Reshaping financial support

How councils can help to support low-income households in financial difficulty

Report

centre for responsible credit

University of Brighton

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Introduction

The financial pressures on lower-income households have increased considerably in recent years. A combination of depressed real wage growth[1], the Government's programme of welfare reforms[2], and longer-term changes in the labour market (including more flexible working patterns and low-paid self-employment[3]) is creating serious financial problems, including a growth in over-indebtedness.

Research commissioned by the Money Advice Service[4] indicates that over eight million people (around 15 per cent of the total UK population) are currently over-indebted[5].

The debt advice charity StepChange estimates that nearly four million people on lower incomes resorted to using high-cost credit to meet day-to-day living costs in 2017[6]. The recent National Audit Office (NAO) report on problem debt identified that people increasingly report problems with debts owed to government or utility providers, compared with retail lending[7].

Councils are in the front-line of responding to these challenges. They are at the heart of their local areas and interact with residents' lives on a daily basis. They have a unique leadership role in promoting the local economy and securing inclusive growth – especially in combined authority areas – and are committed to achieving greater social mobility, fairness and community cohesion[8].

Councils also have direct financial relationships with their residents: collecting council tax payments, administering some benefits and other discretionary payments, and, in some cases, as landlords.

This provides them with an opportunity to identify households in financial difficulty and provide them with support, and to manage the nature of that relationship in a way that supports financial inclusion.

Indeed, unless local support is effective, there is a risk that arrears will increase[9], and that a rise in over-indebtedness more generally will compound the vulnerabilities of many low-income households and create further pressure on statutory services.

- Councils have statutory responsibilities for housing, including a duty to provide advice and support to prevent homelessness, and a requirement to help residents find suitable and sustainable accommodation if they are already homeless.
- Upper-tier and unitary councils have a wide range of public health, mental health and social services responsibilities in respect of vulnerable children and adults. There is now a substantial body of evidence that debt problems impact negatively on the mental health and wellbeing of both children[10] and adults[11], making it more difficult for them to participate and progress in education, training and work[12]. Addressing debt and building financial resilience amongst vulnerable groups is therefore part of councils' wider work to promote independent living and help people move out of poverty.
- Councils have responsibilities in respect of childcare and education, learning and skills – providing sufficient education and training places for 16-19 year olds, supporting those not in education, employment or training and providing their own adult community learning provision.

- Councils take a lead role in integrating services and in coordinating multi-agency support, as seen, for example, within the 'Troubled Families' programme and in local partnerships with health, job centres, police and the voluntary and community sector (VCS).

However, the resources available to councils to help address the financial problems of low-income residents are now severely constrained. Local councils face a £5.8 billion funding gap in the next two years[13]. This has inevitably led to cuts to services and, in many areas, there has been a scaling back of the types of direct financial support which can help households through a financial crisis or support them to obtain essential items that they could not otherwise afford[14]. Some councils, under pressure to maintain their revenues, have also been criticised for adopting debt recovery practices[15] which may impose additional costs on, and create stress and anxiety for, households in financial difficulty.

About this study

Despite the funding constraints that councils face, they remain committed to providing help and support for households in financial difficulty as part of their wider place-shaping ambitions. Many have detailed their specific approaches to helping households within their anti-poverty and financial inclusion strategies.

This study has looked at how 10 councils[16] have been reviewing their approaches so that they can better target their resources on those in greatest need, as well as deliver more holistic responses to support people to become more financially resilient in the longer term.

Further details of the research methodology used in the study can be found in the appendix.

Chapter 1 sets out the types of direct financial support that are being provided by councils and examines some of the trends reported by them in this respect.

Chapter 2 looks at how wider advice and support is being provided, both directly by councils themselves and through their commissioning and partnership arrangements with the voluntary and community sectors.

Chapter 3 reports how councils have been amending their debt collection practices, and in some cases have been adopting a more holistic approach to helping people in financial difficulties.

Chapter 4 turns its attention to how councils are seeking to address the poor financial health of lower-income households by working in partnership with credit unions and other not-for-profit lenders to develop the provision of more affordable, and appropriate, credit and savings products.

Chapter 5 draws together conclusions and proposes how some 'pathfinder' trials might be established, with the aim of testing out how the integration of direct financial support, advice, and financial inclusion activities can be accelerated at the local level.

Chapter 1: the provision of direct financial support

This chapter examines the types of direct financial support provided by councils in the study and looks at recent trends in the delivery of these. It highlights the important role that discretionary payments play in preventing homelessness and destitution, and how these can also potentially reduce the need for high-cost statutory interventions.

Funding cuts have seriously undermined the effectiveness of local welfare schemes, and there is no guarantee of Discretionary Housing Payments (DHPs) continuing beyond 2020.

In addition, the transition to Universal Credit is increasing the administrative burdens on councils, and could also negatively impact the take-up of council tax support and other discretionary support for low-income households.

Despite these challenges, some councils are looking to join up their discretionary funds, and many are focused on ways to improve the targeting of their support to those in greatest need. To aid with this, this chapter points to the need for effective data sharing arrangements to be put in place with the Department for Work and Pensions (DWP).

We define direct financial support as payments (whether in cash or otherwise), reductions in liability for goods or services (for example Housing Benefit, council tax reduction or DHPs), or any other 'in-kind' assistance of financial value (such as the provision of a food parcel, furniture, or vouchers that can be used to pay for fuel).

The specific types of direct financial support included are:

- Housing Benefit payments, which councils have a statutory duty to administer, and which are subject to national rules concerning their scope, conditionality and delivery
- council tax support schemes, which councils are under a statutory requirement to provide: councils receive a set amount of funding, which they may top-up if they wish to, and have discretion over how that funding is used in the design and delivery of their local scheme for working-age households
- discretionary schemes provided either because Government has provided a specific funding allocation to support these (such as DHPs) or, in the absence of specific funding, because councils have chosen to make discretionary payments or in-kind assistance available to assist vulnerable groups because of other powers that they have (for example local welfare schemes, Section 17 of the Children Act 1989 payments, or Section 13A of the Local Government Finance Act 2012 payments).

All the councils in the study have statutory responsibilities for the administration of Housing Benefit and council tax support, although the majority of Housing Benefit for working-age households is being gradually replaced by Universal Credit, with responsibility transferring to the DWP. In addition, they all provide DHPs. All but one authority[17] also provides a local welfare scheme.

Councils were able to provide considerable detail concerning their expenditure in these respects, and to identify trends in recent years, as detailed below.

Low-paid, insecure employment and the 'gig economy' is creating pressure on low-income households and on benefit administration

The rise in low-paid, often temporary employment (including the use of 'zero hours' contracts) and the rise of the 'gig economy' was reported as creating significant problems for many households, and was requiring them to have considerable interaction with councils to ensure accurate benefit payments.

The need to report changes of circumstance on a regular basis, and to re-adjust their budgets in the light of frequent revisions to their benefit entitlements, compounded the already difficult financial circumstances of many claimants. In many cases there is a delay in residents informing councils about relevant changes of circumstance, which leads to overpayments of benefit and the recovery by deduction from ongoing entitlements. The recovery of these then takes place alongside other changes in earnings, which can lead to hardship pending further reviews.

Although payments to help with housing costs for working-age claimants are forming part of Universal Credit as this rolls out – and changes in earnings will be notified to DWP in real time by HM Revenue and Customs (HMRC) for those covered by pay-as-you-earn systems – the lengthy timescale to complete the migration of claimants from 'legacy benefits' to Universal Credit means that councils continue to deal with rising numbers of changes in circumstance, at the same time as their funding for benefit administration is being significantly reduced.

Universal Credit roll-out is impacting on the take-up and administration of council tax support

Even once the roll-out of Universal Credit is completed and recipients of legacy benefits migrated onto it, councils will still need to ensure that claimants take up their entitlement to council tax support[18].

Councils in the study wanted DWP to share data with them so that they had up-to-date information about the circumstances of Universal Credit claimants. However, even where effective data sharing schemes are put in place, the volume of work is likely to pose an ongoing challenge for councils. For example, Wiltshire Council, which has had the Universal Credit 'full service' in place since July 2017, reported to us that they have received a considerable increase in notifications from DWP concerning very small income fluctuations. Moving forward, councils will need to consider whether changes could be made to their council tax support schemes so that these do not result in disproportionate administrative burdens.

In the absence of effective data sharing agreements with the DWP, some councils (for example Tower Hamlets) have purchased the 'Low-income family tracker' (LIFT) dashboard from Policy in Practice[19]. However, moving forward, the targeting of DHPs would be improved if the DWP told councils about the actual levels of housing support being paid to Universal Credit claimants in their areas.

In some areas, discretionary 'hardship funds' are being created

Unsurprisingly, our survey also found that the level of support to help working-age households pay their council tax has reduced since the abolition of Council Tax Benefit in 2012/13, and the subsequent introduction of localised council tax support schemes.

Low-income working-age households were now required to make some form of minimum council tax payment in all areas included in the study.

The local variation in levels of support available through council tax support schemes has previously been comprehensively reported on by the New Policy Institute[20]. However, in addition to the level of support set out in their main schemes, it should be noted that several councils in our study have also established discretionary hardship funds for those who are struggling to pay. For example, in Tower Hamlets a fund has been created to help lower-income households obtain school uniforms for their children. The council has also created a 'homelessness prevention fund' for people who face a considerable problem with rent payments but are not able to access DHPs[21] (see following section).

Government funding for Discretionary Housing Payments is critical

Residents with an entitlement to Housing Benefit (or help with housing costs as part of their Universal Credit claim) can obtain further help with their rent payments by accessing Discretionary Housing Payments (DHPs). Although DHPs existed prior to the start of the Government's welfare reform programme, Government recognised that these could have a major role to play in mitigating some of the impacts of its welfare reforms. It therefore increased the budget significantly, setting aside £800 million to fund councils to provide DHPs in the 2015 Budget through to 2020. However, this funding, which totalled £166.5 million for England and Wales in 2017/18, is intended to mitigate, not completely offset, the impact of the Government's programme of welfare reforms[22].

DHPs particularly provide help for households affected by the removal of the spare room subsidy (known as the 'bedroom tax'), those affected by the benefit cap, and households affected by changes to Local Housing Allowance (LHA)[23]. However, councils are not limited to using their funding allocation for these purposes, and can provide a payment to any household who has an entitlement to Housing Benefit or help with housing costs as part of their Universal Credit claim, and is struggling to pay their rent.

