

## Local government support for residents on deficit budgets – challenges and opportunities

## About this report

This report and the underpinning research was conducted by Dr Pål M. Vik from Salford Business School at the University of Salford. The participating councils – Greenwich, Tameside, Newport, Salford and Norwich – helped shape the focus of the research, commented on the methods, provided examples of good practice and shared calls for focus group participants with relevant council departments and external partners. The observations and recommendations presented in this report do not necessarily represent the views of the councils.

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## Foreword

According to national statistics, poverty and destitution is on the rise across the UK. In our local authority areas, we are also seeing increasing numbers of residents unable to cover basic living costs. As local councils, we are an important part of the solution to this problem and are already doing significant work to support financially vulnerable residents. For example, In Tameside requests for foodbank support are channelled through the council's welfare rights team, who can refer to holistic support to target root causes of resident financial difficulties resulting in fewer repeat requests for food vouchers. The Borough Council of Greenwich writes off rent arrears by 25% for social housing tenants in return for their engagement with the money advice team to address the issues underlying their financial difficulties. Salford's Welfare Rights and Debt Advice Service works closely with Adult Social Care as the biggest referrer into the service. A pathway is embedded in the Contact Centre screening process, in Care Act and Carers assessments, and through the Fairer Charging Team where every person receiving home care service/Direct Payments receives an offer of holistic benefits advice.

We welcome the contribution of this research by Dr Pål Vik from Salford Business School, the University of Salford, to our work. Drawing on the first-hand experience of nearly 70 council and partner frontline staff and managers working with financially vulnerable residents, the report provides some startling insights into the financial hardship experienced by residents on negative budgets.

The research underlines the importance for local councils in tackling root causes of negative budgets in collaboration with local and national partners in government and the third sector. The report identifies opportunities to provide early intervention support and highlights examples of good practice, which will help us move forward with this work.

We encourage our peers and colleagues to read, consider and act on the back of this important research.

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## 1. Introduction

Destitution and extreme poverty are increasing in the UK. According to the Joseph Rowntree Foundation, 3.8m people experienced destitution at some point during 2022, a 61% increase on 2019 and more than doubling since 2017 (148%).<sup>1</sup> Citizens Advice estimates that 5m people have negative budgets – i.e., they have £0 or less left after actual living costs but before debt payments – and 2.35m avoid negative budgets only by cutting essential expenditure, going hungry or sitting in cold homes.<sup>2</sup>

The cost-of-living crisis has put further pressure on household finances. Nearly half of UK adults reported increasing living costs and around four in ten UK adults struggle to pay rent or mortgage payments, and energy bills.<sup>3</sup> Households on the lowest incomes have been disproportionately affected by the crisis. They experience a higher-than-average inflation rate as a greater proportion of their income is spent on food and energy, key drivers of high inflation.<sup>4</sup>

The increase in households unable to cover living costs poses a significant challenge for financial inclusion policy and practice. Many of the existing tools are insufficient to address the issues faced by deficit budget households. Even after switching to lower cost deals, reducing debt, cutting non-essential expenditure, and maximising benefit income, they still have insufficient income to cover living costs. These households require ongoing support, which can be resource intensive and may not result in lasting positive outcomes.

Local government is essential in rethinking how we support households with or at risk of falling into deficit budgets. They collect vital data and intelligence, have multiple interactions with deficit budget households and work closely with local support organisations. The councils of Greenwich, Tameside, Newport, Salford and Norwich have collaborated with the University of Salford to identify barriers and opportunities for councils and their local partners to tackle the root causes of negative household budgets.

## 2. Overview of research

To inform this work, the University of Salford conducted a series of online focus group discussions with frontline practitioners and managers from council departments and partner organisations working with financially vulnerable residents. The focus group discussions focused on the data collected on residents on negative budgets, the issues and characteristics of these residents, current support provided, and priorities and opportunities for alternative intervention and support.

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<sup>1</sup> Joseph Rowntree Foundation, Destitution in the UK 2023, <https://www.jrf.org.uk/deep-poverty-and-destitution/destitution-in-the-uk-2023>, October 2023

<sup>2</sup> Citizens Advice, The National Red Index: how to turn the tide on falling living standards, <https://www.citizensadvice.org.uk/policy/publications/the-national-red-index-how-to-turn-the-tide-on-falling-living-standards/>, February 2024

<sup>3</sup> Office for National Statistics, Public opinions and social trends, Great Britain: 31 January to 11 February 2024, <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/publicopinionsandsocialtrends/greatbritain/31januaryto11february2024>, February 2024

<sup>4</sup> Office for National Statistics, Provisional CPIH and CPI-consistent inflation rate estimates for UK household groups: January to September 2023, <https://www.ons.gov.uk/economy/inflationandpriceindices/adhocs/1634provisionalcpihandcpiconsistentinflationrateestimatesforukhouseholdgroupsjanuarytoseptember2023>, November 2023

Sixteen focus group discussions were held between February and March 2024 and were attended by 66 people from 21 different organisations from debt, emergency support, family support, housing and policy (Table 1).

