



Debt White Paper

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Overview

There is a severe debt problem in the UK, which has been exacerbated by the Coronavirus pandemic and the ongoing cost of living crisis. Councils are struggling to maintain collection rates whilst supporting those who are most vulnerable in light of this nexus of crises. There is an urgent need to develop new collection practices to avoid detrimental outcomes for councils and citizens.

A Single View of Debt and Vulnerability provides a holistic view of debt, increased collection rates, vastly improved outcomes for vulnerable people, reduced costs, and superior targeting of resources. Frontline debt teams are aware of the extensive benefits of such systems, but report slow progress towards the goal. Urgent action must be taken to mitigate the incoming crisis.

The Debt Problem



Central and local government debt is growing relentlessly.¹ In 2019 it stood at £13 billion,² and council tax debt alone has risen by 53% since then³ to a total of £4.9 billion as of March 2022⁴.



Not only is the amount of debt growing, it **is also becoming increasingly important for local authorities to receive what they are owed.** Harsh cuts to central government grants mean that council tax now makes up 50% of local authority funding,⁵ compared to 42% in 2010/11.⁶



The direct effect of debt on citizens is often detrimental.

Personal debt is associated with physical ill-health, suicide, anxiety, stress, and clinical depression, independent of the effects of poverty.⁷ It can contribute to family breakdown and also has negative effects on labour market outcomes. What's more, debtors are more likely to be financially excluded, further aggravating their debt problems.⁸ This substantial harm inflicted by debt is reflected in additional costs to wider services.

¹ Wrong side of the tax, 2020

² PiP, 2019

³ Derricourt et al, 2019

⁴ Department for Levelling Up, Housing & Communities, 2022

⁵ Atkins and Hoddinott, 2022

⁶ Chisholm and Edwards, 2016

⁷ Lane, 2016

⁸ Lane, 2016



The Coronavirus pandemic and ongoing cost of living crisis heighten the urgency of dealing with this problem. The number of individuals with low financial resilience increased by a third from March 2020 to October 2020; now around 1 in 4 adults have low financial resilience.⁹ This will be exacerbated by the drop in real disposable incomes caused by various inflationary pressures, such as the 54% increase in the energy price cap with further increases expected,¹⁰ and the all-time high in petrol and global food prices.¹¹ The Bank of England has forecast that inflation will peak at 10.2% at the end of 2022, and stay high until the middle of 2024.



Both of these crises have hit or will hit the worst-off households the hardest. During the pandemic, the most financially vulnerable came up against larger cuts to income and a reduced ability to save,¹² which may make them more susceptible to economic shocks.¹³ The cost of living crisis is one such shock, and the Institute for Fiscal Studies estimates that households in the lowest decile of income will experience an annual inflation rate 3% higher than those in the highest decile of income.¹⁴

Debt Collection Practices

Debt collection practices need to change. The introduction of the Breathing Space initiative and the Government Debt Management Function within the Cabinet Office are indicators that the direction of travel is towards more sensitive debt collection. However, the infrastructure of collection processes has not changed to keep up with this sentiment, **leading to unnecessary cost and time expended, less money collected, a critical worsening of vulnerability, and increased pressure on wider services.** With collection practices as they are at the moment, overstretched debt teams cannot fulfil their potential either for council revenue or for sensitive debt collection.

- **One third of council tax debt cases** seen by Citizens Advice in 2019 were related to **problematic debt collection**, in comparison to only 8% of credit card issues.¹⁵
- In a Citizens Advice survey, **69% of people reported that the council made it harder to pay off their debts.**¹⁶

