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Debt and Arrears in Scotland

**Policy and Practice
Development: Main Report**

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Introduction

Overall study aims

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 study 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 was partly achieved through an initial review of evidence on debt and arrears, considering policy documentation and other material (see the separate Evidence Review). The impact of debt and arrears on individuals, captured in recent work for The Robertson Trust by IPPR¹ and Professor Morag Treanor (for Aberlour)² is also explored there.

This report presents the findings of a more detailed reflection on policy and practice based on qualitative research with local authorities, the third sector and other key actors.

¹ <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/>

² <https://www.aberlour.org.uk/publications/how-public-debt-and-arrears-are-experienced-by-low-income-families>

The research on policy and practice

The research on policy and practice provides insights from organisations across the public sector and third sector to examine:

- Why and how practice in relation to debt recovery has changed and is evolving.
- Provide examples of good practice and lesson learning in relation to arrears and debt management.
- Consider policy areas/over-arching strategies that can help alleviate public sector debt and arrears.
- Explore 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.

Representatives from across all local authorities, the third sector and national stakeholders were invited to participate in on-line focus groups and one-to-one telephone interviews. Overall, 15 people from 12 local authorities took part – 7 local authority finance representatives and 8 local authority welfare rights/debt advice representatives. Respondents came from a range of smaller and larger local authorities across rural and urban settings. A total of 17 third sector representatives took part – 9 with a policy/strategic focus and 8 front-line third sector representatives. Two interviews were also undertaken with national stakeholders with an interest in this policy area.

Preventing debt and arrears

Income maximisation and deficit budgets

Respondents were asked to reflect on the main policies and strategies that can help alleviate debt and arrears. Inevitably, this also sparked discussion of the policies and strategies that were believed to have contributed to current levels of debt and arrears.

The effects of austerity, welfare reform and the cost of living crisis

A number of respondents across local authorities and the third sector acknowledged that austerity and welfare reforms had contributed to lowering incomes and deficit budgets, with the cost of living crisis exacerbating these long-term factors. This meant income maximisation was critical, but not always enough to prevent people from being in debt.

'Provision of free and confidential income maximisation and money advice services for all at point of need is crucial. These services contribute to prevention and are also responsive once debts have been accrued'. (local authority, finance)

'Income maximisation is important, but you have people coming in for support and they are still in a deficit budget' (national stakeholder)

This was the core problem noted by many to be behind public sector debt and arrears. Many people in debt were acknowledged to have too low an income to be able to pay what is owed – *'the square root of nothing is still nothing'* as one third sector front-line representative said.

Several third sector policy representatives noted that deductions from benefits and overpayments push people into hardship, sometimes to the point of destitution so that they had no food or money for energy after debts had been recovered through benefit deductions.

'The key thing is ensuring that people have sufficient income. Deductions are being taken from benefits without consideration of affordability'. (third sector, policy).

Local authority representatives also considered that delays in paying Universal Credit were a critical driver of debt:

'Speed of making decisions and paying entitlements is crucial as this ensures that households are paid what they are due and when they are due it. Delays, and prolonged delays, can push some households into new or further debts.' (local authority, finance)

The third sector were engaging in political activities to try and change policy over the longer term – campaigning for sufficient income and for the active take-up of benefits including council tax reduction in the short-term. A number of respondents identified the need for policy changes at the UK level – uprating Universal Credit levels, amending practices around DWP deductions and removing the 5-week wait for Universal Credit and the debt advances associated with this.

