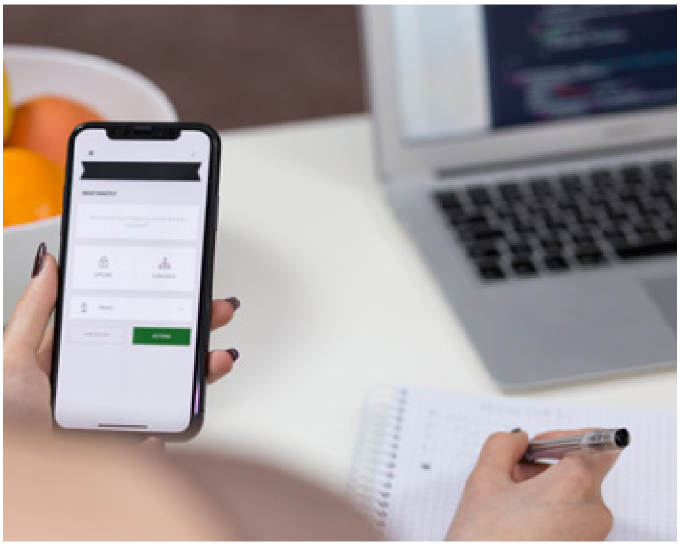
REIMAGINE CHALLENGE

Cabinet Office

KPMG

Reimagine Challenge: **Debt**



Reimagine Addressing Personal Debt Problems

Responsible department:
Ministry of Housing, Communities and Local Government

Departmental challenge:
If personal debt is the result of making poor choices, how can we as a society support people to make better choices? How can we reimagine personal debt?

This idea won the 2017 Reimagine Challenge.

Introduction

For the last two years, KPMG has worked with Whitehall departments to address some of the biggest policy challenges facing the government – building joint teams to investigate social or economic issues and devise workable solutions.

Under the Reimagine Challenge programme, KPMG specialists and staff from across the civil service work together over a period of months to research specific policy areas. With the guidance of senior departmental leaders and the support of KPMG's data, design and digital teams, they develop evidence-based, pilot-ready proposals for tackling departments' public policy goals.

I've always been hugely impressed by the quality of the ideas, and am delighted to join this year s judging panel as KPMG's representative – replacing Kru Desai. The panel also includes Permanent Secretaries and Director-Generals, and is chaired by Civil Service Chief Executive John Manzoni. And whilst the winning teams receive active Cabinet Office backing to turn their plans into reality, all of them also end up strengthening the wider operation of government – building connections, developing skills, improving understanding, and feeding into departmental policy-making.

As we launch the 2018 Reimagine Challenge, we re publishing the 2017 teams' final submissions. In many cases, civil servants continue to develop these ideas inside government – so if you see something that chimes with your own goals or requirements, then drop me a line and we'll put you in touch with the team.

The Reimagine Challenge exists to help solve complex, far-reaching public policy challenges by bringing people together across sectoral, policy and professional lines. **Why not join the conversation?**

Nicholas Fox
Head of Government

So what's the idea?

One in six adults in the UK are in debt and more than 16m people have savings of less than £100. These people have short financial horizons and little financial resilience which means that just one unexpected additional expense can create not only a personal crisis, but a significant cost to the taxpayer

Talking to those in debt, their key workers, and debt charities, we learnt that it is often government that is responsible for that unexpected additional expense, for example demanding a full year's worth of council tax when one payment is missed.

The number of those seeking help with government debt is increasing, and the amount that they owe to government is also rising. Unfortunately, we found that government often does not help families who want to address their issues – in a recent survey, government debt collection practice, call waiting times, and the treatment of vulnerable customers were all rated as worse than most other creditors.

Our solution is therefore specifically designed to tackle debts with public sector bodies, as well as utilities companies, head on, whilst also helping people with their wider debt issues.

Our solution starts with those at risk of financial crisis being identified and then offered membership of a scheme bringing together a range of interventions.

Critically, they will have a single point of contact who will establish a debt management plan, a peer-to-peer mentoring programme to improve members' financial management, and provide access to better rates for utilities and discounts from retailers such as supermarkets.

The support worker will also be the point of contact for repaying all government debt, so the user won't have to interact with different government departments and the Local Authority separately.

Who did you consult, and what did they tell you?

In the course of our research we talked to numerous government departments and teams including the Troubled Families Unit, local authorities, debt support charities, credit reference agencies, utility companies, as well as families in debt themselves.

This research helped us develop a phased approach. We begin with a simple solution with the Local Authority at the centre. The ultimate aim is to have an automated debt risk indicator which would look at any new claimant of Universal Credit, offering them a delivery programme through Local Authorities based on a national framework.

