

Member Scrutiny Panel draft report on Debt Counselling

1. Introduction

The Scrutiny Management and Review Sub-Committee approved a short topic review into Debt Counselling Services in December 2007. The review panel consisted of:

- **Councillor Thomas – Chairman**
- **Councillor MacCaul**
- **Councillor Ann Taylor**

A small team of officers supported the review and other council officers gave their time as witnesses and provided data for the review.

As a short topic review, the Member panel was tasked with holding a series of meetings to investigate the topic, make initial recommendations and indicate where further work could be done. The terms of reference for the review are set out in the review scope at Appendix A.

The Scrutiny Management and Review Sub-Committee approved the main concern of the review on 31 January 2008.

The scope for the scrutiny review stated the main concerns as:

With the rise in the level of personal debt, should the council have arrangements for ensuring that residents are able to obtain debt advice and counselling services in a timely and accessible way? If so, how effective are the present arrangements?

How effective are the council's systems in the early identification of potential debtors, and in enabling them to access debt advice and counselling services?

The task of the review was to:

- examine the national and local provision of debt advice and counselling services and assess whether they provide sufficient resource for our residents.
- examine how the council identifies potential debtors, and what steps are taken to assist them once identified.

The purpose of the review was:

To ensure the current provision of debt advice and counselling services within the district is adequate and that the council has a system in place to identify potential debtors at the earliest possible time, and to guide these people towards an appropriate counselling service.

The panel would like to thank the witnesses for their cooperation and insights, which have ensured the review has been constructive and informative.

2. The National Picture

Statistics provided by Experian Ltd in March 2008 for total family indebtedness, show that the Canterbury area is in the middle band £20,000 - £30,000 nationally. The higher bands – above £30,000 – are dominated by areas in the south east largely due to mortgage lending related to high property values. The statistics are set out in Appendix B.

The Kentish Gazette reported on 22 May this year that the Canterbury District Citizens Advice Bureau has seen a 42 per cent rise in the number of debt cases this year. In the current economic climate where the cost of living and level of personal debt is rising it seems timely to undertake a review of the provision of debt counselling services in the district and nationally.

There are more than 500 organisations across the UK offering debt advice. The two main types of organisation are registered charities such as the National Debtline and debt management companies that charge a fee for their service. The latter have greater prominence on internet search engines as they often have commercially sponsored links.

Whilst most councils do not have an in-house debt counselling service many signpost people to advice services via their website. Some council's such as Thurrock go a step further by offering some general advice on their web pages on how to prioritise debts and contact creditors. This could help to ensure people access free services rather than those with a debt management fee. Currently Canterbury City Council has little information on its website regarding debt counselling services. The online Discretionary Housing Payment form tells customers where to get debt advice. However, this advice could also be given on pages relating to housing and benefits.

The Borough of Poole Council is an example of a local authority that does offer an in-house debt counselling service. It funds two officers from the local CAB to provide a surgery at the council offices for 20 hours per week. This service is available only to people who are at risk of losing their home but can be accessed by both council tenants and owner-occupiers. The Borough of Poole Council is however, currently undertaking a review of this service as although it has proved to be successful in a number of cases they have encountered problems with people missing appointments. Cambridge City Council has a Rent Advisory Service which includes debt counselling, rent arrears and benefits advice. The service has two dedicated full time officers who operate from the council offices or can visit people in their homes.

Outlined below is a brief summary of the national debt counselling services that local authorities signpost people to:

National Debtline

(Tel: 0808 808 400 www.nationaldebtline.co.uk)

Is a national telephone helpline for people with debt problems. The service provides self-help advice to callers, information booklets and fact sheets. It can also assist callers to devise debt management plans. People can access National Debtline via its website. They can email questions to advisers and download fact sheets and sample letters to send to creditors.

Citizens Advice Bureau (CAB)

(Tel: 0844 499 4128 (national line) or 01227 452762 www.citizensadvice.org.uk)

Offers advice in a number of areas including benefits, debt and housing as well as problems with utilities, banks, insurers, traders or employers. Their 'generalist' advisers, who are all volunteers, use an information system provided by Citizens Advice (CAB's umbrella organisation) to provide information to people. They are unable to give advice on investments as this is restricted to those licensed by the Financial Services Authority.

Consumer Credit Counselling Service (CCCS)

(Tel: 0800 138 1111 www.cccs.co.uk)

Funded by the credit industry the CCCS is a registered charity whose purpose is to assist people who are in financial difficulty. The service is free and impartial.

People access the service through a free phone number or via the website. From there, advice may either be given over the phone or an appointment for counselling is made. A review of the client's credit and debt situation is carried out followed by a recommendation. People can submit information about their situation without having to give any personal details.

They state that a typical client on a repayment plan is mid-30's, married with children and has an average debt of £24 000.

The advantage of the national helplines such as National Debtline and Consumer Credit Counselling Service is that they offer an accessible service. They are free to contact and have longer opening hours than local providers.

Kent Benefits Partnership

(Tel: 0845 345 0310)

The Kent Benefits Partnership is not a debt counselling service but was set up in 2004 to help Kent's pensioners obtain £10 million of benefits they were entitled to but were not claiming. Since its launch, the initiative has put into payment at least £3.5 million in benefits. The Partnership is a team of staff based in Maidstone who can receive claims and process them for any of the councils in Kent. The partnership comprises Kent County Council, Medway Council and all but one of the district councils in Kent. It is funded by contributions from all these councils.

Recommendation 1: More information be made available at the council offices and on the website promoting local and national debt counselling services to include the Kent Benefits Partnership and Canterbury Credit Union.