'Prevention is always the most effective approach when dealing with finances and enabling bills to be paid. The welfare & social security systems provided by UK and Scottish Governments, and to a lesser extent local authorities, are significant levers to prevent debts arising in the first instance.' (local authority, finance)

'The benefits system needs overhauled – people just do not have enough money to live off.' (local authority, welfare rights)

'The 5-week wait is where families get trapped in debt' (third sector, policy)

Unclaimed benefits and administrative errors

Several respondents also highlighted the huge amount of unclaimed benefits, often due to the stigma associated with claiming benefits. One respondent raised the importance of a holistic approach to debt advice, to ensure that the factors behind debts were fully understood:

'Millions of pounds in benefits are not being applied for. We have always had to look for the other issues – is there unfair dismissal? Then benefits advice and then debts. It is a holistic approach' (third sector, frontline)

Another touched on the issue of stigma:

'There is £19 billion in unclaimed benefits but a massive amount of shame and stigma too. Pension Credit awareness is important' (third sector policy)

Third sector policy representatives also highlighted the impact of benefit errors and overpayments on already vulnerable households – with debts often driven by administrative errors that were beyond people’s control. Dealing with these cases can be very difficult and causes significant anxiety.

‘There are often overpayments of tax credits and then you are passed between the HMRC and Universal Credit. It becomes a nightmare. HMRC are ridiculous – they do not record calls or return calls. This puts huge pressure on people, plus there is the anxiety of the deduction’ (third sector, policy)

Reforming social security and other policies

In considering the longer-term policies needed to address the drivers of public sector debt, many respondents wanted to see quite radical solutions.

One local authority suggested the need to remove housing costs from Universal Credit as this did not sit within the remit of the benefit well. They instead wanted to see the local authority administering Housing Benefit, which would reduce rent arrears significantly in their view.

Others were looking for changes around Council Tax legislation – removing the requirement for people on UC to apply for Council Tax Reduction (CTR) and removing water and sewerage charges from the lowest income households to align with Council Tax Reduction.

One respondent from a local authority finance background suggested the need to - *‘Increase reduction on water charges to 100% for the lowest income households and by virtue remove any ongoing liability (and incentivise CTR take-up). Remove 25% one adult discount and use funds to enhance CTR scheme (so that those on low, but not lowest, income can get financial support)’.*

Some wanted to see more radical changes to council tax with a wide range of options put forward, including reviewing/removing council tax discounts and exemptions, re-banding the council tax to have more bands, returning to domestic rates, a local tax being applied in shops like in Canada and a local income-based tax and tax based on wealth. At the very least, updating the valuation bands was felt to be needed by some:

'There is no doubt that the fact that valuation, and valuation bands, are 30 years out of date undoubtedly means that the lower income households are paying a larger share of Council Tax than they would be if valuation/re-banding had been built into Council Tax system'. (local authority, finance)

Others were sceptical that reform of council tax would ever happen, as so much had been promised but not changed. There were also concerns that a potential replacement might be too complicated.

'Council Tax Reform should have been done and dusted long ago – but what do you do instead? We are still dealing with ancient bandings that have never been redrawn, so it is better as it is!'. (local authority, welfare rights)

'How do you manage change if you make it too complex? I'd like something consistent and fair. But how do you manage household size and income?' (local authority, finance)

There were a few third sector respondents who raised the issue of a disconnect between a policy focus on addressing poverty, and child poverty at Scottish Government and local government level but practices around debt recovery that exacerbated poverty. The Scottish Child Payment and other Social Security Scotland provisions were held up by several respondents across sectors as major achievements of the Scottish Government, but which were potentially undermined by deductions from Universal Credit.

Within Scotland, progressing the work on the Minimum Income Guarantee was raised by one third sector organisation as a key element for households having sufficient income to live on. As well as benefits (Universal Credit) needing updated, there were concerns about low wages. Several respondents identified people in low income work as a group with a significant risk of debt

Income maximisation, and benefit uptake in particular, is a critical part of prevention activity but there is a longer-term need to reform the social security and council tax system to prevent those on low incomes from falling into debt.

Early intervention

Early tenancy actions

Several local authorities were looking at how better to focus on early intervention 'to close the gaps that people fall into'. This was commonly in relation to early tenancy support. One local authority respondent wanted to engage in training for housing officers and other staff to look at ways of working to reduce debts. It was reported to still be common practice to sign up tenancies where the tenant was not yet able to take possession – due to being in supported accommodation, residential care or not having a Community Care Grant in place to get furniture. This builds up 'technical' rent arrears as tenants cannot receive benefits for more than one tenancy. These 'structural' issues leading to technical rent arrears where properties were empty were extremely frustrating to third sector advice agencies.