Phase one: we are working with three councils – Barking and Dagenham, Newcastle and Sheffield – which have agreed to run three-month pilots working with 20 families in each area to test the concept. Families will be selected by the authorities and will include some from the Troubled Families Programme. They will also include other families known to the councils through, for example, their housing teams.

Working with the authorities made us realise that while developing a national framework for the programme is important, we need to recognise the different levels of provision already in place in different areas. All three councils are committed to our programme and to making the first phase a reality. Our initial project plan indicates that the pilots could begin as soon as January next year.

We have also discussed the programme with utilities companies and they are keen to support us. British Gas in particular have agreed to put in place a dedicated point of contact for support workers and families taking part in phase one, and to work with us on future phases.

Phase two will involve testing the concept with 400 families in five or six authorities in order to produce a large enough sample to provide the robust evidence needed to support the rollout of a national programme. We will tailor the programme to local circumstances, but will also continue to develop a consistent framework that could be used nationally.

National rollout: While the selection of families for the pilots can be done clerically, a national programme will require the development of a technology-enabled debt risk indicator. This will be integrated with the Universal Credit benefit system and will be sufficiently intelligent to identify those families most at risk before they fall into problem debt, as well as those already experiencing problems. We have secured agreement from the Department for Work and Pensions (DWP) to work with us on the indicator once the rollout of Universal Credit is complete.

DWP and HMRC have agreed to provide families in Phase 1 with a single point of contact for all public sector debt, including council tax arrears. Our ambition is to scale this up for roll-out. This is complicated and would require changes to departmental accounting rules, but the potential benefits are huge, both in terms of improvements for individuals and a reduction in debt collection costs across government.

What are the key obstacles, and how would you address them?

Developing the debt risk indicator will not be without difficulties. We have discussed the idea with several credit reference agencies, as well as local authorities, and believe that the initial task of combining council and credit rating information will be achievable quickly. However, we recognised early on that introducing further data sets from across government will bring huge benefits, but will be more difficult.

As a result, we discussed our solution with the Cabinet Office, which is keen to see how the new Digital Economy Act will work in practice. They regard our project as an ideal opportunity to test how data sharing between public sector departments, and to private sector organisations, can be achieved. Provided phases one and two are successful, the Cabinet Office has pledged to support the national rollout of the programme.

Another concern is potential media backlash, in particular from sections of the press that might view access to lower utilities bills or supermarket discounts as rewarding the feckless. However, we believe that a core tenet of the programme – namely that we will not support people who are in problem debt as a result of benefit fraud – provides a strong argument to combat this perception.

The fact that participants must also commit to the educational element of the programme is another factor to combat this concern: this is about helping people to help themselves, not giving something for nothing.

What evidence do you have that this proposal is efficient and scalable?

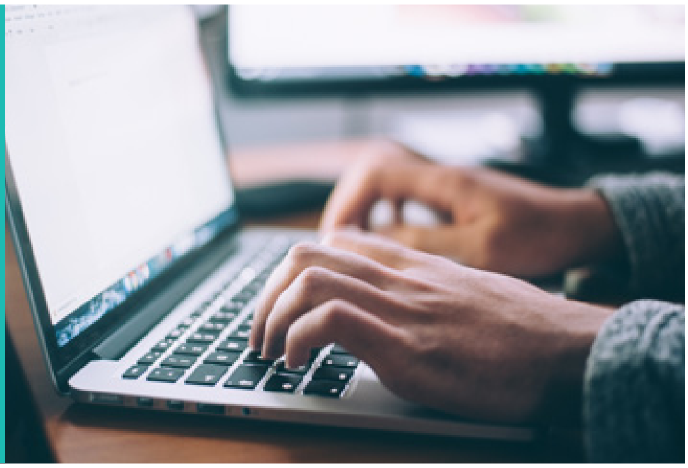
An analysis by Baker Tilly, based in part on the work of charity StepChange which provides a service similar to what we are proposing, found that the cost to society of the 2.3m people who were in problem debt in 2013 was £8.3bn, with the most expensive issues being homelessness and worsened outcomes for children.

However, it also found that effective debt support, as provided by StepChange, could reduce the total cost by £3.1bn for an annual investment of just £250m. In other words, every £1 spent on support yields £12 in savings.

We believe that combining government debt collection for these people will gain further savings to the taxpayer. Our pilot phase will be used to provide further evidence to support these figures.

Working with our local authority partners, we have produced a project timetable for the initial phase. Work will start this month on identifying individuals who would benefit from support and councils are already assigning key workers. The pilot is due to take place between January and March next year whilst we continue to develop the debt risk indicator to enable national roll out.

Team members



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CREATE | CRT093279 | June 2018