



indigo**house**



Debt and Arrears in Scotland

Policy and Practice
Development: Evidence Review

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Contents Page

Executive Summary	1
Introduction	4
The Impact of Public Sector Debt and Arrears	5
Impact on people in debt	10
Summary of key points.....	13
Policy and Practice on Debt and Arrears	15
The policy environment.....	15
Guidance on practice.....	21
Summary of key points.....	24
Good Practice and lesson Learning	25
Examples of local government policies and practice.....	25
Good practice examples.....	30
Summary of key points.....	44
Evidence of the Costs and Benefits	46
Summary of key points	50

Executive Summary

The evidence review

The Robertson Trust commissioned research to:

- Provide a better understanding of why and how practice in relation to debt recovery differs (and is evolving), exploring good practice and lesson learning.
- Consider the impact of public sector debt on organisations and individuals.
- Explore policy and practice solutions, looking at policy areas/over-arching strategies that can help alleviate public sector debt and arrears.
- Examine the roles and relationships between the Scottish Government, local government and the third sector.
- Identify opportunities and barriers for future policies and practice on public sector debt and arrears.

The evidence review feeds into follow-up qualitative research on policy and practice development which is [reported separately](#).

The impact of public sector debt and arrears

Although debts for council tax are significant and increasing in Scotland, with more use of summary warrants, there has also been a reduction in recipients getting a Council Tax Reduction. There is an increasing level of public sector debt and arrears, affecting some of the lowest income households in the country, with more than half of low-income families in Scotland on Universal Credit with at least one deduction from their monthly income covering [debts to public bodies](#).

The impacts of public sector debt are significant, affecting many aspects of people's lives, including their financial circumstances and mental health and wellbeing over long periods.

Policy and practice on debt and arrears

Although there is a re-stated commitment to partnership working across central and local government, the current very significant gaps in local government budgets are an important context to policy on public sector debt and arrears, in relation to council tax and other local authority debt.

Key issues under consideration in the recent [policy consultation](#) exploring the extent to which the current range of statutory solutions meet the needs of the economy relate to specific processes around mental health and statutory moratorium, better information provision and more streamlined debt advice processes, minimum debt thresholds for bankruptcy, detail on financial tools for income and expenditure and technical issues around exemptions and administrative processes.

The Scottish Parliamentary Inquiry into [low income and debt](#) made a wide range of recommendations relating to public sector debt, calling for the Scottish Government to work in partnership with public bodies to develop a debt management strategy covering all public bodies within devolved competence in Scotland.

Rather than [making active policy responses](#) to the enquiry's recommendations, the Scottish Government highlighted its work enabling income maximisation, as well as the provisions of funding to address hardship, including the Scottish Child Payment. They encouraged councils to have in place clear processes to resolve disputes on council tax liability and to share good practice on debt assistance and collection.

Recent guidance on [collaborative council tax collection](#) and [school meal debt](#) is welcomed, although it is not statutory guidance and local authorities may choose how far to take the guidance on board.

Good practice and lesson learning

There is considerable variation in practice, with the need for better communication and a more compassionate approach to debt/arrears collection identified and implemented. Some of the good practice approaches highlighted in the evidence review included:

- People-centred approaches based on customer segmentation, including income and expenditure assessments, tailoring realistic and affordable repayment plans and developing advance payment plans to 'cushion' against the future.
- Communication is central – with examples of how to encourage positive engagement.
- There is also evidence of good practice in the move from enforcement to support, with greater emphasis on offering support services, with greater flexibility to build trust.

- This often relies on proactive, collaborative approaches and using data insights to identify vulnerable customers, better target support and enable the use of flexible enforcement approaches.

Evidence of costs and 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.

There is evidence of variation in the use of Debt Arrangement Schemes, with more than half of service users not using a statutory debt solution. More investment in money advice services may help more people to access DAS schemes, which provide affordable debt repayment options.

Significant financial gains are identified from debt advice services – of around £11 per £1 in funding. However, the financial gains achieved (reported by the Improvement Service) 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.

There are substantial costs of debt collection against substantial benefits of debt advice. However, there is a lack of data at the local authority level of the costs and benefits of debt collection activities compared with alternative approaches. Better evidence for different approaches is needed.

Introduction

Overall study aims

The Robertson Trust commissioned this research to:

- Provide a better understanding of why and how practice in relation to debt recovery. differs (and is evolving), exploring good practice and lesson learning.
- Consider the impact of public sector debt on organisations and individuals.
- Explore policy and practice solutions, looking at policy areas/over-arching strategies that can help alleviate public sector debt and arrears.

The work aims to consolidate the strands of evidence from previous research with [additional analysis](#) and [policy development work](#). As a key strand of the work is policy and practice solution development, there is a need to understand the existing position of local authorities and other public bodies and relevant Scottish Government officials, advisors and ministers. This is achieved through consideration of policy documentation and other evidence relating to debt and arrears.

A separate part of the research offers more detailed reflection on [policy and practice through qualitative research](#) with local authorities, the third sector and other key actors.

The evidence review

This evidence review provides insights from organisations as well as the lived experience of people in debt and arrears. It includes:

- Evidence of changes in policy or practice on debts and arrears over time in key public sectors.
- Insights on good practice and lesson learning in relation to arrears and debt management.
- Evidence of the costs and benefits of different debt recovery and arrears management approaches.

The Impact of Public Sector Debt and Arrears

The Scale of Public Sector Debt

The focus of this evidence review is public sector debt – that is debt owed to local or national government or other public bodies. Public sector debts significantly increased post-2010 austerity with the welfare reforms which began in 2012, including the rolling out of Universal Credit, being associated with increased poverty¹².

Overall debt levels

Analysis of Citizens Advice data by the Centre for Social Justice showed that the reporting of issues of debts owed to the government or other public bodies across the UK doubled from 21% in 2010–11 to 42% in 2018–19.³ By comparison, reported issues relating to consumer credit debts fell from 57% in 2010–11 to 32% 2018–19. The drop in consumer debt corresponded with greater regulation of personal credit by the FSA since 2014, which included mandatory affordability checks for payday borrowers and gave the FCA the power to ban any misleading adverts from payday lenders.⁴

In January 2022, StepChange estimated that 4.4 million people in the UK were struggling to keep up with household bills and credit commitments and borrowed £13 billion to pay bills and make it through to payday.⁵ They found that ‘safety net borrowing’ was primarily driven by a combination of low financial resilience — such as having a low disposable income and limited savings — and life events such as unemployment, illness or relationship breakdown that cause a reduction in income or an increase in expenses. Those most exposed were groups with low financial resilience including parents with dependent

¹ <https://cpag.org.uk/sites/default/files/files/Austerity%20Generation%20FINAL.pdf>

² <https://web-backend.aberlour.org.uk/wp-content/uploads/2022/03/Public-debt-literature-review-002.pdf>

³ <https://www.centreforsocialjustice.org.uk/library/collecting-dust-a-path-forward-for-government-debt-collection>

⁴ <https://www.fca.org.uk/news/press-releases/fca-confirms-tough-new-rules-%C2%A3200bn-consumer-credit-market>

⁵ [Falling behind to keep up: the credit safety net and problem debt \(StepChange 2022\)](#)

children, renters and those with additional vulnerabilities such as health conditions. Access to prompt, effective help and support was identified as critical to help those in debt.

In 2018, pre-Covid, StepChange found that, 46% of clients in Scotland were in council tax arrears, owing, on average, £2,017.⁶ Overall, Scottish clients had an average of £11,754 unsecured debt. The average level of electricity arrears had also increased by 23% since 2014, with clients having an average of £826 in arrears in 2018. A quarter of clients (25%) said a reduction in income or benefits was the main reason for their financial difficulties. At that time, StepChange called for: earlier sign-posting to free debt advice; for local authorities to work with the third sector to develop a best practice tool kit for addressing council tax arrears; and greater clarity in council tax billing. They estimated that the social cost of problem debt in Scotland was around three-quarters of a billion pounds and called for a coordinated action plan for addressing debt.

Council tax debt and enforcement

In 2022-23 for Scotland as a whole, the total amount of council tax billed (after Council Tax Reduction) was £2.837 billion. Of this total, £2.728 billion, or 96.2% was collected by 31 March 2023. This provisional in-year collection rate is higher than the figure for the previous year (95.7%).⁷ 3.8% of council tax was unpaid by March 2023, with 5-6% unpaid in some areas. The total unpaid debt was £108.8mn in March 2023, an average of £3.4mn per local authority.

The 2022-23 collection rate of 96.2% is now slightly higher than pre-pandemic collection rates. However, council tax collection figures for 2022-23 will reflect the cost-of-living payments, administered by local authorities on behalf of the Scottish Government. Eligible households for these £150 payments included those in receipt of a Council Tax Reduction or in Council Tax bands A-D. They were usually paid as a credit to council tax accounts, meaning the funds could be used towards payment of council tax and/or water and sewerage charges.

It is estimated that, of debt unpaid at year-end, a further 0.5% or so is collected in the following year.

⁶ [Scotland in the red \(StepChange, 2018\)](#)

⁷ <https://www.gov.scot/publications/council-tax-collection-statistics-2022-2023/pages/1/>

The latest data on diligences, from the AIB, Scotland's insolvency service⁸, showed an increase in warrants issued in 2021/22, after a drop during the period covered by Covid-19 emergency legislation. The majority (90%) of total diligences executed in 2021-22 were served under the Summary Warrant procedure in respect of council tax debts (which include bank or earnings arrestments or benefit deductions).

In 2021/22 there were 230,560 summary warrants for council tax debts. This was 9% higher than in 2019/20 (pre-Covid), when there were 211,760 summary warrants issued. Compared with ten years previously, before the roll-out of Universal Credit and associated welfare reforms, summary warrants for council tax debts were up 40% (in 2011/12 there were 164,630 summary warrants issued).

Recent IPPR research⁹ highlighted work by Professor Morag Treanor for Aberlour Children's Charity that found that, 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). Later, data is presented based on all DWP deductions.

In June 2023, Scotland's Council Tax Reduction (CTR) scheme supported 458,940 lower income households and the total weekly income forgone by local authorities was £7.488 million. The statistics show that the number of CTR recipients decreased by 0.4% to 458,940 in June 2023 from 460,720 in May 2023. At the time of writing this report, the number of CTR recipients had decreased slightly but was still above the record low recorded in December 2022 (454,180). The number of CTR recipients was 17% (93,440 recipients) lower in June 2023 than when the scheme began in April 2013.