'There is tremendous pressure on tenants to pay rent up front before they get a property. That can get them into problems of debt' (third sector, policy)

In one local authority, the third sector representative noted that housing officers noted risk factors – age, being a student, being homeless for additional pre-tenancy and early tenancy support. The local authority also highlighted this:

'We are always looking at ways to make things more efficient. We've been focusing on Direct Payments and working closely with Housing to get it right from the earliest starting point of the tenancy'. (local authority finance)

They and others identified the need to proactively work at the start of tenancies to ensure that tenants were given the help they needed to access their full benefit entitlement and ensure that their rent was being paid directly.

Working with other services

Some local authorities were taking welfare rights advisers into schools to talk about work and benefits and the cost of living with young people at an early stage, before they had their own tenancy. This type of budgeting support work was viewed as very important for young people, new tenants etc. but it was challenging to deliver without additional resources. Inevitably, resources were focused on helping those already in debt.

One local authority wanted to 'join up all the dots' by working with teams delivering employability and community learning, linking in with the DWP to provide opportunities to people to move out of poverty and debt. They wanted to be able to train all their housing officers to provide debt advice, but resources limited the amount of training that could be done.

There was sometimes frustration about opportunities to prevent debts arising. One local authority gave the example of the homelessness/housing service charging thousands of pounds for vandalism in the case of someone with addictions and mental health issues. In their view, the council should not be generating debts that were very difficult to pursue but there can be a reluctance to write-off these charges where budgets are in such sharp focus.

Another local authority respondent working in welfare rights had found working with other parts of the local authority challenging. A tenant liaison officer they worked closely with had found an older lady with no heating and tried to contact social work, as they felt she may be vulnerable. They found this very difficult, with the social work department not returning calls. There was a far stronger relationship between housing and welfare rights staff, though.

Early intervention activities are the focus of many local authorities trying to take a proactive, preventative approach. This involves working across different departments, including with housing, education, community learning/employability and social work and with the third sector. Resources levels can limit progress on more innovative practice.

Proactive approaches - identifying vulnerable customers

There was also frustration that staff in the Health and Social Care Partnership – drugs workers, nurses and care managers – in direct contact with some of the most vulnerable people were not having conversations about money advice because *'that's not my job'*. Given the level of mental health issues among those in debt, **community mental health teams need to be proactively referring people to welfare rights teams.**

In the third sector policy focus group, one respondent suggested the need to better use data to inform preventative work:

'We're far too reactive. We need to be more serious about prevention and better target support. There needs to be a change in the conversation to identify vulnerable people and families. The tools and the information are there, we just need to use them' (third sector, policy)

The third sector policy group also discussed the need for local authorities to put plans in place for eviction bans ending in the private sector and for homeowners coming to the end of fixed-term mortgages. They noted that people have very difficult choices and significant deficit budgets. One third sector policy respondent posed the question, where people were having to choose between eating and heating:

'If people cannot pay their bills, how can we help? We need to look at things sensibly.'

One gap in referrals was identified by the third sector in relation to referrals from Social Security Scotland (SSS), with engagement seen as challenging and it being difficult to link in with SSS. There was also a need identified for better mechanisms to follow up with Universal Credit information – to ensure rents were paid, and to actively encourage the uptake of Council Tax Reduction.

One local authority had a system whereby anyone over 80 years of age was automatically flagged to welfare rights to see if they needed assistance. Another local authority also raised this issue of income maximisation and benefit uptake as important to prevent and reduce debts –

'We will continue to collaborate with Scottish Government, CoSLA, the Third Sector and others. We continue to examine how best to maximise the take-up of entitlements with the aim of legitimately reducing billed amounts. This is an integral element of our debt recovery approach'.
(local authority, finance)

The 'No Wrong Door' approach is being developed in some local authorities as a means of preventing people from getting into debt, through different ways of working, joining up services and improving referral processes. Approaches include outreach, hub-based models including various services and broad, initial conversations to explore the range of

needs people have as well as 'warm introductions' to improve referral processes. The two child poverty pathfinders (Dundee and Glasgow) offer examples of the approach³.