⁹ Bank of England, 2021

¹⁰ Hourston, 2022

¹¹ Meadway, 2022

¹² Bank of England, 2021

¹³ Mason, 2020

¹⁴ Hourston, 2022

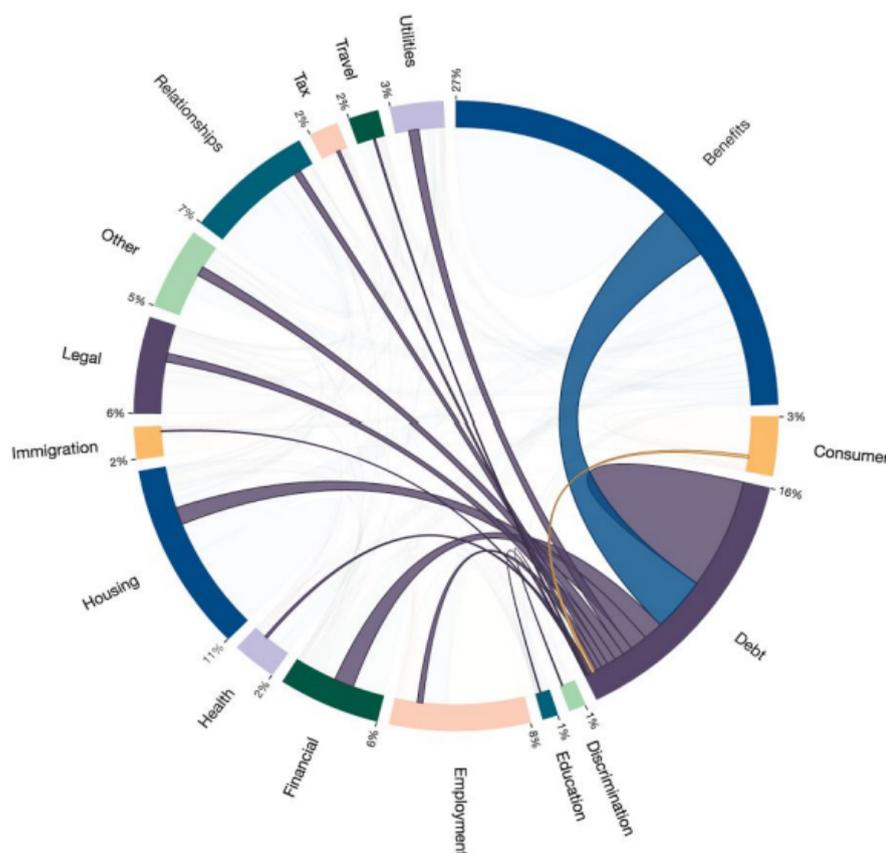
¹⁵ Derricourt et al, 2019

¹⁶ Kelly, 2016

A holistic view of debt is vital. Usually, each debt type is collected by siloed departments, in siloed processes, with siloed data available to frontline staff, meaning that there is no reliable way to differentiate those who cannot pay from those who will not. People’s lives are rarely so disjointed, and **vulnerable people are likely to fall between the gaps in the debt system.** Both the Joseph Rowntree Foundation¹⁷ and Citizens Advice¹⁸ have researched the pernicious effects of **uncoordinated debt collection practices**, reporting that they **“leave people with practically nothing to live on”**.



This is particularly harmful given that **debt is the issue most intertwined with others that citizens face:** 54% of Citizens Advice debt clients also have a non-debt issue that they require assistance with, a much higher proportion than any other client-type.¹⁹ The graph below illustrates the connection between debt and other issues; a thicker line represents a closer link.



Source: Lane, 2016

¹⁷ Fitzpatrick et al, 2018
¹⁸ Chisholm and Edwards, 2016
¹⁹ Lane, 2016



Current debt collection practices are expensive for both the council and debtor. Multiple debt departments may contact the same household for different debt types, so the **council pays multiple times for debt recovery.** Likewise, bailiffs are overused and add over £200 million a year to people's debts.²⁰

One survey had all responding councils cite in-year collection as a key performance indicator, which means there is little incentive to implement more flexible payment plans that span across financial years.²¹ This is costly for debtors: **83% of households are tipped into a financial shortfall when their whole bill and associated costs are collected over a year**, compared to 0.1% of households when one month's tax is collected over a year.²² Though the latter payment plan may be unobtainable in reality, it remains true that **there would be significant cost cuts if collection policies were more flexible and tailored.**

Moreover, the close links between debt and other issues mean that collecting debt from a person in crisis is likely to **create a problem in another area of their lives, paid for by a different council department.**

They are also time consuming for both parties. Up to 25% of debt officers' time is taken up by duplicated collection activity²³, and the debtor's response rate is significantly lower when they are overwhelmed by competing contact attempts.²⁴



Support is not targeted optimally.

