

Breathing Space – the impact on Local Authorities

Duncan Baxter IRRV (Hons), Director
Peter Haywood IRRV (Tech), Account Manager

Deven Ghelani, Director & Founder – Policy in Practice

Housekeeping

- Chat is enabled
 - Please use the chat function to pose any questions you have during the webinar
- The webinar is being recorded
 - A link will be sent to you of the recording after the event
- If you want to book a demo following the webinar
 - Email us your preferred date and time and we will schedule this

Webinars

Using written interviews to tackle Council fraud & deceit – Wednesday 3rd March 2021

Join this webinar to:

- Understand when this sort 'interview' is appropriate
- Know what should be involved in a written communication
- Understand what to do as a result of any response being received or not received

DESTIN SOLUTIONS WEBINAR

Using written interviews to tackle Council fraud & deceit



Featuring a guest speaker from:



Wednesday 03 March - 11.00 to 11.45am

Webinar Recording

For a copy of the link: tracy.mcavoy@destin.co.uk

BUSINESS RATEPAYER VALIDATION & ENTITLEMENT VERIFICATION

Thank you for your interest in our 'Business ratepayer validation & entitlement verification' webinar hosted on Wednesday 02 September 2020.

If you were unable to attend the live event or wanted to share the contents with members of your team you can view the recording of it below.

Examples of cases found through HUB

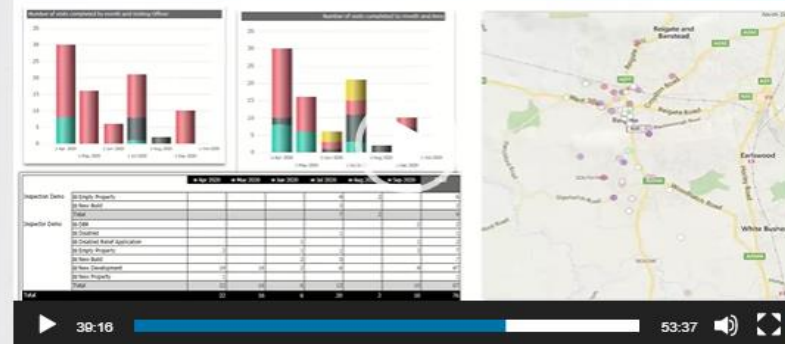


MANAGING PROPERTY INSPECTIONS REMOTELY

Thank you for your interest in our 'Managing Property Inspections remotely' webinar hosted on Wednesday 23 September 2020.

If you were unable to attend the live event or wanted to share the contents with members of your team you can view the recording of it below.

Management Reports



Alternately you can view it on our [YouTube channel here](#) >

If you want to arrange a one-on-one [online demo of Aspire](#) just click on the highlighted text or the button below.

INTELLIGENT, RESPONSIBLE DATA-DRIVEN DEBT COLLECTION

Thank you for your interest in our 'Intelligent, responsible data-driven debt collection' webinar hosted on Wednesday 14 October 2020.

If you were unable to attend the live event or wanted to share the contents with members of your team you can view the recording of it below.

Enhancing the data

- Establish who you are dealing with



What you know about the debtor

- Will they respond to a different approach?
- Are they in financial difficulty?
- Are they avoiding paying?
- Are they vulnerable?



@Destin_Solution

destin
SOLUTIONS LTD

About Destin Solutions

- Providing solutions to over 100 Local Authorities
- Providing solutions to Enforcement Agents/Rating Agents
- Solutions developed, managed and hosted by Destin





A network diagram with several circular nodes connected by thin lines, overlaid on a blue gradient background at the top and bottom of the slide.