One local authority suggested that services didn't talk to each other very well due to the lack of time and resource to use the potential insights that they had together.

'Data is all over the place but we lack the tools to bring it all together'

Another local authority suggested that *'the more data we can get the better'* but admitted that they were very constrained with resource to effectively use the information they had.

'Councils have stacks of data, but trying to get anything meaningful to analyse is not feasible within budgets'.

Another highlighted the need for data sharing –

'Enhanced data sharing across the public sector would improve income maximisation and ensure that individual households with an entitlement to financial support, are able to access it'.

(local authority, finance)

Another local authority had a new bolt-on reporting system to their Housing Management data that allowed them to identify arrears quicker. Staff also knew who needed help so passed these cases to the welfare rights teams as early as possible.

In some local authorities, welfare rights staff had access to financial information to help them to target activity towards people who were in debt. They noted that *'scary letters do not work'* and that **advice needed to be proactively delivered** at an early stage.

One local authority respondent in welfare rights said there was now more co-operation between local authority departments than ever before. There were strong referral pathways and good relationships as well as shared access to data systems. However, there were still debts arising from 'preventable issues' with bad advice sometimes given at the tenancy sign-up stage leading to rent arrears (for example, tenants signing a tenancy agreement while in temporary accommodation and unable to get Universal Credit on the new tenancy).

³ <https://www.gov.scot/publications/child-poverty-pathfinders-early-implementation-process-evaluation/>

One third sector organisation suggested that the non-payment of bills needed to **trigger an early referral**, as people were reluctant to come forward and may not know where to go. This was an approach planned in one local authority to target support based on data analysis built from various local authority data sources and credit reference agency data. Eventually they hoped to be able to profile customers and predict where people were most at risk.

There is a mixed picture on early intervention, with some local authorities adopting a 'no wrong door' approach to provide more joined-up working and more effective referrals and others using data and local knowledge to target prevention activities. Others have made more limited progress due to a lack of resources but there are also some barriers to change that need more 'transformative' approaches - to tackle the idea that 'that's not my job'.

Engaging people in seeking help

The challenge of engagement

A number of local authorities and front-line third sector staff identified the big issue for them as being engagement, even where there was an effective referral system in place. It was widely acknowledged across local authorities and the third sector that people in debt often left it until they were in very serious difficulties before reaching out for help.

One local authority (finance) respondent suggested the need to:

'Encourage engagement at every opportunity with debtors (either direct with the council or trusted partners) to give the best opportunity for immediate support and early resolution'.

One local authority finance representative suggested that with the cost of living crisis, some people were getting into debt that had never been in debt before. Another (in welfare rights) indicated that there was a huge amount of help available to people but there was a lack of engagement. They felt *'the trigger for engagement seems to be when people themselves feel they are no longer in control'.*

Another respondent recognised that resources were far more constrained than before, but that people were avoiding seeking help:

'There are resource constraints because of the cost of living crisis. People are burying their head in the sand'. (local authority, welfare rights)

Another local authority finance representative in an area with active referral pathways, that had used social media and other awareness campaigns about welfare support, benefit take-up, help with energy costs etc. admitted that **not everyone would engage when offered debt advice or budgeting advice.**

Budget constraints also affected engagement. One local authority noted that their resources had been significantly cut but the council wanted and needed customer engagement. So, customers called the council about their arrears and could not get through on the phone, or needed to queue, which did not help debt recovery practices.

Mechanisms for engaging customers

There were examples of **positive reinforcement** to encourage people to engage – with some advice providers offering a cash sum to meet the immediate financial needs of people in financial hardship and then a further payment once the person had engaged in advice. This provided an incentive for people to actively engage and improved outcomes.