This flexibility is helpful but can also lead to a degree of complexity in administration and can result in significant variation between local schemes. Reporting on the specific uses of their DHP allocations, the councils in our study indicated that these varied according to their local demographics and housing market conditions:

- Bristol City Council told us that 48 per cent of its DHP spend was made to benefit-capped households, and 25 per cent was directed to households affected by the removal of the spare room subsidy.
- In Newcastle, the level of DHP awards made to these two groups for the benefit cap was 35 per cent, and for the removal of the spare room subsidy was 45 per cent; further to this, Newcastle's relatively affordable private rented sector meant that fewer than 10 per cent of both the number and value of its DHP awards were made to people affected by reforms to Local Housing Allowance (LHA).
- In Hastings, around a quarter of the DHP allocation is spent on those affected by LHA reforms.
- In Hackney, around one-third of its DHP allocation is spent on households for reasons not connected with any of the Government's specific welfare reforms, but who are nevertheless in financial hardship and need help with ongoing rental costs.

The ability of councils to make DHPs links well to their new duties under the Homelessness Reduction Act, which came into force in April 2018. This requires councils to provide meaningful help to everyone who approaches them who is either homeless or at risk of homelessness, irrespective of whether they are in a 'priority need' group.

This help includes considering how best to prevent homelessness and working with the applicant to achieve that.

For this reason, and to make sure that the Government's allocation to support DHPs is used to best effect, many of the councils in our study told us that they were looking to link DHP recipients up to wider support, to address the underlying cause of their inability to meet their full housing costs. We cover this in more detail later in this report.

Without a specific Government allocation, many local welfare schemes are being scaled back

Unlike Discretionary Housing Payments, there has been no clear allocation of Government funding to support local welfare schemes from 2015 onwards. As a result, this has led to many councils either scaling back or closing their schemes completely in recent years. For example, Birmingham City Council's local welfare budget has reduced from £6.1 million in 2013/14 to just £800,000 in 2018/19.

Whilst significantly reduced, it is important to note that local welfare schemes do still provide critical support to vulnerable groups of residents in many areas. For example, they are often used to help people obtain essential household items that they could not otherwise afford, which in turn helps them to maintain independent living or resettle in the community following a period of homelessness or a stay in care. Bristol City Council's 2018/19 budget set aside £500,000 for this purpose, and the council reports that around one-third of this is directed to people who require help to equip a new home after a period of homelessness[24].

As such, these payments could help to prevent higher-cost interventions being required from, for example, housing, health and social care services.

Case study

Newcastle City Council's 'Supporting Independence Scheme'

In Newcastle, local welfare funds have been used to create the 'Supporting Independence Scheme' (SIS). The SIS is administered by the council's active inclusion service (see chapter five for further details) and is aligned to advice and support services, which make the applications for residents via the 'Newcastle Gateway'. This is a secure web-based portal of accommodation, advice and support provision in the city.

As of March 2018, this scheme had been used by more than 450 members of staff to match over 17,000 customers with 76 different support services. SIS awards are aligned with ongoing support to help residents maintain independence, and using the Newcastle Gateway as an access point has speeded up the application process and avoided duplicating evidence of need. This has reduced the costs of delivering the SIS, which are around £370,000 a year (less than the cost of the Community Care Grant scheme previously administered by the Department for Work and Pensions). It also means that resettlement workers can control more of the process, helping to reduce the costs and reduce potential distress by aligning services with, for example, the start of a tenancy date.

In 2017/18, 670 SIS awards were made. Around half of these were to help residents as they transitioned to independence. The most common reason why applicants faced financial hardship was an increase in expenses and debts: 147 (23 per cent) of the beneficiaries had negative budgets, meaning their expenditure was equal to or greater than their income. A three-month review was completed with 489 beneficiaries of the scheme in 2017/18. Of those residents, 465 (95 per cent) were continuing to sustain their tenancy.

It should, however, be noted that many local welfare schemes are designed to be help of ‘last resort’. Applicants need to demonstrate that all other possible options have been exhausted. This includes checking whether the resident can obtain either a Budgeting Loan or Budgeting Advance from DWP (see box below).

Budgeting Loans and Budgeting Advances

The Department for Work and Pensions (DWP) currently provides two forms of interest-free loans to longer-term benefit claimants which can help them to purchase essential household items:

Budgeting Loans are interest-free loans available to people who have been in receipt of Income Support, income-based Jobseeker’s Allowance (JSA), income-related Employment Support Allowance (ESA) or Pension Credit for at least 26 weeks. The loan amount is dependent on a person’s ability to repay, but the minimum loan is £100 and the maximum loan amounts are £348 for single people, £464 for couples and £812 for households containing children. Repayments are made by deduction from ongoing benefit payments over a maximum period of 104 weeks.

Budgeting Advances are replacing Budgeting Loans for people who move onto Universal Credit. To obtain a Budgeting Advance, people need to have been in receipt of either Universal Credit or one of the legacy benefits for a combined period of at least 26 weeks and, if single, to have earned less than £2,600 in this period. The earnings limit is £3,600 for couples. The minimum and maximum loan amounts are the same as for Budgeting Loans but the maximum repayment period is only 52, rather than 104, weeks.

Because the maximum repayment period for Budgeting Advances is half that of Budgeting Loans, the level of regular repayments will become twice as high as for Budgeting Loans. Further to this, because the making of a Budgeting Advance is contingent on a claimant being able to afford the repayments, the shorter repayment period also makes it less likely that people will receive a Budgeting Advance at all. This risks placing local welfare schemes under even greater pressure.

Further work is needed to understand the impact of these changes on the ability of households to obtain essential items, and how they are likely to respond. If households are aware of local welfare schemes or low- or no-interest loan schemes from affordable credit providers, then there may be an increase in demand for help from these sources. However, if people are unaware of this help – or if these services cannot meet the increased demand – then it is likely that people will turn to high-cost consumer credit lenders to meet their immediate needs.

There has been an increase in the number of residents in crisis and facing destitution

We also found that councils were using their local welfare schemes to help people who would otherwise be destitute.

Leeds City Council has directed some of its local welfare funds to support the Leeds Food Aid Network. This is bringing together all the city’s food banks and Fareshare (the national ‘wholesale’ provider of surplus food) to deliver a joined-up approach to emergency food provision at the local level. Charities, community groups and schools in Leeds now have access to food through FareShare as often as every week, and 4,221 people have so far been supported – 2,805 adults and 1,416 children. The council also provided £75,000 from its social inclusion fund to Leeds Community Foundation to run a grant scheme to provide activities, including the provision of a meal, to school children during the Easter and summer holidays in 2018.

In other areas, including East Riding of Yorkshire and Newcastle, elements of the local welfare scheme provided support for people experiencing problems with Universal Credit. For example, in Newcastle, over a third of its crisis support scheme awards in 2017/18 were made to people during their initial waiting period following a Universal Credit claim or were due to incorrect Universal Credit awards.

In this respect, it should be noted that the DWP has recently made some changes to Universal Credit to improve matters:

- From January 2018, DWP has provided an interest-free advance of up to a month's worth of Universal Credit within five days of a claim. The recovery period of these advances has also been extended to 12 months (rather than six months).
- In February 2018, DWP removed the seven-day waiting period for Universal Credit, so that entitlement starts from the date of application.
- Working with councils, a transitional payment of housing benefit for two weeks has been provided to claimants migrating onto Universal Credit from April 2018. This ensures that there is no delay in meeting housing costs, as people previously in receipt of Housing Benefit transfer onto Universal Credit as part of the managed migration process, and subsequently receive help through the housing cost element of their Universal Credit claim.

The impact of these changes on the demand for crisis support from councils needs to be monitored moving forward but should be positive.

There is a need to better evaluate how local financial support is reducing demand for higher-cost statutory interventions

Although councils in the study have generally recognised that their local welfare schemes are likely to be contributing to a reduction in demand for higher-cost statutory service interventions – for example, by preventing homelessness and reducing the demand for social care – there is a need for more rigorous evaluation of this.

Evaluations in this respect need to build on the approach suggested by the National Audit Office (NAO) review of councils' practice in January 2016[25], and:

- review the effectiveness of the support that schemes are providing
- collect and make use of information on who seeks help and why, in order that councils can target support where it is most needed
- understand costs to the public sector which local welfare provision helps to avoid, and use this information to make decisions on funding
- consider whether other public services and charitable organisations have sufficient capacity to meet any increase in demand caused by reductions in local welfare provision.

Specific resources need to be directed for this purpose, with local welfare schemes evaluated alongside the other interventions that councils are adopting to help support low-income households. Given the current funding gap faced by councils, it is unrealistic to expect that evaluations of this kind will be undertaken by all councils, and we return to this issue when proposing 'pathfinders' in chapter five.

In addition, we consider that central government also needs to play its part in this respect. For example, the NAO highlighted the need for improved coordination of national and local support. It observed that the different types of support provided nationally and locally needed to complement each other to prevent "the unintentional and inappropriate transfer of costs from central to local government", as well as avoid the risk that local provision would undermine the policy ambitions of the Government's welfare reform programme. This is particularly relevant to the transition from Budgeting Loans to Budgeting Advances, with the changes needing to be considered as part of a whole system of support provided by both central and local government, rather than in isolation.

Some councils are considering the creation of a single discretionary fund

Despite the need for more robust evaluation, many of the councils in our study did see the value of maintaining their discretionary support for low-income households and were also exploring ways in which both the barriers to people accessing help, and the administrative costs of delivering that help, could be reduced.

Tower Hamlets is considering how it might bring its remaining discretionary funds together into a single ‘pot’. This could enable it to broaden the eligibility criteria for support and negate the need for people to make multiple applications to different funds to have their needs met. The single pot being considered by Tower Hamlets could include its Discretionary Housing Payment allocation, around £500,000 per year of local welfare funds, and potentially other funds (including payments made under Section 17 of the Children Act 1989). Tower Hamlets has also established a fund to help families meet the cost of buying school uniforms.

Whilst the unitary authorities in our study all made Section 17 payments, there was less knowledge about the demographics of people receiving these, or the purposes for which they were spent. This was because the payments were disbursed by social work teams, and monitoring data was not routinely provided to teams in revenues and benefits who, in the main, were responsible for completing our survey. Creating a unified discretionary pot could, therefore, also enable councils to join up the information that they hold about recipients, and better target additional support services in the future.

Councils are utilising a variety of data sources to proactively target support

In the absence of a unified discretionary fund, the councils in our study were primarily focused on bringing together information contained about applicants from within their revenues and benefits services. This was particularly used to identify households affected by the benefits cap and other welfare reforms, and to proactively offer advice and other support to address their needs.

In Wiltshire, the revenues and benefits section use data matching – including in respect of rent payment records for council tenants – to identify struggling households and consider how best to utilise their discretionary funds, as well as to recover outstanding amounts including rent, council tax and benefit overpayments. Similar approaches were being adopted by many of the other councils in our study, and we report on these in the next chapter.

Chapter 2: the provision of wider advice and support

All the councils in our study provided funding to support the provision of wider advice and support for residents, with the overwhelming majority maintaining a combination of direct in-house provision but also commissioning services from the local voluntary and community sector.