Breathing Space – the impact on Local Authorities





Deven Ghelani
Policy in Practice

Breathing Space: the
impact on local authorities

Agenda

- The context for debt and collections in the UK
- What is Breathing Space?
- The impact on council tax collection
- Our findings for the GLA
- The case for early intervention: Relmagine Debt



Policy in Practice: What we do



Policy

A team of professionals with extensive knowledge of the welfare system. We're passionate about making social policy work



Analytics

We help over 100 local authorities use their household level data to identify vulnerable households, target support and track their interventions



Software

Our benefit calculator engages over 10,000 people each day. We identify the steps people can take to increase their income, lower their costs and build their financial resilience



Public sector debt

Type of debt	2018-19 Amount outstanding	2019-20 Amount outstanding
Tax Credit overpayments	£7.1bn	£6.9bn*
Council tax arrears	£3.2bn	£3.6bn
Benefit overpayments	£2.5bn	£2.6bn
Criminal court financial impositions	£1.1bn	£1.2bn
Benefit advances	£0.5bn	£1.0bn
Social Fund loans	£0.5bn	£0.4bn
Rent arrears to local authorities	£0.4bn	£0.5bn*
Total	£15.4bn	£16.2bn*

Source: House of Common briefing paper Sept 2020



Debt problems before and after COVID

Before the pandemic many households were unprepared for income shock. At the start of 2020 **41% of households didn't have enough savings to live for a month without income.**

Since then:

- Overall claimant count more than doubled to 5.6m people (DWP)
- Councils are seeing an increase in caseload (250% in on London Borough)
- This increase is not mirrored in council tax support increases

What happens in April on the £20 uplift and minimum income floor, and when other protections, e.g. eviction ban and furlough scheme eventually end?



Calls for action

Council tax arrears are now the most common debt problem presented to Citizens Advice

- Citizens Advice and the LGA - Council Tax Protocol (60 local authorities)
- Money Advice Trust - 'Stop the Knock' campaign
- Guidance on collection practices - Money and Pensions Service
- Treasury Select Committee described the debt collection practices of some public authorities as 'worst in class' (2018)
- Cabinet Office Fairness Group, bringing central and local government, the debt advice sector, and the debt collection industry together and established Fairness Principles, aligned to FCA guidelines on Treating Customers Fairly



Our work on Breathing Space

In 2015 we wrote a paper for the Financial Inclusion Commission on Scotland's Debt Arrangement Scheme (DAS), introduced in 2004 and revised in 2007 and 2011.

- 6 weeks of breathing space
- 30% of all arrangements after seven years
- Payment holidays, Financial Capability and One Payment to all creditors
- Income expenditure assessment

Our main recommendation was that the UK government introduce legislation to introduce a similar scheme across the UK.



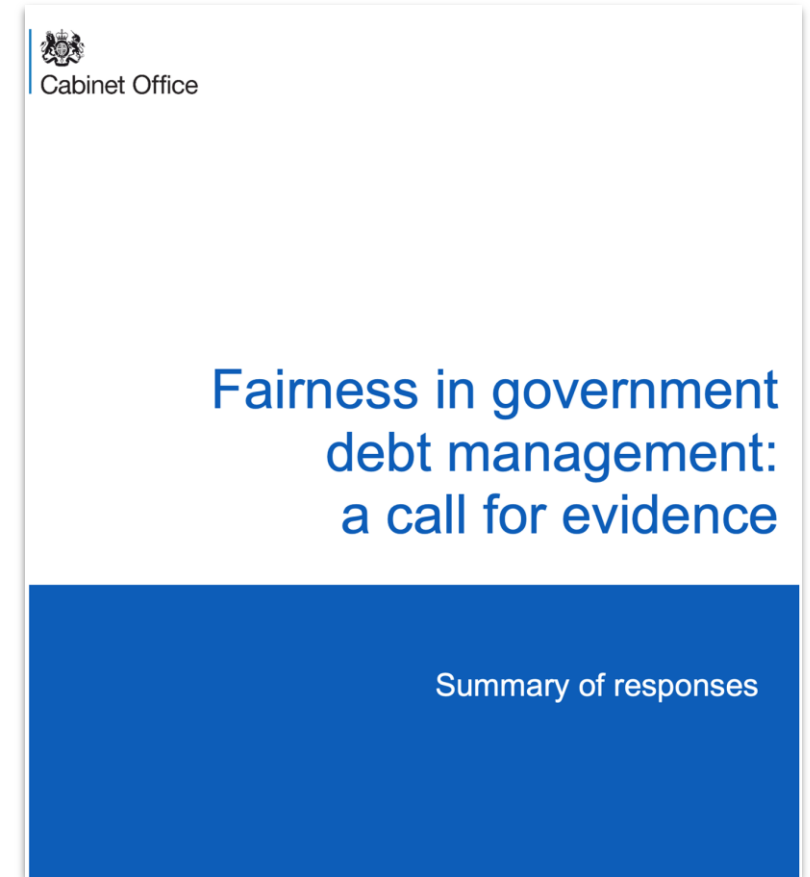
Potential for a debt management bill in 2022

