pensions Service (MaPS) to contribute to the consultation on commissioning of local debt advice
6. Councils and partners have raised concerns about the potential impact of moving away from local and face-to-face provision. The sector wants to ensure that they are able to meet the needs of residents with multiple and complex problems. They also want to ensure that debt advice and support can be effectively integrated with other forms of support, and that advice is able to draw on local knowledge and warm referrals

Fair and effective debt management

7. During 2021 we worked with the Financial Inclusion Centre and a small group of councils to develop some initial ideas and priorities for sector-led improvement on fair and effective debt management
8. Based on that work and discussions with councils and key partners through our cost of living work we are now commissioning a pilot debt maturity framework for delivery in 2023/24. More detail on the commission is provided below.
9. The framework will sit alongside, and draw on, a range of work that we are engaged in with Government and national bodies, including the Cabinet Office Fairness Group, The Financial Conduct Authority (FCA) and UK Regulators Network (UKRN) work on cost of living support and the work of the newly set-up Enforcement Conduct Board

A debt maturity framework for local government

10. This project will support the **LGA's Business Plan priority to support strong local economies through promoting long-term financial inclusion and resilience for local communities.**
11. In recent years we have seen an increasing focus on both problem debt, and on **fair and effective debt management, including in the public sector.**
12. We have also seen a developing view that there should be greater shared learning, and consistency between, the public and commercial sectors. For example:
 - The cross-government [debt strategy, standard and fairness principles](#)
 - Money and Pensions Service [UK Strategy for Financial Wellbeing](#)
 - Ministry of Justice consultation on bailiff reform
 - The [National Audit Office report into tackling problem debt](#)
 - The Financial Conduct Authority and UK Regulators Network cross sector work on Cost of Living
 - A wide range of work by debt charities and advice providers including [StepChange](#), [Money Advice Trust](#) and [Citizens Advice](#)
 - A wide range of research and ThinkTank publications, for example, the [Centre for Social Justice](#), [Joseph Rowntree Foundation](#), [Institute for Fiscal Studies](#) and [Resolution Foundation](#)
 - Development of the [Enforcement Conduct Board](#)
 - Government's [Breathing Space](#) debt respite scheme and the proposed Statutory Debt Repayment Plan
13. There is widespread recognition and concern across our sector that the pandemic and the cost-of-living crisis have exposed low levels of financial security and resilience in many households
14. In the initial scoping work councils identified the need to strengthen local approaches and share learning on the ways they communicate about liabilities and debts, recover debts, fines and monies owed to them, and support residents in or at risk of financial hardship.
15. During and since the pandemic Government has placed a renewed emphasis on local welfare support, for example through delivery of the Household Support Fund. Councils are increasingly involved in addressing financial crises, preventing hardship and building resilience. Councils have highlighted that they are keen to ensure that their approach to debt management is integrated effectively with their wider approach to promoting financial inclusion and reducing socioeconomic inequality.

The objectives of the project

16. The proposed long-term objectives of this project are:
 - To improve the fairness, efficiency and effectiveness of councils' debt management practices

- To improve financial wellbeing and related outcomes for vulnerable households
 - To contribute to greater consistency and transparency in debt management and debt support within councils, across the public sector and with other creditors
 - To ensure that fair and effective debt management is effectively integrated with a wider approach to strengthening financial resilience and reducing socioeconomic inequality
17. The immediate objective is to develop a co-designed pilot framework that has the potential to enable councils to:
- Review and benchmark their local approach to debt management, recovery and support
 - Identify areas for improvement / development
 - Access support materials, advice, guidance, learning and contacts from key partners and providers
 - Improve procurement and commissioning decisions
 - Share learning and effective practice

Implications for Wales

18. Wales has a devolved approach to debt and cost of living support. This provides us with a useful comparator for approaches taken in England and we work with WLGA to share learning where possible

Financial Implications

19. The pilot debt maturity framework will be delivered through the 2023/24 policy budget. There is scope within the commission to secure additional funding for sector-led improvement (depending on the priorities agreed within the DLUHC grant determination) and / or through funding from partners

Equalities implications

20. There is widespread recognition that a number of key groups including disabled people, women, lone parents and people from some racial and ethnic minority backgrounds are disproportionately more likely to be affected by debt and financial hardship. This is something that councils recognise within their local anti-poverty strategies and their approach to debt management, advice and support. We need to ensure that this is appropriately recognised and strengthened within our lobbying and SLI
21. There is also an increasing recognition of the vital role of tackling socioeconomic inequality in improving wider individual and community outcomes, and the importance of intersectionality of poverty with other forms of disadvantage. We will also be addressing this as part of this work

Next steps

22. Members to feed back and agree proposals for a pilot debt maturity framework for local government
23. If we can secure buy-in and resources the ultimate intention would be to host the framework as an online, interactive tool that is accessible to all English councils. We are therefore working towards a proof of concept for an interactive, online tool as part of this commission, and the design of the pilot framework will take this into account
24. We will review submissions and award the contract in March / April 2023, with a draft framework to be completed for piloting with the sector from autumn 2023.