

Report for: Cabinet, 9 February 2021

Item number: To be added by the Committee Section

Title: **Haringey Strategy for Tackling Debt**

Report authorised by : Richard Grice, Director of Customers, Transformation & Resources

Lead Officer: Jean Taylor, Head of Policy

Ward(s) affected: All

**Report for Key/
Non Key Decision:** Key Decision

1. Describe the issue under consideration

- 1.1 This report sets out the Haringey Strategy for tackling debt, the purpose of which is to set out the levers the council use, working with partners, to help residents avoid and mitigate problematic debt.
- 1.2 The strategy sits within the Council's strategic work to support residents in new ways in light of the impact of Covid-19 and reduce inequality in the borough; and, deliver on its Borough Plan objectives.

2. Cabinet Member Introduction

Following a decade of austerity, wage stagnation and rising costs of living, our residents face huge financial pressures, personal and household debt is rising. As a local authority, whilst we have no control over the national factors that create this economic crisis, we can use our powers to reduce the impact.

This strategy recognises the triggers and consequences of cost-of-living debt. It outlines what we as a council are doing on a micro and macro level and illustrates some of our plans to help our residents mitigate the dangers of debt in their lives.

Prioritising tackling of debt allows us to ensure our policies and future projects focus our collective effort on preventing and reducing debt. From our house building programme to our university bursary scheme, this strategy confirms our commitment to helping those facing crippling financial hardship.

3. Recommendations

3.1. It is recommended that Cabinet:

- a) Agree the approach to preventing and mitigating debt amongst Haringey residents set out in the Haringey Strategy for Tackling Debt at Appendix 1.

4. Reasons for decision

4.1. The Borough Plan 2019-23 sets out a vision for a Haringey where strong families, strong networks and strong communities nurture all residents to live well and achieve their potential. There are a range of levers that the council will employ to do this. Taking action to enable people to address problematic debt is one of these.

4.2 This commitment has taken on even greater importance since the emergence of the Covid-19 pandemic. We have already seen a sharp rise in claims for universal credit, an increase in unemployment, and more requests for assistance with emergency food and fuel. It is vital that our residents have positive tools and support to help them avoid entrenched debt.

4.3 There are residents in Haringey who are finding themselves in debt due to poverty, external economic factors beyond their control and the rise in the basic cost-of-living outstripping their income levels. The Haringey Strategy for Tackling Debt intends to clearly define and identify these residents and sets out a strategy on how we can use the levers available to us to tackle the debt they face.

5. Alternative options considered

5.1 Do Nothing

The Council would not take steps to implement a Tackling Debt Strategy. This would curtail the possibility of achieving our objective of reducing debt amongst Haringey residents. This may also have a negative consequence on the public purse, with high-levels of debt likely to lead to lower Council revenues and higher use of public services.

5.2 Take an alternative approach

Adopt a debt strategy based on different principles and ways of working
The issues outlined in this paper might be addressed through a strategy and policy based on different principles and ways or working, but the proposed approach set out in this paper is based on evidence of what works and good practice from elsewhere.

6. Background information

6.1 Unmanageable or 'problem' debt is where people are unable to pay their debts or other household bills. Being in debt has a profound and long-lasting impact: it can, and does, ruin lives.

- 6.2 The issue of problem debt pre-existed Covid-19: in 2017, for example, over 4,000 Haringey residents were referred to the StepChange debt charity, with problematic debt including essential bills and council tax arrears.
- 6.3 We have already seen how the impacts of the pandemic have affected our residents in the short term: they are reflected in the sharp rise in claims for universal credit and in the increase in our unemployment rate; in requests for assistance with emergency food and fuel; and, in the dramatic increase in domestic abuse.
- 6.4 Levels of severe and very high debt amongst low-income households in the Borough have been increasing since the beginning of the COVID-19 crisis.
- The proportion of households in severe debt increased from 3.4% (1,306 households) as of November 2019 to 4.6% (1,762 households) in November 2020.
 - There are similar patterns for households in very high debt severity – with numbers increasing from 283 households to 349 in the same period.
 - In the latest data refresh Haringey’s data showed that there were 672 households identified as ‘in crisis’ and 4,312 households ‘at risk’ .
- 6.5 Financial and debt issues are one of the top reasons residents contact the council’s Connected Communities support. Over the last two years around 20% contacted to find out about financial and debt support with a further 20% to find out about making a benefit claim. An additional 15% contacted us about employment.
- 6.6 However, there is disparity between the need for advice and guidance across the borough and the supply available. According to data from the Financial Conduct Authority (FCA) Financial lives survey, there is a higher percentage of Haringey residents with low levels of financial knowledge compared with our nearest neighbours.
- 6.7 At the same time, data from the Money and Pensions Service about the supply of debt advice (no. of clients who received advice for debt problems face to face or by phone) shows that in 2019 Haringey residents accessed far less advice than in neighbouring boroughs.
- 6.8 In summary, levels of debt in Haringey are high and have risen during the Covid pandemic. At the same time, financial literacy is comparatively low while advice and support is accessed less frequently than in comparable boroughs. This is a very real challenge. If left unaddressed, it could continue to grow, increasing levels of individual and household misery as well as avoidable demand for public services. This strategy sets a framework for the council to build on its work with partners to create a positive stepchange in the levels and management of debt in the borough.