A wide range of recommendations in the 2020, Cabinet Office call for evidence on Fairness in government debt management:

- Affordability assessments and improved communication
- Improved identification and flexible (non-standard) collection practices for vulnerable debtors and improved data sharing
- Signpost to debt advice and reduce the use of bailiffs

“There remain concerns about some central and local government organisation debt management practices.”

Potential for a debt management bill in 2022.



What is Breathing Space?

In May 2021, councils will be required to introduce the government's 'Breathing Space initiative, to help people with problem debt.

Aims:

- Encourage people to access professional independent debt advice
- Give people the time and space to find a sustainable debt solution.

Treasury recognises the benefits of tackling problem debt, from the impact assessment:

- Higher and more reliable recoveries
- Lessening the physical and mental health impact of problem debt
- Productivity benefits for employers



HM Treasury

£400m higher recoveries

700,000+ people



How will Breathing Space work?

Accessing the scheme



Debt adviser:

- Checks if debtor would benefit from a debt solution and has a realistic chance of entering into one
- Conducts eligibility checks

Scheme protections

60 days

(Longer for people with mental health problems)



Debt management solution

Bankruptcy

IVAs

Debt Mgmt Plan

Debt Relief Orders

What are creditors obligations?

Creditors must undertake a reasonable search of records to identify the moratorium debt and any other debts.

- Freeze interest, fees, penalties and charges
- Stop enforcement action
- Stop action by appointed agents
- Notify the insolvency service / debt advisor that the actions have been taken



Where creditors fail to comply any action they take is null and void.



Universal Credit and Council debts

Universal Credit

- Universal Credit debts are included in breathing space, but won't be included for another 18 months due to the technical limitations / implementation time.
- Universal Credit advance repayments are not counted as a debt and do not fall under breathing space.

Council Debts

- When a council tax payment is missed, council can add the full years amount to the debt, however not all councils do this immediately.
- Councils want full year council tax liability to come under breathing space, However if you are notified, you can't add to debts already incurred.

Rent arrears

- Rent arrears fall under breathing space, but new liabilities continue to accrue
- Councils need to tackle the root cause of rent arrears (e.g. insufficient income, gaps in housing support) or it could lead to evictions.



Council tax collection policies

- Councils prefer the term '**flexible-collection**', or 'customer-centric' over 'ethical collection', which implies that councils are acting unethically.
- Around 67% of London boroughs explicitly state that they take account of **vulnerability**, at some stage, in determining action on collection of arrears.
- Most (82%) London boroughs take account of **ability to pay** and undertake affordability assessments.
- 8 (out of 32) London boroughs had signed up to the Citizens Advice/Local Government Association voluntary **protocol of good practice**.
- All councils follow standard procedures for collection with about half having some form of **breathing space** arrangement.



Barriers to more flexible collections

...However, all but one London borough uses **bailiffs** as part of their enforcement activities.

- **Cost** - Preventative debt interventions are expensive, it can be difficult to engage people.
- **Performance measures** - the need to maintain in-year collection rates puts pressure on councils to continue current enforcement practices and does not reflect cross-year payment arrangements.
- **Data-sharing** is needed to identify vulnerability and collate information on debts, but this is hindered by different IT systems, data protection policies, and the move to Universal Credit.
- **Inflexible IT systems**, built around the regulations, can be expensive to change



What can councils do?

Only **CTRS generosity** and local poverty levels were significantly associated with collection rates, and more flexible collection practices had no negative impact on collection rates.

1. Ensure that Council Tax Reduction Schemes are as generous as possible.
2. Help people to claim CTR and identify CTR recipients in advance of the summons stage
3. Consider not adding costs to council tax debt, or allow them to seek debt advice / repayment plan.
4. Use a financial assessment (e.g. the Standard Financial Statement) to assess ability to pay.
5. Share more data internally between departments to help move towards a single view of household debt.
6. Consider the introduction of more customer-friendly contact hours for people in difficulty.