Although debts for council tax are significant and increasing in Scotland, with more use of summary warrants, there has also been a reduction in recipients getting a Council Tax Reduction.

⁸ <https://www.aib.gov.uk/scottish-diligence-statistics-2021-22-tables>

⁹ <https://www.therobertsontrust.org.uk/publications/debt-arrears-in-scotland-putting-money-owed-to-public-bodies-at-the-forefront-of-the-cost-of-living-crisis/>

Water and sewerage debt

Local authorities in Scotland have a statutory responsibility for collecting water and sewerage charges on behalf of Scottish Water. Water and sewerage charges are on the same notification letter as for council tax at the start of the year and both are collected together under a single payment. If the household is exempt from council tax then they are also exempt from water and sewerage but, if the person receives a full council tax Reduction, they still have to pay 75% of the water and sewerage charge, which causes confusion. Debts are also covered by the same summary warrant procedures as council tax. Citizen's Advice Scotland also reported adverse outcomes for clients due to Water Direct, which allows water and sewerage arrears plus an ongoing payment towards their current year's liability to be deducted from benefit payments¹⁰.

Rent arrears

In February 2022, the Scottish Housing Regulator reported that the latest dashboard showed that aggregate rent arrears across the social rented sector had risen to 6.53% of rent due. They noted that social landlords can experience fluctuations in the level of arrears during the year, and that it was not unusual for a peak around Christmas. However, they noted that this rate of arrears was the highest since the Regulator started collecting monthly and quarterly returns from social landlords in April 2020¹¹. The Annual Report on the Charter for 2021-2022 also reported an increase in overall rent arrears from 5.8% (£146,831,890) in 2019-2020 to 6.3% (£169,626,857) in 2021-22¹².

Data on arrears is not available for the private rented sector, but Citizens Advice Scotland reports that requests for advice on private rented sector rent arrears have increased¹³ and research with private landlords estimates that around 25% of private rented sector tenants could have arrears amounting to a total value of current arrears in the Scottish private rented sector in the region of £126m¹⁴.

¹⁰ https://www.cas.org.uk/system/files/publications/council_debt_collection_10.06_002.pdf

¹¹ <https://www.housingregulator.gov.scot/about-us/news/regulator-s-report-shows-increases-in-rent-arrears>

¹² <https://www.housingregulator.gov.scot/landlord-performance/national-reports/national-reports-on-the-scottish-social-housing-charter/national-report-on-the-scottish-social-housing-charter-headline-findings-2021-2022#section-6>

¹³ <https://www.cas.org.uk/publications/annual-housing-data-briefing>

¹⁴ <https://housingevidence.ac.uk/publications/the-pandemic-arrears-crisis/>

School meal debts

Professor Morag Treanor's work for Aberlour included analysis of FOI requests sent to all authorities in April 2022 which followed up on an earlier school meal FOI sent in December 2021¹⁵. The first FOI collected data on school meal debt which revealed that there was approximately £1,032,500 in total owed by families across Scotland. It found that local authorities with lower levels of child poverty, especially rural local authorities, were more likely to have above average levels of school meal debt. The research concluded that as people who were in paid employment paid for school meals, this suggested significant levels of in-work poverty manifesting in parents not being able to afford school lunches for their children. To be eligible for free school meals the income threshold for families in receipt of child tax credits is £16,105 and, for those in receipt of both child tax credits and working tax credits, the income threshold is £7,500. The Aberlour research noted that if thresholds had been increased in line with inflation, this would have been £22,900.79 in 2021. Later FOI analysis pointed to variation in local provision for children without money to pay for school meals.

Deductions from benefits

In November 2022, Professor Treanor's further research^{16 17} for Aberlour, based on FOI requests to the DWP found that –

- More than half (55%) of low-income families in Scotland in receipt of Universal Credit had at least one deduction by DWP from their monthly income to cover debts to public bodies.
- More than a quarter (27%) of low-income families in Scotland in receipt of UC had multiple deductions by DWP from their monthly income to cover debts to public bodies.
- Low-income families in Scotland in receipt of UC with debts to public bodies saw their monthly income reduced on average by 10% (£80) to cover those debts.
- Scotland had a higher proportion of families with multiple deductions from their monthly income by DWP to cover debts to public bodies compared to England and Wales.

¹⁵ <https://web-backend.aberlour.org.uk/wp-content/uploads/2022/03/Summary-of-School-Meal-Debt-processes-june-2022.pdf>

¹⁶ <https://i-sphere.site.hw.ac.uk/2022/11/28/low-income-families-in-scotland-are-facing-soaring-debt-to-public-bodies/>

¹⁷ <https://web-backend.aberlour.org.uk/wp-content/uploads/2022/11/v2-Aberlour-Public-Debt-FOI-Report-Briefing.pdf>

There is an increasing level of public sector debt and arrears, affecting some of the lowest income households in the country, with more than half of low-income families in Scotland on UC with at least one deduction from their monthly income covering debts to public bodies.

Impact on people in debt

Financial difficulties

Recent research from One Parent Families Scotland¹⁸ found that debt was common, with many participants expressing worries about debts which were growing dramatically as living costs rise. Three in five participants (61%) said they were finding it either extremely difficult to afford or could no longer afford electricity; 58% said the same about gas, and 44% said the same about food.

Professor Treanor's earlier FoI research also found significant costs for those in debt –

- Sheriff Officers charges to households for debt recovery activities could be equivalent to around 10 to 20% of the total value of arrears recovered.
- Across 2021 as many as 80,000 families in Scotland had deductions taken from their DWP-administered benefits, averaging between £73 and £96 per month.
- These deductions represented an average of 10 to 12% of benefit entitlements (with DWP's response confirming a maximum deduction of 25%).

Recent research by IPPR for The Robertson Trust¹⁹ provided up-to-date information of the current level and nature of debt in Scotland. While 15% of the overall population reported some level of financial difficulty, 29% of households in the lowest two income deciles had some level of financial difficulty compared to 9% among the top six income deciles. More than four in ten (44%) of single parent respondents reported financial difficulties.

More than four in ten households (42%) in the lowest two income quintiles were worried about meeting council tax payments and almost three in ten were worried about water and

¹⁸ [Living without a Lifeline \(OPFS, 2022\)](#)

¹⁹ <https://www.therobertsontrust.org.uk/news-and-blogs/new-report-public-debt-and-arrears-in-scotland/>

sewerage payments. Over one in ten of those with the lowest incomes were behind on their council tax bills. This compared with 5% of all council tax payers.

The IPPR research also found that people with debt or arrears to public bodies were having to cut back on essentials. Looking at those in arrears on council tax, almost three quarters (71%) had avoided putting the heating on to save money, around half (51%) had to cut down on meals/portion size to save money and more than two in five (42%) had skipped meals entirely to save money.

Impact on health and well-being

The pursuit of debts is not only draining to households' finances but can cause mental strain for everyone in the household, with the stress associated with amassing debts and arrears shown to negatively affect people's mental health.^{20 21}

Ten people with experience of debt and low income took part in three sessions on Zoom during May 2022 as part of the Social Justice and Social Security Committee Inquiry²² into low income and problem debt. They shared their experiences and then considered their own ideas for solutions and improvements that could be made to support people in debt.

Their experiences highlighted that –

- Most people in the group had experienced the impact of debt on their mental health, anxiety and depression. Mental health impacted on their ability to deal with the situation.
- Some members of the group had experienced domestic abuse and described the impact of trying to deal with debt that passed to them, incurred by their partner, during a complex, traumatic and emotional situation.
- People felt that they were at breaking point. They had already experienced debt and were facing a cost-of-living crisis. Some members of the group had just managed to get rid of their debt (but continued to be careful about how they spent money and

²⁰ Andelic N. and Feeney A. 'Poor Mental Health is Associated with the Exacerbation of Personal Debt Problems: a study of debt advice adherence.' Int J Soc Psychiatry (2023)

²¹ Mental Health Foundation: <https://www.mentalhealth.org.uk/about-us/news/stress-anxiety-and-hopelessness-over-personal-finances-widespread-across-uk-new-mental-health-survey>

²² <https://www.parliament.scot/-/media/files/committees/social-justice-and-social-security-committee/experts-by-experience-experience-and-recommendations.pdf>

kept their heating off) and others were still living with debt. Many people were regularly missing meals.

These experiences echoed those reported in research by One Parent Families Scotland²³, which found that, when single parents were asked how often they have felt anxious, stressed, or struggled with their mental health, over half (56.2%) say they feel this way most of the time and over a quarter (29.6%) say they feel this way some of the time.

Recent qualitative research undertaken by Professor Morag Treanor, for Aberlour²⁴, highlighted a number of issues that impacted on those in debt:

- Struggling on a low income – living on a low income in the cost-of-living crisis, alongside debt and arrears was an almost insurmountable struggle. People were depriving themselves the basics of life.
- Very poor mental health was an inevitable part of this struggle, with anxiety exacerbated by debts, and social isolation due to lack of money compounding these issues.
- Statute of limitations – arrears of council tax and overpayments by DWP can be recovered for up to 20 years, while consumer debt has a 5-year cut-off period from when payments defaulted.²⁵
- Domestic abuse/financial abuse – with victims often left with debts by partners, or struggling to adjust to a reduced income alongside the stress of fleeing domestic abuse. Female lone parents are particularly vulnerable to public sector debts.
- This is compounded by the fact that couples are joint and severally liable for debts, so that even where one partner is sequestered, the other partner is still liable for the outstanding debt.
- Enforcement action by sheriff officers is experienced as inflexible, with a lack of focus on the affordability of repayments.
- Some people are using unregulated forms of credit where they spread repayments (e.g. Klarna and PayPal) which lead to interest or late payment fees. This is because they are left with insufficient income after public sector debt repayments are made.
- There are physical as well as mental health issues being exacerbated by poor access to food, poor nutrition, and food bank use.