STRATEGY SUMMARY

- 6.9 There are a range of levers which the Council can use to reduce the impact of problematic debt in the borough and this strategy aims to harness these levers to give our residents the best chance of financial independence and resilience.
- 6.10 This strategy outlines key steps we will take with our partners to work towards tackling debt. We have developed the Four-S model to underpin the work. This includes:
- Support: including (but not limited to) benefits maximisation, emergency help through the local welfare assistance fund and scheme, and stopping the use of bailiffs for collecting Council Tax from vulnerable residents, and those on low incomes.
 - Safeguarding: including recognising debt as a safeguarding issue, and working with partners to raise awareness of the risks associated with problem debt and ensure vulnerable people are referred to help;
 - Systems: including the introduction of an ‘apply once’ process for variety of benefits, support and exemptions; use of data to target support; triage to understand individual causes of debt; use of DHP to meet resident need.
 - Setting the agenda: including raising awareness of the issue of problem debt, and establishing a partnership board with the aim of developing new insights and services that increase social security, financial resilience and access to the right support.
- 6.11 Implementaiton of the strategy will include partnership activity to conitinue to develop our collective understanding of the issues and means to address them .
- 6.12 We are clear on the need to place resident experience at the centre of this strategy and propose undertaking research with residents who have lived experience of problem debt, and involving them in designing our approach to implementing this strategy. This will need to recognise the potential diversity of resident experience, and the need to understand the specific issues that may face specific groups or communities when experiencing problematic debt or seeking advice.

LINK TO WIDER CONTEXT

- 6.13 This report should be considered in conjunction with the report outlining our proposed approach to reintroducing a Local Welfare Assistance Scheme (LWAS). This scheme will play an important role in delivering our overall debt strategy by supporting residents faced with short-term financial shocks. This will support the prevent pillar of our debt strategy.

7. Contribution to strategic outcomes

- 7.1. The proposal to reduce debt supports our overall Council strategic objective to reduce inequality in the borough.
- 7.2. This proposal also supports the delivery of the following Haringey Borough Plan strategic outcomes and objectives:

Outcome 20: We will be a council that uses its resources in a sustainable way to prioritise the needs of the most vulnerable residents.

Objective 20d: We will use our resources to redistribute the financial burden on our residents.

- 7.3. The Haringey Fairness Commission also recommended in its 2019 report that the Council should introduce an ethical approach to debt and debt collection. Our Debt Strategy will support the implementation of this recommendation.
- 7.4 Finally, the Recovery and Renewal report which went to Cabinet in December 2020 sets out our commitment to supporting residents and communities in light of the impact of Covid-19. There are a range of levers that the council will employ to do this - taking action to address problematic debt is one of these.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance

Fees, charges and local taxation comprise the majority of income in the Council's annual revenue budget, which fund expenditure on the various services the Council provides to residents. This report sets out the Haringey Strategy for Tackling Debt.

The strategy notes the creation of two additional posts which are funded via an improvements in the bad debt provision forecast to be required by the Council.

8.2 Procurement

Strategic Procurement notes the contents of this report and confirms there are no procurement implications.

8.3 Legal

The Head of Legal and Governance (Monitoring Officer) has been consulted in the preparation of this report and comments as follows.

The Council is able to agree and implement the Haringey Strategy for Tackling Debt. In implementing the Strategy, the Council's pre-action processes described in the report must comply any relevant legislation and pre-action protocols.

In sharing data with partners, between departments and for the "apply once" process, any data sharing must be in accordance with the General Data Protection Regulations (GDPR).

8.4 Equality

The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. The first part of the duty applies to marriage and civil partnership status only.

The proposed decision is to approve the Council's Debt Strategy. The objective of the proposed decision is to help relieve problem debt in the borough, which profoundly impacts both the day-to-day lives and long term life chances of residents struggling with it. The strategy outlines the role the Council will play in galvanising a systemwide approach to debt in the borough.

This will affect residents in Haringey with a low income across the Borough, among whom many with protected characteristics – including race and disability – are overrepresented.

This will lead to reduced debt for the groups as described above. It will help to address the disproportionate economic impact of Covid-19 on groups with protected characteristics.

The proposed decision therefore represents a measure to address a known economic inequality that disproportionately affects the groups described above, and advance equality of opportunity by meeting the needs of the groups described above.

The Council will take steps to collect demographic data on service users in order to identify any inequalities in service provision that may arise and to inform future equalities analysis.

9. Use of Appendices

Appendix 1 – Strategy For Tackling Debt

10. Local Government (Access to Information) Act 1985

Evidence used to inform the Tackling Debt Strategy is referenced in Appendix 1.

Categories of Exemption

Exempt information means information falling within the following categories:

Part 1

1. Information relating to any individual.
2. Information which is likely to reveal the identity of an individual.
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)
4. Information relating to any consultations or negotiations or contemplated consultations or negotiations in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or holders under, the authority.
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
6. Information which reveals that the authority proposes – (a) to give under any enactment a notice under or by virtue of which requirements are imposed upon a person; or (b) to make an order or direction under any enactment.
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

Part 2

Qualifications to the above exempt information:

(a) Information falling within paragraph 3 above is not exempt information under that paragraph if it is required under – (a) the Companies Act 1985 (b) the Friendly Societies Act 1974 (c) The Friendly Societies Act 1992 (d) The Industrial and Provident Societies Acts 1965 – 1978 (e) the Building Societies Act 1986 (f) The Charities Act 1993.

(b) Information is not exempt information if it relates to proposed development for which the local planning authority may grant itself planning permission pursuant to regulation 3 of the Town and Country Planning General Regulations 1992.

(c) Information which – (i) falls within any of paragraphs 1-7 above; and (ii) is not prevented from being exempt under (a) or (b) above is exempt information if and so long as, in the opinion of the Monitoring Officer, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.