Council Tax debt collection and low-income Londoners

Report to the Greater London Authority (GLA)

Authors: Zoe Charlesworth, Director of Policy and Operations, Dr Benjamin Fell, Head of Research, Paul Howarth, Policy Consultant, Policy in Practice

Published: December 2020

[Click to
download
report](#)

Breathing Space is still too late: The case for a preventative approach:

*Use the Breathing Space initiative as an impetus for change.
Practical support to boroughs to help them overcome the barriers to more
flexible collection policies...*

Re-Imagine Debt:



**Barking &
Dagenham**

Newcastle
City Council 

Full details at www.policyinpractice.co.uk/reimagine-debt



Background to Reimagine Debt project

In 2018 the Government launched the cross-departmental Reimagine Debt programme, led by the Cabinet Office and two pilot local authorities.

- Proactive, preventative and holistic debt interventions with residents
- Improve how money owed to local and central government is collected

In phase one of the project, Newcastle and Barking and Dagenham councils each manually pooled debt data on 39 families and offered them holistic debt guidance.

To make the case for scaling the pilot, the Cabinet Office asked Policy in Practice to show how administrative data could help deliver preventative support to thousands of families and evaluate its impact.



Why is proactive and holistic support important?

Debt is almost always a symptom of a deeper challenge...

Mark Fowler, LBBD

Proactive and holistic debt interventions can ... help people to get back on their feet and have a more stable life.

*Claire Horton,
Newcastle*

We would achieve more by focusing on getting people out of debt, than on getting debt out of people.

*Steve Coppard,
Cabinet office*

The business case is compelling, with breathing space being introduced the earlier debt problems are identified and tackled the better the outcomes for everyone.



Councils can take different approaches

Barking and Dagenham took an early intervention approach working with families through their community solutions team. 28 households with combined government debt of below £8k were referred, 25 people were seen and 17 saw a positive outcome.

Newcastle identified 20 families already in serious debt, 14 of whom engaged and were offered holistic support alongside a debt guidance. A debt management plan was required in the majority of cases: 7 applied for a debt relief order and 3 applied for bankruptcy.

Policy in Practice were asked by the Cabinet Office to carry out qualitative analysis, and quantitative analysis through the LIFT platform. LIFT tracks individual household arrears over time, alongside other social outcomes, creating the basis for a holistic approach to supporting people in debt to be scaled across the country.



128 households in cash shortfall with council tax and rent arrears

Street level | Download | Household level

FINANCIAL RESILIENCE + DEBT **+ UNIVERSAL CREDIT** **+ WELFARE REFORM** **+ BENEFITS TAKE-UP** **+ COVID-19 GROUPS**

Based on a snapshot of December 2020 datasets

128 household(s) **135** children **£391,992** CT/Rent arrears **£4,323** DHP award in FY

Map type Dot map

10340769 HB Ref #

Working age **£474** Monthly rent
Age group

Council tenant **£7** Income reduction now, weekly
Tenure

Not in work - lone parent **£1** Income shortfall, monthly
Economic status

Lone parent **£0** DHP award, in FY
Household type

Not disabled **£0** Except. hardship award, in FY
Disability

1 **£7,875** Total arrears balance
Number of children

2 **N/A : £0** Universal credit transition impact, monthly
Number of non-dependants

[Drilldown to household >](#)

Financial resilience now
☐ Coping
☐ Struggling
☒ At risk
☒ In crisis
Cancel Apply

Financial resilience 2023
☐ Coping
☐ Struggling
☒ At risk
☒ In crisis
Cancel Apply

CT arrears
☒ Yes
☐ No

Months in CT arrears
0 149

Rent arrears
☒ Yes
☐ No

Months in rent arrears
0 34

CT/Rent arrears
☒ Yes
☒ No

CT/Rent arrears amount
£0 £24,943

Savings
£0 £18,261

Housing benefit overpaid
☒ Yes
☐ No

DEBT AND SAVINGS

POVERTY
In relative poverty
☒ Yes
☒ No
In food poverty
☒ Yes
☒ No

DEBT AND SAVINGS
In fuel poverty
☒ Yes
☒ No
In water poverty
☒ Yes
☒ No

[Show definitions](#)