²³ <https://opfs.org.uk/policy-and-campaigns/policy-research/living-without-a-lifeline/>

²⁴ <https://web-backend.aberlour.org.uk/wp-content/uploads/2023/06/aberlour-qualitative-report.pdf>

²⁵ <https://www.nationaldebtline.org/fact-sheet-library/statute-barred-debts-s/#:~:text=If%20you%20started%20to%20pay,and%20legally%20no%20longer%20exists.>

- Homelessness and poor housing – overcrowded, unaffordable or unsuitable – are common alongside debt and arrears.
- Family relationships are strained by debt and arrears. While people often rely on family for support, debt and arrears can limit involvement in family activities and putting pressure on relationships, with some ending due to the stress of financial hardship. Children in particular are felt to suffer due to missing out on activities that cost money.

Public debt has also led to increasing levels of food bank use. In the latest Trussell Trust's State of Hunger report²⁶ debt was found to be a very significant issue for households referred to food banks: nine in ten had some form of debt, while six in ten had arrears on bills and owed money on loans. In mid-2020, the DWP had become the main creditor to people referred to food banks: 47% of all people referred to a food bank and 41% of disabled people referred were indebted to the DWP in mid-2020. This was cited as one of the most striking findings of the whole study²⁷.

The impacts of public sector debt are significant, affecting many aspects of people's lives, including their financial circumstances and mental health and wellbeing over long periods.

Summary of key points

Although debts for council tax are significant and increasing in Scotland, with more use of summary warrants, there has also been a reduction in recipients getting a Council Tax Reduction.

There is an increasing level of public sector debt and arrears, affecting some of the lowest income households in the country: more than half of low-income families in Scotland on Universal Credit have at least one deduction from their monthly income covering debts to public bodies.

²⁶ <https://www.trusselltrust.org/state-of-hunger/>

²⁷ <https://www.trusselltrust.org/wp-content/uploads/sites/2/2021/05/State-of-Hunger-2021-Report-Final.pdf>

The impacts of public sector debt are significant, affecting many aspects of people's lives, including their financial circumstances and mental health and wellbeing over long periods.

The next section of the report looks at the policy environment and how this impacts on organisational responses to public sector debt.

Policy and Practice on Debt and Arrears

The policy environment

Budget shortfalls and council tax increases

The Scottish Government 2023-24 Budget²⁸ announced that local government would receive an additional £550 million in its annual settlement. This fell short of the £1 billion that COSLA and CIPFA Directors of Finance argued was needed to address the multiple challenges councils were facing. The SPICe briefing on the budget also noted a change in language over recent announcements on public services, from “protecting and rebuilding” to “excellent” to “sustainable”.²⁹

COSLA's President Councillor Shona Morrison said³⁰:

There are many areas in which Local and Scottish Government work together for our communities and I fully appreciate that money is extremely tight - all Governments are having to cope with rising inflation and fuel costs. However, with little room left to manoeuvre, the Scottish Government's spending plans as they stand will see Council services either significantly reduced, cut or stopped altogether. 70% of Local Government's budget is spent on staffing, so it is inevitable that current spending plans will lead to job losses. The very serious impact of this scenario is that the critical work council staff do on prevention and early intervention will reduce significantly.

The COSLA 'Save our Services' briefing including the statement above also noted that Directors of Finance across Scotland's Councils were sufficiently concerned about the financial sustainability of councils that they had written to the Deputy First Minister outlining their concerns.

²⁸ <https://spice-spotlight.scot/2022/12/16/scottish-budget-2023-24-pulling-the-income-tax-lever/>

²⁹ <https://spice-spotlight.scot/tag/budget/>

³⁰ <https://www.cosla.gov.uk/news/2022/cosla-launches-sos-call-to-save-local-services-5th-december-2022>

In November 2022, the Deputy First Minister wrote to Councils to confirm that:

It is for individual councils, as democratically elected bodies, to consider the needs of their communities with a focus on the most vulnerable, their legal obligations and the totality of resource funding available to them, and to then take the decisions necessary, openly and transparently, to operate as effectively as possible within this context.³¹

This was noted in a COSLA briefing in response to a pending Scottish Government statement on teacher numbers and minimum learning hours. COSLA concluded that it regretted the need for local government to make difficult decisions regarding the delivery of school education in the light of the Scottish Budget. The briefing also noted that it was hoped that the Scottish Government would continue discussions with COSLA, including considerations of funding flexibilities and the overall level of funding in the Local Government Settlement. These exchange shows the difficult relationship between the Scottish Government and Local Government on the issue of local government finance.

This significant funding gap has meant that most council across Scotland agreed to increase council tax by at least 5%³², ranging from 4% in Aberdeenshire and Highland to 10% in the Orkney Islands. Over much of the previous 15 years, the Scottish Government had sought local government's agreement to freeze or cap council tax. In 2021, however, the Cabinet Secretary for Finance and the Economy lifted the freeze stating that councils would have "complete flexibility to set the council tax rate that is appropriate for their local authority area"³³.

A 'New Deal' for local government was announced on 31st March 2023³⁴ with the appointment of a dedicated Minister for Local Government Empowerment and Planning and a commitment from the Scottish Government to a 'resetting' of its relationship with local authorities.

Although this may well signify a new commitment to partnership working across central and local government, the current very significant gaps in local government budgets are an

³¹ https://www.cosla.gov.uk/_data/assets/pdf_file/0023/41693/230207-COSLA-Briefing-Statement-on-teacher-numbers-and-miniumn-learning-hours.pdf

³² <https://www.bbc.co.uk/news/uk-scotland-64868334>

³³ <https://spice-spotlight.scot/2022/12/16/scottish-budget-2023-24-pulling-the-income-tax-lever/>

³⁴ <https://www.gov.scot/news/a-new-deal-for-local-government/>

important context to policy on public sector debt and arrears, in relation to council tax and other local authority debt.

Recent policy developments

Scotland has the Debt Arrangement Scheme (DAS)³⁵, which was set up by the Scottish Government to help people repay debts in a manageable way without the threat of court action. This scheme offers a moratorium to prevent creditors taking enforcement action and to allow time for people to get advice from a money adviser. It is possible to apply for a Debt Payment Programme under the Debt Arrangement Scheme if a Summary Warrant has been granted in respect of council tax debts³⁶. DWP overpayments can also be included. However, not all cases of public sector debt/arrears are covered by the DAS. For example, you cannot apply for a Debt Payment Programme if you have more than one arrestment (a conjoined arrestment), unless an additional creditor decides to take further action. Creditors can object to the DAS, so a council or the DWP might object (though this can be overruled³⁷). There is no data available on what proportion of Summary Warrants or DWP overpayment cases have become part of a DAS.

The Bankruptcy and Debt Arrangement Scheme (Miscellaneous Amendment) (Scotland) Regulations 2023 were laid in the Scottish Parliament on 24 November 2022 to help improve access to debt relief and included removing the minimum debt threshold for the Minimal Asset Process bankruptcy as set out. The regulations also provide additional protections for those participating in a debt payment programme under the Debt Arrangement Scheme, where increased living costs impact on the ability to meet payments. In January 2023, the Scottish Government published the result of consultation on Statutory debt solutions and diligence which will inform future policy³⁸.

Key issues for consideration in that policy consultation related to: specific processes around mental health and statutory moratorium; better information provision and more streamlined debt advice processes; minimum debt thresholds for bankruptcy; detail on

³⁵ <https://www.citizensadvice.org.uk/scotland/debt-and-money/help-with-debt/what-options-are-there-for-dealing-with-debt/the-debt-arrangement-scheme-in-scotland/>

³⁶ <https://www.advicescotland.com/home/council-tax-debt/>

³⁷ <https://www.nationaldebtline.org/fact-sheet-library/debt-arrangement-scheme-s/>

³⁸ <https://www.gov.scot/publications/scotlands-statutory-debt-solutions-diligence-policy-review-summary-responses/pages/1/>

financial tools for income and expenditure; and technical issues around exemptions and administrative processes.

The Scottish Parliamentary Inquiry into low income and debt (“Robbing Peter to Pay Paul”) made numerous recommendations relating to public sector debt³⁹. The Committee recommended that the Scottish Government worked in partnership with public bodies to develop a debt management strategy covering all public bodies within devolved competence in Scotland. The recommendations suggested that this included:

- Information on identifying customers who can’t pay their debts or who need additional support to do so.
- A requirement for active liaison with, and referral to, money advice services.
- Processes to ensure a proportionate approach to debt enforcement.
- Structures to enable performance across the sector to be monitored and improved.
- An evaluation of the cost-effectiveness of debt collection.

The Committee called for local authorities, COSLA and the Scottish Government to work together with the free advice sector to develop national standards for council tax collection, with consideration for legislation to make these binding and enforceable.

The Committee invited the UK Government to provide an update on its consideration of how to manage historic Tax Credit and recovery of other benefit overpayments, particularly given the impact of the cost-of-living crisis. It also pledged to monitor the levels of debt from overpayments and debt recovery policies.

The Committee noted that early intervention and preventative support must be prioritised to avoid escalation of housing debt and potential homelessness. They recommended the Scottish Government tightened the pre-action requirements to formalise the need for a referral for free independent money advice.

In relation to school meal debt, the Committee recommended that the Scottish Government works with COSLA and local authorities to write-off individual school meal debt to allow families a clean slate as they move into the new school year and possible new school setting. It also called for COSLA to work with local authorities on a national school

³⁹ [Robbing Peter to Pay Paul: Low Income and the Debt Trap - Social Justice and Social Security Committee Inquiry Report, July 2022](#)

meal policy, which is founded on human rights and removes stigma, to ensure that children are treated with dignity in a consistent and fair way.

The Scottish Government response to the 'Robbing Peter to Pay Paul' recommendations relating to public sector debt was to resist providing statutory guidance or new policy measures in a number of areas.⁴⁰ The response encouraged all councils to have in place clear processes for resolving disputes on council tax liability. It also encouraged local authorities to share good practice on debt assistance and collection, noting the principles set out in the collaborative council tax collection report⁴¹.

On rent arrears, the Scottish Government response was that all social landlords had processes in place for resolving disputes on rent arrears liability. A tenant could challenge any administrative errors by discussing this with their landlord, take independent advice or make a complaint using the landlord's formal complaints process. Legislative pre-action requirements required both landlords and tenants to do all that they could to resolve rent arrears at an early stage to prevent more acute problems developing.