This chapter highlights some of the trends in advice provision in recent years. These include:

- Some councils have sought to integrate the provision of welfare rights, debt advice and budgeting support with forms of direct financial support, to better meet the underlying needs of residents.
- By using data effectively, councils have targeted a more integrated offer of support, which has particularly helped those households directly affected by welfare reforms; some are now building further on these successes within Homelessness Prevention Trailblazer programmes.
- The increasing complexity of people's difficulties is also causing some to rethink their wider commissioning arrangements for advice services; there is an increasing interest in the use of 'co-design' approaches to assist with this.
- There are opportunities for councils to engage with the co-commissioning of debt advice currently being offered by the Single Financial Guidance Body, and with financial technology companies providing digital solutions to help improve financial health outcomes for low-income households.

Although the specific directorates responsible for advice provision varied between councils, there was consensus concerning the types of advice and support that were either being provided in-house or commissioned. All the councils in our study supported the provision of welfare benefits, money and debt advice, and provided help with budgeting.

For some councils with their own housing stock, such as Birmingham and Leeds, advice was directly delivered on these issues to tenants by in-house teams[26]. However, in Hackney, tenancy sustainment officers helped vulnerable council tenants by identifying their needs and coordinating support for them from other services, including from in-house financial inclusion officers.

For councils with responsibilities for social care, in-house welfare rights teams were also focused on maximising incomes for people in receipt of care packages. For example, in East Riding of Yorkshire the in-house welfare rights team was only available to these residents. Its debt and money advice team was also primarily focused on providing help for people who had outstanding debt to the council, although it would offer support to others in need and refer to specialist external debt agencies if necessary.

Wider support was also commissioned from the voluntary sector. This was mainly achieved by contracting with local Citizens Advice services or with specialist welfare rights and debt advice agencies.

Our study did find that the financial pressures faced by councils were impacting on their level of funding for these services in some areas. In several interviews, council officers indicated that provision commissioned from the voluntary sector was often vulnerable to cuts due to their non-statutory footing, and funding was under review in some councils (including Bristol and East Riding of Yorkshire). In some others, previous reviews had already led to cuts. The extent of these appeared to vary depending on:

- levels of political commitment to assisting vulnerable groups, including those affected by welfare reforms
- the success (or otherwise) of arguments concerning the effectiveness of, and satisfaction with, existing services: this included the degree to which advice services were felt to reduce the demand for statutory provision
- the overall budget position and urgency to make savings.

In Tower Hamlets, the council has created a new local community fund, which has an increased allocation for the commissioning of advice provision within it. The council is also investigating how co-commissioning, for example with health agencies, can increase provision. Commissioning plans are now being developed which are expected to both increase and improve advice provision from April 2020 onwards.

Where funding levels have reduced, efforts have been made to improve the way in which advice services are provided. For example, in Leeds the level of funding for commissioned services has reduced by 6.7 per cent since 2014/15, but an expansion in opening hours and telephone advice has also been achieved over this period, increasing the total number of people able to access services.

Universal Support

The Government's funding for Universal Support aims to help Universal Credit claimants make and manage their claim online ('assisted digital support') and provide support for them to manage their finances ('personal budgeting support').

In 2017/18, local councils received a grant of £17.9 million to commission and/or directly deliver assisted digital support and personal budgeting support. Half of this funding was made available up-front, with the remainder payable according to the DWP's assessment of local delivery[27].

Not all councils in our study took up this funding. For example, Tower Hamlets considered that the DWP's reporting requirements were too onerous, and that the scope of the support being funded was too limited to adequately meet the needs of residents migrating onto Universal Credit[28]. It instead funded its own outreach team to contact people in this position. The team provides an initial assessment of their needs and immediate assistance, and refers on to more specialist support if this is required. The outreach team has also been provided with a directly managed budget to buy in additional support where this is needed.

Many councils in the study had made considerable efforts to integrate the funding and delivery of Universal Support with council services, and those in the local voluntary sector, to smooth the transition onto Universal Credit for their residents.

For example, Bristol City Council has employed five 'citizen advisers' in its central citizen service point, to deliver both 'assisted digital' and 'personal budgeting' support. The citizen service point is co-located with the city's largest Jobcentre Plus office and provides public access to about 40 workstations with internet access. The citizen advisers help people to use these, and refer people with additional support needs to other in-house and external services when necessary.

The Government has recently announced[29] that it will not provide funding to councils after April 2019 but will instead provide funding of £51 million for Citizens Advice to develop and deliver a new national service, with the additional funding reflecting DWP's estimates of the rise in Universal Credit claimants. The announcement has placed existing local arrangements under some uncertainty and councils will now have to review these. The Government's decision will require considerable discussion between councils and local Citizens Advice services to ensure claimants are able to access the full range of support that they require.

Trends in advice and support

Although we found considerable variation with respect to the specific management and funding arrangements for the delivery of advice and support to residents, some clear trends did emerge.

Most councils have targeted an integrated advice and direct financial support offer to households affected by welfare reforms.

Most councils in the study had also sought to integrate advice with their direct financial support, to provide a more effective offer of assistance to people affected by welfare reforms.

Newcastle City Council has proactively targeted preventative advice and support (also involving the payment of DHPs and elements of its local welfare scheme) to residents affected by the benefit cap and the removal of the spare room subsidy, both in the lead-up to implementation and after they have been affected.

As at the end of March 2018, the council had identified 308 benefit-capped households, and has been targeting DHPs to support these. This is used to help meet their rent shortfalls and 'buy time' whilst it offers advice and support to explore longer-term options.

The significant financial loss for affected households (of up to £149.50 per week) and the challenges faced by single parents in, for example, moving into work or increasing hours of employment, has led Newcastle to adopt a two-stage approach:

- given that the initial impact of the benefit cap is on household finances, Newcastle first ensures that specialists in financial issues (budgeting and debt) make the initial contact
- once advice and support for budgeting and debt has been provided, its advisers assess other barriers to improving the household's financial situation and to residents gaining employment (if that is an appropriate option), before making appropriate and coordinated referrals to specialist support in the relevant areas.

In some areas, this more integrated and proactive approach is now being extended to prevent homelessness. Building on the successes of targeting advice for people affected by welfare reforms and other approaches to prevent homelessness, both Newcastle and Bristol subsequently secured funding for, and are currently running, Homelessness Prevention Trailblazer initiatives.

These trailblazers, which are supported by Government funding through to the end of 2018/19, are seeking to provide innovative responses which tackle homelessness through effective preventative work, incorporating elements of data sharing and multi-agency working to target and provide support (see the Newcastle and Bristol case studies below).

Case study

Newcastle City Council and **Bristol City Council** – Homelessness Prevention Trailblazers

In Newcastle, one part of the Homelessness Prevention Trailblazer work is the establishment of a multidisciplinary team comprised of specialist housing, welfare rights, debt and budgeting, and employment support workers. This team identifies residents at potential risk of homelessness from predefined routes using a 'case finding' approach, rather than taking referrals. The team segments and prioritises residents to determine who should be targeted first and how they should be approached.

In Bristol, the trailblazer-funded 'Advice+' team, situated within the council's welfare rights and money advice service, contains a business intelligence developer (data analyst) who has analysed data held by a number of the council's services and created a database of households at risk of homelessness. Identified triggers include previous homelessness, having been in council care, histories of drug/alcohol dependency, and adverse childhood experiences. These data are 'overlaid' by known financial risks that the household faces, for example a discrepancy between Housing Benefit and housing costs. These tenants are then contacted by Advice+, which includes four link workers and a welfare rights adviser, who focus on resolving urgent welfare rights issues and identify underlying needs, signposting and referring households to council and partner agencies which are able to deliver required additional services.

Once households at potential risk of homelessness have been identified, a range of engagement methods are employed. These include personalised letters, text messages, phone calls, engagement with current support services, and planned home visits and office appointments.

These persistent, flexible and coordinated approaches are proving successful in establishing contact with residents who have previously been described as 'difficult to engage'. In Bristol, the trailblazer services successfully engaged 676 households over the course of 2017/18, providing over 1,700 interventions and recording 597 successful homelessness preventions.

Both cities report that they are combining traditional income maximisation approaches with additional interventions to improve outcomes. Their teams provide access to discretionary payments whilst they work with households to maximise incomes and enable access to budgeting support and debt advice. They also explore whether people could move to more affordable accommodation, and whether it would be possible for them to enter, or increase their hours of, employment. If employment support is needed, the trailblazers support people to access this. For example, Newcastle has a Jobcentre Plus work coach based within the team[30].

Further links to the employment agenda are being made in Newcastle, where the trailblazer is now also piloting work with job centres. This started in June 2017 and involves the council's active inclusion service, Jobcentre Plus, Your Homes Newcastle and Crisis. Between June 2017 and March 2018, it provided training to 134 work coaches in Newcastle job centres, enabling them to identify 339 residents at risk of homelessness and refer them to specialist advice and support.

Case study

Bristol City Council – helping people move on from temporary accommodation

In Bristol, one of the Homelessness Prevention Trailblazer aims has been to reduce the number of people in temporary accommodation. As well as working to prevent the number of people presenting as homeless by improving joint working across its 'housing options' and 'families in focus' teams, it has introduced new processes to help people find a way to move on from temporary accommodation. This is led by a families in focus coordinator who is trailblazer-funded and will, from April 2019, be mainstream funded.

This post-holder has initiated the use of 'complex case meetings', which bring together a wide range of professionals from housing, children's services, the welfare rights and money advice service, legal services, health, and any other services that would be helpful in the discussion of specific cases. A 'signs of safety' approach, adopted from social care, is used to help professionals identify strengths, worries and next steps in a structured way, whilst also using a wealth of professional experience to 'unpick' a case and formulate a strategy to move a family on to sustainable accommodation.

As a result, the number of households in temporary accommodation has reduced from 35 in January 2017 to just three as at October 2018. The council estimates that this has so far saved more than £400,000.

Councils are looking to improve customer journeys and resolve people's problems earlier

In addition to proactively targeting their in-house services, some councils are re-shaping the wider advice provision in their areas, including that provided by the voluntary and community sector.

Hackney has reviewed its provision of both in-house and commissioned advice, with the aims of:

- delivering an integrated debt and benefits advice service
- reducing preventable demand
- ensuring that people's problems are resolved fully at an early stage
- simplifying the landscape of provision (for example by co-locating services) so that people are not signposted ineffectively between different services.

Hackney's review has been based on the view that service delivery needs to evolve to better respond to the complexity of people's lives, and that commissioning arrangements need to encourage the delivery of more meaningful and sustainable positive outcomes[31]. The review said:

"Previous commissioning approaches have relied too heavily upon the presumption that specifying service delivery methods, setting standards and monitoring and managing performance against pre-determined standards improves performance. This is increasingly being challenged… [In fact] current system design drives a rigid compliance culture in which frontline staff and managers are incentivised to focus on the achievement of arbitrary standards and targets, and in many cases are not encouraged to seek meaningful and sustainable outcomes for the people using the service."