**Table 1: Focus groups and participants by theme**

	Number focus groups	Number participants
Debt	6	30
Emergency support	2	9
Family support	3	10
Housing	3	17
Policy	2	10
<b>Total</b>	<b>16</b>	<b>66*</b>

\*Some participants took part in more than one focus group discussion

The greatest number of focus groups and participants focused on debt. This was followed by housing (17 participants) with around 10 participants taking part in the remaining focus groups on emergency support, family support and policy.

Table 2 shows the number of participants by council area and role.

**Table 2: Participants by council area and role**

	Number of participants
Council area	
Greenwich	10
Newport	13
Norwich	13
Salford	16
Tameside	14
Role	
Debt advisor	19
Housing advisor	3
Support worker	15
Collections officer/manager	5
Manager	15
Policy officer/manager	9
<b>Number of participants</b>	<b>66</b>

The number of participants by local authority area ranged from 10 (Greenwich) to 16 (Salford). The single largest group in terms of role was debt advisor, followed by support worker and manager (15 each).

The report includes several anonymised quotes from the participants who have been given fictional names.

### 3. Key findings

#### 3.1. Financial info collected on residents vary and generally not collated centrally

It is important to collect and analyse intelligence on the extent and nature of residents living on negative budgets to inform how to best support this group. Yet, the information collected on the finances of residents and service users vary significantly and not all organisations and departments **identify and record residents on deficit budgets**:

- Debt and welfare rights units identify clients on negative budgets using the Standard Financial Statement (SFS) as a byproduct of determining the sustainability and suitability of different debt remedies and income maximisation strategies:

*“We complete the standard financial statement. We go through that and if they're in the red, we will record them as being in deficit budget and we share that with our financial inclusion team.” (Peter, council debt advice manager)*

*“I complete what's known as the standard financial statement and we go through everything they've got coming in, what they've got going out, what is priority debts, what isn't.” (Nancy, housing association debt advisor)*

- Organisations and departments involved in debt collection (rent, council tax) often only complete income and expenditure with a proportion of debtors due to the high volume of cases. Many, but not all, use SFS to complete an income and expenditure statement:

*“We rely on them to tell us their financial situation. They'll tell us who they work for and how much they earn. And then looking on their payment history, we can accept certain offers. But if the offer is quite low, we go for a standard financial statement. The majority of them we'll accept on face value.” (Grace, council collections officer)*

*“We'll try and set up a payment plan up depending on the arrears without doing an income and expenditure statement. If they are adamant that they can't afford it and they have a history of arrears, we would complete income and expenditure.” (Hannah, housing association support worker)*

- Generalist advisors and case workers supporting specific groups (e.g., homeless, carers, refugees) conduct a more holistic assessment of their service users' issues, which often looks at employability, health, education as well as their financial situation. Their assessment of finances is often more qualitative and case-by-case referring to specialist advice when required:

*“We will about issues they're facing and then we potentially talk to the local authority to access some support. If someone comes to us for a food bank voucher, and they're repeat user, we have a conversation with them about why they're relying on that so much.” (Anthea, third sector youth support worker)*

*“We very much look at the family in their need overall.” (Polly, council family support manager)*

- Household support funds managed by social housing landlords and local authorities look at income or other evidence of hardship (often using bank statements). They tend to only conduct more in-depth assessments, involving income and expenditure statements, for repeat users:

*"We ask for bank statements for the last four weeks from our clients. We ask for Universal Credit statement and gas and electric bills or their meter balances to see if they've got any debt on those." (Rachel, council support worker)*

*"We have a quick conversation to find out what their circumstances are, look at the bigger picture and see if any other support is needed. There's no application forms as such, but we look at how many people are in the household, what their income is." (Hazel, housing association collections officer)*

- Foodbanks and other community-based relief rarely assess beneficiaries' finances beyond asking for a reason for presenting or seeking qualitative information. Many rely on partner organisations to conduct assessments before referring people to them. Several foodbanks also have debt advisors based at their premises:

*"We work on a referral basis, so clients that come to us and we'll have a voucher number from any of the many referral agencies. Usually, people at the referring organisations will have done a financial assessment already" (Fiona, food bank manager)*

*"I will not ask for bank statements and proof of income but when we issue a food parcel, there's a list of questions that we go through, which is why do you need it? What is your income? There's a little bit of an assessment there, but we wouldn't go into great detail." (Brenda, food bank worker)*

Although many departments collect income and expenditure data and other intelligence on residents' financial situation, councils **do not collate or analyse this data centrally**. This is because different departments use different definitions and measures, additional financial resources and technical skills are needed to collate and analyse this information, GDPR make it difficult to share data, and there is a lack of cross-departmental cooperation:

*"No, we don't analyse that at the local authority level. We've got lots of data, but we don't have the resources to pull it together to identify those commonalities of individuals which need support to target services better." (Mushaf, council policy manager)*

*"I think that's part of the issue that we probably do have a lot of financial information about a lot of residents, but not a sort of overview of that." (Caroline, council debt advice manager)*

Some councils reported they were streamlining data collection and reporting as well as exploring sharing data and information with local third sector organisations.

### 3.2. Increasing proportion of residents presenting are on negative budgets

Overwhelmingly, participants reported that **the majority of their service users were on negative budgets** with insufficient income to cover basic living costs even after maximising income, cutting non-essential expenditure and applying debt remedies (payment plans, debt relief orders, debt write-off etc.):

*"I would say probably at least 90% of people I see probably got a deficit budget." (Nigel, third sector debt advisor)*

*"You've got people who have to choose between priority debts. Most haven't paid their water for years. People are struggling to pay the fuel, the food and then the rent." (Wayne, council debt advisor)*

Participants were seeing significant hardship among their service users, including food poverty, inability to heat home or cook food, and not being able to buy essential clothing:

*"We had a family who had pot noodle for Christmas dinner. It's quite eye-opening in terms of the level of food poverty, which is obviously linked to financial hardship." (Polly, council family support manager)*

*"Now we're taking three calls a day, and these are families who say they haven't got any food in their cupboard to feed their kids. There's nothing for tea" (Mary, council policy manager)*

The groups most likely to have deficit budgets were:

- Single people on benefits and/or in low-wage employment, especially those aged under 25 no longer living at home, simply had too low incomes to cover essential costs and very limited scope for income maximisation:

*"...especially those that are under 25 and on Universal Credit. There's no way they're ever going to have a surplus budget, especially if they've got rent to pay and council tax." (Enid, council debt advisor)*

*"A single person on Universal Credit under the age of 25 only getting the housing element and standard allowance are given £290 to pay rent, council tax and live off in a month. It's just not possible." (Samuel, housing association support worker)*

- People in temporary accommodation faced significant additional costs, including transportation to work and schools, and food costs (having to rely on takeaways and more expensive food due to the lack of cooking facilities):

*"A lot of my clients have got a shared kitchen facility and they can't leave food in the shared fridges because it may get stolen. So they're relying on the more expensive food options for them on a day-to-day basis. And then on top of that, it's also transportation." (Wendy, council support worker)*

*"We also have an issue with clients being put into bed and breakfast. Some of them are housed miles from the borough. So they've got extra travel costs, they haven't got cooking facilities, they're living on takeaways. That is also a big impact on deficit budgets." (Fay, council debt advisor)*

- Young parents and other families with children, especially those affected by the benefit cap, often faced greater costs even if having a seemingly high income:

*“If you look at some of the government policies around the bedroom tax, the benefits cap, which particularly hits people with three or more children. They’re very badly hit by the benefits cap.”* (Wayne, council debt advisor)

- People with disabilities faced higher costs (e.g., heating), though there were also greater scope to maximise their income:

*“We notice it around people with higher levels of disability. It’s just more expensive to heat your property if you’re not able to move around it so much. If you’re infirm and face all those extra barriers, people might have just the means to cover energy costs, let alone if you need equipment in the property to actually support your health or your disability. So all of these issues have a disproportionate impact on that particular demographic potentially.”* (Trevor, third sector debt advice manager)

- Private renters were facing higher rents and often had less access to advice and support services compared with social housing tenants:

*“I think the tenants of social landlords are much better served than private tenants. Certainly in terms of the services available, because housing associations here provide a range of services for their tenants.”* (Wayne, council debt advisor)

