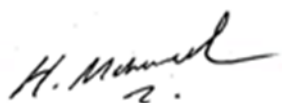


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| LONDON BOROUGH OF CAMDEN | WARDS: All |
| REPORT TITLE: Risk Deep-Dive – Financial Resilience of Residents | |
| REPORT OF: Director of Equalities and Community Strength | |
| FOR SUBMISSION TO: Audit and Corporate Governance Committee | DATE: 5 th December 2024 |
| <p>SUMMARY OF REPORT</p> <p>This report provides Members with an overview of the Financial Resilience of Residents principal risk to enhance the Committee’s understanding of how this risk is being managed. The purpose of the risk deep-dive is to enable the Committee to fulfil its duties regarding monitoring the Council’s effective operation of risk management as set out in its Terms of Reference.</p> <p>Local Government Act 1972 – Access to Information</p> <p>No documents that require listing were used in the production of this report.</p> <p>Contact Officer: Zoe Tyndall Head of Debt and Financial Resilience 5 Pancras Square London N1C 4AG zoe.tyndall@camden.gov.uk</p> | |
| <p>RECOMMENDATIONS</p> <p>That the committee note how this risk is being managed.</p> | |



Signed:

Hanad Mohamed
Director of Equalities and Community Strength

Date: 26th November 2024

1.1. Purpose of the report

- 1.2. In accordance with its Terms of Reference, the Audit and Corporate Governance Committee (the Committee) is required to monitor the Council's effective development and operation of risk management. In addition to this, the CIPFA position statement on Audit Committees in Local Authorities specifies a number of core responsibilities for audit committees, one of which is to "consider the effectiveness of the authority's risk management arrangements and the control environment."
- 1.3. The purpose of the risk deep dive is for the Committee to obtain a deeper understanding of the chosen risk area and develop insight into the risk controls and action plan.

2. Current Risk Context

- 2.1. The continuing rise in the cost of living reinforces economic inequalities and significantly reduced economic wellbeing for our residents. This has knock on impacts for the Council in various ways including: impact on revenue collection; increased pressure on services; impact on staff wellbeing.
- 2.2. Whilst headline inflation levels have fallen significantly, wages and benefits incomes never kept pace with increasing prices, and the [Office for National Statistics has shown](#) that inflation has been experienced most significantly by those in lowest income brackets.
- 2.3. Increasing numbers of Camden residents, particularly those reliant on benefits income, have fallen into "negative budgets", where the cost of essentials are higher than their incomes. [Citizens Advice estimate](#) 22k households in Camden are affected by negative budgets. These negative budgets are often driven by the rate at which debts to DWP, HMRC and other third party creditors are automatically deducted from households' Universal Credit.
- 2.4. Compounding this risk is the high incidence of benefits underclaiming, across the country and in Camden. [Policy in Practice estimate](#) that £124m of benefits income goes unclaimed in Camden every year.
- 2.5. Normally, this combination of economic factors would lead to very high levels of household debt in the form of consumer credit such as credit cards, and overdrafts. In fact, in Camden we don't see this at large scale – because those in financial vulnerability tend to be on such low incomes that they can not access this type of credit (though Buy Now Pay Later is beginning to change this). Instead of high levels of consumer credit debt, households in Camden are in arrears on their priority bills: rent, council tax and utilities.
- 2.6. [Segmentation analysis by Fair 4 All Finance](#) applied to Camden's population demonstrates this – the ca. 38,000 lowest income adults struggle primarily with

priority arrears. Most of these households live in our social housing, meaning that their debts are to the Council.

3. Risk mitigation and monitoring

3.1 Council Tax Reduction Scheme (CTRS)

Camden's CTRS scheme, which awards 100% discounts on Council Tax, represents a £29m investment in our lowest income households and is one of the most generous schemes in London. This is the significant mitigation to the risks outlined above – offsetting the otherwise regressive nature of Council Tax, and enabling revenues staff to focus on supporting collections from a small number of households.