One local authority also described their housing officers as their ‘boots on the ground’, while another also had a tenant liaison role that was primarily being used to support tenants to pay rent. **Active or assertive outreach** approaches (e.g. numerous attempts at face-to-face visits to try and make contact) are more time-intensive for staff, but can have very positive outcomes in terms of debt recovery.

One third sector organisation felt that there needed to be a **shift in the narrative** around debt to *‘dispel myths’*. They wanted the message to be that *‘debt can happen to anyone’* to encourage more help-seeking at an earlier stage.

Another third sector organisation highlighted the need for an **empathetic policy**. If someone missed a payment, that should be seen as a *‘red flag’* and the local authority should consider the possible reasons for the lack of payment, not assuming that they were *‘trying to get away with it’*.

Engaging customers is a challenge, with some providers using incentives to improve engagement and others opting for more assertive outreach approaches involving face-to-face visits. The third sector would like to see more supportive approaches and messaging.

More effective communication

All local authorities have a reminder process that is followed, with reminders providing details of support services. However, this is often an automated process which needs engagement from the person in debt to prevent an escalation (for example, the debt being referred on to the sheriff officer, in the case of Council Tax arrears). There were also some misconceptions among customers based on what they see on TV, which one local authority felt might impact on engagement:

'Some customers think that someone will come around and take their belongings' (local authority, finance)

Early letters often do not have the desired effect of encouraging people to seek help. One local authority had looked at the wording of letters to **simplify and improve the tone**, to try and improve engagement. Another local authority had changed its practice to have housing officers deal with rent arrears up to £500, to provide **a more 'personal' approach**. Another made sure all reminder letters have the welfare rights team number on it.

One third sector representative acknowledged that *'nobody reads the letters'* and so in their local authority they had launched an **awareness campaign** with the local authority, including leaflets. They had also undertaken more **targeted activities** when there were a couple of months of arrears.

One local authority had **changed its practice** – previously a letter had gone out after 7 days if the rent or council tax was unpaid. They invested in **new technology** to look at payment patterns. This helped avoid sending out letters needlessly, if people tend to pay at a different time of the month, for example. If a partial payment for council tax was received, an automated letter was not sent. Another council was also using text messages to go out in advance of reminder letters, which reduced the number of letters which needed to go out.

In another local authority, they use letters, text messages and then a liaison officer visit in the case of rent arrears. Although this required staff resource, the **face-to-face contact** was judged to be beneficial to rent recovery.

One third sector organisation raised the issue that the letters being sent out in their local authority about rent arrears were 2-3 pages long and signposted to the third sector for support, while the third sector lacked capacity. So if the letters actually generated engagement, the third sector could not respond effectively in any case.

In another local authority, a third sector representative noted *'The letters are very 'businessy' – you wouldn't read it and think 'this person is trying to help me'.*

Positive examples of more effective communication include simplifying messaging, using a variety of methods and targeting awareness raising activity, as well as targeted face-to-face contact.

Effective and fair enforcement

Early engagement and support

Early engagement was seen as important to enable local authorities to put a hold on any enforcement action, in the case of more vulnerable households –

'Money Advisers' powers to place a moratorium on creditors actions is also essential as this provides a critical breathing space for the debtor and enables affordable payment plans to be agreed'. (local authority finance)

It was noted, however, by one third sector respondent that most local authorities progress to a summary warrant fairly quickly for council tax debt, and this was the point at which people tended to engage. However, they noted that *'the threat of a sheriff officer letter does not hold the weight that it once did'*.

It was acknowledged that there were resource issues behind some of the speed at which enforcement happened. It needed a human interaction for intervention – which was essentially the person in debt to engage.

The use of sheriff officers and wage arrestment *'at the drop of a hat'* was raised as a significant issue in the third sector policy group, with intervention putting employment at risk in some cases. It was suggested in the third sector policy focus group that many local authorities pushed for the collection of money but **were not offering support**.