On school meal debt, the Government response was that local authorities had the flexibility to offer free school meals to families who were experiencing financial hardship but did not meet regular eligibility criteria. They were working with COSLA and partners to consider the issue of school meal debt and appropriate next steps. The COSLA Guidance that has since been developed is examined below.

The Scottish Government response highlighted their commitment to income maximisation – through the allocation of around £12.5 million to support the provision of free income maximisation and welfare and debt advice services in 2022-23. They also noted that local authority funding for money and welfare rights advice services was recorded as more than £27 million in 2020-2021. There was an additional £1.2 million of funding for the expansion of energy advice services. The response also highlighted that existing commitments, worth almost £3 billion, would help with rising costs, including the Scottish Child Payment.

⁴⁰ <https://www.parliament.scot/-/media/files/committees/social-justice-and-social-security-committee/correspondence/2022/sg-response-to-low-income-and-debt-inquiry-report-21-september-2022.pdf>

⁴¹ https://www.improvementservice.org.uk/_data/assets/pdf_file/0011/11801/collaborative-council-tax-collection-May-22.pdf

Other key actions included a time limited rent freeze alongside a moratorium on evictions in the rented sector and increased investment in the Fuel Insecurity Fund and for Discretionary Housing Payments. The Scottish Government also committed to encourage local authorities to use the existing flexibilities available to them to take a compassionate and proportionate response to arrears, taking account of the pressures on household finances.

The Scottish Parliamentary Inquiry into low income and debt made a wide range of recommendations relating to public sector debt, calling for the Scottish Government to work in partnership with public bodies to develop a debt management strategy covering all public bodies within devolved competence in Scotland.

Rather than [making active policy responses](#) to the enquiry's recommendations, the Scottish Government highlighted its work enabling income maximisation, as well as the provisions of funding to address hardship, including the Scottish Child Payment. They encouraged councils to have in place clear processes to resolve disputes on council tax liability and to share good practice on debt assistance and collection.

Demands for policy action

The recent research by IPPR noted, however, that the Scottish Government's own policy choices meant that council tax and water rates payments taken by one hand of the state could wipe out the value of the Scottish Child Payment given by another.⁴² They recommended that additional funding be provided to support a moratorium on public debt recovery mirroring the previous rent freeze and evictions ban in the short term.

They also wanted to see funding and flexibilities for local authorities to write-off existing debt liabilities for low-income households, providing them with a clean slate. They noted that this should include writing-off any debt or arrears built up by families with pre-school and primary school aged children not yet receiving free school meals and also called for school meals to be offered free at the point of use with no upfront fees.

The IPPR research also recommended the removal of all low-income families in receipt of Universal Credit from paying council tax and for the alignment of Water Charges Reduction

⁴² <https://www.therobertsontrust.org.uk/publications/debt-arrears-in-scotland-putting-money-owed-to-public-bodies-at-the-forefront-of-the-cost-of-living-crisis/>

and Council Tax Reduction (CTR) – ensuring low- income households with 100% CTR would also get 100% water rates reduction. At the moment, not all households that are eligible apply for CTR and this does not cover water charges.

Overall, they called for the Scottish Government and public bodies to urgently work together to establish common, Scotland-wide standards on debt, arrears, and recovery – centred on the principles of dignity, respect and human rights.

More recently, in April 2023, Aberlour highlighted the following recommended policy measures in a briefing to MSPs, in order to reduce child poverty.⁴³ They called on the Scottish Government to:

- Increase the Scottish Child Payment to £40 per week to help combat cost of living rises, to increase low income families' household budgets and to meet interim child poverty targets.
- Tackle the debt crisis and the role public debt plays in trapping families in poverty, including cancelling school meal debt for all low income families in Scotland.
- #KeepThePromise and prioritise investment in holistic whole family support through the delivery of the Whole Family Wellbeing Fund in order to support all families needing extra help.
- Invest in and improve the delivery of the Scottish Welfare Fund so that it can effectively and urgently respond to the needs of those of who rely on it.
- Develop a consistent national approach by working together in partnership with local authorities to support children and their families with No Recourse to Public Funds.

Guidance on practice

As highlighted by the Scottish Government response to the 'Robbing Peter to Pay Paul' report above, voluntary guidance is available on collaborative council tax collection, with guidance also being recently provided by COSLA on school meal debt.

⁴³ <https://web-backend.aberlour.org.uk/wp-content/uploads/2023/04/Aberlour-Cost-of-Living-and-Reducing-Child-Poverty-Briefing-for-MSPs-April-23-Updated.pdf>

Guidance on council tax arrears was developed in May 2022 by StepChange (Scotland), the Improvement Service, IRRV Scotland, Citizens' Advice Rights Fife, Citizens Advice Scotland, Money and Pensions Service, and Money Advice Scotland⁴⁴. This set out an agreed approach to working together on council tax collection. This was voluntary guidance, taking the form of a set of standards that could be adopted in each council area. It was similar in focus to UK Government Guidance⁴⁵.

The guidance above highlighted the benefits of ensuring that people were supported to access and choose free advice in terms of:

- Reduced collection costs.
- Less need for enforcement action.
- Enabling people to agree reasonable and sustainable payments.
- Perceived as being a 'fair' council.
- Supporting and engaging people who are vulnerable.

Collaborative working with the advice sector was noted as a key part of an effective, collaborative approach. This involved an agreement of roles and approaches, a clear point of contact, shared principals, transparency/trust and close working (including training, networking, work-shadowing, and even co-location).

Early engagement with bill-payers was also important – to reduce the amount owed, to identify vulnerabilities, and to actively offer help and support. Where referrals were made, these should be 'active' referrals rather than just sign-posting.

Supporting people to pay their council tax was outlined as an ongoing process: from clearly communicating at every step, offering support and advice early, offering realistic repayment opportunities based on a full understanding of their debts, to holding off on enforcement action when appropriate. Understanding vulnerability and developing 'segmentation' approaches to risk factors were identified as a means to help avoid hardship. There are examples later of using data or other intelligence to identify customer segmentation approaches. The UK Government has also produced a vulnerability toolkit to assist local authorities.

⁴⁴ https://www.improvementservice.org.uk/_data/assets/pdf_file/0011/11801/collaborative-council-tax-collection-May-22.pdf

⁴⁵ <https://www.gov.uk/government/publications/council-tax-collection-best-practice-guidance-for-local-authorities/council-tax-collection-best-practice-guidance-for-local-authorities>

The Cabinet Office's Fairness Group has developed a [Vulnerability Toolkit](#) which draws together existing tools used to support of vulnerable customers. This toolkit is intended to enable frontline staff to identify and help customers who may need additional support. It is designed to be easy-to-use while interacting with customers and provides prompts and guidance.⁴⁶

The guidance highlighted the need for enforcement to be proportionate, flexible, and to only occur after considerable efforts to engage bill payers. Support should be offered at every step, with every reminder. If it were known that it would cause an individual hardship, councils should not refer the person for automatic deductions from benefits by the DWP, whether for council tax arrears or via Water Direct.

Guidance on School Meal debts was issued by COSLA in early 2023⁴⁷ in response to Aberlour's research which was highlighted earlier. That guidance encouraged local authorities to develop approaches to school meal debt management, including all aspects of policy and practice, that are compassionate, proportionate and seek to minimise as far as possible the stigmatisation of children, young people, and their families.

Other key aspects of the COSLA guidance included:

- Clear communication.
- A co-ordinated approach across departments/partners.
- Early intervention to avoid large debts.
- Promoting the uptake of school meals (including automated approaches based on benefit receipt).
- Sign-posting families to support services.

The guidance also encouraged consideration of the use of discretionary free school meals provision and local discretion on assisting in the clearing of debt – through hardship funds or other means.

⁴⁶ <https://www.gov.uk/government/publications/public-sector-toolkits/debt-management-vulnerability-toolkit-for-service-and-policy-managers-v2-html>

⁴⁷ https://www.cosla.gov.uk/_data/assets/pdf_file/0029/41798/Good-Practice-Principles-for-School-Meal-Debt-Management.pdf

A total of 15 local authorities have announced the cancelling of school meal debt - £618,000 worth of debt (possibly higher, due to incomplete data). Aberlour estimate that this has benefited 16,000 children and families.

The guidance above is welcomed, although it is not statutory guidance and local authorities may choose how far to take the guidance on board.

Summary of key points

Although there is a re-stated commitment to partnership working across central and local government, the current very significant gaps in local government budgets are an important context to policy on public sector debt and arrears, in relation to council tax and other local authority debt.

Key issues under consideration in the recent [policy consultation](#) exploring the extent to which the current range of statutory solutions meet the needs of the economy relate to specific processes around: mental health and statutory moratorium; better information provision and more streamlined debt advice processes; minimum debt thresholds for bankruptcy; detail on financial tools for income and expenditure; and technical issues around exemptions and administrative processes.

The Scottish Parliamentary Inquiry into [low income and debt](#) made a wide range of recommendations relating to public sector debt, calling for the Scottish Government to work in partnership with public bodies to develop a debt management strategy covering all public bodies within devolved competence in Scotland.

Rather than [making active policy responses](#) to the enquiry's recommendations, the Scottish Government highlighted its work enabling income maximisation, as well as the provisions of funding to address hardship, including the Scottish Child Payment. They encouraged councils to have in place clear processes to resolve disputes on council tax liability and to share good practice on debt assistance and collection.

Recent guidance on [collaborative council tax collection](#) and [school meal debt](#) is welcomed, although it is not statutory guidance and local authorities may choose how far to take the guidance on board.

The next section examines evidence on current policy and practice, to identify areas of lesson-learning and good practice.

Good Practice and lesson Learning

Examples of local government policies and practice

Areas where improvement is needed

There were various examples provided in the literature of instances where policies and processes relating to public sector arrears and debt have led to hardship. The 'Experts by Experience' on the Social Justice and Social Security Committee Inquiry into Debt and Low Income identified a number of areas of concern in relation to policy and practice:⁴⁸

- Direct debts being cancelled because of missed payments but with no communication.
- Technical arrears, e.g. housing debt being liable for two properties at the same time.
- Local Authorities pursuing council tax and housing debt - better and more compassionate/understanding communication was felt to be needed.
- Debt advice referral and support for people in debt needed to be holistic and flexible and adapt to suit individual circumstance.
- Referrals should be made to a specially qualified Money Adviser not to a generic advice service giving general advice. They should also understand mental health issues.
- There must also be different ways to contact local authorities, the DWP and energy companies. If you wanted to speak to someone about payments or bills it was difficult to contact them.
- Allowing people on benefits to pay fortnightly, weekly or 4-weekly, depending on how they received their benefits. The payment dates for social security benefits can change every month, but direct debits must be agreed in advance. For example, with local authorities and housing providers.
- Not taking further action where someone was paying their council tax every month, albeit not by the due date at the beginning of the month.