3. Conduct of the scrutiny review

The review panel held a series of witness sessions with council officers from the Community Services Directorate, Revenues and Benefits Division and Legal Services, and external stakeholders such as the Citizens Advice Bureau (CAB), District of Canterbury Credit Union (DCCU), Canterbury Housing Advice Centre (CHAC) and Canterbury Debt Advice Centre. Written submissions have been used as evidence in compiling this report and a visit to Cambridge City Council as an example of best practice was undertaken to provide a comparison with practice at Canterbury City Council.

4. Witness panel sessions

The Panel held consultation with key stakeholders involved in the provision of debt counselling services.

The Panel considered the views of witnesses from the Canterbury Citizens Advice Bureau (CAB), Canterbury Housing Advice Centre (CHAC), the District of Canterbury Credit Union and Canterbury Debt Advice Centre.

The main debt counselling services provided in Canterbury are as follows:

5. The CAB in Canterbury

The CAB provides free advice to people on a wide range of issues. Apart from debt counselling, their work includes benefits, housing, legal discrimination, employment and consumer issues.

The Service is free to all and no particular group is prioritised. However, if it is clear at first point of contact that time limits are critical e.g. in cases of access to benefits or employment tribunals or in the case of court hearing dates, managers will try to prioritise clients or signpost to another appropriate agency.

The CAB in Canterbury has a contract with the Legal Services Commission to give specialist help with debt advice and benefits appeals to clients on means tested benefit. The advice is given by two advisors and two support staff and is fully funded centrally by the government. The CAB also provides a general advice service available to local people seeking help. 42% of CAB's work relates to debt and 34% to benefits entitlement.

32 volunteers work for CAB as advisors and support staff. In 2007 they contributed approximately 10,166 hours of work to the bureau. CAB estimate the value of this help to be £135 000.

The CAB has offices in Canterbury and Herne Bay and an outreach service in Whitstable. These offices also serve residents in rural areas of the district.

The advice line in Canterbury is manned on Wednesday afternoons and all day Friday. An appointment must be made in advance to see an adviser, usually there is around a two-week waiting time. There is also an interactive internet kiosk at the branch with links to various sources of information. However, they do not offer online advice at the present time. Currently the Canterbury branch has 11 volunteer advisers who cover 70 hours of client contact per week.

The Herne Bay branch of CAB has a drop-in service on Mondays and Tuesdays and is appointment only on Wednesday and Thursdays. Eight volunteers provide 39 client contact hours per week.

The Whitstable Outreach service at Whitstable Library is by appointment only. Appointments can be made by ringing the Herne Bay Office on Wednesday mornings. Three hours of client contact are provided per week.

People using the general advice service typically receive a 15 – 45 minutes interview, a self-help pack and contact details for telephone advice services.

Casework is carried out following appointments. 37 hours per week in Canterbury, 12 hours in Herne Bay and six hours in Whitstable. In Canterbury and Herne Bay the casework is undertaken by volunteer advisors. In Whitstable the casework is covered by paid staff who perform voluntary hours in addition to their normal contract. Five members of paid staff regularly undertake voluntary hours. As at 15 May 2008 the total number of volunteers including paid staff who do voluntary hours was 24. The total hours they contribute to the service is 225 per week. An average of 9 hours per volunteer each week.

The Legal Services Commission fund two advisors and two support staff for the Canterbury district. It costs £40,000 per employee including on-costs. Although CAB welcome volunteers, it is difficult to find appropriately trained and qualified people to carry out the more specialised casework. The Commission's funding paid for the handling of £783,285 of debt in the period 01.01.07 – 31.12.07. Of this £100,302 was priority debt (e.g. household bills) and £682,983 was non priority (e.g. credit cards). The average debt per client was about £4,000. From April 2007 the Legal Services Commission changed the way they funded the CAB so that now CAB only receive funding once a case is resolved. This means CAB have to meet the cost of the service upfront.

The council has a three-year Service Level Agreement (SLA) – 1 April 2006 – 31 March 2009 – in place with CAB which is scheduled to be re-negotiated this year. The SLA commits CAB to providing free information, general advice and specialist debt and welfare benefit advice and limited representation service to all clients seeking assistance.

The CAB provides a service across the district for a minimum of 42 client contact hours per week, consisting of a combination of appointment and telephone advice services.

The baseline service standards are that a minimum of approximately 11,000 client contacts will be undertaken annually and that approximately 18,500 enquiries will be received across the district. The service is delivered through providing approximately 198 staff hours per week (including 78 staff hours funded by the Legal Services Commission for debt and benefit related work) 202 volunteer hours per week. The council awarded CAB funding of £110,000 per annum for 2006-09. The grant is payable quarterly in advance during April, July, October and January. Significant new service developments requiring additional funds can be considered for funding annually via the annual grant application process which closes on 31 October in the year preceding the year for which grants are awarded.

The SLA funding is intended to contribute towards CAB's overall running costs. The council expects CAB to endeavour to raise funds from other sources to cover the cost of its services.

For the year ending 31 March 2007 CAB also received £2806 of private donations and £5000 from Lloyds TSB. Beyond these donations and funding received from the Legal Services Commission and the council, no further external funding was realised. To meet the projected rapid increase in people requiring debt advice as a result of the current economic climate, CAB could seek alternative external funding streams with the support of the council's Community Development Team. A review of its fundraising strategy may also be appropriate to generate more income. CAB conducts a client satisfaction survey each year and provides statistics for the council as required by the SLA. These statistics detail amongst other figures, benefits and other income raised, debt cleared and debt managed.

The CAB does not get many referrals directly from the council, generally people self refer. In 2008 51% of referrals taken from the 2008 client survey came from public information and 37% were referred by family or friends.