ADDITIONAL FILTERS

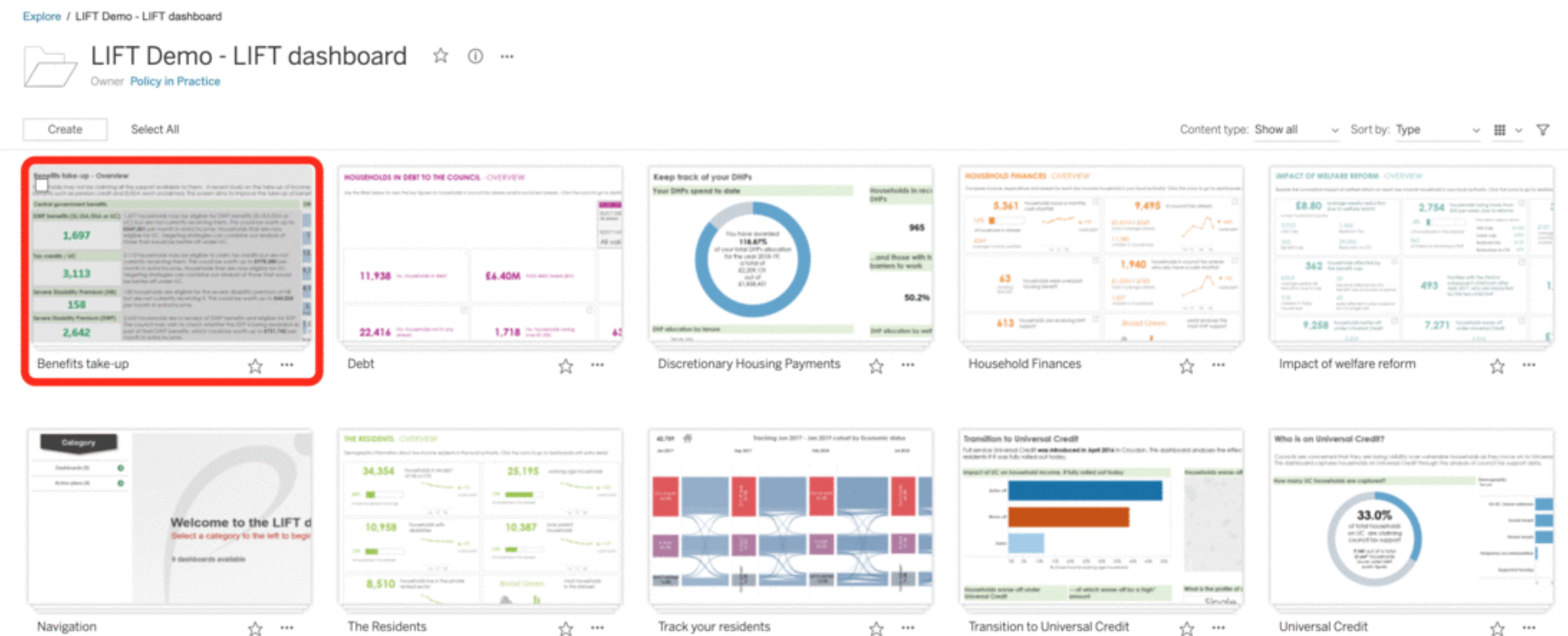
DEMOGRAPHICS
Tenure (All)
Household Type (All)
Age group Working age
Age bracket (All)
Disability (All)
Economic status (All)
Carer household (All)

EMPLOYMENT
Barriers to work (All)
Self employed household (All)
Earning below NLW in 2023 (All)
CHILDREN & NON-DEPS
Number of children 0 12
Number of non-dependants 0 6
With a child between and

INTERVENTIONS
Awarded DHP (All) Awarded EHP No
Receiving council tax support (All)
GEOGRAPHY
Postcode
Ward (All)
Filter HB Ref#
ADD-ON FILTERS (if available)
School catchment areas
Primary Secondary

Map of Barking and Ilford area showing household locations.

