Money and Pensions Service Procurement of Debt Advice

We Are Debt Advisers, MP Briefing

20th November 2021

About Us

We Are Debt Advisers is a network of over 600 front-line debt advisers who are organising together to prevent cuts to face-to-face debt advice services and to improve the solutions available to people in debt.

The network is being supported on a pro bono basis by the Centre for Responsible Credit (CfRC).

You can find out more about us on our website at www.wearedebtadvisers.uk and more about CfRC at www.responsible-credit.org.uk

If you have any questions regarding this briefing, or want any further information please get in touch with us admin@wearedebtadvisers.uk

What is happening with the commissioning of debt advice?

On 16th July the Money and Pensions Service ('MaPS') started a new procurement exercise for debt advice. MaPS is an arm's length organisation sponsored by the Department for Work and Pensions, and is the largest single funder of debt advice in England. The exercise seeks to radically re-engineer debt advice services, with any new arrangements scheduled to come into effect in April 2022.

The procurement exercise needs to be stopped.

It represents a significant change from previous commissioning strategies, which channelled funding through regional and sub-regional grant agreements, and which promised a local co-commissioning approach with local authorities and other stakeholders.

At our meeting with MaPS held on 17th November, we were told that there are currently five regional *grant agreements* in place, worth a total of £33 million. We understood that these were originally three-year agreements but have been extended on an annual basis due to the pandemic.

MaPS is moving to three-year *commercial contracts*, with the option for an extension to five years, but, in terms of regional contracts it has only sought three.

It has effectively created, with no consultation, three 'mega-regions'. The areas covered together with their funding allocations (excluding VAT) are:

- North (covering North West, North East, Yorkshire & Humber): £5million
- Midlands (covering West Midlands, East Midlands, and East of England): £5.83 million
- South (covering South West, South East, and London): £5.83 million.

The total value of these three mega-regional contracts is therefore £16.7 million, excluding VAT.

This represents a 50% funding cut to regional providers. But the shift to commercial contracts also means that:

- Payments will be made in arrears.
- Bidders for the mega-regions must be large enough to satisfy new financial due diligence requirements.

- There will be clawback of funding if certain targets including quality targets are not met. The quality framework against which performance will be assessed has ~~also~~ not yet been published by MaPS (see page 6, below).

The introduction of this new commercial contracting strategy has not been subject to proper consultation. A previous commissioning strategy, which had been consulted on by MaPS' predecessor body the Money Advice Service, was put in place to cover the period 2018-2023.

To inform that previous strategy, the Money Advice Service undertook research into the unmet demand for face-to-face advice. The findings from that research were published in July 2018[1] and revealed a considerable gap between the supply and need for face-to-face services in England.

The previous strategy also recognised that people in debt often needed access to a wide range of 'wraparound support', for example with benefit claims, housing, and employment. It therefore committed the Money Advice Service to regional and sub-regional co-commissioning of debt advice alongside local authorities and other partners.

Finally the original 2018-23 strategy also committed to an expansion of other channels of advice including digital and telephone services, but it set out a phased approach to test and learn and consult with the sector, particularly in relation to digital provision.

However, on its creation in January 2019, MaPS immediately put a hold on the roll out of the 2018-2023 commissioning strategy. There was no consultation with the sector or wider stakeholders, including local authorities, prior to this decision.

Throughout 2019, MaPS did undertake a number of 'listening events' to help shape its future approach. However, at no time during these events was a possible move to three mega regional commercial contracts mentioned. Neither was there was any mention of these during the consultation on the UK Financial Well-Being Strategy which was subsequently pulled together by MaPs. That final strategy also makes no mention of the move to commercial contracts; the creation of 'mega regions', or the abandonment of co-commissioning approaches that would ensure a holistic approach to meeting people's debt advice needs.

But isn't MaPS investing more money in debt advice?

More money overall is being invested in debt advice, but it will be going to national digital and phone-based services at the expense of face-to-face provision. The relative resourcing of these channels has not been consulted on prior to the start of the procurement exercise.