Monitoring of the services provided under the terms of the SLA is conducted on a six month basis for the period 1.4 – 30.9/1.10 – 31.3 and includes the following monitoring information:

- i) a breakdown of the advice provided with details of the number of enquiries, contacts, repeat contacts, workload, contact method and outcome for each type of advice
- ii) achievements against performance indicators specific to council service areas as agreed
- iii) details of fundraising strategy including projects requiring support, applications made and outcomes/decision date expected and future applications

Key issues raised

CAB's major issue was trying to raise funds to finance the appointment of a specialist debt advisor for the non-benefit recipient clients, as the service was over subscribed. CAB claimed that levels of debt in the district are now rising steadily. Advisors currently did not have the time to write to creditors on behalf of all clients to negotiate a debt repayment plan. This was especially a problem where personal debt is made worse by the practice of the banks to levy charges arising from missed direct debit payments. Advisors could also contact local charities that can assist clients with debt repayments.

Recommendation 2: CAB seek external funding for separate projects which meet identified needs as a way of generating management costs towards core expenditure. The council's Community Development Team can offer assistance in identifying funding streams.

CAB would wish to see a significant increase in the level of funding the council made available through the SLA, enough to fund one or two additional advisors.

CAB had no wish to operate from council premises as being seen as independent and free from council influence was key to their role as debt counsellors.

6. CHAC in Canterbury

The council has a Service Level Agreement with the Canterbury Housing Advice Centre (CHAC). CHAC provide housing advice on a wide range of topics including homelessness, accessing accommodation in the public, private and voluntary sectors, repossession, landlord/tenant issues and housing benefit. As a housing advice centre, CHAC does not provide a debt counselling service as such and cannot be compared like for like with CAB. However, many of its clients facing repossession are in rent or mortgage arrears; and some have debts in the form of housing benefit overpayments. This work normally falls within the remit of the casework team. Caseworkers will advise clients and negotiate repayment arrangements with landlords/mortgage companies as well as the council's housing benefit staff. Caseworkers are trained to prepare income/expenditure statements as part of this work. If clients have other debts beyond housing debts, they will be referred to the

specialist debt service at Canterbury CAB for help with those non-housing debts. CHAC and CAB work closely on mutual clients to avoid duplication.

CHAC provides a service for a minimum of 27 hours each week. Current public opening times are 10.00 am – 4.00 pm on Monday, Tuesday, Thursday, Friday and 10.00 am – 1.00 pm on Wednesday. Outside of those hours, clients can leave messages on the answer phone. The centre is closed to the public on Wednesday afternoons to allow time for casework, staff meetings, staff and volunteer training and supervision. In addition, the centre is staffed from 9.00 am – 5.00 pm every weekday and can be contacted by agencies outside public opening hours by using an ex-directory phone number. CHAC will endeavour to provide an outreach service in Whitstable and Herne Bay.

CHAC's services are open to anyone in the district, including self-referrals and referrals from other agencies. The centre offers a drop-in and telephone advice service during its opening hours for one-off pieces of advice on all housing matters including homelessness, accessing accommodation in the public, private and voluntary sectors, repossession, landlord/tenant issues and housing benefit. It operates an appointment system for detailed housing advice casework (including advocacy) and accommodation work.

CHAC currently deals with around 1800 one-off pieces of advice work annually, and opens approximately 300 full cases. It provides 1760 casework hours annually through its housing advice legal help contract. Detailed case files are kept on full cases, with key information held on a computer database. Information on one-off pieces of work is recorded manually on daily record sheets, with basic details also kept on the computer database.

The services provided by CHAC are set out in its Business Plan, which is updated on a six-monthly basis. Detailed policies and procedures are set out in its Office Manual. Both are available for CCC to inspect on demand.

This SLA will last for a 3-year period from 1st April 2006 – 31 March 2009, subject to the conditions of this agreement being adhered to and satisfactory monitoring information being returned.

Funding

CCC has awarded CHAC funding of £64,890 per annum for 3 years, from 2006 – 2009. Subject to the council's available resources and CHAC returning satisfactory monitoring information, this may be increased for the two final years in line with the council's annual budget inflation. Each year CHAC will receive confirmation of their funding, in March, for the new financial year.

The grant will be payable quarterly in advance during the months of April, July, October and January.

Significant new service developments requiring additional funding can be considered for funding annually via the annual grant application process which has a closing date of 31 October in the year preceding the year for which grants are awarded.

The funding is intended to be a contribution towards CHAC's overall running costs. CCC expects CHAC to continue raising funds from other sources, applying to all relevant bodies.

Monitoring and evaluation

Monitoring of the services to be provided under the terms of this agreement is essential to ensure that CHAC are effectively achieving their targets and contributing to the council's strategic objectives. Canterbury City Council has a duty to ensure that the funding it provides is used in an efficient, effective and economical way.

On a six monthly basis – CHAC will provide the council with the following monitoring information by 31st October and 30th April (for the period 1st April – 30th September/ 1st October – 31st March)

- I. Percentage and number of clients with full cases requesting help to access the private rented sector that were assisted into suitable accommodation
- II. Overall number of clients with full cases assisted into suitable accommodation (excluding private rented) and or to remain in their existing home
- III. Number of clients who were helped to extend the range of housing options available to them
- IV. Number of clients surveyed for levels of satisfaction and percentage of clients that respond and say they are very or fairly satisfied with the service
- V. Retention of Legal Services Commission Specialist Quality Mark

On an annual basis – CHAC will provide CCC with the following monitoring information by 30th April (for the period 1st April – 31st March):

- I. Copy of estimated income and expenditure in advance of each financial year
- II. Copy of the service/development plan covering a three-year period and updated annually
- III. Details of fundraising strategy including projects requiring support, applications made and outcomes and future applications
- IV. Copy of insurance schedule

Recommendation 3: That the review of the SLA later this year with both CAB and CHAC should seek to ensure that evidence of value for money is provided and that clients referred by the City Council should be treated as a priority.