In relation to council tax, enforcement was making situations more difficult. It was a challenge to get support or to set up an account. Letters were difficult to understand – sometimes people could not even work out what their balance was and there was no

⁴⁸ <https://www.parliament.scot/-/media/files/committees/social-justice-and-social-security-committee/experts-by-experience-experience-and-recommendations.pdf>

telephone number to phone and ask for more information. Council Tax Reduction wasn't aligned with the rest of the benefits system which meant it didn't always respond to changes in income. There should be recognition of how benefits and self-directed support all tie in so that someone's circumstances were fully understood.

People described being harshly treated by creditors and suggested that creditors should be trained in trauma informed practice. Compassion should be part of all processes used by organisations and built into organisational processes by creditors like local authorities. The forum also wanted to see consideration of writing off some public sector debts. For example, relief on school meal debt and a moratorium on council tax debt.

Citizen's Advice Scotland also provided numerous examples of policies and practice in debt collection that showed the need for improvement.⁴⁹ One area was in joint working – the collaborative approach called for in the guidance above.

A number of barriers to joint working existed including:

- A “this is what we've always done” approach.
- Staff often felt they were firefighting or 'under siege'.
- Some local authorities were under a great deal of pressure.
- Revenues and Benefits Teams in different areas had different accountabilities.

There was a need identified for organisations to want to work together and get past the “them and us” mentality. Individual personalities are always going to play a role in that too though. One Citizens Advice Bureau (CAB) had no formal arrangements or policies in place for working with the council, so co-operation was entirely down to individual personalities. The example was given of a debt adviser that knew the council employee who made decisions on Debt Arrangement Scheme applications. The standard response to a DAS application was “no” but, if the adviser contacted the DAS decision maker and explained the reasons for the application then 9 out of 10 times cases were then approved.

Affordability was another area of concern. There is no standard assessment of income and expenditure agreed with the council, and in particular sheriff officers, who did not recognise the Common Financial Statement figures - commonly used by debt advisers and other creditors - as a method of agreeing what was affordable for people to pay towards their council tax debts. There was also difficulty in getting sheriff officers to recognise that

⁴⁹ https://www.cas.org.uk/system/files/publications/council_debt_collection_10.06_002.pdf

people cannot afford to pay both arrears and new council tax and would need to scale back their arrears payments. This created a vicious circle of new council tax debts being incurred by clients, due to unaffordable repayment arrangements.

The CAS research also noted that people received confusing council tax correspondence from the council with different amounts shown as owing between letters. There were also often follow up “charge for payment” letters from sheriff officers that did not match what was detailed as owed in the previous letters either.

The lack of trust is evident in the CAS research, with a CAB debt adviser saying they did not feel their role - as professional intermediaries - was understood and that there was a view within the council that advisers were trying to help people evade their responsibilities. This was alongside there being no working relationship with the council’s sheriff officers either, who often referred issues back to the council. This was held up in contrast to other areas where debt advisers were able to deal directly with sheriff officers.

Evidence was presented on variable levels of discretion used by different local authorities. In some areas people were reported to be treated as individuals and the local authority staff had a reasonable amount of discretion to take an individualised approach. However, a contrasting example was provided of a council bankrupting people for council tax arrears that the council knew could not be paid back or recovered. There was no discretion, so everyone in difficulties was treated as a serial nonpayer.

Poor practice was also evidenced in rent collection, with a lack of early intervention found in one local authority to the extent that rent arrears of £3,000-£4,000 were not uncommon. This was attributed to the council not working in a joined-up way in terms of helping vulnerable people, especially those with mental ill health. Issues with multiple debts were also undermining rent payment arrangements agreed at court, with wage arrestments being put in place for council tax at the same time as people were trying to pay back rent arrears. Similarly, agreements to pay back rent arrears through deductions from benefits could be undermined if the council submits a deduction to the DWP for council tax arrears at the same time.

The use of sheriff officers and their role varied, with examples of sheriff officer correspondence that was difficult to understand or overwhelming, with multiple letters received at the same time. The language in the letters was correct but not bespoke to the individual’s circumstances. So, letters threatened bankruptcy, but debts owed were less than the threshold for bankruptcy. Or they threatened people with the loss of possessions,

which would be a disproportionate response to the level of debt owed. The example was given of sheriff officers not putting accounts on hold to allow the person in debt and a debt adviser to have time to put plans in place. They often claimed not to have the authority from the council to put recovery on hold, but when the council were asked they said this is up to the sheriff officer.

There is considerable variation in practice, with the need for better communication and a more compassionate approach. There is a need for joint working, built on trust, to provide support at an early stage and throughout the process. Assessing vulnerability and using discretion are important to ensure proportionate, person-centred responses, with affordable and appropriate payment schedules.

Corporate debt policies

The CAS research in 2020 also found that only 31% of councils had a corporate debt recovery policy that could be located on their own website.⁵⁰ Using an external search engine found a further 22% of authorities. That meant that nearly 50% of councils did not have a debt policy that was easily available to the public.

Glasgow City Council has an online debt policy⁵¹, which has the following aims to:

- Ensure that there is a consistent corporate approach to dealing with debt and the recovery of arrears.
- Try to stop arrears from arising.
- Break the cycle of debt.
- Ensure that all debts owed to the council are covered.
- Ensure that citizens with financial difficulties are provided with assistance.
- Consider individual circumstances when taking recovery action.

Delivery of the policy is outlined to include:

- Where an application for a reduction, relief or discount is made, that these are assessed promptly and efficiently.
- All bills and reminders are issued promptly and accurately.

⁵⁰ https://www.cas.org.uk/system/files/publications/council_debt_collection_10.06_002.pdf

⁵¹ <https://www.glasgow.gov.uk/Debt>

- Where appropriate, citizens with debts are referred onto money advisors who may be able to assist in implementing a suitable repayment scheme.
- All reasonable payment proposals are considered such as allowing council tax to be repaid over 12 months of the year.
- The cycle of debt is broken by prioritising payment towards the current year or most recent debts first. Flexible payment methods such as direct debit and online payments are available.

Falkirk Council has a debt recovery policy outlining the following aims⁵²:

- Bill, collect and recover charges and rents in an economic, effective and efficient manner that meets with legislation.
- Encourage people to pay regularly; using the most cost-effective methods provided that method meets the needs of the person.
- Promote early personal contact across all debt streams, recognising the need to prevent debts escalating.
- Identify, where appropriate, support which may be required to those owing money to the Council, and ensure individual circumstances are taken into consideration promoting income maximisation.
- Facilitate a co-ordinated approach to managing multiple debts owed to the Council, including a single assessment of the ability to pay, where required.
- Standardise the approach to debt collection to ensure consistency of approach whilst complying with relevant legal frameworks applying to the different categories of debt.
- Seek satisfactory arrangements for payment of debts at all stages of recovery. Where this cannot be achieved; we will take recovery action using the appropriate legal remedies.
- Apply best practice to debt collection, to ensure all debtors are treated fairly and objectively.
- Have regard to the requirements of client services within the Council including the need to protect vulnerable people and sustain persons in their homes.

Clarity and transparency, in terms of a clear debt policy, would appear to be an important first step for many other local authorities.

⁵² <https://www.falkirk.gov.uk/services/council-tax/docs/difficulties-paying/Debt%20recovery%20policy.docx?v=202206101406#:~:text=Falkirk%20Council%20may%20a ppoint%20Sheriff,legislation%20covering%20each%20debt%20stream.>

The next section shows some good practice examples which can be built on.

Good practice examples

Mitigating rent arrears

Work for the Scottish Federation of Housing Associations considered the impacts of welfare reforms on tenants, with recommendations on mitigating rent arrears.⁵³ It was noted that, even if rent payments were made directly to the landlord under Universal Credit, having **good quality information from DWP about whose Housing Credit fell short** of their rent would enable landlords to adopt proactive rent arrears actions. Landlords would be able to identify the tenants in risk of arrears and offer them greater support. The need for very good communication about Direct Payments to enable landlords to take prompt action with tenants on rent arrears was also highlighted. This would enable the landlord to identify any payment gaps promptly.

Glasgow Housing Association (GHA) research on arrears (reported in the SFHA report) also suggested that the best outcome for tenants with rent arrears was when the arrears situation was addressed early. For many tenants, that involved quite **active monitoring and regular contact with their housing officer**. The GHA research involved a segmentation approach, identifying different types of customer in rent arrears.

Customer segmentation approaches

Glasgow Housing Association undertook one of the most significant pieces of work identifying best practice approaches to rent arrears, commissioned before the 2012 welfare reforms took effect. That research found that significant progress had been made on reducing rent arrears since May 2008, with a reduction in arrears approaching £3m by November 2010.

The research included analysis of rents data and interviews with tenants and staff, which identified those most at risk. Working tenants and previously homeless tenants were most vulnerable to arrears, with different strategies identified as needed for different groups.

⁵³ [The impact of proposed Welfare Reform on HA/Co-op tenants \(SFHA\)](#)

The research involved a large-scale qualitative study with tenants in rent arrears and found that customers tend to fit into one of a series of 'types':

Payers – it was noted that most tenants in arrears are contributing towards an arrangement.

Ostrich customers – those who avoided contact and ignored letters. Tenants usually started their arrears journey at this point, but some took far longer than others to engage. Landlords needed to be proactive about identifying those whose Housing Credit would not pay their full rent. It was noted that this would depend on robust, timely information being provided to landlords from the DWP.

Vulnerable tenants – these tenants often showed ostrich behaviour initially. Their arrears were often due to the failure to deal with Housing Benefit. Even when all tenants had to do was fill in forms or provide evidence, they did not and this would lead to arrears. If these tenants were also required to arrange the rent payment, there was scope for further arrears.