The council has used the 'Vanguard' approach to systems thinking[32], and its starting point has been to conduct exercises to map customer journeys. These have been used to identify both preventable demand and a range of customer outcomes, which have informed its new commissioning framework (see Hackney case study below).

Case study

Hackney Council – rethinking the commissioning of advice services

Following the observation of advice sessions with some providers, Hackney Council chose a sample of service users at random, and has since mapped every appointment and piece of work undertaken with these individuals. This was used to identify what matters to the client as well as the 'systemic' barriers which were preventing positive outcomes from being realised.

The customer journeys show that:

- due to the transactional nature of advice, people often do not have their underlying problems resolved and return later for additional help
- people are signposted or referred to other organisations but do not necessarily follow through and are 'lost' within the system; as a result, it can sometimes take a long time for people to get to the service that can help them
- people do not have all the relevant information with them at the time they enter the system, which creates delays in meeting their needs (as does getting information from other services, such as the DWP or other council departments)
- the failure of other services to 'do the right thing' as early as possible for the customer drives most of the demand into advice agencies. Initial analysis within the review has found that as much as 68 per cent of the demand presented to advice agencies was 'preventable', because it could have been resolved by other agencies at an earlier stage. This includes:
    - making incorrect decisions despite having all the required evidence
    - asking for more evidence that the client doesn't have
    - asking for information that the organisation already has
    - asking for or giving conflicting information
    - not understanding what the customer is asking for
    - not responding to information that is being provided
    - making unnecessary referrals to other agencies.

To address these issues, Hackney has looked at the way that contracts with its voluntary and community sector advice providers are structured. These have not previously captured or reported problems of preventable demand elsewhere in the system, so that these could be taken up and resolved with service managers. They also promoted a transactional approach to advice delivery by focusing on the number of interactions that a service conducted with people, rather than on the quality of outcomes that it achieved for them. A new commissioning approach has now been adopted which seeks to address these issues[33].

However, it is important to recognise that some advice providers are commissioned by other funders in addition to the council, and discussions are now needed with these (for example the Single Financial Guidance Body) to ensure that a consistent approach is being taken. To this end, it is welcome that the Single Financial Guidance Body has committed itself to a co-commissioning approach with local areas (see the case study below), and we will return to make some possible recommendations for this in the final chapter of this report.

Case study

The Single Financial Guidance Body's debt advice strategy and co-commissioning approach

The Single Financial Guidance Body's strategic plan for debt advice commissioning was published in December 2017 and sets out its priorities for funding through to 2023.

These are:

1) To improve the targeting of vulnerable groups by improving service design, engagement strategies and working in partnership. The specific groups highlighted in the strategy are well aligned with those that councils are already seeking to proactively identify and engage with both advice and, in many cases, direct financial support:

- people at risk of homelessness
- people experiencing or who have recently experienced domestic abuse
- single people with severe mental health issues
- parents with three or more children in rented property
- people newly diagnosed with a long-term health problem
- people with variable incomes from employment.

2) Deliver debt advice and money guidance services in a blended fashion in line with needs. This aspect of the strategy seeks to build the longer-term financial resilience of people to improve their overall financial wellbeing and help them to avoid future crises. As such, councils which are already providing both debt advice and money guidance could provide useful trial settings.

3) Develop a clear view of the client from access through to outcome. In this respect, the Money Advice Service is seeking to ensure that services are 'co-designed' with service users, and that there is a clear focus on the quality of outcomes achieved for these in future monitoring and evaluation frameworks.

4) Enhance the quality of debt advice provision across its funded services. For example, by developing a more attractive and clearer career path for debt advisers.

5) Embed crisis debt advice within a network of holistic support. Activities under this strand include mapping existing best practice, supporting and upscaling, and potentially commissioning pilots to investigate new opportunities and approaches, specifically around themes of co-commissioning and co-location.

6) Develop services that make the best possible use of existing and emerging technologies. This includes working in line with the broader shift towards a greater use of digital forms of engagement with public services.

Co-designing future services with user and stakeholder engagement

Whilst Hackney's review has adopted Advice UK's 'Vanguard' approach, other councils are using a variety of mechanisms to challenge existing provision and secure changes which improve outcomes for residents by providing more holistic responses to their needs.

Case study

Hastings Borough Council – the 'Making Every Adult Matter' approach

Hastings is seeking to improve the provision of its services to people with multiple, and often complex, needs. In partnership with the Big Lottery's 'Fulfilling Lives' programme[34], they have identified key stakeholders and held a series of events focussed on improving the coordination of services and avoiding duplication of effort. These events were facilitated by the 'Making Every Adult Matter' (MEAM) coalition of national charities[35]. MEAM is currently working in 23 areas of the country and has developed a non-prescriptive framework to help local areas design and deliver better-coordinated services. The MEAM approach brings together providers, commissioners and people using services to develop a plan for their whole area.

The MEAM approach in Hastings initially focussed on the problem of rough sleeping and developed a street community partnership, which has been working to audit the resources and facilities available to the street community and to identify any gaps and duplications in service provision. However, while developing that project, Hastings Voluntary Action and Hastings Borough Council became aware that the approach could be applied to a range of advice services. This has included enhancing the existing voluntary sector hub by exploring opportunities for the co-location of statutory providers and voluntary sector partners.

Case study

Toynbee Hall: promoting excellence in co-design

Elements of co-design have also recently been facilitated by the Financial Health Fellowship – a programme delivered by the Finance Innovation Lab ('the Lab') in partnership with Toynbee Hall – to support new innovators to develop financial products and services of clear benefit to low-income households.

Drawing on Toynbee Hall's community of money mentors[36] in East London, the Lab was able to provide new entrepreneurs with the opportunity to discuss their business ideas with people who had real lived experience of low income, financial exclusion and the poverty premium.

This engagement has had a real impact on the future development of business ideas, and a recent Centre for Responsible Credit evaluation of the Financial Health Fellowship programme[37] has recommended that funders consider how quality standards for effective co-design can be developed and promoted by the Lab and its partners.

Future developments in this respect could be beneficial to councils wanting to explore how new digital solutions could help address some of their current challenges.

Chapter 3: changing debt collection strategies to help people in financial difficulty

The increased financial pressure on low-income households has had a knock-on impact on revenue collection, making it more difficult to collect council tax and leading to an increase in enforcement activity[38]. Where they remain directly responsible for the management of housing stock, councils have additional problems with rent arrears.

This chapter highlights the responses of councils to these challenges, including the good practice adopted by councils in the study. This includes:

- councils have sought to reduce the use of bailiffs in respect of council tax collection and the number of evictions from council properties
- some councils are seeking to intervene earlier, by identifying people with low-level payment difficulties and targeting them with support; it indicates a need for these initiatives to be evaluated and for lessons to be disseminated more widely, including by informing future iterations of Single Financial Guidance Body toolkits for debt recovery and protocols with debt advice agencies
- central government could potentially assist councils to improve their council tax collection practices, and explore whether offering more personalised rent and council tax payment schedules could help low-income households cope with some of the most severe financial 'pinch points' in the year, such as Christmas and the school summer holiday period.

In recognition of the challenges being faced by households in respect of council tax payments, the LGA and Citizens Advice adopted a new protocol for council tax collection in 2017[39].

The protocol is intended to facilitate regular liaison between local government and debt advice agencies concerning council tax collection policies and practices, and seeks to ensure that cases of arrears are dealt with appropriately and complaints are handled efficiently.

The LGA has also engaged with the Money Advice Service to help develop the operational toolkit 'Working collaboratively with debt advice agencies'. This encourages creditors, including councils, to examine their debt collection strategies and collaborate with the debt advice sector to better support customers in financial difficulty, including by:

- encouraging creditors to track the benefits debt advice brings to customers, as well as to their ability to collect arrears payments
- promoting the Standard Financial Statement (SFS) spending guidelines, or equivalent industry guidance, as a tool to calculate what constitutes an affordable level of repayment
- creating effective debt advice referral strategies by reviewing all customer channels and helping people in difficulty to easily access independent debt advice
- targeting specific customer cohorts for debt advice intervention
- mapping practice in these respects to the Money Advice Service's 'supportive creditor standards'. The toolkit provides a set of minimum standards, good practice support and 'going above and beyond' measures which councils can use to assess their current practice and identify possible ways to improve.

Within this study we found several examples of councils which have drawn on the protocol and Money Advice Service toolkit when reviewing their policies and procedures in consultation with debt advice agencies. This had led them to:

- explore how they can improve the take-up of council tax support and other benefits
- adopt more sensitive debt collection policies, including by taking a holistic view of debt and implementing 'corporate debt recovery policies'
- put in place processes to protect vulnerable people from bailiff action and, where the council is also a landlord, reduce the number of evictions.

Improving the take-up of council tax support and other benefits

Most of the activities already reported in chapters one and two have improved benefits take-up. For example:

- In Newcastle in 2017/18, more than 18,000 residents were helped to secure over £30 million in benefits, and over 6,000 people were given debt advice.
- Bristol City Council's Homelessness Prevention Trailblazer reports that, during 2017/18, it secured over £1.6 million in additional benefits for the 519 households it engaged with – delivering an average income gain per household of around £3,000 per year.

However, other initiatives to improve the take-up of direct financial assistance are also being implemented, including:

- East Riding of Yorkshire has developed a welfare home-visiting team. Due to its large rural nature and the fact that it has a substantial proportion of older, sometimes physically and digitally isolated, residents, the council provides a home visiting service which can deal with everything from checking benefit entitlements to collecting evidence to support a benefit claim, making affordable repayment arrangements for the payment of rent and council tax, and referring people for debt advice to specialist providers such as StepChange or Citizens Advice. The home visiting team was originally established to focus on pensioner households, but the impact of welfare reforms and the worsening economic circumstances of many working-age households have since led the team to expand its remit to provide help to these too.
- Tower Hamlets has reviewed the take-up of its local welfare provision, which revealed that this is less used by the Bangladeshi community, private tenants and pensioners. It is now undertaking further research with these groups to inform the future of its scheme.

Improving debt collection policies

In addition to improving the take-up of direct financial assistance, some councils in our study had recently reviewed their debt collection strategies to reduce the use of enforcement and the levying of additional fees. For example:

- In Tower Hamlets, the council is seeking to promote a co-ordinated approach to agreeing repayment arrangements by embedding clear principles[40] across all the directorates responsible for the collection of debt, and ensuring that all its different directorate recovery teams can view the overall position of its residents. To this end, the council has also established a 'corporate collection forum', which promotes good practice across the council and identifies training requirements to help staff understand the implications of legislative changes, raise awareness of all available options for debtors, and encourage the long-term, sustainable recovery of debt, to reduce repeat debtors and address overall debt levels.