The participants had seen a **significant deterioration in service users’ finances** manifested by an increasing proportion of deficit budget clients and a growing demand for foodbanks and emergency support with some foodbanks reporting a threefold increase in food parcel delivery:

*“We used to feed maybe about 60 or 70 people a week. We’re open 10 hours a week. 2 hours a day on Monday to Friday, and now we’re quite regularly feeding 200.”* (Fiona, food bank manager)

*“We see greater demand for crisis support because people simply cannot afford food, electricity, the cost of heating their homes and I think that increased demand goes hand in hand with negative budgets.”* (Lisa, third sector debt advice manager)

Clients were presenting with larger budget deficits and larger debts, especially priority debts (water, rent, council tax, utility bills), and new groups, such as people in work, homeowners and middle-income families, were increasingly presenting to emergency support services:

*“It’s not the catalogue or the doorstep lender that’s the problem. It’s your rent, council tax, fuel. People are not just a few hundred pounds in fuel debt. It is going into the thousands now”* (Owen, council debt advisor)

*“It used to be single people on benefits. But now it’s middle-income families and we’re seeing people who wouldn’t generally come for welfare rights to advise with the cost-of-living crisis.”* (Charles, council debt advisor)



### 3.3. Cost-of-living crisis and insufficient benefits main causes of negative budgets

The increasing prevalence of negative budgets was overwhelmingly seen to be **caused by rising living costs and insufficient benefit levels**. Large increases in living costs, especially private rent, utility bills and food, were the most commonly mentioned reason for people being unable to cover the cost of essential goods and services:

*"It's not rocket science, is it really? It's all pretty straightforward. Your housing costs more, your travel costs more, your fuel costs more, your food costs substantially more. There is no surprise that there are more people who can't afford to pay for those things."* (Trevor, third sector debt advice manager)

The levels of benefit payments (Universal Credit and housing allowance) were deemed wholly insufficient to cover rising living costs:

*"Because of the cost-of-living crisis, the income through benefits alone is just unsustainable. You can't afford to live."* (Owen, council debt advisor)

*"We did an exercise to work out a budget for someone on the lowest level of Universal Credit. We could make it balance and that was doing nothing extra, taking out Netflix and Sky"* (Fiona, food bank manager)

Additionally, there were factors that exacerbated these households' financial difficulties:

- Changing circumstances, including relationship breakdown and adult children moving out, often disrupted household finances by reducing income and/or increasing costs (e.g., underoccupancy charge). Further, many residents did not report such changes to the council, their landlord or DWP, exacerbating the disruption caused:

*"So, the change in circumstances as well for some people who have relied on the combined household income who split up having to budget on just one income. That has a big impact as well. Changing jobs too."* (Ian, housing association debt advisor)

- The complexity of the benefit system result in delays, sanctions and overpayments (and subsequent benefit deductions), which cause additional havoc in deficit budget households' finances. Examples provided by participants included the varying housing element when people are in work and on Universal Credit, delays associated with evidencing the need for a spare bedroom, and the need to apply for council tax deduction separately from Universal Credit:

*"If we're asking someone to downsize, they can't be offered a property until they've paid their rent for six months. But they're struggling to pay their rent, and that's why they're getting into arrears. It's a catch 22. They can't afford to stay in the property, but unless they clear their arrears, we can't move them."* (Nafisa, debt advisor, Greenwich)

*"It's the time it takes to claim benefits. For example, we've got PIP plans that have been going on for several months. In the meantime, these people are supposed to be surviving on thin air. So yes, a change of job could trigger that because you're waiting for benefit to come in."* (Deborah, third sector policy manager)

- Participants reported a significant increase in mental health problems, especially since Covid-19. These issues were seen to be a result of financial difficulties as well as exacerbating them:

*"We've seen an increase in tenants suffering with mental health issues, depression, anxiety. And I see a correlation with them struggling to budget because they've got a lot of other things going on and that does affect their ability to cope with life. And that includes the budget and dealing with the finances."* (Sheila, housing association letting officer)

- Residents only turned to advice or support at a time in crisis at which point debts, including fees from enforcement activity, would have increased and there would be fewer options for support. Many were also looking to have their most pressing issue resolved and were not interested in exploring long-term solutions to their financial problems:

*"We get a lot of people come to us for a foodbank voucher. We get that sorted and we say if you come back, we can talk to you about making long-term changes to your budget and, unfortunately, they disappear and we don't see them again, which can be quite challenging because we know we can help them."* (Peter, council debt advice manager)