Without a full overview of circumstances, debt teams often give available grants to those who show up at the door. Moreover, **every year £15 billion worth of benefits remain unclaimed**²⁵ and frontline debt staff lack the time and data to rectify this.

A Single View of Debt

A Single View of Debt & Vulnerability (SVoD) would help to resolve a significant number of the challenges that councils face. In order to be effective during the current cost of living crisis, it needs to be implemented within the next 12-18 months. Smart debt collection has never been more necessary, and a SVoD provides a full toolkit to make holistic decisions about

²⁰ Lane, 2020

²¹ Charlesworth, 2021

²² Charlesworth, 2021

²³ PIP, 2019

²⁴ Lateral, 2020

²⁵ Agulnick, 2022

which interventions to put in place, so that outcomes for both the council and vulnerable people are optimised.



A SVoD enables secure and ethical data-sharing so that vulnerability can be properly defined. Each household's financial resilience and debt status is calculated so that those who can't pay are separated from those who won't pay. **Money and time are targeted more effectively, saving councils up to £750 per person a year.**²⁶ Using a SVoD, there is no more duplicated collection activity, which improves response rates and reduces the stress of multiple contacts. **Proactive case management using real-time accurate data means that preventative measures can be put in place, stopping debt escalation at its root.** As a result, the most expensive and distressing forms of debt collection need to be used far less frequently.

Councils' position on a Single View of Debt

Xantura have conducted a survey of councils across the UK, excluding our existing clients, to find out their positions on having a Single View of Debt. We received 22 responses from debt staff in England and Wales, and have identified some patterns that appear to apply across the UK. **Frontline staff are unanimous on the benefits that having a SVoD would provide,** estimating that 4290 hours (around 613 working days) would be saved per council every year, that the debt process would be much more efficient for the council, and that residents would experience greatly improved outcomes. **However, no surveyed council currently has a SVoD platform in place, and progress towards this goal is very slow,** especially because of challenges relating to data matching, data access, and information governance.

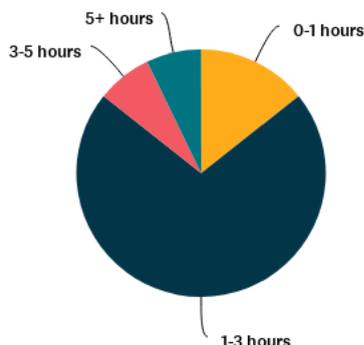
A frontline perspective on the benefits of a SVoD

There is a consensus among frontline debt staff that a Single View of Debt platform would provide significant benefits. One area thought to hold vast potential was the amount of time the platform would save the council. 71% of respondents believed that a Single View of Debt system would save 1-3 hours per staff member, per week. **This amounts to an average of 4290 hours, or 613 working days, saved per council in one year.**²⁷

²⁶ PiP, 2019

²⁷ Calculated using the numbers of frontline debt staff in each respondent's council. Very rough estimates and unreasonable guesses (e.g. 4.2) were removed. It is an underestimate as answers of e.g. 40+ staff members were counted as 40.

Q9 How much time do you think an effective Single View of Debt system would save per staff member, per week?



Below is a word cloud summarising the 17 answers received when asked about the primary benefits that a Single View of Debt system would allow councils to realise. All comments spoke of general improvements for the customer or the council, with one comment labelling it the **“long term resolution for the debtor and council”**.



NB: unilluminating words such as ‘debtor’, ‘debt’, ‘people’, ‘council’ etc. were removed from the cloud

On the council side, there was widespread acknowledgement that a Single View of Debt would increase the amount of debt collected. Officers would be aware of all debts a person owed and their wider vulnerabilities, so the council could deploy tailored and sustainable payment plans, and truly separate the people who can’t pay from the people who won’t. As is visible from the word cloud, a large portion of debt officers spoke of an increase in internal efficiencies and capabilities, especially since multiple officers would not need to speak “to the same customer multiple times about multiple debts”.