- Hackney has also developed corporate debt recovery principles so that all departments are working in the same way and can engage with people at the earliest part of the process. It has been working with the Money Advice Trust, which has been running a 'Stop the Knock' campaign to reduce the use of bailiffs by councils. This has resulted in:
  - changes to council tax documents to make these easier to understand and ensure they signpost people to help and support
  - the use of the Standard Financial Statement, which Hackney uses to summarise a person's income and outgoings, along with any debts they owe: this provides a single format for financial statements, allowing the debt advice sector and creditors to work together to achieve the right outcomes for people struggling with their finances
  - using smarter text reminders that link to the council's website and encourage people to engage as early as possible in the process
  - establishing a pilot project with an external supplier, to contact residents who have received a summons for council tax liability order proceedings with the aim of agreeing payment plans, or referring to debt advice, to prevent the need for bailiffs to be engaged.

Going further to prevent bailiff action and evictions

In addition to the above, we found specific examples of good practice in place within Tower Hamlets, Birmingham, Newcastle, and Nuneaton and Bedworth.

- Tower Hamlets has exempted all care leavers up to the age of 25 from council tax liability.
- Birmingham has reduced council tax liability for all care leavers up to the age of 21 to zero, and put in place discounts for those aged up to 25. Bailiffs are not used to collect council tax from any household in receipt of council tax support, and it has established an eviction prevention panel to ensure all relevant actions, interventions and support have taken place before any warrant for eviction is actioned against a council tenant[41]:
  - The panel brings together services from across the council including the rent service, benefits service, homeless service, council tax recovery, 'Think Family' service, landlord services and the neighbourhood advice and information service (NAIS). The inclusion of NAIS has been found to particularly help with tenant engagement, as this service has a better engagement rate with tenants in financial difficulty than the rents or benefits services.
  - The panel meets on a weekly basis and there is a clear commitment from officers to acting in a coordinated manner to resolve problems. Actions are agreed across the council and followed through. This has proven critical, because the high level of demand and complexity of cases require considerable resourcing – not only to agree a way forward and put into action what has been agreed, but also to re-engage customers. To avoid the panel becoming a 'talking shop' that shifts the resolution further downstream, where possible the action is taken immediately within the panel meeting. Having the right people around the table allows for this. For example, correction of a Housing Benefit decision or decision to extend a Discretionary Housing Payment is instant where this is permissible.
  - Where it is not possible to deal with the case within the meeting itself, NAIS takes over the case, engages with the customer and suspends the execution of the warrant with the court, to allow time for them to work with the customer.
  - Outcomes attributed to the creation of the eviction panel so far include

    the prevention of 98 evictions, saving an estimated £450,000 in additional costs for the council, and preventing a further £250,913 of debt going to former tenancy arrears. In addition, the panel has considerably reduced the risk of harm to families, children or vulnerable adults by preventing them from becoming homeless.

- In Newcastle, a decision has been taken to waive the £60 liability order summons cost for people who are in receipt of council tax support, provided they manage to clear their liability in full over the course of a year. The council has also developed an effective approach to sustaining tenancies:
    - Formalised 'sustaining tenancies guidance' has been in place between the council and Your Homes Newcastle (YHN), the arms-length management organisation for the council's housing, since 2008. This has placed money advice at the start of the income recovery process. If rent arrears start to accrue, residents are contacted by YHN's income recovery team, who seek to identify the causes of the problem and tie them into support to address any underlying issues.
    - There are a series of trigger points at which residents are either advised to access support from the council's debt and budgeting team or actively approached by a preventative outreach team.
    - Since its implementation, the 'sustaining tenancies' approach has helped to reduce the number of evictions by 72 per cent (from 197 in 2007/08 to 58 in 2017/18, out of over 26,000 tenancies).
- In Nuneaton and Bedworth, a full review of their approach to income recovery has resulted in significant changes and considerably greater levels of support being provided. A team of four financial inclusion support officers (FISOs) has been created to provide support, guidance and advice to improve the money management skills of residents. These officers have adopted a 'triage' process, which assesses the support needs of people identified by the revenues team as in financial difficulty, and provides for them to case-manage solutions by working closely with a range of internal and external partners:
    - Internally, the FISOs work closely with the revenues and benefits teams to maximise the use of DHPs and hardship funds, and with colleagues in housing regarding tenancy issues or where there is a need for a person to move to more appropriate accommodation[42].
    - Externally, they engage the local Citizens Advice service (for specialist debt advice) and Jobcentre Plus work coaches (to encourage customers to make the move into work). The FISOs have also been providing personal budgeting support for Universal Credit claimants and have made good links to mental health teams and drug and alcohol support workers, who can help people with complex needs. Although the national funding for the Universal Support services currently delivered by Nuneaton and Bedworth Borough Council will be moving to Citizens Advice from April 2019, it is anticipated that people will still present to the council for some of these services (particularly council tenants), so the council intends to still provide them in some form through the FISO team.
    - To aid joint working with external agencies, the service is in the process of developing a direct online referral system, which will not only ensure that customers are tracked through the system but will enable the capture of outcomes more effectively across partner agencies.
    - Following these interventions, the FISOs then address any outstanding debts that people have with the authority, in line with its new corporate debt policy.
    - In addition to the FISO team, the council has also created a 'complex case review board' consisting of officers from across

a range of council services. This has been a vehicle for improving support to council tenants with high levels of rent arrears and who have complex needs. The review board works together to achieve the best solution and outcome for customers – which could, for example, enable a downsizing in council accommodation or utilise DHPs.

Case study

Nuneaton and Bedworth Borough Council – financial inclusion support officer customer experiences

1) A 76-year-old man was referred to the FISO team due to rent arrears. After investigation, it was discovered that he was unable to read or write and was being financially abused by his nephew. He was living downstairs in a three-bedroom house and was the sole occupier of the property. He was in arrears with both his rent and council tax, and it was evident that both financial and non-financial support was needed.

The FISO put in place a significant package of support for the customer. This included a successful application for Attendance Allowance to help pay for care services; the reinstatement of Housing Benefit, with a Discretionary Housing Payment provided to clear his existing rent and council tax arrears; support from Penderals Trust, which acted as an official appointee to manage his finances; and an eventual move into an older persons' housing scheme supported by an independent living officer, who initially visited daily.

2) A single parent with an autistic child living in a council property was referred to the FISO team by the 'Priority Families' service. She had rent, council tax and water rates arrears, as well as several debts totalling approximately £5,000. She had recently been issued with a fine from her child's school due to low attendance.

The FISO coordinated a package of support which included a backdated application for housing benefit, which cleared the customer's rent arrears; a council tax hardship payment to clear the outstanding arrears; and an award from Severn Trent Trust Fund, which reduced the water debt by around half and enabled a payment plan to be established for the remainder. The customer's ongoing liability was also reduced by applying to Severn Trent's reduced tariff scheme, and a payment plan was put in place with respect to her other debts. In addition, a parenting partnership agreement was established to support her child, and a referral was made to health services to address long-standing problems of depression.

Possible further improvements

Several councils told us that they are currently exploring further improvements to their debt recovery policies and procedures. For example, both Birmingham and Nuneaton and Bedworth councils are seeking to move their interventions further up-stream, to help people before problems become so entrenched and enforcement action so advanced:

- In Birmingham, work is taking place with rent officers and neighbourhood advisors to identify people at risk of escalating rent arrears. To inform this, a full evaluation of the eviction prevention panel is planned which will produce a clear customer journey map, identify possible earlier intervention points, and improve the council's understanding of the reasons why people did not, or could not, access services prior to reaching crisis point.
- In Nuneaton and Bedworth, the council is about to start proactively targeting people with low-level rent arrears. It will be monitoring outcomes for these residents to establish whether the support improves rent and council tax payment performance.

Councils could also learn from innovations in the social housing sector, particularly in respect of offering greater personalisation in the payment of rent or council tax, to reflect the fact that the spending pressures on low-income households can vary significantly over the year (see the Optivo Housing Association case study below).

Whatever new approaches are taken, these need to be evaluated and the lessons learnt disseminated across local government and more broadly, for example by informing new iterations of the LGA and Citizens Advice protocol for council tax recovery and the Money Advice Service's toolkit for creditors working with debt advice agencies.

Finally, central government could also assist councils to do more. Councils in our study particularly highlighted the two following possible actions:

- The Government could provide revenues and benefits services with access to HMRC employment data, so that 'attachment to earnings' could be used as a more effective alternative to bailiff action for the recovery of council tax.
- The Government could consider allowing councils to proceed with an attachment to earnings, or deduction from benefits, to recover council tax arrears without the prior requirement for a liability order from the Magistrates' Court. The requirement to obtain a liability order is a considerable administrative burden for both councils and local courts, and creates additional costs and stress for the council tax payer.

Case study

Optivo Housing Association – providing tenants with supported rent flexibility

The Centre for Responsible Credit and Optivo Housing Association are currently conducting a pilot of 'supported rent flexibility'. This provides working tenants with children, and who have a history of low-level rent arrears, the opportunity to agree a personalised schedule of rent payments over the year. The pilot has been testing out whether providing tenants with the flexibility to over- and under-pay on their accounts at agreed times of the year enables them to cope with major financial 'pinch points', such as the cost of Christmas and the school summer holiday period.

Although still at a very small scale (the pilot has involved around 60 tenants to date), the results are very encouraging. Offering 'Rent-Flex' has increased engagement with tenants who have historically been very hard to reach, and has enabled the in-house money matters team to work with them to maximise their benefit entitlements and reduce living costs – for example by helping people switch utility providers and by providing other budgeting tips. On average, this has benefitted tenants by around £1,200 per year.

Providing tenants with flexibility in rent payments has also meant that they have a facility, worth an average of £380, which they can access to manage cash-flow pressures instead of using credit.

The initial evaluation for the pilot[43], which was funded through the Money Advice Service's 'What Works Fund', indicates that this has significantly improved financial wellbeing. There has been a reduction in the use of credit to meet essential needs, an improvement in living standards and a reduction in money worries.

Some tenants participating in the scheme also improved their physical and mental health, their relationships with family and friends and, to a lesser extent, their situation at work. There was also a considerable improvement in people planning to meet their future financial objectives.

The early indications are that these outcomes have helped improve rent payment performance, with twice as many people using Rent-Flex paying down pre-existing rent arrears levels compared those in a matched control group. Based on these results, Optivo has committed to extending the trial and is looking to bring new groups of tenants, including Universal Credit claimants, into Rent-Flex over the coming year.

The Centre for Responsible Credit is in the process of establishing a delivery vehicle to support extended trials with other social landlords, and is interested in working with councils to pilot a similar approach with council tax flexibility.

Chapter 4: Co-ordinating activity within a wider financial inclusion strategy

Previous chapters have highlighted the important work that councils are doing to maximise incomes (through a combination of direct financial support and wider advice) and address underlying needs, by linking people to additional 'wrap around' services such as support with housing, debt and employment.