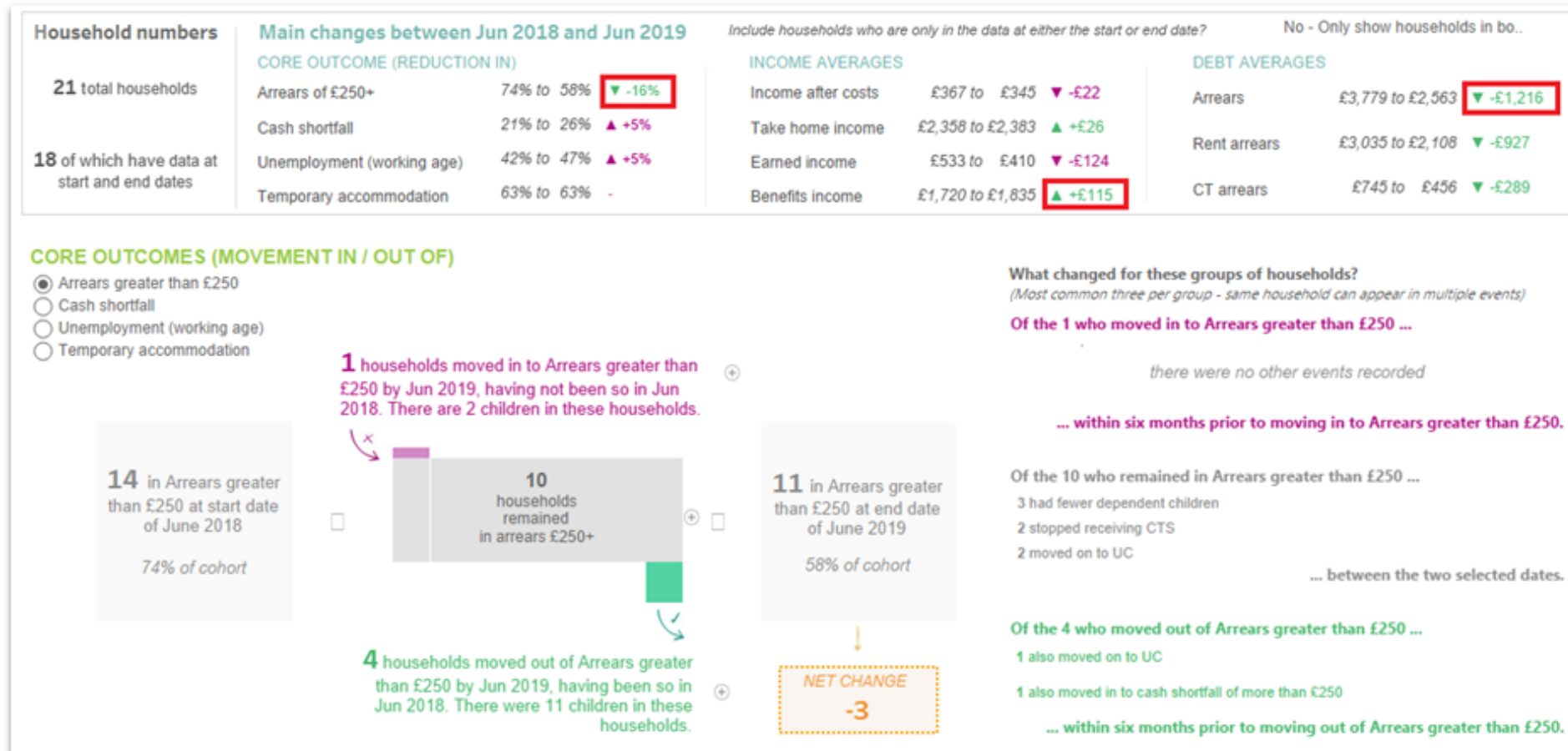
Identify who is missing out on benefits



Track outcomes



Cabinet Office



Outcomes achieved



Arrears fell:

- People in arrears of £250+ fell from 74% to 58%
- Rent and council tax arrears fell by £1,216
- 17% became wholly arrears free
- Arrears fell by £200 more in the treatment group than control group

Income rose:

- Benefits income increased by £115
- Average income rose by £124



Arrears fell:

- People in arrears of £250+ fell from 18% to 8%
- Rent and council tax arrears fell by £174
- Arrears fell by 3x more in the treatment group than control group
- Half of participants became arrears free

Income rose:

- Benefits income increased by £171
- Average income increased by £108
- Unemployment fell from 91% to 67%



COVID-19 and collections

LIFT was able to track 90% of households, and 70% of them for a full year:
Arrears fell and the councils had a positive impact on other outcomes.