Key issues arising

CHAC strongly believe there is insufficient affordable housing in the district. Families and individuals on income support in particular, find it very difficult to find accommodation. Individuals on Housing Benefit did not make attractive tenants as the council pay benefits in arrears and they were considered a risk by landlords compared to those in employment or students.

CHAC also think there is a need for the council to introduce a corporate debt policy, as in their view, many people had multiple debts to the council. The introduction of a corporate debt policy is considered further later in this report.

7. District of Canterbury Credit Union (DCCU)

There are DCCU centres at Canterbury and Whitstable libraries (Saturday mornings) and the council offices in Herne Bay (Monday mornings). 47% of DCCU's client based at Canterbury, 16% each in Herne Bay and Whitstable and 15% in rural communities.

Appointments do not have to be made in advance. DCCU offers advice on budgeting for domestic expenses and methods of saving money. Loans of up to £4000 over three years are available for members of the DCCU. Loans are usually granted to members based on their savings record. Apart from very small loans Members are required to save with the DCCU for three months before applying for a loan. However, if a member wishes to borrow in order to pay off an existing debt, the requirement to save with the DCCU might be waived.

The DCCU is run entirely by volunteers some of whom also volunteer at CAB. This means that the decision on how much the DCCU will loan is based on what is in the best interest of the client rather than making profits. As there are no paid staff, a decision on a loan may take up to two weeks once the DCCU has received the necessary documents from the member.

People on low, insecure incomes often pay heavily for credit. For those unable to access loans from mainstream lenders the choice of lender may be restricted, often borrowing at an annual repayment rate of between double and five times their original loan. Doorstep lenders such as the Provident (who offer loans typically at a rate of 188% APR) use local agents to offer loans to people in their homes. They target poorer communities which often do not have easy access to other forms of credit. Most loans offered are less than £500 and as the repayments are low, weekly payments such as £2 per week, a loan may look affordable, but in the long term people can find themselves paying back far more than they borrowed. Cheque cashing companies such as the Money Shop, a national company with an outlet in Canterbury, also offer short-term cash advances for relatively small amounts but with high interest rates. A recent advert for the Money Shop in a local newspaper offered a 30-day loan of £100 with a typical APR of 260.2%.

DCCU make loans available to clients at a significantly cheaper rate than commercial providers of last resort loans such as the Provident. However, across the district the service is underused and needs to be promoted more effectively to increase awareness amongst potential clients. As it currently stands, DCCU is not well enough established to make a good return for its savers and therefore its potential to lend is limited. DCCU received an emergency grant of £5,000 from the council for 2006/07, but no funding was granted for 2007/08. £20,000 had been applied for through the Single Grants Gateway Panel, which would have enabled the service to continue and expand into local community centres.

Although DCCU produced a guide to domestic budgeting and promoted the service through leaflet drops, their impact on the loans market is limited. Currently they are working to make the service more visible in the district through a programme of meetings with community groups and other agencies. The DCCU expect that this will lead to the development of more collection points/satellite branches initially targeted at areas of the greatest need in the district such as Querns, Northgate, Thanington, Greenhill and Seasalter. However, the lack of current savers with the DCCU and their low profile is affecting its future viability.

DCCU has a protocol for referrals, but does not give priority to any single partner organisation, although referrals were always progressed. DCCU refer people to CAB for debt counselling services and CHAC for housing related debt. The Moat Housing group and the Hythe Rotary Housing Association referred people to the DCCU.

Key issues

The DCCU did raise the matter of the council promoting their service. The DCCU were keen to provide a service from the public reception area of the main council offices in Canterbury. This service will be trialled by the council for three months starting in June.

8. Canterbury Debt Advice Centre (CDAC)

(Tel: 01227 767600, website: www.helpwithdebt.org.uk)

The Canterbury Debt Advice Centre provide a free and confidential debt counselling service funded and monitored by the City Church Canterbury and staffed by volunteers from the church. CDAC are a registered charity and members of AdviceUK. AdviceUK is also a registered charity which provides a support network and training for independent advice centres. It has approximately 1000 members including smaller organisations like the CDAC as well as larger organisations such as National Debtline. CDAC is also a member of Community Money Advice, an organisation that assists churches to set up Debt Advice Centres. Like AdviceUK, Community Money Advice also provides training for its members. Advisors at CDAC also undertake specialist debt advice training through the Money Advice Trust.

CDAC was set up in 2004 and receives referrals from the City Church, personal recommendations, Community Money Advice and the Credit Union. CDAC can be contacted via the telephone and appointments must be made to see an advisor for which there is a one to two week waiting time. Appointments are generally on a Wednesday evening at the advice centre, although home visits can also be made.

CDAC negotiate reduced repayment plans for their clients. If more specialist advice is required on bankruptcy and insolvency they are referred to other agencies such as Free From Debt. The initial appointment with a client is a fact finding one and to agree an action plan. Future contact is usually via telephone or letter.

CDAC do not promote their service widely. They have a dedicated webpage and advertise in the yellow pages but do not have their own literature or distribute leaflets. Also their telephone line is unmanned so clients often go elsewhere for instant advice by the time CDAC telephone them back. Consequently the service is not widely used with approximately one or two clients per week.