This chapter looks at how councils are also making the links with financial inclusion provision. It particularly highlights:

- How councils have been working through 'financial inclusion partnerships' to support the delivery of financial skills training and address problems of illegal moneylending in their communities.
- There is a need for greater funding for financial inclusion partnerships in many areas: councils making significant long-term investments in the development of local credit unions, and other affordable financial services provision, were the exception rather than the rule.
- If the links between the affordable credit sector, the direct financial support offered to low-income households by local councils, and wider advice and support with debt, benefits and budgeting were improved, lower-income households could be provided with a much better alternative to high-cost credit use in many areas.
- Specific products may need to be further developed to provide an opportunity for people who are already in significant financial difficulty, for example to consolidate their existing debts and provide access to small-sum affordable credit on an ongoing basis, whilst also improving credit scores in the longer term.

Financial inclusion partnerships

In most areas in our study, we found explicit links to the financial inclusion agenda within key strategic documents.

Case study

Birmingham City Council's financial inclusion strategy

Birmingham has developed a financial inclusion strategy for the period through to 2020 which focuses on six inter-related workstreams:

- to improve access to financial products including affordable and responsible credit, an appropriate bank account and basic home contents insurance and savings facilities
- to build financial resilience by ensuring citizens can access appropriate advice, information and financial education
- tackle inequalities by reducing the number of citizens living in food and fuel poverty, both by tackling the causes and meeting the needs of people in crisis
- coordinate and embed standard financial inclusion, to improve strategic coordination of city-led financial inclusion targets
- provide support with education, skills and training to help people into sustainable, meaningful employment to achieve financial security
- increase digital access through the development of digital skills and confidence, whilst ensuring that digital products and services meet the needs of residents.

Action plans are in development in respect of each of these themes, and the delivery of the strategy is being overseen by the city's financial inclusion partnership. This actively engages over 30 agencies including local credit unions, social landlords and advice agencies, as well as large banks and utility companies.

Birmingham City Council also hosts the Illegal Money Lending Team for England. This provides support to councils to tackle loan sharks by training frontline staff and promoting safer borrowing options – such as from credit unions and community development finance institutions[44]. For example, it is working with credit unions (including Birmingham and Leeds within our study) to raise awareness of the dangers of borrowing from illegal money lenders, more commonly known as 'loan sharks'. The joint initiative will see the team use proceeds-of-crime money, confiscated from convicted loan sharks, to sponsor new credit union accounts.

In addition to the work in Birmingham, we were able to identify a clearly resourced commitment to improving financial inclusion in Tower Hamlets, Newcastle and Leeds.

In Tower Hamlets, financial inclusion forms part of its wider 'tackling poverty' agenda. At the political level there is a tackling poverty and inequality board, which sets the strategic direction for the council. Following their steer, a tackling poverty executive group, made up of council directors and partners including DWP, the voluntary and community sector, the clinical commissioning group and social housing providers, looks at larger-scale projects and ideas, and agrees which of these should be taken forward.

Below this executive group there is an operational-level tackling poverty reference group, which funders of services, and any statutory or voluntary sector group in the borough carrying out work to tackle poverty, are welcome to attend.

The reference group discusses issues impacting on the borough and uses partners as a sounding board for ideas. This group has agreed a number of themes: housing and health, income and welfare reform, and employment and skills. A fund has been launched for partners to bid into to test innovative approaches under these themes.

'Active Inclusion Newcastle' is a partnership approach developed as part of Newcastle City Council's 2013/16 budget-setting process. The partnership is focused on supporting residents to maintain the foundations for a stable life, defined as 'somewhere to live, an income, financial inclusion and employment opportunities'.

Supported by the active inclusion service within the council, the partnership builds on earlier work and provides a framework to improve the coordination and consistency of information, advice and support, helping partners to increase residents' financial inclusion and to prevent homelessness. This has included:

- establishing partnership arrangements to discuss and collectively plan around strategic issues, service delivery issues and individual cases
- publishing reviews on financial inclusion and homelessness prevention
- providing online and face-to-face training for multi-agency staff and volunteers
- providing consistent and up-to-date information including a weekly information update, specialist topic bulletins and other information resources.

This has helped Newcastle City Council to develop a learning framework and improve collective understanding of the causes of financial exclusion and homelessness within the city, and enabled it to develop its proactive, targeted and multi-disciplinary approach to homelessness prevention, as reported in chapter two.

Case study

Leeds City Council's financial inclusion strategy

Leeds City Council was one of the first councils to work on this agenda. In 2003, it commissioned a major research study into financial exclusion in the city. This identified that many lower-income households were using high-cost credit to make ends meet, which was having a serious impact – not only on their own wellbeing but also on the city's economy. The research was used to generate interest in the issue and resulted in the formation of a financial inclusion steering group, which included the council and external stakeholders. This group now comprises about 35 representatives from the council, the local advice sector, social housing providers, DWP, local banks, Leeds City Credit Union and the wider voluntary and community sector.

The council also has a dedicated financial inclusion team. Over time this has grown to comprise five dedicated officers, with the manager reporting directly to the chief officer, customer access and welfare.

Specific initiatives, progressed in line with the strategy developed by the financial inclusion steering group, include long-term development support for Leeds Credit Union (LCU). This has been a considerable partnership, with the council providing a range of support to help LCU grow into one of the country's strongest. For example, the council supports the maintenance of a network of five fully staffed cash branches located in its one-stop centres. These have been in operation for over 12 years and are supported by a grant from the council. LCU membership has grown significantly as a result, and this has enabled it to play a key role in helping to tackle financial hardship across the city. With the support of the council, LCU has almost trebled its membership, from 11,000 in 2005 to 31,456 as at March 2018. Current projects being delivered against LCU's five-year strategy include:

- Delivery of a range of technology initiatives, including the launch of a new faster and more streamlined website in June 2016 and the launch of a web-based 'payday loan' product charging LCU rates. LCU is currently finalising significant improvements in its IT infrastructure and back-office systems, with the help of additional funding from the council[45].

- Thirty-three school saving clubs across Leeds have been introduced, which sees every pupil entering Key Stage 2 given a £10 contribution when opening a LCU account (funded by the council). This is conditional on the school running a school savings club. It is hoped that parents will also become engaged and join the LCU. Work is ongoing to promote the clubs within schools.

- Housing Leeds have committed long-term funding to LCU to deliver a citywide money management and budgeting service, delivered by three dedicated LCU seconded staff. The service is primarily focused at housing tenants who are in arrears and struggling to pay their rent due to low incomes or poor money management. The customised support service is delivered by three LCU staff members and aims to provide timely intervention to avoid court proceedings. Surgeries have been established at appropriate venues and are supported by partners across the city. A joint assessment of the project by LCU and Housing Leeds estimated that from April 2017 to January 2018, the social return on investment was £530,060.

- LCU's new furniture initiative, 'Own Comforts', has now been launched to provide a variety of high-quality furniture and other household products. Customers can apply for a credit union loan to pay for any purchases. The new initiative offers an affordable way to spread the cost of furnishing a home, with low monthly payments, and is an alternative to the expensive rent-to-own sector. In addition, the credit union launched a new 'loan shop' in the Merrion Centre in 2017. This is just a few units away from the high-cost rent-to-own store operated by BrightHouse. The loan shop offers the usual LCU services and is open six days a week[46].

Other initiatives include:

- front-line staff training to increase awareness across council services of the issues people face in relation to financial exclusion and poverty, with training sessions delivered to frontline services; and
- addressing the impact of problem gambling. Following a research study into the prevalence of problem gambling, the council established a problem gambling project group involving a range of partner agencies. This is designing a marketing campaign to reduce stigma about gambling addiction and raise awareness of available support services. Work is also being developed to strengthen local support and improve the referral links between the general advice network and specialist problem gambling counselling service, through frontline training.

Challenges and opportunities ahead

Whilst some councils have clearly had success in growing not-for-profit financial services provision in their areas, this has required a consistent and sustained commitment, as well as considerable financial investment.

Some of the councils in our study told us that their financial inclusion partnerships (many of which were previously supported by Government funding[47]) were no longer operating effectively and had become 'talking shops' with limited impact. This was due to a lack of resources (such as senior management time) to sustain the partnerships that had initially been established and to follow through on agreed actions. There was also a shortage of dedicated funding to support service development and improvement. Financial inclusion activity was often 'piecemeal' and small-scale in comparison with the challenges that areas faced as a result, although some areas had previously benefitted from DWP funding from its Growth Fund[48] and had been engaged in its credit union expansion project[49].

The Government has, however, recently announced[50] that it will work with the Big Lottery Fund to use £55 million from dormant bank accounts to fund a new, independent organisation which will work with partners across the private and social sectors to tackle financial exclusion. Further support for the sector could come through the 'End High Cost Credit Alliance', which was formed in 2018 by the actor and activist, Michael Sheen (see case study below).

Case study

The End High Cost Credit Alliance

The End High Cost Credit Alliance has been reviewing the barriers to affordable credit expansion, and has been working with the Financial Conduct Authority and other key partners to address these. The alliance has a wide membership, including charitable funders of not-for-profit lenders as well as debt advice agencies and public bodies, and has also been focused on raising philanthropic and other social investment to inject this into the sector.

The intention of the alliance is to launch an initiative called 'Fair Credit Place', which will see considerable investment flow into the sector – on condition that partnerships and plans are in place to ensure that business models are sustainable, and that services are able to demonstrate how they will aid the transition of households away from high-cost borrowing, including where these are already heavily indebted and have poor credit scores.

To achieve this, the alliance will require the sector to increase the scale and the diversity of products on offer; improve the infrastructure so that not-for-profit lenders can take advantage of the latest technology, both in terms of back-office functions and customer-serving applications; develop a workforce strategy for the sector; and create clearer routes to market by partnering with a wide range of organisations, including councils and social landlords.

With respect to new products, research commissioned by the alliance indicates that these need to focus on transitioning people who are already in significant financial difficulty from high-cost to more affordable, and eventually mainstream, credit use. This is likely to require a type of debt consolidation product which also allows people to obtain ongoing credit to meet their ongoing needs. The alliance is also keen to ensure that people with particularly poor credit scores are provided with an integrated offer of direct financial assistance, advice and support alongside the debt consolidation product, so that this mitigates their risk of default and helps to build their financial resilience to future income and expenditure shocks moving forward[51].

Developing closer links between not-for-profit lenders and local council support

By targeting lending to households who would otherwise fail the credit checks required to obtain more mainstream lending, not-for-profit lenders face a high risk of default. This feeds through into the cost of delivering services and affects the sustainability of business models. In the current climate, these default risks are increased, in much the same way that councils are finding it tougher to collect council tax and other revenues. Aggressive debt collection activity by councils can also impact on the ability of people to afford loan repayments.

Not-for-profit lenders and councils could therefore benefit from working more closely together to identify people in need of financial support and to mitigate each other's risks of default, rather than compete for payments.