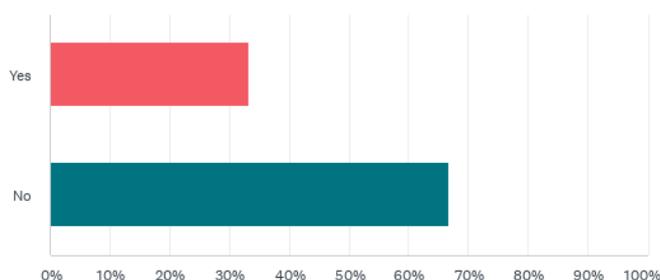
On the customer side, many responses spoke about a more “fair and proportionate process” where customers would be offered more affordable payment plans that they could maintain. It was reported that a Single View of Debt system would allow much higher levels of support for debtors, and the possibility of early identification means that some debt escalations could be prevented.

Whilst 90% of frontline staff report that they currently consider wider vulnerability in their debt collection process, they are limited by regulations, restricted data availability, and time constraints. Most councils evaluate vulnerability on a case-by-case basis through dialogue with the citizen, which is time-consuming and limits the scope and accuracy of the evaluation. Regulation and automated processes also mean that, in general, vulnerability is only routinely evaluated at a post-summons stage.²⁸

The limited progress made towards a SVoD

None of the 22 surveyed officers had a Single View of Debt system in place in their respective council. One third of councils surveyed are in the process of procuring or scoping out such a system, but two thirds are not. Only one council reported concrete progress, and this was towards a limited scheme that would not consider wider vulnerability. Instead, it was “an overview system of where debt is and to ensure that we are not all ... chasing the same 4 people all year”.

Q4 Are you in the process of scoping out or procuring a Single View of Debt system?



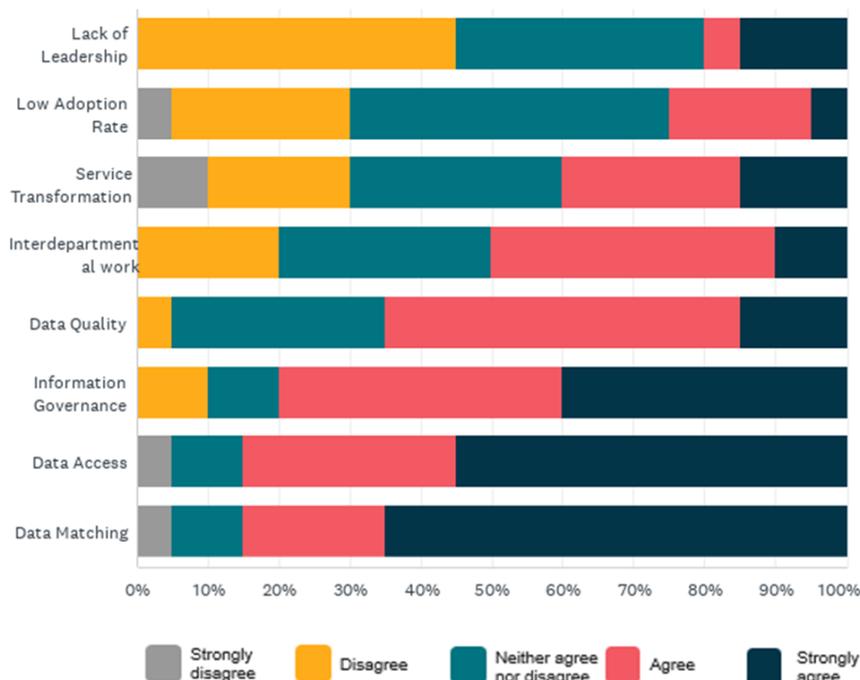
In corroboration, there were **two substantial patterns within comments, one large portion affirming that they recognised the need, another large portion reporting slow progress towards the goal.**