On 17th November, MaPS told us that they now have a funding envelope of £77 million per annum for debt advice. Discounting extra Covid funding in 2021/22, this is a large increase to the overall budget[2], but they have also told us that only 20% of this will be directed to services with the capability of offering face-to-face engagement. That equates to £15.4 million: a figure which is even lower than the £16.7 million mentioned during the procurement exercise.

MaPS have tried to explain this low level of funding for face-to-face services by arguing that only 56% of the services currently being delivered by regional/ sub-regional providers are actually being provided on a face-to-face basis. The remainder is primarily being delivered by

[1] See https://moneyandpensionsservice.org.uk/wp-content/uploads/2021/03/mapping-the-unmet-demand-for-debt-advice-in-the-UK.pdf

[2] Total MaPS funding for debt advice through the FCA levy was: 2017/18 - £48m; 2018/19 - £56.3m; 2019/20 - £53.3m; 2020/21 - £64.6m; 2021/22 - £94.6m

phone. Therefore, MaPS have decided that a funding allocation of 56% of the £33 million, equivalent to £18.48 million is a suitable benchmark for the three 'mega regional' lots.

Even on this basis, MaPS is proposing a cut for 'face-to-face delivery' of around 16%, as the amount included in the information to bidders is £16.7 million, whilst the amount disclosed to us by MaPS on 17th November is £15.4 million.

However, the reality is that this is a 50% cut for regional services, which currently, and successfully, deliver *multi-channel access* to people needing debt advice. These services provide a blend of digital, phone and face-to-face services and work alongside a wide range of local partners, including local authorities, to receive referrals and offer wraparound support to people who often have complex problems. These include referrals from social workers and food banks. Importantly, these services provide casework support – actually writing to and phoning creditors, including local priority creditors such as the council, on behalf of their clients. They prevent evictions, bailiff visits and more through this direct casework.

By contrast national digital and phone based services, such as those provided by StepChange and the Money Advice Trust, do not normally involve casework. Clients are either referred by these services to local, face-to-face provision or are given self-help packs and factsheets.

Instead of providing much needed further funding for casework services, in the current climate of rising living costs and the recent ending of protections for people in debt, MaPS is proposing to direct the largest single share of its funding allocation towards remote *national* digital and phone-based services. *Three national* 'lots' are being procured with a total value of £35 million, excluding VAT. This represents nearly 50% of its total funding envelope. Finally, MaPS is also proposing to procure three Debt Relief Order 'hubs' with a total value of £10 million excluding VAT, and a national Business Debt hub.

The creation of three Debt Relief Order hubs will also impact the income of local casework services, which are currently able to obtain revenues relating to their work as Approved Intermediaries for the Debt Relief Orders that they put in place. We will provide a further briefing regarding this aspect of MaPS' procurement strategy in due course.

Why is MaPS going for large national contracts of digital and phone-based services?

This appears to be about cost. But, in fact, it is not going to produce a more effective or efficient service. The nominal cost of providing a digital or phone-based advice *session* is certainly cheaper than providing a multi-channel needs-based response. But according to front-line debt advisers working on web chat, around 50% of all clients either disengage or need to be directed to face-to-face services to ultimately have their problems resolved.

Cases are becoming much more complex, and there has been a sharp increase in the number of people in debt with 'negative budgets[3]', where they lack the income needed to pay their rent and other household bills and essentials. Although many clients initially seek debt advice on-line or by phone, not all can obtain a debt solution via these channels alone. National on-line and phone services, such as those provided by StepChange, rely on quickly identifying excess income that can be distributed to creditors in Debt Management Plans.

[3] Roughly 40% of clients are in negative budgets

Debt advisers working in national phone services such as StepChange are typically trained to 'Advice Work' level in the MaPS debt advice quality framework[4], whereas face-to-face caseworkers are trained to the higher 'Caseworker/Specialist' or 'Court Representation' levels. This means face-to-face services are better equipped to identify and intervene in technically complex cases.