For three key measures the approximate financial impact of changes for the intervention group is **£202,570**

£107,448 economic and £95,122 fiscal savings. Based on unit costs for decrease of 6 households out of work, decrease of 2 households in TA and decrease of 8 households with £250+ arrears.

The return on investment was £24 - £36 for every pound spent.

What are you doing **proactively** to

- identify people in arrears
- boost their income
- reduce their costs
- and make the case for early intervention?



Thank you

Invest in early intervention to reduce future demand

Deven Ghelani
Director and Founder

deven@policyinpractice.co.uk
07863 560677

hello@policyinpractice.co.uk
0330 0889242



Thank you

Any Questions?



A network diagram with several circular nodes connected by thin lines, overlaid on a blue gradient background at the top and bottom of the slide.

Breathing Space – the impact on Local Authorities







Available as 3 separate modules:

- Case Management – Breathing Space logging
- Single View of Debt
- Customer Financial Insight

FUSION - Case Management

- Log Breathing Space referrals
- Notifies source departments
- Notifies when to release
- Management information

Single View of Debt

Find Debtor						fusion 			
Search 						by destin solutions ltd			
Debtor	Former Tenant	Northgate	Overpayment	Sundry Debtor	Total	Richa			
Carpi		£34,776.00			£34,776.00	Account	Debt Type	Balance	Account Ref
Maur				£34,350.94	£34,350.94	Northgate	Council Tax	£990.58	1108630479
R Pa				£34,335.57	£34,335.57	Overpayment	Claimant	£25,720.00	2100191557
M De				£34,287.27	£34,287.27	Sundry Debtor	Sundry Debtor	£2,536.94	425000330168
T & S		£34,254.00			£34,254.00				
Finch		£828.00		£32,935.74	£33,763.74				
D Dir				£33,593.45	£33,593.45				
Spec		£33,264.00			£33,264.00				
Milton		£33,168.00			£33,168.00				
Finch				£32,935.74	£32,935.74				
Doris				£32,313.53	£32,313.53				
Chari		£528.00		£31,453.05	£31,981.05				
Mavi				£31,338.74	£31,338.74				
Dere				£30,431.25	£30,431.25				
Annie				£30,255.00	£30,255.00				
Rr Se		£30,021.05			£30,021.05				
Ouse		£30,008.00			£30,008.00				
H Pa		£29,540.00			£29,540.00				
Tesco		£29,333.88			£29,333.88				
Richard Thompson		£990.58	£25,720.00	£2,536.94	£29,247.52				
		£29,144.00			£29,144.00				
		£4,472.88	£24,800.00		£29,072.88				
	£18,967.09		£11,146.82	£487.92	£28,601.63				
		£28,532.00			£28,532.00				
		£28,424.00			£28,424.00				
		£28,224.00			£28,224.00				

Associated Addresses

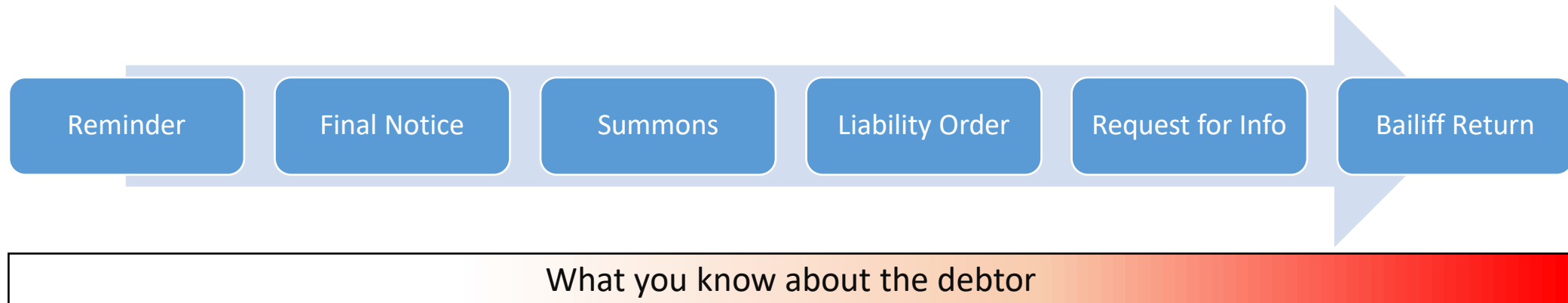
32 Conway Crescent,
56 Dashwood, Akerlea Close,
53 Duncombe Street,