²⁸ Charlesworth et al, 2020

“We aspire to this” “Early stages, just testing the market”
 “Not really got past discussion stages”
 “Isn’t even a project at this stage” “We know it is needed”
 “[Cases do not] achieve the best outcome for the council and the debtor”
 “very early stages of discussions” “It’s something that might be looked in to”
 “Whilst signed off has never been enacted”

We have identified several reasons why, despite recognition of the advantages of a Single View of Debt and Vulnerability, there is such hampered progress. **The main barriers to widespread implementation appear to be those relating to data matching, data access, and information governance.** These respectively involve having the technical capabilities to match data from different systems without a unique identifier, creating data pipelines that connect all necessary systems, and implementing appropriate data sharing agreements with different departments. An overwhelming 65% of respondents strongly agreed that data matching was a key challenge to their council’s roll-out of a Single View of Debt, 55% thought the same of data access, and 40% for information governance. The graph below lists the barriers from least to most challenging.

Q7 For each of the following challenges to implementing a Single View of Debt system, do you agree that it applies to your council?



Xantura provides tailor-made solutions to these challenges, enabling a full view of individuals and trends, whilst maintaining strict information governance controls to ensure that each case is identifiable only while the officer is looking at it. This gives councils the capabilities and confidence they need to implement the urgent change they know is needed.

A Single View of Debt System in Practice

Understandably, councils may be hesitant to adopt new practices when their funding is so reliant on debt collection. Empirical evidence is vital to assure councils that a Single View of Debt and Vulnerability can revolutionise debt collection, and provide urgently needed benefits to both the council and households.

Xantura’s Single View of Debt system would be a key asset to frontline staff.

This graph lists aspects of a SVoD system in order of increasing importance from the perspective of frontline staff, using data collected in the survey above.

Q6 When thinking about a Single View of Debt system, please rate the following aspects in terms of how important they are to you



If we assign a value of 1 to ‘Not very important’ and so on, so that ‘Extremely important’ is valued at 5, we receive the weighted average levels of importance for each aspect. **The five most important features of an SVoD system all received**

scores above 4, and the lowest score of any feature was 3.43, which suggests that these would all be key assets to debt officers.



Xantura's Single View of Debt has all of these identified capabilities. In addition to the standard capabilities of a SVoD, Xantura instantly generates case summaries for any individual who requires assistance, **allowing an unprecedented tailoring of interventions.** Vulnerable people are much less likely to fall through gaps in services and the negative reverberations of debt collection are minimised.



In addition, **Xantura's dashboards provide insights at an aggregate level, to uncover demand drivers and enable the segmentation of residents.** Intervention methods can then be tested and recommended for each segment, vastly increasing the amount of debt collected. Such systems can also **automatically flag those who may be eligible for unclaimed benefits.** These automated processes save vast amounts of time

for frontline staff and debtors alike. **Integrated wiki systems, interactive graphs, and data narratives make the system easy to use for frontline workers.**

Xantura recently worked with the London Borough of Barking and Dagenham (LBBD) to provide 4 months of insight-driven, targeted support to vulnerable residents with debt, with outstanding results. Xantura's Single View of Debt system was implemented across a cohort of 200 vulnerable households:



Compared to standard practice, **SVoD increased debt collection** for these 200 households by £75k over 4 months, **with an annual projection of a £233k improvement.** Improved targeting of the cohort has the **potential to lift the additional debt reduction by 69%.**



SVoD increased benefits claimed per year by £504k for the cohort of 200 when compared to standard practice. This is an increase in financial support for vulnerable households of £9.6k per week.



SVoD improved the outcomes of debt collection cases, dramatically reducing the costs levied on councils and debtors. **40% fewer rent arrears cases progressed to legal action, as did 13% fewer council tax cases.**