- Council departments and housing association sometimes (often inadvertently) put additional pressure on financially vulnerable residents through, for example, charging excessive enforcement fees and by issuing fines for absenteeism to financially vulnerable families:

*"For instance, for a council tax bill, it costs £84 to go on to people's accounts for a liability order, just to prove you owe the debt. It only costs a local authority £4.00 to actually process that liability order so that resident is £80 worse off for no good reason and less able to pay their council tax next year."* (Trevor, third sector debt advice manager)

For new tenants, people transitioning to benefits, and households experiencing a deterioration in their financial circumstances from a comfortable position, **poor money management skills are an important contributory factor to their financial difficulties:**

- Those living independently for the first time often do not know their financial obligations (i.e., council tax, water rates) or are unable to distinguish between priority and non-priority payments. In some instances, they accrue significant debts by not registering for council tax or setting up an account with a utility provider:

*"We've got a lot of people that don't have a clue about what to do when they move into their first house and what bills they have to pay. They've never been taught by their parents or their foster carers."* (Laura, council support worker)

*"We support care leavers when they get their properties. When somebody gets their home, they often come with no furniture. They're not always shown how to manage the money and don't really have any idea how to budget."* (Sharon, housing association support worker)

- Households that are new to the benefit system often underestimate the complexity and significant delays in applying for and receiving benefits. They sometimes delay applying for benefits or do not realise they may be eligible for certain benefits, thereby incurring debts whilst waiting for the benefits to come through:

*"People may say I'll get another job, so I won't claim and then don't get another job and then present. There's very little backdating and that will cause big gaps where people will build up arrears. We got a lot of calls from people who have lost their income, have never navigated the benefit system, and they are all horrified about how little benefits they are entitled to."* (Caroline, council debt advice manager)

- Some families who had previously lived relatively comfortably financially were now having to adjust their spending to meet rising living costs. In some cases, they lacked the skills to manage their finances on a tight budget and were often reluctant to cut non-essential spending:

*“They're just too stretched. They're paying £300 a month on a car on finance, which they could have afforded 12 months ago, but now they can't really afford it. We do see people stop paying the council tax and other bills because they're trying to maintain all the things they just can't afford anymore.”* (Christine, council collections manager)

Adult non-dependents living at home without contributing financially was also often discussed in the focus groups. Parents were often reluctant to ask their adult children to contribute towards household costs despite of the additional costs incurred (e.g., food, spare bedroom tax):

*“But there are many people that we have that conversation with, so they're losing out on things like single person reduction or possibly council tax support because they've got an adult child living with them, but they won't charge the child any rent.”* (Christine, council collections manager)

### 3.4. Early intervention key as current support insufficient to address negative budgets

It was generally felt that the **current interventions and support were insufficient to address negative household budgets** for a number of reasons:

- Debt solutions, such as payment plans, debt relief order, and writing off rent, utility or council tax debt, are not sustainable for many households:

*“People may fit into something like a debt relief order. The problem is that even if we help him write off the debts that doesn't actually help them. They're still in a deficit budget even after they've done some sort of insolvency.”* (Nigel, third sector debt advisor)

*“You can apply to trust funds, but you have to pay for three months before they'll help, but the customers can't pay for three months because they don't have the money in the budgets to maintain the payments.”* (Daisy, housing association debt advisor)

- Local household support and DHP funds are oversubscribed and too small to meet the existing, ongoing need:

*“We've got a discretionary housing fund. I think we ran out of money in November and we don't get it again till April. That just shows that we're not getting enough money if we're nearly running out and we still got four, five months left of the year.”* (Grace, council collections officer)

*“We have a hardship fund. People can apply to for up to 750 pounds. We offer shopping vouchers as well. We have another energy fund to help people with gas and electric. It's just a tiny sticking plaster. There's just not enough resource and not enough funds.”* (Eve, housing association debt advice manager)

- Many of the new groups presenting for financial support, such as homeowners, have less recourse to support (hardship payments etc.):

*“I'm seeing more people even with a mortgage with a deficit budget. And it's a little bit more limited as to what they could potentially in benefits. They're not going to get local housing allowance or housing benefit.”* (Nigel, third sector debt advisor)

*“We've spoken to people in work, but because the gas and electric is so high, they're paying for that on the credit card, but they're not entitled to anything because they're working and in private rented accommodation.”* (Kate, council support worker)

- There is also limited scope to lower costs by switching energy supplier:

*"We used to help with energy tariffs switch back in the day when it was a bit simpler. Nowadays, it is not very simple to save people money on their tariffs."* (Debt advisor)