@Destin_Solution

FUSION – Customer Insight

- **Establish who you are dealing with**



- **Will they respond to a different approach?**
- **Are they in financial difficulty?**
- **Are they avoiding paying?**
- **Are they vulnerable?**



FUSION – Customer Insight

Financial Insight

Insight on:	Redacted	Account Ref:	5447082
Address:	Redacted	Date of Birth:	15 Sep 1972
Postcode:	LU4 0QY	Obtained on:	29 Sep 2020
Residency Status	Still Resident	Monthly repayments:	£1,148.00

Case overview

Mortgage:	No Mortgage	Judgements:	No Judgements
Loans:	No Loans	Credit Cards:	Holds Credit Cards
Short Term Loan:	No Short Term Loans	Hire Purchase:	Active Hire Purchase
Debt Collection:		Car Loan:	

Associated Addresses

	4 May 2011
--	------------

Account Summary

Bank

Account with	Current Bal				Monthly Repay
HALIFAX					

Credit Card

Account with	Current Bal	Limit			Monthly Repay
NEWDAY LTD (AQUA)	£2,999	£3,200			
Capital One	£395	£450			
Tandem Bank Ltd	£1,081	£1,200			
Madison CF UK Ltd t/a 118 118 Money Credit Card	£145	£250			
	£4,620				

Hire Purchase

Account with	Current Bal				Monthly Repay
Evergreen Finance	£26,983				£369
	£26,983				

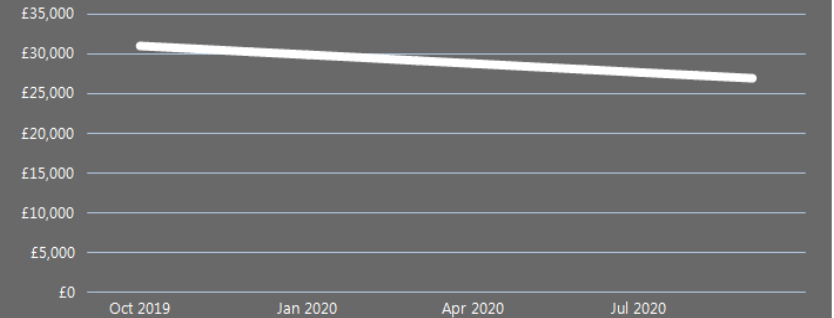
Account Insight

Account Type:	Hire Purchase
Provided By:	Evergreen Finance (FinanceHouse)
Account Name:	Redacted
Associated Address:	Redacted
Held since:	11 Sep 2019
Account Number:	12023312

Account Statement

Date	Balance
Sep 2020	£26,983
Aug 2020	£27,352
Jul 2020	£27,722
Jun 2020	£28,092
May 2020	£28,461
Apr 2020	£28,831
Mar 2020	£29,201
Feb 2020	£29,570
Jan 2020	£29,940
Dec 2019	£30,310
Nov 2019	£30,679
Oct 2019	£31,049

Account Summary for Evergreen Finance



data services
by destin solutions ltd



Thank you for attending this webinar

Our next event in the series is:

Using written interviews to tackle Council fraud & deceit

Wednesday 3rd March 2021

Register now at <http://www.destin.co.uk/events>

DESTIN SOLUTIONS WEBINAR

Using written interviews to tackle Council fraud & deceit



Featuring a guest speaker from:



Wednesday 03 March - 11.00 to 11.45am

aspire 
by destin solutions ltd

data services 
by destin solutions ltd

enlight 
by destin solutions ltd

fusion 
by destin solutions ltd

HUB 
by destin solutions ltd

nexus 
by destin solutions ltd

vision 
by destin solutions ltd



 www.destin.co.uk

For further information please contact:

Tracy.mcavoy@destin.co.uk