However, what is described as 'not offering support' by the third sector was described as a **failure to engage** by local authorities, with people putting off coming forward about debts unless they absolutely had to. Although one local authority finance representative noted that *'There is always an element of people who won't pay, but that is a small number of people'*.

Different approaches to enforcement

One local authority finance representative felt that they had a fair collections policy, offering support to people who needed it. *'There are thousands of people who do not pay and you rely on people engaging to get support'*. They noted that *'the 5% of people who are*

struggling the most take up the most staff time'. They were now looking at **targeted data analysis** to highlight people who had started to not pay.

Another local authority tried to go down the sequestration route if debts were over £5,000 and would only evict people in cases where people had clearly abandoned the property/were not living in the house. Some people would not engage with welfare rights, so they used a **specialist liaison officer** who visited people in rent arrears. The staff were described as *'very experienced and empathetic'*. If people were not engaging, data systems were also used to **identify any risk factors** e.g. old age.

In another local authority, a balanced approach was urged –

'To ensure there are sufficient resources to meet the needs of the population, it is important to strike the balance between protecting those who are vulnerable and ensuring that those who can pay and contribute, do so. Also recognising that for some individuals, vulnerability can occur for a short period, and once they are able to do so, they can then restart payments. Powers to collect debts are also important'. (local authority, finance)

The third sector frontline staff reported that **experiences were very variable** – ranging from the council being open to put a hold on enforcement action even at the stage where they were going to court to not being able to access the council at all. One third sector representative said while some local authorities would offer repayment options for those who defaulted on Council Tax, others wanted the full amount paid as a lump sum.

One local authority used its most experienced staff to look at the most complex cases, to **identify vulnerable people and build a better relationship** with the person in debt. Another local authority recovered all debt where the debtor was on Universal Credit, rather than send these cases to the sheriff officer. They found that, in the case of sheriff officers:

'They try their hardest to get the debt. They are quite strict and want the debt paid'
(local authority)

However, there were also cases where they 'take the debt back' if the sheriff officer came across someone who was vulnerable. Even at the eviction stage, in the case of rent arrears, if they were engaging and would make an arrangement, the case would be put on hold. However, if debts were over £5,000 and they were not engaging, it would proceed to court for eviction. If they engaged with welfare rights, then they could opt for sequestration.

Third sector policy and strategy representatives wanted to see **a more holistic and person-centred approach**. One respondent said that some local authorities were very good at trauma informed practice but there was a *'breadth of practice'* which affected outcomes. They identified significant variation in the responsiveness of local authorities to third sector debt advisers, with instances on the one hand of advisers being on hold to local authorities for hours on behalf of clients to others having direct line numbers and being able to easily contact debt recovery staff.

They gave positive examples of approaches to enforcement including the use of 'common sense' in approaches to diligence (e.g. wage arrests or benefit deductions). Some local authorities did **not use diligence for small sums of money**. Less positive examples included **sheriff officers still pursuing debts after bankruptcy**, suggesting poor communication or inflexibility.

In one area, if people missed payments, the months that they had council tax arrears for were used as non-payment months (rather than the usual February and March) so people could catch up. This meant that they now had more people paying their council tax over 12 months rather than 10 months. These **flexible approaches** were not always used though, with a third sector respondent reporting that some local authorities issue demands for full payment after two months of council tax arrears and would not accept repayment options.

One local authority had a council tax allowance and rent allowance scheme which they used to **clear unrecoverable debt**. Welfare rights workers and sheriff officers identified vulnerable customers from whom there was no real prospect of recovering the debt. They also acknowledged that intensive approaches like in the Gateshead 'test of change' costs per case were high (see [the Evidence Review](#)) but the outcomes were great.