The participants stressed the importance of early intervention before the financial difficulties become too large to address. The suggestions for early intervention opportunities can be grouped as follows:

- **Formative years:** Most participants felt strongly that it was important to provide financial education to primary school aged children. Primary schools should teach financial skills and parents should also instil good money management habits in their children:

*"Kids aren't taught at school, basic financial advice, and that's where it needs to go all the way back to."* (Eve, housing association debt advice manager)

*"I think people should be given education on how to use money."* (Sharon, housing association support worker)

- **Transition to independent living:** The transition to independent living from care, supported living, or living with parents was seen as fraught with risk. Many, according to the experience of participants, do not have the required skills and knowledge to manage their finances, including how to budget and identify priority spending:

*"A lot of people haven't had the tenancy before, so they don't know how to manage the money. Three or four months into the tenancy, they're not able to keep up with the rent."* (Sharon, housing association support worker)

- **Life stage or life cycle events:** There are several (more or less) predictable events which have significant financial implications, such as birth of a child, marriage and retirement. These events often have implications for housing and benefits so it is important to report them to landlord, council and DWP:

*"When you report a change to your council, and you get an email saying thank you for informing us maybe just a next step you must inform your housing provider of your changing circumstances. It might just be that little reminder that people need"* (Sheila, housing association letting officer)

- **External shocks and changes in circumstances:** There are also less predictable events, including relationship breakdown, bereavement and job loss, which can negatively affect household finances. Communicating with landlord and statutory bodies is important when households undergo such shocks:

*"Relationship breakdown has a massive effect because one person that would have been contributing has left the relationship so there is a massive deficit for the single mom"* (Charles, council debt advisor)

- **Seasonal or system events:** There are seasonal or system events that have financial implications for households. Parents need to buy new uniforms when children start primary or secondary school. Households often incur additional debts and accrue arrears (e.g., rent) in the lead-up to Christmas to buy gifts. There are additional costs associated with having children at home during the school holidays. System events refer to planned changes that affect the finances of groups of residents or geographical areas (e.g., migration to Universal Credit):

*“People don't bother showing up to appointments in December and then they resurface in January after they've done their Christmas expenditure or whatever. So yeah, obviously religious holidays and things are a big expense and people's children's birthdays and things.”* (Angela, third sector debt advisor)

- **Local council and third sector touch points:** The various points of contact residents have with local council departments (e.g., social services, community hubs and libraries), health system (GPs, drug and alcohol service, addiction services etc.), third or charitable sector community centres and hubs (e.g., churches), and schools were highlighted as key opportunities to intervene. It was stressed that frontline staff could potentially have a basic conversation about finances with residents at these points:

*“If your doctor refers you to mental health support or psychologist, they could also have conversations about what's affecting you and looking at the person on a holistic manner. It's the milestones before they become homeless where people potentially could get picked up for help with the finances.”* (Wendy, council support worker)

*“I think social services sometimes miss out on opportunities to engage. Sometimes you're aware that a tenant has a support worker, but you're not invited to the meetings. I would expect more contact to assist with their cases because they get resolved a lot quicker if we're not duplicating work.”* (Frances, housing association support worker)

- **Early stages of arrears process:** Participants stressed the importance of dealing with debts in the early stages of the arrears process. The debt would be smaller and the resident would not yet have incurred any fees or charges linked to enforcement activity:

*“Debts become larger because of enforcement activity. There are recovery fees that are bailiff fees. There are all of those additional add-ons to the debt. If they had sought support earlier in the process, they wouldn't have to face and pay those fees.”* (Trevor, third sector debt advice manager)

*“Before it gets to the point where a summons is issued, at which point costs are incurred: first reminder, second reminder, final notice and any of those stages where no costs are incurred. It would be beneficial if customers contacted us at that stage to prevent costs being incurred.”* (Gordon, council debt advice manager)

Early intervention would involve the identification and assessment of residents at risk of (e.g., due to impending/recent change in circumstances) or in the early stages of financial difficulties, and high-level financial intervention (e.g., contacting landlord on behalf of client) or referral to specialist advice services. It was felt that collaboration across third sector and council departments in sharing intelligence, making referrals, and pooling resources was critical for early intervention:

*"I think there is a role for local authorities to use the data. The local authority from housing benefit and council tax data will know where there are single households, older elderly households where there might be disability because of the uplifts and other benefits."* (Trevor, third sector debt advice manager)

*"There are some basic things that you don't need specialist advisors to do. A social worker supporting a person in rent arrears could contact that social landlord with the client's permission to ask: Can you explain why they've got behind? They often just refer into us, but that's not a big priority for a specialist advice service. It probably doesn't require a welfare rights officer."* (Caroline, council debt advice manager)

There were several examples of good practice in this area, such as the shared online referral portal for advice providers in Norwich and the financial inclusion checklist developed by Salford Welfare Rights Unit for colleagues in children services supporting parents to regain care for their children.