Family crisis – unemployment, the death of a household member or relationship breakdown led to erratic payments in previously good payers. After the initial crisis, the tenant may become an ongoing erratic payer, due to the decrease in income.

Erratic payers – these tenants sometimes paid all their rent, sometimes paid late and sometimes paid some or no rent, depending on other commitments. They had difficulty budgeting. The proposed Direct Payment of Housing Benefit to tenants was noted to inevitably increase the volume of erratic payers by including non-working households alongside the low-income working households who struggled to pay rent. Erratic payers often lost their way at Christmas or Summer holidays and took time to recover.

Can pay, won't pay – some tenants would not pay, although evidence suggested they should be able to. Paying Housing Credit directly to tenants was noted to inevitably produce some more tenants who fitted this category.

Late payers – these tenants paid at the last minute, in arrears. Occasionally, they became more erratic payers. Although always tending to pay, staff time was still required to encourage or chase payments.

Deal breakers – these were tenants who had arrangements which they were not meeting. They may have been erratic payers in the past but had progressed to more entrenched, persistent, non-payment behaviour. These were the tenants who may eventually be evicted for non-payment. Sometimes a court appearance or Notification of Proceedings was sobering and encouraged a step towards becoming a payer, albeit an erratic one.

The research recognised that customers moved between types and that was why **early, proactive intervention by staff** might coax a ‘vulnerable ostrich’ towards being a ‘payer’. Ongoing contact and intervention might also prevent erratic payers or late payers from sliding towards deal breaking or ‘can pay, won’t pay’ behaviour.

People-centred approaches used by GHA staff involved using income and expenditure assessments, tailoring realistic and affordable repayment plans and developing advance payment plans to ‘cushion’ against the future. These approaches were noted to be more difficult to sustain with monthly payments under Universal Credit, since they often involve ‘micro’ managing money with weekly rent payments and arrears payments.

Targeted approaches for vulnerable customers

A more recent evidence review considering the drivers of rent arrears cited a number of studies highlighting concerns that landlords were adopting a tougher stance towards arrears, based on greater use of sanctions and threats of eviction.⁵⁴ There was some evidence that some landlords were adopting a ‘risk averse’ strategy which involved limiting access to vulnerable (financially risky) households.

The evidence review found that other landlords were taking more positive, proactive approaches to tenancy support, sometimes referred to as **‘Housing Plus’ models**. These strategies showed housing management as part of a much wider set of approaches than merely rent collection and property maintenance. This included:

- Debt prevention support - including measures to tackle fuel poverty and to offer access to credit.
- Benefits advice.
- Employment and training advice.

⁵⁴ <https://shura.shu.ac.uk/30612/1/drivers-of-rent-areas-report.pdf>

- 'Floating support' to assist people in living independently - not necessarily linked to the tenancy.
- Incentivisation strategies to reward prompt payment.
- Opportunities for flexible rent payment - to allow overpayment and non-payment in times of difficulty.
- More effective use of digital strategies, including predictive software systems to monitor payments, to identify potential problems at an early stage and to take effective, preventative action before arrears can accumulate.

Much of the research identified the issue of landlord/tenant communications as central - with **a move from enforcement to support**, offering flexibility and building trust. We also know from the Hard Edges Scotland⁵⁵ study, among others, that **those with complex needs require more intensive support**, for longer, which needs to inform policy and practice on arrears and debt.

Pro-active approaches to improve tenancy sustainment

The Scottish Federation of Housing Associations has highlighted a number of examples of proactive approaches to tenancy sustainment, reducing rent arrears⁵⁶:

Highland Council undertake a pre-tenancy interview with each new tenant to ensure they know how much rent they have to pay, what payment methods they can use and to emphasise the importance of paying rent and establishing any entitlement to benefits. This interview takes place immediately prior to the lease being signed. Where appropriate, the first rent payment is also collected, or Universal Credit advice will be given and a claim form will be completed for submission. All new tenants are given information on how to get further advice on benefits as well as information on debt counselling and money advice from appropriate agencies.

⁵⁵ <https://www.therobertsontrust.org.uk/publications/hard-edges-scotland/>

⁵⁶ <https://www.linkedin.com/pulse/managing-rent-arrears-improving-tenancy-sustainment-trudi-tokarczyk/>

Wheatley Group always run an annual rent campaign from October to January of each year with the aim of reducing the traditional Christmas spike in rent arrears. This has had the impact of levelling off rent arrears in previous years and led to a reduction in 2019.

Fife Council has employed 10 dedicated Universal Credit Officers whose only role is to assist tenants who are starting or have recently started to receive Universal Credit. These officers will assist tenants to make claims, liaise with the DWP on their behalf and help them to understand their claim and online journals. They deal with complex Universal Credit claims and visit every new Universal Credit claimant to offer advice and identify any support needs.

Collaborative approaches

The guidance⁵⁷ highlighted the importance of collaborative approaches, based on a shared understanding. That required the council to recognise that the knowledge and experience of advice providers could help them meet their objectives. It needed clear objectives to be agreed and transparency about what was needed to establish trust. Strong communication was needed at strategic and operational level with the opportunity to review progress and celebrate joint successes. Trust involved the council enabling advice providers to be involved in decisions about vulnerability and enforcement, for example.

This relationship needed to be supported and maintained through networking and training activities, through clear points of contact to help ongoing referrals and through transparency. The latter was noted to work two ways, through an open door policy between the council and the organisations offering advice – which might involve mutual visits. Secondly, it was noted that councils should be open to feedback from organisations offering advice and use this to inform fair and ethical debt collection strategies. The relationship in Fife was provided as an example.

⁵⁷ https://www.improvementservice.org.uk/__data/assets/pdf_file/0011/11801/collaborative-council-tax-collection-May-22.pdf

Collaboration between Citizens Advice & Rights Fife (CARF) Money Advice team and Fife Council Revenues

Both organisations have frequent meetings between lead/ management staff. Staff in each organisation know who the designated points of contact are and the protocol for raising any concerns/issues/ideas.

Practitioner staff members had a coffee morning meeting to allow all staff to meet each other face-to-face, speak about their own roles and ask any questions.

Further meetings and training sessions followed on an ad hoc basis as required, for example, The Accountant in Bankruptcy provided training on a new system and also regulatory updates in CARF's head office, and staff from Fife Council were invited to attend the training.

The designated points of contact in each organisation share updates in personnel and team changes ensuring contact and role/area information is kept up to date.

Both organisations work together to demonstrate to others the benefits of the joint approach they have adopted. For example:

The Debt Advice Coordinator from CARF and Revenues Lead Officer at Fife Council provided a joint presentation at a Sheriff Officer's Forum which will be repeated at the MAS/IRRV Conference held in November 2019.

CARF's Money Advice Manager and Fife Council's Collections Team Manager provided a joint presentation at Convention of Scottish Local Authorities on the subject of Water Direct.

There is a defined referral process ensuring that those in financial hardship, including risk of imminent eviction, can engage with advice services. This process allows time for CARF to engage, keeps Fife Council updated in its capacity as a creditor and can reduce unnecessary collection activities and costs.

Falkirk Council was also highlighted in the guidance⁵⁸ as an example of collaboration between different functions within the same council – debt advice and Revenues and Benefits.

The in-house debt advice team have been an integral element of the Revenues and Benefits service in **Falkirk Council** since 1 April 2018. The relationship between the two teams was already good but has since strengthened and developed. Each team has a very good understanding of how the other functions and the guidelines each is working within.

Communication has been the key to achieving successful outcomes for both clients and council. Both teams have been allowed to maintain their own identity and impartiality whilst working successfully together within the same office.

Face-to-face communication is encouraged and all information that is discussed and agreed is evidenced by email between debt adviser and debt management assistant.

Sharing of information has led to a better understanding of a client's situation and this has resulted in a more empathetic approach being adopted. This in turn has helped improve client engagement.

Collaborative working has allowed for earlier intervention from the debt advice section. There is earlier notification when clients are at the point of having their accounts passed to the sheriff officers. This has allowed the debt advisers an opportunity to engage with the clients before further action is taken. Access to systems has allowed advisers to see information that previously was not available, and which may have led to inaccuracies within the case recording system. By having both the debt management and debt advice teams working together, information can be explained and shared more easily. This has made processes more efficient and contributed to cost savings. Feedback from the debt management team is that they feel there is a more 'personal touch' when advising customers of the possibility of being referred to the debt advice team. Closer working relationships have given the collections team a better understanding of the benefits of being referred for debt advice.

⁵⁸ https://www.improvementservice.org.uk/__data/assets/pdf_file/0011/11801/collaborative-council-tax-collection-May-22.pdf

This collaborative approach has also benefited clients/customers. It has led to an increase in the number seeking advice, who may not previously have engaged for a variety of reasons and resulted in more customers arranging repayments. This has assisted in achieving a reduction in the level of council tax arrears in the Falkirk Council area.

Other examples in the UK-wide guidance highlighted collaborative approaches.⁵⁹

Revenue managers of billing authorities across **Lancashire** meet every three months in order to explore and better understand the latest trends in council tax collection. These meetings allow authorities to discuss solutions to emerging challenges, such as ensuring that residents are informed about council tax support. They also provide a forum where pilots being trailed in different areas can be showcased, such as a project to identify a targeted cohort of residents that are invited in to speak to the welfare and benefits team.

North Lincolnshire and **North East Lincolnshire councils**, who have a shared service agreement, are two of the many councils enhancing their working relationships with local debt advice providers. The councils have taken steps to enable advisors to shadow the revenue and benefits team. This created a mutual understanding of how the councils and advisors approached council tax collection. It also led to an increase in dialogue between the councils and advisors. Having developed these relationships, the councils work to consider all debts when engaging with residents and will also offer advice on debt management, where appropriate.

North Warwickshire Council uses its Financial Inclusion Partnership to help residents access the right information and services according to their needs. Financial Inclusion Support Officers work with local debt advice, charities and community food projects to engage hard-to-reach people. This work includes offering money management advice and referrals to debt advice, in order to find the solutions that best support residents. Specialist advice is also offered during drop in sessions across the region on income maximisation, universal credit and council tax support. In this way, the council has significantly increased levels of engagement with local communities.