Key issues

CDAC believe there is a great and growing need for debt counselling in Canterbury, as the number of people struggling with personal debt is increasing. They believe the council has an important role to play in providing access to debt counselling services. This could be improved by raising awareness of existing providers such as CDAC and the Citizens Advice Bureau, ensuring enquirers to the council are pointed in the right direction, and even for the council to start its own service. Canterbury Debt Advice Centre is only able to help a limited number of clients due in the main part to a lack of sufficient office space. However, as the service is currently underused there is capacity to receive referrals for people who need advice quickly from oversubscribed organisations such as CAB.

9. The council's approach to debt management

The key council services – housing, revenue and benefits – who make and receive payments support the current position of not providing a dedicated in-house debt counselling service. This is because as a major creditor for many areas of debt, the council could never be independent and detached in the advice it gave. While the

council does signpost individuals to services such as CAB, Consumer Credit Counselling Service and the National Debtline, it is generally the view more and better designed information should be made available on the council's website to signpost individuals to debt counselling services.

Recommendation 4: The council to retain its position of not providing debt advice services itself, but referring individuals to recognised independent providers. The council's role in relation to an individual's debt to the council is to advise creditors and put together individual recovery plans where appropriate. (Subject to Recommendation 15)

Customer Contact Centre

It is proposed given the increase in enquires in recent months, the Contact Centre now log and record calls from residents requiring advice or information on debt counselling, to monitor trends and refer to relevant services.

The logged call could then be transferred onto the relevant department/officer. Monthly reports could be generated to identify trends. Calls could then be recorded and referred back if necessary.

Recommendation 5: Contact Centre to now log and record calls from residents requiring advice or information on debt counselling to monitor trends and refer to relevant service within the council or directly to CAB or CHAC or other appropriate agency.

The council has recently purchased Mosaic, a software package which can classify individual households and streets by their social, economic and demographic profiles. The software is produced by Experian and uses over 900 variables of information drawn from sources including the Census, credit card spending and shopping preferences amongst others. This information can be used to help the council understand how the needs of different customer groups may vary and services can be tailored to better meet the needs of particular groups. For example Coventry City Council produced three different versions of a leaflet encouraging people to use direct debit to pay their council tax. This increased uptake of direct debit payment by almost 30% in two of the most deprived wards.

A project team was set up in April to establish how the Canterbury is going to use Mosaic.

Recommendation 6: The Customer Contact Centre to identify different methods including the use of Mosaic, to run a pilot project to attempt to identify groups at risk of debt and those who are eligible to receive benefits so proactive action can be taken to mitigate the risks of personal debt problems growing.

Community Services

In the experience of housing services, tenants often did not admit to being in debt and made unrealistic offers of repayment on their rent arrears. If tenants had sought appropriate advice at a much earlier stage, either directly to debt counselling services or by contacting the council and being referred on, in the view of officers the scale of the problem would be much reduced. A financial health check for new tenants could help to identify those at risk of debt problems.

The council are sensitive to the financial circumstances of its tenants and see eviction as a failure. The outturn against BV66c – Rent collection and arrears recovery, explains that the council's aim is to enable tenants to address their arrears when the debt they owe is low. Legal action is only taken as a last resort. However, there is now a greater focus on debt recovery of less than seven weeks than there has been in the past. Missed payments are being followed up straight away to prevent tenant debts escalating beyond their ability to control them. The computer system used in housing highlights missed payments daily, so early intervention can be taken as required.

To prevent new tenants getting into arrears with their rent, they are required to complete a housing benefit form before signing up to a property. Assistance is available for tenants who have difficulty completing the form or who have not completed the form by the sign up date. Therefore proactive action is taken to ensure the form is completed. However, additional resources would be required to assist all new tenants to complete the form.

The need for early intervention was supported by a rent arrears management survey conducted by Cambridge City Council to discover why tenants were getting into rent arrears and explore ways that the council could more effectively help them to clear their debts. The survey focussed on tenants that were in or had been in arrears. The results of the survey revealed 54% of those in debt wished their landlords had taken a tougher approach to recovery from the outset. Only 18% of tenants were fully aware of what their landlord could do to help clear their rent account. The results of the survey also showed that residents thought that campaigns promoting the danger of excessive rent arrears would achieve best results if targeted at vulnerable groups. For example, following a case or cases of repossession in a particular neighbourhood. This would focus attention on debt on the part of tenants. For marketing campaigns hard-hitting images showing what could happen to people if they did not pay their rent were deemed by those who participated in the Cambridge survey to be the most effective.

A recent review of rent collection had shown that tenants wanted a variety of interventions when they missed payments and more face-to-face contact with officers when debt problems began to emerge was needed. Officers would not be able to provide specialist debt advice but could discuss a client's debts to the council, help them to complete income and expenditure forms and refer them to the appropriate external agency where appropriate.

Recommendation 7: Where appropriate council rent arrears and benefits overpayments officers provide face-to-face interviews for customers with a history of debt to the council to develop repayment plans and refer to external advice.

Keeping up paying with monthly bills is obviously key to avoiding debt. To be financially inclusive the council makes it as easy as possible for people to pay their charges to the council and offers a variety of payment methods. For example with the introduction of the All Pay system some people are choosing to pay their Council Tax in weekly instalments. This is likely to be because paying weekly is more suited to their financial circumstances.

There is still some inconsistency in the way people can pay certain charges. It is currently not possible to pay garage rent or leaseholder service charges by direct debit, as the system used for these collections cannot receive direct debit payments. This is being addressed but has been delayed due to the new cash arrangements

and introduction of Pay Point Services. It is expected that this will be available during 2009.

If a tenant wishes to pay their rent by direct debit currently they can only do so on the first day of the month. Approximately 900 people pay direct debit, a small percentage of the overall number of tenants. In 2007/08 217 direct debit payments were rejected for which tenants would receive a charge from their bank. This figure includes rejections due to insufficient funds, incorrect details provided and people who had chosen an alternative means of payment.