### 3.5. Scarcity of resources, lack info on changing circumstances and inertia key barriers for early intervention

However, there were, it was noted by participants, some important barriers for collaborative, early intervention:

- There is a **deeply rooted lack of early engagement by residents** with support and advice services driven by inertia, lack of trust in council and social housing landlords, and a fear of consequences of reporting financial problems (e.g., will be barred from taking up tenancy, will have children taken off them):

*"There's nothing more frustrating that you've made so many attempts to make a payment arrangement. You've called them. You've texted them. You've emailed them. You've written to them."* (Grace, council collections officer)

*"It all depends on if the customer wants a support because if they don't engage, we can't provide support. It's hard really. It's a bit like banging your head against a brick wall"* (Nancy, housing association debt advisor)

- Council departments and housing providers often **lack information on changes in circumstances among their residents to proactively provide advice and support** to these households. They are instead reliant on residents informing them:

*"We don't know what their circumstances are. We've got no clue what's going on in their lives."* (Christine, council collections manager)

*"It's difficult [to target tenants] because we don't know everybody's personal circumstances."* (Hazel, housing association collections officer)



- There are **fewer support workers and face-to-face points of contact to provide hands-on support for residents**, including helping fill in forms, read letters from creditors and navigate online interfaces. Many third sector and council contact points have been moved online and support worker positions no longer exist or have too high workloads to provide this support:

*"I've noticed a decline in the services that provide basic level support in terms of budgeting, managing bills or opening envelopes to have a look at what's in them. We used to call them support workers. That level of support has gone."* (Wayne, council debt advisor)

*"The support services that have been there in the past to handhold people, budgeting and make sure they can manage their money. Those support services have been stripped back."* (Helen, council housing manager)

- Local councils and third sector organisations **lack financial resources to provide early intervention** to residents and service users. For example, local councils and housing associations do not have sufficient staff to contact (apart from automated calls, texts and emails) residents that fall behind on payments. Local government funding is also short-term preventing planning and delivery of long-term projects. Advice services are overstretched and have long waiting times making it difficult to provide advice early on.

*"If we had the resource, they'd have us contact all our debtors before they had a summons or something. But obviously we just don't. That's not realistic. We can issue thousands and thousands of summonses at any one point."* (Temi, council collections manager)

*"The biggest challenge we have as local authorities, is that we're only able to set budgets on an annual basis. You are given grants you have to spend in a year. We're unable to set budgets over longer periods of time. That prevents us from trying to put something in long term to resolve the issues we are facing."* (Mushaf, council policy manager)

- It is **difficult to share data especially with external organisations because of data protection regulation**, though it was felt that the fear of breaching GDPR made councils overly averse to sharing data and using it for the targeting provision of information.

*"If this data was held by in a commercial sector, they would find a way around making that data work for them in a way that doesn't breach GDPR. They can do it. Why can't the council do it?"* (Trevor, third sector debt advice manager)

*"I think a lot of people are quite cautious around GDPR. There's a lot of misinformation about when and how, because people just say think GDPR can't use it, can't share it. Sometimes I think the channels aren't always open as they could be"* (Sudi, council policy manager)

### 3.6. Improving sharing of data and good practice, and tackling taboos around seeking support among potential areas for future work

Based on the suggestions by participants and the issues raised in the focus group discussions, the following potential areas for future work were identified:

- There is scope for more work around **enabling council and third sector frontline staff at key touch points to have basic conversation about finances** with residents at key points in their lives. This may include asking some simple questions and having a basic conversation about residents' finances (e.g., asking if they have informed their landlord or council about change in circumstances, encouraging people to check benefit entitlement if they have recently lost their job),

contacting an organisation on their behalf to provide information or ask some basic questions, or refer to specialist advice when appropriate. For example, there may be scope for developing (or sharing existing) generic guidance or training material across council areas.