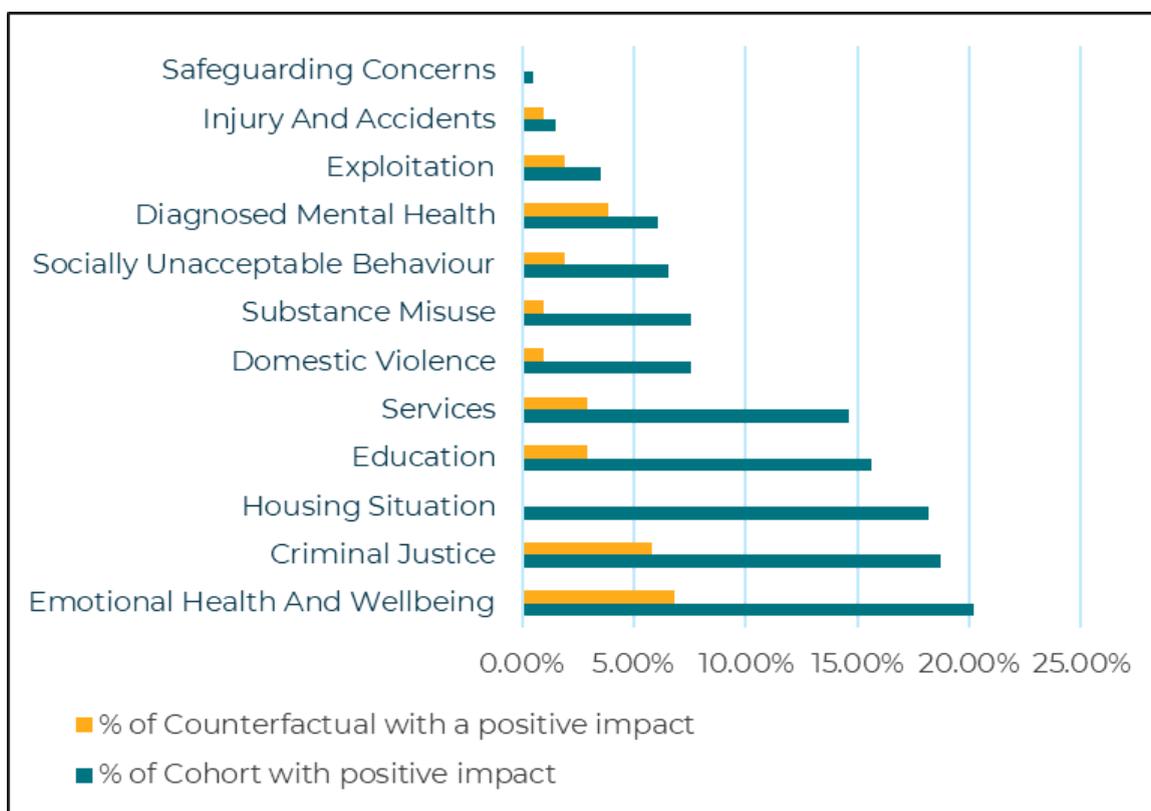
Engagement with the council significantly increased. 127 interventions were implemented for the treatment group, rather than just 5 for the control group.



The new Single View of Debt system also had a resounding ripple effect on other aspects of debtors' lives. **Those in the SVoD treatment group were twice as likely to report improved emotional health and wellbeing, and four times as likely to report an improvement in domestic abuse** than those who were treated using standard debt collection methods. This would **likely result in significant cost savings for wider services.**

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The Wider Social Impact of SVoD Compared to Standard Debt Collection Practice



Personal Feedback



“ Client explained that this has **lifted a weight off of her shoulders**. She said that the support she has had since being contacted has really helped as she **was suffering with bad depression** and was **afraid to open any letters** but has now opened them all and has been trying to deal with them.



She said that knowing that there is someone there to help and to talk to has **made all the difference**. **She said if she could give us a 1000 gold stars, she would.** ”

(Ham Hub officer)



“ Xantura's OneView offer is a unique combination of service transformation methodology and a class leading analytics and data management platform. **The approach and platform are now central to the council's data maturity and wider transformation strategy.** ”

(Pye Nyunt, Head of Insight & Innovation at LBBD)

Conclusions

It is evident that a widespread roll-out of a Single View of Debt and Vulnerability system would provide unprecedented benefits all across the council and the UK. It is also clear that the implementation of these systems is needed more than ever. Seizing the opportunity to reform debt collection practices is crucial so that we can significantly improve outcomes for councils and vulnerable people.

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