The introduction of an additional direct debit payment date would provide more choice and make it more viable for some people to pay this way. Tenants would be able to choose a date when they are more likely to have sufficient funds in their account (e.g. soon after they are paid).

The current system used to set up direct debits is paper orientated and resource intensive. Paper mandates need to be completed and forwarded by the Rent Accounts Team to the tenant's bank. Any changes to a persons circumstances such as benefit levels, bank details or tenancy arrangements, require a new mandate to be completed by the tenant (there were 233 adjustments in 2007/08). If the bank rejects a direct debit, the Rent Accounts Team are not notified until the following month.

The system used by Council Tax, iWorld, enables direct debit mandates to be passed electronically to the clients bank. It is also possible to check whether the details provided are accurate or if a direct debit had been rejected.

The Rent Accounts Team will be moving to the system used by Council Tax later this year. As the system should be less resource intensive it would seem appropriate to explore the viability of introducing an additional direct debit payment date at this time.

Recommendation 8: Continue to explore ways to make it as easy as possible for people to pay their charges to the council. For example progressively increase the number of dates for people to pay by direct debit and enable chargees to pay sundry debts such as garage rent or leaseholder service charges by direct debit.

Data Sharing

Clients are requested to tick a box on both the new tenancy agreement form and Housing Benefit and Council Tax benefit form which allows for their information to be shared between departments. However, data is not always shared easily between departments and clients can refuse for their information to be shared.

The Rent Arrears team currently do not have access to the Benefits system which means they cannot view information regarding a client's overpayments easily. At other councils such as Cambridge, the Rent Arrears Team have "read only" access to the system. This enables them to consider the level of overpayment the client owes and how long it will take to pay off when setting rent arrears repayment levels.

Evidence heard by the Panel from Legal Services supported the need for a review of the data sharing arrangements between council departments. It was considered that it would be beneficial to introduce a data protocol to allay concerns regarding what data can be shared and in what circumstances.

Recommendation 9: Undertake a review of the data sharing arrangements between departments within the council.Revenues and Benefits

a. Discretionary Housing Payments (DHPs)

The Discretionary Financial Assistance Regulations were introduced in 2001. These Regulations provide local authorities with power to make discretionary payments of Housing and Council Tax Benefit by way of extra financial assistance. Each local authority is given a sum of money each year from which to make these payments.

Housing Benefit administers awards of all DHPs whether private tenants, council tenants or Council Tax only claims. For the period 2007-08 approximately £30630.40 of DHP were made. Of these no payments were made to council tenants which is mainly due to the lower levels of rent charged and no rent restrictions as with private tenants. 44% of claimants were successfully granted DHP in 2007-08.

When making a decision on whether to award a DHP, the benefits team assess the income and expenditure of the tenant to establish if there is an income shortfall which could be met by a DHP. This list of outgoings assessed differs from the list used by the Rent Arrears Team who assess the income and expenditure of a tenant once they have been served a Notice to Seek Possession. Whilst many of the items assessed are the same such as water, gas and electricity, the Rent Arrears Team take account of court costs, prescriptions and clubs/catalogues whilst the Benefits Team assess clothing, cable and satellite TV. The form used by Council Tax differs again with regard to the outgoings assessed. These income and expenditure forms are set out at Appendix C.

Recommendation 10: Introduce a standardised income and expenditure form to be used by the relevant departments across the council for consistency and to ensure a realistic picture is given of the tenants ability to pay.

The DHP assessment process provides an opportunity to refer claimants to other agencies such as CAB or CHAC for assistance. This is currently not included in the DHP policy.

Recommendation 11: Include information signposting people to debt advice services, Independent Voluntary Agreements and CHAC on all correspondence from the council relating to debt recovery.

There is no specific training for staff assessing a claimant's eligibility for DHP. Such training will help to ensure that claimants are informed of their options for assistance and realistic budgeting exercises are conducted. For budgeting exercises to be consistent across council departments, training for all staff that assess a client income and expenditure could be beneficial. A training provider for this would need to be identified.

Recommendation 12: that training for staff who assess a clients income and expenditure is considered to ensure consistency and continuity.

b. Debt Write Off

The Panel considered evidence on the council's approach to debt write-off. Debt write-offs are assessed on a case-by-case basis. The decision to write off debt is not taken lightly and only once everything has been done to prompt payment or locate the debtor. Council Tax regulations do not give local authorities the ability to write

debt off on the basis of a persons individual circumstances. This decision can only be made by the magistrates when a case results in a court hearing. However, small debts can be written off if it is not cost effective to pursue them. One of the largest problems encountered by the Revenues division is the perceived ease with which people can declare themselves bankrupt, as these debts always have to be written off. Debts also have to be written off if a person has absconded. However, if they reappear within six years the debt can be reinstated and recovered by the local authority.

Similarly the Rent Arrears Team aim to recover all debts. An assessment is made on Former Tenancy debts to establish if it is cost effective to continue to pursue them. Current Tenancy debts are ongoing and will only be written-off if the tenants circumstances are exceptional and if the debt is less than £20.

Housing Benefit debt is pursued by the Visiting Recovery Officer. Write-off is considered for debts below £5.00, as they are not cost effective to pursue. However, this rarely occurs, as claimants will reappear back on benefit. For 2007/08 eight cases totalling £7.44 were written-off on the basis of being not cost effective to pursue.

In light of the evidence considered no proposed changes are recommended regarding the council's policy on debt write off.

c. Housing and Council Tax Benefit Claims

When informed by the Department for Work and Pensions of a persons entitlement to receive Housing or Council Tax benefit, the Benefits Team write to the client inviting them to claim. Once the benefit form has been completed the benefit is backdated to when the client initially requested benefit. If there is good cause the benefit can be backdated to when the client was first entitled to receive it. The benefits form is complicated and consequently a large proportion of forms are returned with information missing. However, most claims are processed within 14 days and the Visiting Officer can assist any client who requires help to completing their form.