- Given the lack of (early) engagement by residents, there is a need for further work (e.g., info campaigns) to **tackle the myths and taboos around approaching councils and service providers for support when in financial difficulties**. According to the focus group participants, people often did not disclose existing debts when signing up to new tenancies in fear of the social housing landlord withdrawing the offer, and some parents did not approach the council for support with financial difficulties, because they thought they would have their children taken off them.
- There is potential for greater **sharing of lessons and good practice in encouraging engagement in the early stages of the arrears process** across local council, social housing and other creditors. The focus group discussions revealed that housing associations and council departments were experimenting with different approaches to increase early engagement by debtors, such as automated calls when tenants fall into arrears and changing the colour of the envelopes for council tax collection to make them seem less threatening. It would be beneficial to have a mechanism for sharing the insights from such experimentation across local authority areas.
- Focus group participants felt that more work could be done around **data sharing internally and externally by council departments and partners** to facilitate early intervention through improved local intelligence and more targeted messaging. Given the scarcity of resources, this may involve focusing on developing mechanisms and protocols for more limited and focused data sharing (e.g., fewer data points, between a small number of departments or organisations).
- Although not necessarily a very large group, it was felt that more could be done around **supporting parents to discuss finances with adult non-dependent children living to increase their contribution towards household bills**. This may involve developing and sharing guidance and messaging for parents.

## 4. Lessons and next steps

Local government has a key role to play in identifying more effective approaches to address the root causes of deficit household budgets. They collect vital data and intelligence, have multiple interactions with deficit budget households and work closely with local support organisations. The participating councils were therefore asked to reflect on learning points from the research and what they planned to do as a result. Three lessons and areas for future work stood out:

- Residents with deficit budgets often face multiple forms of disadvantage (e.g., unemployment or precarious work, mental and physical health) making it critical to **provide holistic support and interventions** to address the root causes:

*“This research shows that households in deficit budgets experience many inequalities with certain groups particularly affected including low-income families with young children and people with disabilities. We see these impacts reflected in other work we have done around other challenges, such as serious violence, employment and domestic abuse. Tackling some of those underlying causes in our wider universal offers will help to address all of these issues, including financial challenges. We will continue to work towards the ambitions of our poverty strategy, including the partnership response – delivering the action plan we have but also ensuring that there is suitable focus on early intervention, as well as more ‘crisis’ support.”* (Tameside Metropolitan Borough Council)

*“Greenwich council is currently working on a comprehensive and proactive anti-poverty strategy which will encompass staff, community partners and residents. We want to ensure better access and a more “joined up” approach to reducing poverty and lessening the impact of poverty on residents.”* (Greenwich Borough Council)



- It is critical for councils and their partners to **provide early intervention to address their financial issues** as it is costly and difficult to support residents when they are already in significant financial difficulties:

*“In the Money Advice Team at Greenwich, we are building on the productive referral links we have already established with the Housing Incomes Team, Council Tax Support and the Emergency Support Scheme. We are in the process of opening up a new referral pathway from the Housing Benefit Overpayment Team and considering how we can identify other potential touch points to allow us to offer supportive and effective intervention to those who need it most and at an early stage.”*  
(Greenwich Borough Council)

*“The study articulates the various support mechanisms for people with deficit budgets well, but acknowledges that many of these support services are overwhelmed and struggle to meet demand. They are also costly. This adds weight to the argument that there should be more of a focus on early intervention so people do not end up in the position of needing financial support and benefits do not meet their budgets. We will consider other opportunities to increase the focus and resource for early intervention to support residents who may face deficit budgets – e.g. upcoming plans for the development of a borough-wide prevention strategy.”* (Tameside Metropolitan Borough Council)

- **Improving data sharing across council departments and with external partners** is a challenge and an opportunity to support early interventions and joint working across council and local partner organisations:

*“We have an opportunity in that we do not currently pull together and analyse all the rich data we have on residents who may be in deficit budgets, or at risk of being. This means we struggle to get early intervention in place, because we don’t know who has those warning signs that they are struggling financially, unless they come to us for that reason. We could use and collate our data on residents much more effectively if we had the right analysis tools, CRM system, data sharing arrangements, capacity for analysis/risk stratification and a central approach. We will consider how resident data can be better collated and analysed to help identify those at risk of financial challenges, to support targeted early intervention – this can be achieved as part of the council’s ongoing digital and data transformation programme.”* (Tameside Metropolitan Borough Council)

*“Data sharing between council departments through having access to different case and claim management systems can ensure that officers seeking to support the resident have accurate and up to date information about individual circumstances and avoid the need for the resident to have to tell their story multiple times. It also means that the referral process between different departments is efficient and quick.”* (Greenwich Borough Council)