⁵⁹ <https://www.gov.uk/government/publications/council-tax-collection-best-practice-guidance-for-local-authorities/council-tax-collection-best-practice-guidance-for-local-authorities>

Southwark Council has referred over 500 customers to the Money Advice Network (MAN), mainly for rent or council tax arrears. Nearly 50% of those have reduced their debt by an average of over £500. The council regards this as a great achievement, given that many of these customers were in a cycle of building up debt year on year and were previously making no payment. Partnering with the MAN enables the council to support its customers to access immediate advice, while helping to build a picture of who in the borough is in particular need and plan support for the future.⁶⁰

The guidance on collaborative council tax collection highlighted the importance of supporting people through effective communication, realistic repayment planning, early intervention and supportive staff.⁶¹ This includes steps that should be taken before enforcement action to consider vulnerabilities and offer income maximisation and debt advice referrals and explore whether enforcement is a proportionate response.

The following sections highlight good practice in targeting support, communication and responding to needs.

Using data insights

The guidance and evidence above noted the importance of using data insights to better target support services. Some practical examples of this include:

Fife Council purchased 'Rent Sense' from Moby soft, which went live in November 2019. Rent Sense is a data analytical tool. It takes all of your accounts whether in arrears or not, analyses these on a weekly basis and returns the cases it feels are a priority for you to contact. This recommendation is based on the tenant's payment methods and payment history. Through its analytics, it may remove cases in arrears for you where tenants are making irregular payments, but still meeting their rent commitments. It then provides simple contact recommendation for each arrears office, as designated by their own patch, and will produce a list of contacts for each officer that week. Since November 2019, Fife Council has saved 11.5 FTE staff and has an average of 3,000 fewer cases to review each

⁶⁰ <https://www.local.gov.uk/case-studies/london-borough-southwark-partnering-money-adviser-network-reduce-debts>

⁶¹ https://www.improvementservice.org.uk/__data/assets/pdf_file/0011/11801/collaborative-council-tax-collection-May-22.pdf

week. They also have 4,000 fewer cases in debt and had a £1.6 million reduction in rent arrears.⁶²

The UK Guidance⁶³ on council tax collection includes examples of how data has been used to target interventions and support.

South Holland and East Lindsey councils work together to handle council tax administration in their two areas. They use their shared council tax payment system to determine whether a resident's non-payment is out of character, or part of a regular pattern. For instance, staff will be alerted if they have never had to issue a reminder for a given property before. Staff are able to then adapt their subsequent correspondence accordingly in order to tailor their contact to the circumstances suggested by the resident's behaviour.

Rutland Council makes use of the extensive data that it has available in its council tax administration system to assist it in making targeted choices about engagement, repayment plans and further enforcement actions. For instance, the council use records of past interactions or conversations with the resident and check for evidence of moving home or other changes of circumstances. If appropriate, the council will perform a credit reference check to look for indications of propensity to pay.

The **London Borough of Barking and Dagenham** has worked with Policy in Practice to combine household-level datasets to assess residents' financial capability. This has allowed the council to take a broader holistic view of a residents' debts and identify struggling households in order to offer tailored support. In depth analysis of household-level data also helps the council to track outcomes and determine what would be the most effective course of action to take for similar scenarios. When this holistic approach to debt was brought in, the council saw a 10% reduction in the use of temporary accommodation over this year.

⁶² <https://www.linkedin.com/pulse/managing-rent-arrears-improving-tenancy-sustainment-trudi-tokarczyk/>

⁶³ <https://www.gov.uk/government/publications/council-tax-collection-best-practice-guidance-for-local-authorities/council-tax-collection-best-practice-guidance-for-local-authorities>

Communication based on behavioural insights

Case studies from the Local Government Association provide examples of how behavioural insights can be used to reduce debts and arrears. There are examples where this has been done with more emphasis on incentives, or the risks associated with non-payment (alongside offering support) and with more emphasis on support. In the case of emphasis on 'risk' the letters appear to aim to be 'threatening' rather than supportive. While being clear about the potential risks of not paying bills, a focus on positive attitudes and values would be more beneficial to the tenant/service user.

By redrafting the letters sent to tenants with rent arrears, **Wealden District Council** reduced the average time between its first letter and contact from 46 to 21 days⁶⁴. The first letter, for the first time raised the importance and salience of the subject by highlighting that the tenant was putting their home at risk by not paying the rent. The letter was also simplified and pointed out that many people had found contacting the council helpful (highlighting norm-based behaviour). The council refers to this as the nudge letter.

Prior to the letters being changed the average contact time between the first letter and contact was 46 days, and the most common second contact was letter number two. Now the average contact time has been reduced to 21 days and the most common second contact is by telephone.

Anecdotally, staff state that the banner *PLEASE BE AWARE YOUR HOME IS AT RISK* in red seems to be the thing that provokes a reaction, with many of the tenants quoting this from the letter. The nudge letters, along with other changes, have helped to reduce arrears by over £60,000 and have placed Wealden from being a poor performing LA for rent collection to an above average council.

As noted above, the significant emphasis on the risk of eviction, while prompting action, is not supportive and may traumatise already vulnerable customers. There are examples of more positive approaches:

Wigan Council's Collections team used behavioural insights to encourage tenants who were in arrears, and who had not been in contact with the Collections team, to get in touch and

⁶⁴ <https://www.local.gov.uk/case-studies/applying-behavioural-insight-manage-rent-arrears>

access support⁶⁵. The team sent a one-page letter to tenants – written with an empathetic tone emphasising support rather than arrears and rent collection and featuring a single call-to-action (to contact the rent officer).

Letters were sent to tenants who were struggling to pay rent and had not recently been in touch with the Collections team. This meant the intervention could be tailored and allowed the team to explore the value of sending a letter to tenants that were not in touch already. The letter was designed to incorporate several behavioural insights that aimed to address the barriers to people seeking help when they are struggling to pay rent.

They found promising levels of engagement:

- 19% of tenants initiated contact in the six weeks after the letter was sent (compared to less than one per cent before the letter was sent)
- 3% of tenants were offered support by Rent Officers in the six weeks after the letter was sent (compared to less than one per cent before the letter was sent)
- the average rent arrears was £914.39 at the end of the observation period prior to the letter being sent and was £943.96 35 days after the letter was sent, which is an increase of £29.57.

In 2015, the LGA Behavioural Insights Team (BIT) worked with Medway Council to increase council tax collection rates⁶⁶. The project tested the effectiveness of altering the first reminder letter sent to households who failed to pay their council tax bill; comparing two new, behaviourally-informed letters to the existing letter. A randomised controlled trial tested the approach and both new letters significantly increased repayment.

The two new letters were:

- **Social norm letter** – This was a simplified, action focused letter which included the social norm line *'96% of Medway Council Tax is paid on time. You are currently in the very small minority of people who have not paid us yet.'*
- **Diagram letter** – This was a simplified, action focused letter which included a flow-diagram summarizing the collection process. The diagram also highlighted where the household currently was in the process, and the subsequent costs they would face if they did not pay (if households do not pay at this stage in the process, they

⁶⁵ <https://www.local.gov.uk/case-studies/using-behavioural-insights-increase-contact-tenants-rent-arrears-wigan>

⁶⁶ <https://www.local.gov.uk/case-studies/using-behavioural-insights-collect-council-tax-collection-medway-council>

lose their right to pay by instalments and have to immediately pay their full bill for the year).

Both behaviourally-informed first reminders increased payment rates compared to the existing letter (the 'control'). The social norm letter increased payments by 19% and the diagram letter increased payments by 13%. Households receiving the revised letters also paid more of their arrears (£70-90) than those receiving the standard letter. The letter did not increase the proportion of households paying by Direct Debit. If rolled out, it was estimated that the 'social norm' letter would bring forward about £2.7m per year to Medway council.

This emphasis on what 'normal' residents would be expected to do – i.e. pay their council tax – is stigmatising to those in debt and arrears. There are more positive ways of engaging with residents to offer support. An example of this is shown below.

Salford Council⁶⁷ has adapted the tone of their messaging and chosen to use letters as an opportunity to explain in plain English what services council tax is used to fund. The council's website allows residents to quickly check whether they are entitled to benefits or council tax reductions, and will automatically complete parts of the relevant form to support a resident's claim. For those who are not online, in all relevant communications the council offers suggestions about the range of steps that could be taken by residents who might be struggling to pay council tax. Residents are informed that they can change their payment plan dates, and frequency, to suit their budget.

Here, Salford opt to put more emphasis on what help is on offer to residents in the form of greater flexibility around payments.

Flexible enforcement

There are some examples of local authorities that have developed different strategies for households that are vulnerable, to divert them from enforcement.

⁶⁷ <https://www.gov.uk/government/publications/council-tax-collection-best-practice-guidance-for-local-authorities/council-tax-collection-best-practice-guidance-for-local-authorities>

A pilot project in **Gateshead** used council tax arrears to identify residents in need of help⁶⁸. The objective was to address underlying issues affecting people with council tax arrears to help them thrive. The 'Prototype' lasted six months and the wider project rollout is ongoing. The cost to the local authority was £66k in existing and seconded staffing and £12k in case-work expenditure. Four caseworkers worked on the project, with support from leadership, legal, HR, IT and admin when required. The outcome was that 75% of the people in the pilot project said they were living better lives as a result.

Initial consultations with those in debt found that more than 90% of people were 'can't pay' but we were treating them as 'won't pay'. This was driving them into more debt and poor mental health, and towards the threshold for already stretched statutory services. This was uncomfortable to some, particularly those who took a view that the 'can't pay/won't pay' distinction was irrelevant because of the duty to collect the money. Rather than argue, the Council ran a prototype whereby a small team would work differently.

The team started with people who were due a bailiff visit, and they called the bailiffs off. They had their own budget for six months and unfettered access to it. They started by telling people they were not chasing them for the money, but wanted to know how they were and if they could help. The initial conversations mostly evolved into stronger relationships. The caseworkers visited and understood people, built trust and helped them with many aspects of their lives.

The prototype helped 40 people (more when considering their families):

- 30 said they were living better lives as a result.
- Six were either no better off or worse. Five had issues with their mental health that blocked progress in other aspects of their lives. The team were not skilled to help there.
- Two were essentially choosing not to pay, so they went back into the collection system and two wouldn't engage.