In light of the evidence considered no proposed changes are recommended regarding the processing of claims for Housing and Council Tax Benefit.

d. Housing Benefit Overpayment

The Panel received evidence on repayment of housing benefit when an overpayment had been made as there was a concern that the payments appeared to be arbitrary rather than based on affordability.

The rate at which Housing Benefit overpayments are recovered is based upon the claimant's (and their family) circumstances and there is no time limit on how long the debt will take to recover. The terms of the agreement are set depending on the debtors individual circumstances. Most agreements made are reviewed periodically in case the debtors circumstances have changed. There are rules governing the collection of an overpayment from ongoing benefit as set by the Department for Work and Pensions:

The standard maximum rate of recovery from continuing benefit is £9.15 from 1 April 2008. Similarly the maximum rate of recovery from continuing benefit, when the overpayment has arisen as a result of fraud as defined in Reg 102(3) of HB Regulations 2006 and Reg 83(3) of HB (SPC) Regulations 2006, is £12.00.

As well as the above rates of recovery, a Local Authorities can increase deductions by half (50%) of certain disregards, if applicable, for:

- Earnings
- Regular charitable income or voluntary payments
- War Disablement Pension or War Widows Pension

Local Authorities must not recover more than these prescribed amounts from ongoing Housing Benefit. Local authorities should have regard to any special health or financial circumstances of the claimant before deciding the level of deduction, or when to commence the deductions, to avoid causing undue hardship to the claimant or their dependents.

The client is required to pay the standard repayment rate but can request a reduction if they can provide evidence that it is not affordable. The standard amount of £9.15 can be reduced to £5 for people on Jobseekers Allowance. The council can also choose not to use its powers to increase the standard deduction by 50% if it is proven to be beyond the claimants' ability to pay. Currently the claimant is not informed of their right to request a review when they are initially written to with their repayment plan. Doing so could help ensure that the overpayment is recovered at a rate that is affordable to the client. Amending the standard letter to incorporate this would require a change to software used by the Benefits Team.

Recommendation 13: Where possible, claimants are advised of their right to a review of their repayment plan for housing benefit overpayment when they are initially written to with details of the standard repayment amount.

10. Financial Inclusion

The government's Financial Inclusion Task Force commissioned the 'Now Lets Talk Money' campaign to tackle financial exclusion by helping people on low incomes find out how they can access bank accounts, low cost loans and advice on how to manage their money better. The Task Force found that households that operate solely on a cash budget; are unable to make savings via direct debits on utility bills, are more likely to use the alternative credit market which often contributes to spiralling debt. In addition, for those who do get into debt or who struggle to make payments, the supply of free face-to-face money advice falls far short of demand. In 2004 £120 million was allocated to the Financial Inclusion Fund "to increase access to affordable credit and to see a significant increase in capacity of free face-to-face money advice".¹ A further fund of £130 million for 2008-11 has been created to tackle financial exclusion.

To be financially included a person should be able to:

- Have a bank account into which pay or benefits can be transferred and from which to pay bills by Direct Debit and standing orders
- Have access to affordable credit such as an overdraft or personal loans
- Have a low level of savings to help meet unexpected costs
- Have adequate insurance to cover unforeseen emergencies.

¹ *Promoting Financial Inclusion, HM Treasury, December 2004, para 1.32*

There are many drivers for the council to introduce a financial inclusion strategy. If the council promotes and increases financial inclusion then arrears levels are likely to fall as household income increases.

In addition, the council's Corporate Plan sets out a vision of building sustainable communities where social exclusion and worklessness is diminished. By developing financial inclusion strategies, it is possible to achieve these targets. Financial inclusion can not be seen as a stand alone policy as it is interlinked with other priorities such as Community Development Strategy, which seeks to reduce the amount of exclusion experienced by Canterbury residents, the HRA business Plan which sets out a strategy for ensuring that all residents have access to main stream financial services and that fuel poverty is reduced.

Recommendation 14: Introduce a financial inclusion strategy based around the following themes:

- A - Advice Services***
- B - Banking access***
- C - Credit access***
- D - Debt Advice***
- E - Education***
- F - Individual Voluntary Agreements***

Through the governments "lets talk" initiative, Swale Borough Council was successful in accessing funding to employ specialist debt advice counsellors. Since November 2007, the council has made approximately ten referrals to the service. Six related to housing options for former private sector tenants and four referrals were made by the tenancy and estate management service. The Income Recovery Team signposted people with debt problems to a variety of different services. Priority cases were referred to the CAB Inclusion Debt Advisor in Swale who could provide a swifter resolution than the local CAB.

Recommendation 15: Establish an SLA with Swale Borough Council for the financial inclusion service if the number of referrals to the service continues to rise over the course of the next year.

(Note: The Executive are currently investigating if a similar arrangement can be arranged for Canterbury City Council)

11. Corporate Debt Policy

Based on feedback so far, there appears to be an interest in at least exploring the possibility of producing a corporate debt policy if investigations prove there is a sizable number of people who have multiple debts to the council.

An investigation now into the link between rent arrears, council tax arrears and housing benefit overpayments would be appropriate. At this point we don't know if there is a strong interconnection between customers owing money to more than one service. As well as rent and council tax arrears other potential council debts also include such areas as parking charges, private garage rents and household service charges.