3.2 Cost of Living Fund and Household Support Fund

The government announced in its Autumn Budget that Household Support Fund will be extended for a further year (likely representing a £4m grant to Camden). This marks a break from previous 6-month extensions, and allows Councils to plan how to use the funds effectively. Camden's Cost of Living fund is also one of the most generous in London, topping this up by a further £2m. These grants allow staff and VCS communities to provide practical financial relief to residents in crisis and are integral to building the trust and engagement required to deliver wider support.

3.3 Corporate approach to debt collection

The Council is now developing its Cost of Living Crisis response team into a more sustainable service, focusing on how we can better proactively identify and engage with residents at risk of debt, and provide better joined up support across Council teams to residents who owe multiple debts to the Council. This targeted approach will help us to intervene early, combining benefits uptake and debt support to improve resident outcomes and Council revenue collection efforts, reducing reliance on legal enforcement.

4. Outlook for the next 12 months

4.1 The risk exposure is set to decrease next year, due to policy change announced by government, including a lower cap on the rate debts can be deducted from benefits; an increased minimum wage and extension of the Household Support Fund; as well as further investment by Camden in our CTRS and Cost of Living funds.

5. Legal Comments of Borough Solicitor

5.1 The Borough Solicitor has been consulted and has no legal comments to add.

6. Finance Comments of the Executive Director Corporate Services

6.1. The Executive Director Corporate Services has been consulted and his comments are incorporated within the body of the report.

7. Environmental Implications

7.1. The proposals have no environmental impacts.

Appendices

1. Principal Risk information and action plan ('risk on a page').

REPORT ENDS

Appendix 1: Principal Risk information and action plan (risk on a page)

| Risk Title – 4. Financial Resilience of Residents | | Risk Scores | Existing Controls | | | |
|--|------------------------------|---|--|----------|-------------|--|
| <p>Risk: Rise in the cost of living reinforces economic inequalities and significantly reduced economic wellbeing for residents.</p> <p>Cause: Sustained increased cost of living, in-work poverty and economic inactivity</p> <p>Consequence: Significant increase in poverty and inequality across Camden, increasing demand for Council services.</p> <p>Risk Update: Camden continues to deliver a series of response programmes to support individuals and households including the Cost-of-Living Fund (CoL) and the Household Support Fund (HSF). On 2nd September 2024, HSF was extended by government for a further six months, to end of March 2025. Together with Discretionary Housing Payments (DHP) these funds mean that the Council has £6.9m to fund direct cash grants to residents and the administration of these grant programmes.</p> <p>Since the launch of the CoL fund in September 2022, the fund has had 18,000 applications from residents and paid out over £5.3m in grants to Camden households. These funds are administrated by Money Advice Camden, who combine the grant making with debt and benefits advice capacity. These funds sit alongside Camden’s Council Tax Support Scheme, in which the Council invests over £29m a year.</p> <p>It is important to note that whilst headline inflation figures have gone down, costs have not; and many at risk households rely on benefits or wages which have not kept pace with inflation. Therefore, whilst this risk has stabilised it is still very present.</p> | | <p>Current Score: L:4 I:4</p> <p>Target Score: L:3 I:3</p> <p>Gap to target: L:1 I:1</p> | <ol style="list-style-type: none"> 1. A set of strategic documents provide a framework for inclusive growth that benefits our communities and set out our expectations of how partners support communities 2. Camden’s Council Tax Support Scheme is one of the most generous in London, and we continue to support low-income households with 100% deductions to ensure they have as much money available to them each month. 3. Income maximisation, budgeting, debt and welfare advice is available in the community, both through the 12 voluntary sector organisations that make up the Camden Advice Network and through dedicated Camden staff in Adult Social Care, Early Help, Landlord Services, Good Work Camden and Money Advice Camden. 4. Good Work Camden Programme, with Job Hubs in Gospel Oak, Regents Park and Kilburn each with a team of employment and welfare advisers and brokers. Within this universal service, bespoke approaches are delivered to support specific cohorts – disabled people, refugees, young people, people affected by homelessness. | | | |
| Action | Expected impact | Resources required | Owner | Due Date | Status | |
| Deliver response programme to support residents, including the household support fund and the cost-of-living crisis fund | Reduce likelihood and impact | Resources | J. Rowney | Ongoing | In progress | |