Using council tax as a signal of wider need meant that the impact of this work must not be measured purely within the council tax setting. Although, while some staff were spending longer on calls and with people, the collection rates were broadly the same. This meant the broader benefits have come at little cost, operationally. The service had absorbed the extra

⁶⁸ <https://www.lgcplus.com/idea-exchange/our-council-tax-arrears-pilot-helped-75-of-people-live-better-lives-07-04-2020/>

duties, and had been supported by other services and partners to work more expansively on cases and essentially repurposed activities from processing and collecting to supporting people.

The UK Guidance⁶⁹ on council tax collection noted that many authorities require the enforcement agencies they work with to refer cases back to the authority whenever vulnerability is discovered. In **Liverpool**, if an agent identifies factors which could indicate vulnerability, such as older age or pregnancy, the case must be closed and returned to the council due to the higher likelihood that it involves a vulnerable individual. The council will then profile the account to determine what steps to take and follow up to ensure that the resident is aware of the debt advice that is available. The council will also check whether its own Breathing Space scheme would be appropriate to support the resident as they discuss a repayment plan.

These case studies provide examples of where local authorities have taken steps to improve their debt collection activities to be more effective, better informed and better targeted, while identifying those in greater need. Some have estimated the financial impact of these measures but many have not. This is an area where information gaps remain and the following chapter examines issues of cost and benefit in more depth.

Summary of key points

There is considerable variation in practice, with the need for better communication and a more compassionate approach to debt/arrears collection identified. Some of the good practice approaches highlighted in the evidence review included:

- People-centred approaches based on customer segmentation, including income and expenditure assessments, tailoring realistic and affordable repayment plans and developing advance payment plans to 'cushion' against the future.
- Communication is central – with examples of how to encourage positive engagement.

⁶⁹ <https://www.gov.uk/government/publications/council-tax-collection-best-practice-guidance-for-local-authorities/council-tax-collection-best-practice-guidance-for-local-authorities>

- There is also evidence of good practice in the move from enforcement to support, with greater emphasis on offering support services, with greater flexibility to build trust.
- This often relies on proactive, collaborative approaches and using data insights to identify vulnerable customers, better target support and enable the use of flexible enforcement approaches.

Evidence of the Costs and Benefits

The cost of debt recovery

Advice Scotland estimated that in 2018-19⁷⁰ (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.

Advice Scotland suggested that the Scottish Diligence Statistics clearly showed that Local Authorities were now some of the most aggressive creditors in Scotland. Their use of Sheriff Officers increased by over 15% in 2018-19, while other creditors (banks, credit card companies Etc.) saw their use fall by 42%. Although they may also relate to the effects of the FCA regulations, which has been associated with reduced unsecured personal lending, as shown earlier.

At that time, Advice Scotland proposed that Scottish local authorities needed to revise their debt recovery strategies by increasing the amount they invested in free money advice services, which they believed had been cut by 45% between 2014-2017 to be worth less than £11.72 million per year (compared with the estimated £30 million in fees above).

CAB across the UK⁷¹ also found that, in total in 2016/17, people in council tax debt paid an estimated £129 million in bailiff fees and court costs on top of their arrears. However, as people in debt often can't afford repayments not all fees and court costs were paid. In the same period, a total of approximately £560 million was added to people's debts as a result of court and bailiff costs. That is equivalent to adding nearly £278 to every households' debt that was in council tax arrears.

Research by the Improvement Service⁷², looked at the relationship between funding for debt advice and Debt Arrangement Schemes. Data from AiB and the Improvement Service was matched and used to identify potential trends. It was accepted that this approach had

⁷⁰ <https://www.advicescotland.com/increased-use-of-sheriff-officers-by-scottish-councils-is-a-cause-for-concern/>

⁷¹

https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/FINAL_%20Costs%20of%20Collection%20.pdf

⁷² https://www.improvementservice.org.uk/data/assets/pdf_file/0021/9318/ma-data-das.pdf

limitations and that more detailed investigation of other contributory factors was required. However, the research found that:

- There appeared to be a link between investment in local authority-funded money advice services and the number of DAS that money advisors in these funded organisations recorded.
- In 20 local authorities, StepChange Scotland was responsible for recording the highest number of DAS (Local authority areas in which five or less DAS were recorded were not included).
- Over 60% of money advice users in services funded by local authorities found a debt strategy that did not involve a statutory solution.

This provides some evidence of variation in the use of Debt Arrangement Schemes, with more than half of service users not using a statutory debt solution. It also suggests that more investment in money advice service may help more people to access DAS schemes, which provide affordable debt repayment options.

There is learning to be had from work on tenancy sustainment⁷³, which considered the financial costs of tenancies ending and the benefits of proactive approaches to supporting tenants. The tenancy sustainment work concluded that, taking account of GHA's performance on reletting void properties, each additional vacancy costs the association some £545 in lost rent, in addition to the typical £783 spent on repairs and security. Hence, every tenancy termination avoided saved £1,328 (in 2006 – so far more now), as well as the staff costs associated with reletting. Eviction for rent arrears should be a last resort, as this would also incur legal costs, with more scope to have arrears paid by a sitting tenant than an ex-tenant. There may also be additional costs of homeless provision in some circumstances: when a local authority decides that a person is homeless intentionally, the local authority is under a duty to ensure that temporary accommodation is made available for such a period as it considers will give the applicant a reasonable opportunity to secure their own accommodation⁷⁴.

⁷³ [Investigating Tenancy Sustainment in Glasgow](#)

⁷⁴

[https://scotland.shelter.org.uk/professional_resources/legal/homelessness/local_authority_duties/intentionally_homeless - duties](https://scotland.shelter.org.uk/professional_resources/legal/homelessness/local_authority_duties/intentionally_homeless_-_duties)

In 2010/11 Glasgow City Council had the lowest collection rate out of all 32 councils in Scotland. It was therefore a council-wide priority to improve performance and increase income from council tax collection⁷⁵.

A debt management review highlighted the need to increase council tax collection and increase the percentage collected in the year of billing:

- Move away from in-house debt recovery and intervention.
- Procure services of partners to help manage the debt.
- Stream debts to incentivise partners to give greater visibility and understanding of caseload.
- Incentivise partners through procurement to improve performance in these debt streams.

Glasgow City Council had the largest increase in the rate of collection of council tax in family group 4, from 86% in 05/06 to 94.7% in 15/16. The total number of persistent non-payers halved between 2012 and 2016 and £3.5m have been collected from trace and collect activity during 2012 and 2016. During the same period the council reduced the cost of collection from £18.45 in 2010/11 to £11.24 in 15/16.

Although this indicates benefits of using sheriff officers, in terms of collection rates, there is no consideration of the extent to which vulnerable customers have been adversely affected by the loss of income. There is also no comparator information based on alternative, more supportive collection methods or more focus on income maximisation.

The value of advice services

The Common Advice Performance Management Reporting Framework⁷⁶ measures key performance indicators for welfare and money advice services funded by Scottish Local Authorities on both in-house and commissioned services. The report provides an assessment of the value of advice services, as well as provide a mechanism for councils to benchmark their performance and identify scope to further improve the impact and value for money of these services.

⁷⁵ https://www.improvementservice.org.uk/_data/assets/pdf_file/0016/11572/CS-Glasgow-CouncilTax-SheriffOfficers.pdf

⁷⁶ <https://www.improvementservice.org.uk/products-and-services/performance-management-and-benchmarking/common-advice-performance-management-framework/2021-22-report>

The findings from the latest report show how services have continued to offer wide-ranging support in relation to the ongoing influence of the COVID-19 pandemic, and the ever-increasing financial strain caused by the cost-of-living crisis. The report concluded that:

- The economic instability of recent years may have influenced the increase seen in the number of individuals in need of debt advice. The number of debt clients supported increased approximately 24% between 2020/21 and 2021/22.
- The continued prevalence of low-income households highlights the ongoing importance of welfare rights advice and income maximisation services. Approximately three-quarters of clients had a household income below £15,000 in 2021/22.
- The value of local authority funded money and welfare rights advice services is shown in the £1/4 billion secured in financial gains for clients in 2021/2022.

However, the report also noted that:

- Financial gains achieved for clients continued to decrease in 2021/22. However, even with a reduction this still demonstrated excellent value for money with £11 of financial gain achieved for every £1 invested by local authorities.
- In addition to financial gain, services also noted the positive impact clients reported after receiving advice, highlighting the value clients place on these services and the difference they make to individuals' quality of life.
- Compared with 2020/21 a lower proportion of clients agreed a debt strategy in 2021/22. It was noted that some clients disengage with the service before agreeing a strategy but that this decrease may also be due to the increased complexity of cases. The report noted that, if clients do not seek out advice until they reach crisis point, there may be fewer options available to them.

Work by Europe Economics for the Money Advice Service in 2018 estimated the economic impact of debt advice⁷⁷. They found sufficient evidence to quantify robustly various impacts they believed to be associated with debt advice provision. They estimated that the

⁷⁷ <https://moneyandpensionsservice.org.uk/wp-content/uploads/2021/03/economic-impact-of-debt-advice-main-report.pdf>

aggregated social gain, excluding transfer payments between debtors and creditors, would then be £301m–£568m.

These estimates were summarised as benefits to consumers of between £154m–£307m, including mental health cost savings, employment and productivity benefits as well as debt recycling (avoiding further debt cycles). Creditor benefits were estimated at between £147m–£261mn. These estimates were judged to be on the low side, as they excluded wider benefits including for small businesses (who may be in personal debt), family relationships, reduced risk of homelessness.

This data shows substantial costs of debt collection against substantial benefits of debt advice. However, there is a lack of data at the local authority level of the costs and benefits of debt collection activities compared with alternative approaches. Better intelligence of the costs, benefits and outcomes of different approaches is needed.

Summary of key points

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.

There is evidence of variation in the use of Debt Arrangement Schemes, with more than half of service users not using a statutory debt solution. More investment in money advice services may help more people to access DAS schemes, which provide affordable debt repayment options.

Significant financial gains are identified from debt advice services – of around £11 per £1 in funding. However, the financial gains achieved (reported by the Improvement Service) 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.

There are clearly substantial costs of debt collection against substantial benefits of debt advice, but better intelligence of the costs, benefits and outcomes of different approaches is needed.



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