When housing and revenue and benefits services looked to quantify the levels of multiple debt amongst clients six years ago with a view to introducing a corporate debt policy, it was found there were relatively few cases - only five cases of debts

across more than one division out of 1700 cases investigated. Therefore at that time it was not a significant problem to the council. It was also recognised by the Revenues Best Value Review conducted in 2002 that such a policy would be likely to have a direct impact on the Revenues Department's ability to year-on-year improvements in collection rates.

The Revenues Department has top quartile collection rates. For 2006/07 the debt recovery rates were:

Council Tax – 98.9%
Business Rates – 99.6%
HB Overpayments – 86.65%

Therefore the contents of a corporate debt policy should not seek to compromise this performance. Such a policy may also need to address which service has priority over another when collecting debt and consequently reaching/missing income recovery targets. In the experience of Legal Services people often prioritise payment of Council Tax over other council charges because the penalty for not doing so is imprisonment.

Evidence heard by the Panel from Legal Services suggests that there is now a greater number of people who have multiple debts to the council than in 2002. With the rise in personal debt, it would be useful to establish now if the highest rent arrears cases also owed Council Tax or owed housing benefit for overpayment and if the scale of such inter related debt in effect made the business case for the development of a corporate debt policy.

Further research would demonstrate if customers who have multiple debts to the council pay whichever service has made the most recent visit or taken the latest recovery action. This would reveal the scale of any problem created by a duplication of officer time in debt chasing.

Recommendation 16: The level of debt to the council continue to be monitored.

The level of outstanding debt for key areas to the council for 2007/08 as at 19 March 2008 is made up of the following:

Council tax	£ 795,529
Business rates	£ 904,369
Housing benefits overpayments	£1,153,964
Rent arrears	<u>£ 362,506</u>
	£3,216,368

The level of outstanding Sundry debts to the council for 2007/08 was £265,920.93. This amount is for all debts over 21 days old, irrespective of which year they were raised or how far they go back. Sundry debts cover a wide variety of services including allotments, building inspection fees, garages, property rents and licences, Harbour rents and recharges, hire of the Kings Hall and Westgate Hall, premises licences, lifeline service, reclaimed rent deposits, leasehold flats and shared equity rents. These debts are owed by both companies and individuals and represent approximately 4.54% of invoices sent and 2.53% of the £10.5 million charges each year.

The introduction of a Corporate Debt Policy could provide customers with a single contact point to make an agreement for clearing their total debts to the council and

prevent additional court costs being added to the debt. A single debt account system across the council for all services using the main creditor system could be introduced to facilitate a joined up approach to the recovery of debt to the council.

Outlined in Appendix D is Basildon District Council's corporate debt policy to illustrate what might be included in a similar policy at CCC. This is used as an example only but demonstrates the areas that such a policy could cover.

Recommendation 17: A more joined up approach to multiple debt be adopted if the number of individuals in this situation is proven to be significant and a business case that doesn't involve a net loss of income to the council, can be made.

12. Conclusions

Personal debt is already a widespread problem and is expected to worsen as more people face hardship as a result of the current economic climate. With the "credit crunch" and rising cost of living it will become more important for people to be able to access good quality, independent debt and money advice when they need it. The value of early contact and intervention wherever possible when dealing with debt is a theme that reoccurred in different areas of the review. Whilst it was considered that as a debt collector the council should not provide an in-house debt advice service, council departments have a role in ensuring that systems are in place to assist debt prevention by identifying and signposting people to the appropriate agencies.

The role of good communication and information sharing both amongst council departments and with external partners is key to ensuring effective debt prevention and assistance. An investigation into the number of people with multiple debts to the council will establish if the introduction of a corporate debt policy is appropriate. Such a policy could help to facilitate joined up working and better communications between council departments across various areas related to debt with the objective of creating a more customer-focused service.

13. Schedule of recommendations

Recommendation 1: More information be made available at the council offices and on the website promoting local and national debt counselling services to include the Kent Benefits Partnership and Canterbury Credit Union.

Recommendation 2: CAB seek external funding for separate projects which meet identified needs as a way of generating management costs towards core expenditure. The council's Community Development Team can offer assistance in identifying funding streams.

Recommendation 3: That the review of the SLA later this year with both CAB and CHAC should seek to ensure that evidence of value for money is provided and that clients referred by the City Council should be treated as a priority..

Recommendation 4: The council to retain its position of not providing debt advice services itself, but referring individuals to recognised independent providers. The council's role in relation to an individual's debt to the council is to advise creditors and put together individual recovery plans where appropriate. (Subject to Recommendation 15)

Recommendation 5: Contact Centre to now log and record calls from residents requiring advice or information on debt counselling to monitor trends and refer to relevant service within the council or directly to CAB or CHAC or other appropriate agency.

Recommendation 6: The Customer Contact Centre to identify different methods including the use of Mosaic, to run a pilot project to attempt to identify groups at risk of debt and those who are eligible to receive benefits so proactive action can be taken to mitigate the risks of personal debt problems growing.

Recommendation 7: Where appropriate rent arrears and benefits overpayments officers provide face-to-face interviews for customers with a history of debt to the council to develop repayment plans and refer to external advice service.

Recommendation 8: Continue to explore ways to make it as easy as possible for people to pay their charges to the council. For example progressively increase the number of dates for people to pay by direct debit and enable chargees to pay sundry debts such as garage rent or leaseholder service charges by direct debit.

Recommendation 9: Undertake a review of the data sharing arrangements between departments within the council.

Recommendation 10: Introduce a standardised income and expenditure form to be used by the relevant departments across the council for consistency and to ensure a realistic picture is given of the tenants ability to pay.

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- A - Advice Services**
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- F - Individual Voluntary Agreements**

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(Note: The Executive are currently investigating if a similar arrangement can be arranged for Canterbury City Council)

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