There is evidence that this approach is being used in Leeds[52], as the credit union provides not only loans, but also a bill payment service and money and budgeting advice, and will negotiate affordable repayment arrangements for rent, council tax and utility arrears on behalf of its members. It will also help them to apply for Discretionary Housing Payments and charitable grants to meet needs where a loan would not be appropriate. We consider this to form the basis of an approach which could be built upon and tested further.

Chapter 5: conclusions and next steps

This chapter sets out the main conclusions from the study: that local support is critical to low-income households, and that it is vital for councils to respond to the significant growth in household debt problems. Closer working between councils and the community finance sector also needs to be considered.

In view of these findings, the report recommends that a pathfinder programme be jointly commissioned by the LGA, the Single Financial Guidance Body and other funders, and delivered with a range of partners. Pathfinders will provide for further exploration of a range of approaches and enable a robust evaluation of outcomes, to help guide the design of future service provision and inform resourcing decisions.

The benefits of local support

The financial pressures faced by low-income households, combined with substantial funding cuts, are requiring councils to review the way that they support residents in financial difficulty. As well as contributing to their higher-level ambitions to support inclusive economic growth and foster greater community cohesion, councils have a direct financial relationship with their residents and interact with them on a regular basis.

This study indicates that some councils have started to look across their service responsibilities and have been working to join-up provision to better meet the need of lower-income households in the current economic climate. They are particularly utilising data to proactively identify groups that have been affected by welfare reforms, providing immediate assistance with discretionary payments, and delivering welfare rights advice and budgeting and debt advice to increase benefit take-up and help with financial problems. These services are, in many cases, then linking people to wider support with housing and employment to build longer-term financial resilience.

Although more robust evaluation is required, these types of proactive, preventative approaches may be more cost-effective than dealing with people at crisis point, and could reduce the considerable costs arising from the need to provide high-cost statutory interventions.

Being able to provide discretionary funding to support the initial interventions with households is a critical element in this response. Both Discretionary Housing Payments and local welfare provision help to keep household finances stable and address immediate essential needs, providing the time and space required for longer-term interventions to be made. It is therefore of considerable concern that the future of these funds is in doubt.

There are risks that the currently effective use of Housing Benefit data to identify people at risk of homelessness, and/or in need of financial support, will be negatively impacted by the roll-out of Universal Credit. As the responsibility for payments to help with housing costs shifts to the Department for Work and Pensions (DWP) (for most working-age households), councils could lose access to information which allows them to proactively identify households in need of help at an early stage. The transition to Universal Credit also risks reducing the availability of interest-free loans from the DWP to help longer-term benefit claimants obtain essential household items.

It is vital that the Government recognises the importance of local support to achieving its wider aims in reforming the welfare system and improving outcomes for low-income households.

Responding to significant and problem debt

The findings from this study indicate that councils are, in some cases, working hard to improve their response to the already high levels of debt amongst lower-income households. This has included:

- reviewing (and, in some cases, creating) 'corporate debt recovery policies', which take a holistic view of residents' debts to the council and seek to both reduce the need for enforcement action and establish sustainable repayments
- putting in place cross-council panels and 'complex case review' processes to prevent evictions
- reviewing wider advice provision – including directly delivered services and those commissioned from the voluntary and community sector – to make it easier for people to have their problems addressed at an earlier stage: this has included using elements of co-design with residents and exploring co-location, as well as developing new contracting arrangements to move from measurements of 'advice transactions' to client outcomes
- leading financial inclusion partnerships to provide long-term strategic direction to the development of provision and support the development of alternative, not-for-profit and affordable financial services and products for low- to middle-income households.

We also consider that some additional elements could be provided which would improve provision.

Specifically:

- councils could explore the co-commissioning of advice provision with the Single Financial Guidance Body: the proactive targeting of vulnerable groups and the provision of welfare rights, debt and budgeting advice by councils fits well with the Single Financial Guidance Body (SFGB) debt commissioning strategy, and there is a considerable opportunity to take forward the co-commissioning of services between councils and the SFGB over the next five years
- councils could trial the provision of more personalised repayment schedules for households for rent and council tax payments, which could assist customers to navigate through major financial 'pinch points' – such as at Christmas or during the school summer holidays – without the need to borrow
- councils could jointly seek out opportunities to engage with financial innovators to develop new financial technology products, to utilise new technology and 'big data' opportunities with a view to identifying people in financial difficulty and intervening at earlier stages to improve rent and council tax collection.

Working with the community finance sector

In addition, closer links need to be made between the support being provided by councils and the financial products and services available from credit unions and community development financial institutions (CDFIs). The joint working that is taking place in Leeds stands out as good practice in this respect, with Housing Leeds providing specific funding to Leeds Credit Union to help with applications for discretionary payments and grants and negotiate affordable payment arrangements with priority creditors (including the council), as well as providing access to its bill payment service and savings and loans products.

Not-for-profit financial services providers are not able to provide these holistic responses without additional funding, as they already face high default risks, and the margins on lending to low-income households are inadequate to cover the additional costs involved.

It may be the case that closer joint working could improve outcomes in this respect. For example, councils and not-for-profit financial services providers could develop protocols (including data sharing agreements with informed consent) to:

- determine which applicants for financial support from the council could qualify for loans from the credit union and CDFI sector; and if they do not, what support is needed so that they can do so in the future
- where people apply for loans from the credit union and CDFI sector and are rejected, or where borrowers experience payment problems, assess whether these people would qualify for direct financial support from their council; referral processes could then be put in place to deliver this
- look at what wider advice and support is required to build the financial resilience of both groups of people moving forward, and how best this can be delivered between the agencies involved.

Developing a more integrated offer of support

In view of the above, the LGA is keen to undertake further work with councils which wish to explore how a more integrated offer of support could improve financial health outcomes for lower-income households, aid collection of revenues and reduce demand for high-cost statutory interventions.

Drawing on the conclusions from this study, the LGA is exploring options for delivering some financial support pathfinders in 2019/20.

These will be co-designed with councils and will include:

- making more effective use of data sharing between the DWP, councils and other relevant agencies to proactively identify households in need of financial support, especially those affected by welfare reforms and the priority groups within the Single Financial Guidance Body's debt commissioning strategy
- delivering a much more integrated offer of advice and support, discretionary payments, and access to affordable financial products to priority households by building on existing service delivery and partnerships with the voluntary sector, including Universal Support services being delivered by Citizens Advice.

As part of the project, the LGA and other partners will consider how the pathfinders can be used to generate a robust evidence base to:

- aid future decision-making by councils concerning the costs and benefits of putting preventative approaches in place
- inform the ongoing development of good practice in council debt collection
- contribute to ongoing discussions with Government concerning the respective roles of national and local government (and other key stakeholders including the voluntary sector) in supporting low-income households, with consideration given to the continued impacts of welfare reform and Universal Credit, housing and employment policy, local government funding, and the wider social and economic context.

Appendix 1: selection of councils and research methodology

This appendix sets out further detail of the selection process for councils in the study and the research methods used.

Selection of councils in the study

The councils taking part in the study were selected following an open call for expressions of interest in the project. It should therefore be noted that the authorities in the study are not representative of local government as a whole.

- The majority cover urban areas and operate on a unitary basis, although the study has also included two borough councils from two-tier authority areas and one rural unitary council.
- Although the councils operate under a mix of political leaderships and governance structures, the majority were Labour administrations; three of the councils are led by directly elected mayors.
- The self-selection process for the study makes it likely that the participating councils are, to some extent, already ‘ahead of the game’ in respect of their support for lower-income households.

Nevertheless, we consider that the key findings from the study will be relevant to all councils seeking to provide assistance to low-income households, as well as to a wide range of partner agencies.

Methodology

The study has been conducted in two phases. During the first of these, which started in March 2018, participating councils completed a detailed online survey designed to gather information about:

- the types of direct financial support that were being provided, the scale of these and any recent trends in demand: we define ‘direct financial support’ as any tangible payment (whether in cash or otherwise), reduction in liability for goods or services (for example Housing Benefit, council tax reduction or Discretionary Housing Payments), or any ‘in-kind’ assistance of financial value (such as the provision of a food parcel or vouchers that can be used to pay for fuel)
- how these various forms of direct financial support are linked to the provision of wider advice and support services, particularly in respect of welfare rights advice, budgeting support, help with debt problems, housing and employment
- how councils are responding to the challenge of collecting council tax and other revenues from low-income households in the current climate
- whether links are being made to other forms of financial support, including not-for-profit lenders such as credit unions and community development finance institutions, which aim to offer an affordable alternative to low-income households who may otherwise use high-cost lenders such as payday loan companies, door-to-door lenders and rent-to-own stores.

A summary of these responses was subsequently shared with the participating councils and a second phase of the study began. This involved detailed telephone interviews with relevant officers and explored the extent to which councils were seeking to provide a proactive, preventative and integrated offer of support. Specifically:

- how they were utilising data to identify people in need of direct financial support at an early stage
- how this provision linked to welfare rights, debt advice, housing and budgeting support
- the extent to which councils were working in partnership with external agencies to improve longer-term outcomes and make best use of available resources (key external agencies in this respect included DWP, Jobcentre Plus, debt advice agencies and not-for-profit financial services providers).

We were able to discuss future opportunities, examine the barriers that councils faced and explore how these might be addressed. In this respect, we drew on our knowledge of prior research concerning the financial support needs of low-income households, as well as our understanding of new innovations and developments in this area. This allowed us to take a critical approach: looking not just at what the councils in the study are currently doing and intending to do, but also at what more could be done and at what needs to change to make that happen.

Endnotes

1 Real wages declined by eight per cent between 2007 and 2014. Although they have recovered slightly since, a recent report from the Resolution Foundation indicates that the pay squeeze returned in 2017 and there is little prospect of improvement over the next few years. See 'The living standards outlook 2018', Resolution Foundation: www.resolutionfoundation.org/publications/the-living-standards-outlook-2018

2 Analysis by Policy in Practice indicates that the combined impact of reforms implemented before 2017 (the removal of the spare room subsidy, known as the 'bedroom tax', localisation of council tax support, changes to Local Housing Allowance and the introduction of the benefit cap) result in an average nominal loss of £23 per week for each working-age household. The same report estimates that the transition to Universal Credit will further negatively impact working-age households, and will particularly affect working households with children who transition from the current tax credits regime. See 'The cumulative impacts of welfare reform: the national picture', Policy in Practice, 2017: http://policyinpractice.co.uk/wp-content/uploads/2017/06/The-cumulative-impacts-of-welfare-reform-a-national-picture_full-report.pdf

3 Growing precarity is a major factor behind the contraction in real incomes and increasing indebtedness. According to the TUC, there has been a 400 per cent increase in the number of people on zero-hours contracts since 2002, and there are now nearly one million people in part-time work who want a full-time job (https://touchstoneblog.org.uk/2017/02/insecure-work-quarter-since-2011-sectors-driving). Further to this, research by the Social Market Foundation found that the pay of almost half of self-employed people is below the national minimum wage, resulting in the lowest level of earnings since 1995. (The Social Market Foundation, 2016), 'Tough gig: tackling low-paid self-employment in London and the UK').

