

Debt and Arrears in Scotland

Call to Action to Local Government

Any commitment to tackling poverty – child poverty in particular - at a local level requires public debt recovery to be done differently and in a way that doesn't drive families and households further into poverty.

Together with Aberlour we are calling for a consistent, transparent and person-centred approach to local authority debt. This document draws on our second phase of research on debt and arrears in Scotland and sets out manageable actions that can be taken by local authorities to make a real difference to struggling households.

Actions

Last year we called for a shared response to tackling debt and arrears to public bodies across the public sector with a specific call on the Scottish Government budget.

This year we commissioned further research to explore policy and practice solutions at the local level with a particular focus on the role of local authorities and third sector partners. This work highlights that despite challenging circumstances there is clear evidence of action which can be taken to make a real difference to struggling households. *A separate good practice framework provides in-depth examples.*

Based on existing good practice found within some local authorities, we call on all to:

Have a clear debt policy in place.

Shift from enforcement to support when working with individuals, offering flexibility and building trust.

Provide support at an early stage and throughout the process, assessing vulnerability and using discretion to ensure proportionate, person-centred responses, with affordable and appropriate payment schedules.

Develop people-centred approaches based on distinguishing between 'can't pay' and 'won't pay' customers, including: income and expenditure assessments; tailoring realistic and affordable repayment plans; and developing advance payment plans to 'cushion' against future hardship.

Ensure communications encourage positive engagement - using supportive, effective and non-threatening approaches.

Proactively use data insights to identify vulnerable customers and better target support.

Ensure those eligible claim Council Tax Reduction, which alongside other benefits is currently significantly under-claimed.

Why these actions are needed

Last year, [polling we commissioned](#) highlighted the devastating impact of debt and arrears on households already struggling on low incomes. We found that 29% of households in the lowest two income deciles have some level of financial difficulty compared to 9% among the top six income deciles. We also found that public authorities who should be at the forefront of the fight against the crisis can instead actively compound it. More than four in ten households (42%) in the lowest two income quintiles are worried about meeting council tax payments and those in arrears on council tax are cutting back on essentials. Almost three quarters (71%) have avoided putting the heating on, around half (51%) have had to cut down on meals/portion size and more than two in five (42%) have skipped meals entirely to save money.

The collection methods used by councils and other public bodies can lead to undue stress. Across 22 local authorities providing sufficient data through a freedom of information (FOI) request, at least 150,000 third party deductions for council tax arrears were applied to social security payments in 2021/22. There were a further 30,000 bank arrestments (across 20 local authorities) and 32,000 earnings arrestments (across 21 local authorities).

In addition, last year Aberlour [published research](#) that showed 55% of families with children in receipt of Universal Credit in Scotland (approx. 80,000 households) are losing £80 a month on average from their monthly income. This mostly cancels out the increase in income that [Scottish Child Payment](#) and associated benefits are intended to provide for those families. This research also showed Scotland has a higher proportion of households experiencing third party deductions than in England and Wales and these deductions are often on behalf of local authorities in Scotland (e.g. council tax arrears).

Benefits

The costs of debt collection are significant. Advice Scotland estimated that in 2018-19 (pre-pandemic) Scotland's Local Authorities increased the number of times they instructed Sheriff Officers to recover council tax debts by over 15%, adding, **up to £30 million in Sheriff Officer fees** to those in debt.

Significant financial gains are identified from debt advice services – of around £11 per £1 in funding. However, the financial gains achieved have reduced and the proportion of clients accessing statutory debt solutions accessed has also reduced. This points to

the **need to encourage people to access services at an early stage**, so they are more able to access statutory debt solutions.

Delivery

A separate [Executive Summary](#) of the research outlines the study's main findings and a [good practice framework](#) provides in-depth examples for policy and practice. There is clear evidence of significant progress in policy and practice development, despite challenging financial circumstances, pointing to key themes:

Early intervention

Local authorities and the third sector should continue to share practice and learning with key roles for the Scottish Government, COSLA and the Improvement Service in highlighting the gains of early intervention approaches, including 'no-wrong door' approaches and using data and local knowledge to target prevention activities.

Engaging people in seeking help

If customers engage, local authorities can work on debt solutions and payment plans, or even write off debt in some cases. Incentives, simplifying messaging, more supportive messaging and offering a wider range of communication methods including outreach approaches can all improve engagement.

Engaging vulnerable customers requires a more nuanced approach. This might involve person-centred outreach - or be data driven - building customer profiles to identify customers at risk. Approaches should build on developments in trauma informed delivery.

Building relationships

Relationships between national, local government and the third sector can be challenging and there are differences in the quality and efficacy of relationships between the two across the local authorities in Scotland.

A national level discussion between the third sector, COSLA and the Improvement Service is needed to explore mechanisms for building relationships and improving communication. This will require some difficult discussions on how to reduce blockages and enable system change.

There may be a need to reframe the discussion to agree a shared understanding of the budget challenges local authorities face and what this means for progress on developing policy and practice in the short term.

In some areas the local authority and third sector need to build bridges to improve how they work together. Agreeing better ways of working and developing tools and processes to support this would ensure fair, consistent, and robust practice.

Targeting (and increasing) funding

Good quality advice takes time and requires adequate funding. It is person-centred and offered in a range of formats to suit people's needs, including telephone support and face-to-face provision for people with more complex needs. That is not what is being provided at present. The push to digital services is a logical response to the need to reduce costs and manage demand for those who are able to self-help, with significant potential to reduce barriers posed by geography, mobility and accessibility but this comes at a price and vulnerable households need access to traditional methods of delivery, so they are not left behind.

There needs to be mechanisms for people to access information and advice services particularly pre-enforcement. Some of the best practice on offer has retained an element of person to person contact. The collection of debts, and any arrears that are due, should be fair and reasonable, and enforcement practice should take account of vulnerability and financial difficulty and should not cause, or exacerbate, hardship.

Current funding for local authority and third sector provision does not meet the demand for advice services, with the 'volunteer' model under extreme pressure. There is a need for additional funding to support welfare rights and debt advice services during the extended cost of living crisis.

Challenging values and attitudes

There are some barriers that need more 'transformative' change – to tackle ideas such as *'that's not my job'* or *'they are all chancers'*. Those working with people in debt say they still come across 'judgmental' people working in the public sector.

National and local awareness campaigns are needed to reduce the stigma of debt and arrears and ensure that people seek help at the earliest stage possible, understand the importance of public sector debt as a priority and know where to access good quality information and advice.

Strong corporate leadership is important in challenging negative values and attitudes. Trauma informed public services require investment in staff training across all departments to identify vulnerabilities and ensure that there is genuinely 'no wrong door'.

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