StepChange itself has seen its revenues from the so-called Fair Share scheme tumble[5] since the start of the pandemic and has recently made advisers redundant, only to then hire again in expectation of a growth in digital provision. At the start of the pandemic, MaPS effectively bailed out three Fair Share providers, including StepChange and Payplan. According to their accounts StepChange alone received £9 million of funding in 2020/21: nearly twice as much as the value of the regional contracts now being offered. Yet, despite this bailout StepChange's accounts show that it is in a precarious financial position.

But neither digital nor phone-based services can cope well with the increased complexity of cases and rising demand for casework. In most cases where there are negative budgets people accessing these services are merely provided with 'self-help' guides and template letters and told to contact creditors themselves. By contrast, local face-to-face services would typically support these clients with benefit claims, charitable applications and access to local welfare assistance schemes, and continue to liaise with creditors while these steps are taken.

What is happening on the ground now?

Many local providers of face-to-face debt advice services have not been able to bid for any of the contracts (e.g. because they cannot satisfy the financial due diligence requirements of holding such large contracts) or felt unable to because of the risks involved in entering commercial contracts. Others have been told by bidders such as Citizens Advice, which we understand have bid for two of the 'mega regions', that only CABx will be included in their supply chains. That now threatens the closure of small, independent, agencies that were previously included in regional/ sub-regional supply chains.

But even if agencies such as Citizens Advice are successful in obtaining one of the three mega regional contracts, we have been told that they will themselves be making cuts as the bidding process has created a competition on the basis of higher volumes at lower costs. As a result, they have been forced to accelerate the move to digital and phone-based services and to cut back on face-to-face casework.

<u>As a result of the funding cuts to regional and sub-regional advice services, we have been told that many debt advisers can be expected to be given redundancy notices once contracts have been awarded. The date for decisions on the contracts has been given by MaPS as 14th December, with a subsequent 'standstill' period running to 24th December.</u>

Although we do not have information from all parts of the country, examples of the scale of cuts have been provided to us in some areas. For example, we have been told that West Yorkshire's advisers could be cut from 32 to 11, South Yorkshire's from 28 to 7, and Hull, East Riding and North Lincolnshire's from 18 to just 4.

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[4] https://debtquality.org.uk/wp-content/uploads/2020/03/M_G0011_DAQFramework_A_v2.pdf (p.17)

[5] Fair Share refers to a voluntary arrangement whereby creditors donate a proportion (typically 13%) of what is collected through Debt Management Plans back to the advice provider.

In its procurement exercise, MaPS has indicated that new contractors will have TUPE obligations and may be required to take on advisers from agencies that have fallen out of supply chains. <u>This process will disrupt service provision. In addition, any new jobs available under the national contracts will likely be very different to those being done by advisers currently working in regional/ sub-regional settings.</u> By moving to greater phone and digital services those winning the contracts will also likely use it as an opportunity to revise existing debt advice job descriptions, forcing their current employees to compete against possible advisers with TUPE rights for a smaller total number of jobs.

Isn't there anything good about MaPS' proposed new contracts?

We are pleased to report that following our meeting with MaPS earlier in the year, they have announced they will be scrapping the Debt Advice Peer Assessment ('DAPA') scheme at the end of March 2022<u>. This 'quality assurance' scheme was over-bureaucratic, adding to stress for front-line advisers, and has already caused many to quit the profession. We welcome the fact that it is being scrapped, but there have been no announcements regarding plans to consult with the sector concerning its replacement. And the proposed contracts contain 'clawback' provisions if the quality targets in those contracts are not met. It is hard to see why agencies have been asked to bid for contracts, with those risks in place, without having full sight of the proposed new quality assessment framework.</u>

What do we want to happen now?

We have asked MaPS to immediately suspend this procurement exercise, and to consult properly with the sector and wider stakeholders about both the future shape of debt advice and its commissioning processes. At our meeting with the MaPS Chief Executive and her commissioning team on 17th November, she refused to say whether this was or wasn't something she would consider.

A full consultation is also now required regarding the replacement for the Debt Advice Peer Assessment quality framework.