4 See: www.moneyadviceservice.org.uk/en/corporate/a-picture-of-over-indebtedness-in-the-uk

From 1st January 2019 the Money Advice Service became part of the new Single Financial Guidance Body. For further details see: https://singlefinancialguidancebody.org.uk

5 Either regularly missing monthly payments on household bills and credit repayments or reporting that their financial commitments pose a 'heavy burden' on their overall budget.

6 See: www.stepchange.org/Mediacentre/Pressreleases/Makingcreditaffordable.aspx

7 National Audit Office, 'Tackling problem debt', September 2018: www.nao.org.uk/wp-content/uploads/2018/09/Tackling-problem-debt-Report.pdf

8 Reflecting this, many have voluntarily taken up the socio-economic duty and established 'fairness commissions' to address poverty and inequality in their areas.

9 The total amount of council tax arrears outstanding has increased by nearly 20 per cent between 2012/13 and 2016/17.

10 See Gibbons, D (2014), 'The child welfare implications of problem debt'. Centre for Responsible Credit: http://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/CHASM/briefing-papers/2014/child-welfare-implications-of-problem-debt.pdf - also, Pinter et al (2016), 'The damage of debt: the impact of money worries on children's mental health and well-being'. The Children's Society.

11 See, for example, Holkar, M & Mackenzie, P (2016), 'Money on your mind'. Money and Mental Health Policy Institute.

12 Bridges, S & Disney, R (2005), 'Debt and depression', working paper 06/02. Centre for Finance and Credit Markets, University of Nottingham.

13 See: www.local.gov.uk/local-government-finance-settlement-2018

14 For example, in some areas there have been severe cuts to the level of assistance being provided to vulnerable groups through local welfare schemes. See Gibbons, D (2017), 'The decline of crisis and community care support in England: why a new approach is needed'. Centre for Responsible Credit.

15 See: www.jrf.org.uk/press/over-one-and-a-half-million-people-were-destitute-uk-2017

16 These are: Birmingham City Council, Bristol City Council, East Riding of Yorkshire Council, London Borough of Hackney, Hastings Borough Council, Leeds City Council, Newcastle City Council, Nuneaton and Bedworth Borough Council, London Borough of Tower Hamlets and Wiltshire Council.

17 This was Nuneaton and Bedworth Borough Council. However, the upper-tier authority, Warwickshire County Council, provides a local welfare scheme for residents in its area.

18 They will also retain the responsibility for the administration of Housing Benefit for pensioner households.

19 This uses Housing Benefit and council tax support data to try to identify households who have recently transitioned to Universal Credit, but who have not taken up their council tax support entitlement, or who are experiencing delays in having their housing costs met by Universal Credit. The LIFT dashboard, for example, can be used to help identify people who are in most need of Discretionary Housing Payments, but who have not yet applied for these. It is therefore a useful, immediate 'work-around'. See: http://policyinpractice.co.uk/policy-dashboard/

20 See: www.counciltaxsupport.org for further details.

21 A similar fund has also been established by Birmingham City Council.

22 See Wilson, W (2017), 'Discretionary Housing Payments: briefing paper', House of Commons Library.

23 Local Housing Allowance rates are used to calculate housing benefit for tenants renting from private landlords: www.gov.uk/guidance/local-housing-allowance

24 A similar level of support is provided to people who have outstanding debts, such that they would be unable to fund the purchase of goods themselves or obtain credit to do so.

25 National Audit Office (2016), 'Local welfare provision'.

26 Similarly, Newcastle's arms-length management company (ALMO), 'Your Homes Newcastle', has its own advice and support teams for tenants.

27 See 'Universal Credit local authority bulletin' UC1/2018, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/701430/UC1-2018.pdf

28 London Borough of Hackney also felt that without full funding and access to the Universal Credit system it would not be able to support residents effectively. It is instead working with funded advice organisations to provide support.

29 See: www.gov.uk/government/news/citizens-advice-to-provide-support-to-universal-credit-claimants

30 In a similar way, Tower Hamlets is looking to target people in receipt of Discretionary Housing Payments for further support. This will include linking people to employment support programmes, such as their 'women in health' programme, which trains people for various health and social care related jobs, and which subsidises their initial work with employers. Where people move into employment of more than 16 hours per week, this would mean that they would no longer be affected by the benefit cap.

31 'Advice and debt review': report from Sonia Khan, Head of Policy, to the Integrated Commissioning Board, Hackney Council, 1 March 2018.

32 Further details of Advice UK's application of the Vanguard approach can be found at: www.adviceuk.org.uk/member-services/grant-funded-projects/vanguard-systems-thinking

33 The new commissioning framework is available from: www.hackney.gov.uk/media/12483/Advice-grant-framework/pdf/advice-grant-framework.pdf

34 For further details of this programme see: www.biglotteryfund.org.uk/global-content/programmes/england/multiple-and-complex-needs

35 For further details of the coalition see: http://meam.org.uk

36 For further details of Toynbee Hall's money mentors programme, see: www.toynbeehall.org.uk/other-projects/learning-programmes/community-money-mentors

37 For the full findings from the evaluation, see: https://financeinnovationlab.org/fhfellowship-final-evaluation-revealed/

38 See, for example, the BBC report 'Council tax debt: concern over use of bailiffs' of 14 November 2017: www.bbc.co.uk/news/business-41974406

39 A copy of the protocol is available at: www.citizensadvice.org.uk/Global/CitizensAdvice/campaigns/Council%20Tax/Citizens%20Advice%20Council%20Tax%20Protocol%202017.pdf

40 The full set of principles are: to ensure accurate and prompt billing; provide a range of payment options for customers; agree affordable repayment arrangements for people experiencing financial difficulties; provide advice on ways to reduce bills and maximise income; take a proactive approach to understanding the debtor and encourage debt recovery in a sustainable manner by ensuring repayments are realistic and do not result in further debts or additional charges being added; and improving communication between different parts of the council that collect and recover debts by improving the sharing of information and identifying residents who have debts owing to more than one department; taking a consistent approach across all directorates to the enforcement of debts to ensure good levels of collection are maintained; ensuring appropriate recovery action is taken; and reviewing and minimising irrecoverable debts.

41 The panel was set up in November 2016 in response to the eviction of a disabled person for rent arrears earlier that year from a property that had been specially adapted to meet her needs, and where the arrears were later found to have been due to a resolvable Housing Benefit issue. The tenant had approached the council's neighbourhood advice and information service for support after the eviction, which was fortunately able to intervene, reinstate the tenancy and clear the outstanding rent arrears. However, the case was flagged up as a serious concern at a senior management level and the eviction prevention panel was created.

42 However, this is challenging, as there is a shortage of one-bed properties in the borough to which people affected by the removal of the spare room subsidy can be reallocated. Similarly, it is extremely difficult to find cheaper accommodation for people affected by the benefit cap if they are already in social housing. There is also a reluctance for private landlords to accept tenants in receipt of Housing Benefit or Universal Credit because of concerns that these benefits no longer cover the full cost of the rent.

43 This is available from the Financial Capability Strategy evidence hub: www.fincap.org.uk/document/Wyp_bB8AAPk52DMI/evaluation-of-the-supported-rent-flexibility-pilot

44 Activities to promote affordable credit in Birmingham have

included the creation of a 'loan shop' in the city centre which is staffed for two days per week by the community development financial institution, Moneyline. The financial inclusion partnership has also worked with CitySave credit union to provide a 'tenant account' for Universal Credit claimants. This seeks to safeguard rent payments by ring-fencing an amount for these and paying this to the landlord. For further details see: www.citysave.org.uk/citysave-tenant-account

45 The IT system and banking platform that is currently in use needs to be quicker and easier to use to compete with the speedy online lending that other financial providers offer. In addition to the efficient processing of applications and financial transactions, a more modern platform is also needed to enable a high-quality website for the credit union and an 'app' that can operate on modern smartphone and tablet technology. The credit union knows that 60 per cent of visits to its existing website are coming from 'smart' mobile devices, and it is becoming ever more critical that the back-office systems that support the web are capable of supporting member and customer expectations and changing behaviours. LCU is currently finalising the agreement with the chosen IT provider and the new platform will be fully operational towards the end of 2018.

46 Bristol also has a close working relationship with the city's only credit union – Bristol Credit Union (BCU). The council contracts BCU to deliver the financial management of deposit bonds and rent-in-advance loans (both interest free) to enable households to take up affordable private rented tenancies. The council also promotes BCU's 'jam jar' account, designed to help Universal Credit claimants to budget and prioritise key areas of their expenditure.

47 Between 2008/09 and 2010/11, Government provided £7 million of funding to support local authority 'financial inclusion champions' with a remit to build and coordinate local, regional and sector-wide partnerships to stimulate the demand for, and in some cases increase the supply of, basic financial services for financially excluded people. An independent evaluation of the initiative by researchers at Loughborough University (Signoretta et al, 2011) indicates that it was successful in terms of: (i) expanding and improving local financial inclusion networks, (ii) providing valued resources to agencies working in the field, (iii) influencing the development of services such that these reached a significant proportion of the financially excluded population and made a difference to the lives of service users, and (iv) providing value for money.

48 DWP supported an expansion of affordable lending between 2006 and 2010 by providing a Growth Fund for credit unions and community finance development institutions (CDFIs) to help them lend to financially excluded households. The fund provided capital for loans, revenue to Growth Fund lenders to support the delivery of loans (for example to help cover administrative and staff costs), and funding to develop the capacity of third sector lenders. The evaluation of the fund (see www.bris.ac.uk/media-library/sites/geography/migrated/documents/pfrc1101.pdf) indicates that 317,798 Growth Fund loans were made from July 2006 through to the end of September 2010, with a total value of over £137 million. An additional 12,090 loans were made in October 2010.

49 In April 2013, DWP announced a £38 million contract with the Association of British Credit Unions Limited to deliver the 'credit union expansion project'. This was intended to facilitate access to a new banking platform that would allow credit union members to receive a wider range of banking services and benefit from more affordable credit. For example, it allows members to benefit from 24-hour online access to their accounts and receive faster payments on a loan on the same day, usually within four hours. However, as at March 2018, the new platform was being used by just three credit unions with a combined membership of only 16,500 members. The programme ended on 16 February 2018. See: www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2018-03-19/133221

50 See page 16, 'Civil society strategy: building a future that works for everyone', Cabinet Office, August 2018.

51 Centre for Responsible Credit, forthcoming.

52 See, for example, the case studies on the Leeds Credit Union website at: www.leedscreditunion.co.uk/about-us/case-studies

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