Another local authority was of the view that local authorities already had clear policies in place around debt write-offs, which needed to be balanced against most people paying: *'Local authorities have robust debt write-off policies which provides for irrecoverable debts, financial hardship, etc. Ensuring that everyone responsible for paying statutory and essential bills understand their obligations to pay continues to be of particular importance'*. (local authority, finance)

There are varying approaches to debt recovery across local authorities. Good practice examples include local authorities having different approaches for more vulnerable customers and using data and intelligence to identify those at greater risk, who need a different approach and more support. Some local authorities are

more flexible and responsive than others. The third sector would like to see a more holistic and person-centred approach to enforcement.

Statutory debt solutions

One third sector organisation noted that they had seen reduced use of the Debt Arrangement Scheme – which was now about 20% of what it had been pre-Covid, which was attributed to no one having any money to pay into the DAS since the cost of living crisis.

Another third sector organisation questioned whether the statutory debt solutions available were working. For example, the time limits for their use and some debts such as DWP deductions not being included due to ‘grey areas’. This meant that the sequestration route sometimes did not lead to all debts being written off.

One local authority representative described the scenario of paying multiple deductions as being ‘a vicious cycle’ whereas if there was just council tax debt the debtor may have up to £20 taken from their Universal Credit for up to 20 years. Those with low income and low assets as well as high debt can go into bankruptcy, which allows a line to be drawn under the debt.

Another local authority representative felt that too many people were being pushed down the route of Trust Deeds and other statutory debt solutions by private sector advice agencies, with limited funds paid to creditors compared with the DAS.

One third sector representative felt that it had previously been easier to go down the bankruptcy route and that it was now harder and more time-consuming a process.

Some local authority welfare rights staff raised the issue of the confusing landscape around statutory debt solutions, with the charitable sector involved alongside the private sector and national as well as local providers. It was felt that someone looking online for debt advice may be uncertain what option was best for them.

Statutory debt solutions are less commonly used in local authorities than previously, with some concern that the landscape of providers of advice on these is confusing. The issue was raised that solutions do not always make people ‘debt-free’ due to the

grey area of some public sector debt. There is a need for greater clarity around the use of statutory solutions for those in debt, and across advice providers on what routes are best used.

Corporate debt policies

One local authority described their corporate debt approach as *'one contact to one debtor'* with links into support. They believed their policy delivered a consistent approach to debt recovery based on financial capacity – looking at income and expenditure to set a realistic payment schedule.

Another acknowledged the need to tailor the approach to debt recovery to your local area – what actions were needed to recover the debt and what support was needed to help people? Things were now viewed as less *'black and white'* – it was about how to engage with vulnerable customers, not just about recovering the debt. They were trying to update their corporate debt policy but also highlighted that they *'need to get the money in'*.

Another local authority with a corporate debt policy worked with individual clients on wider aspects of debt, with close liaison between the debt advice and debt recovery teams. That was a holistic approach not just focused on the local authority debt but on all the debts that customers might have. This was also described by another local authority but more in relation to local authority debt:

'A corporate debt approach ensures that all debts due to the Council by an individual debtor are collected as a single debt thus ensuring that an affordable payment is agreed for the total amount due. Providing payments are maintained by the debtor, this single plan stops further recovery being taken and avoids additional statutory costs.' (local authority, finance)

There was a bit of uncertainty around corporate debt policies, with third sector organisations sometimes not aware of whether their area had a corporate debt policy and others not knowing what the practical application of the corporate debt policy meant for those in debt.

'There is a new corporate debt policy and now there is a corporate debt team, which all sounds great, but the devil is in the detail and it is lacking in detail.' (local authority, welfare rights)

One local authority finance representative said that there needed to be a push to have a corporate debt policy in their area, so that only one department was looking for money. This had not been easy, but the local authority was making progress. It was noted elsewhere that the different legislation in relation to different debts (e.g. rent and council tax have different enforcement routes/processes) might make a corporate debt policy difficult to deliver.

One local authority was in the process of developing a corporate debt policy and trying to engage with other council services to help that. That needed some work and had been constrained by resources.

In another local authority, there was overlap identified by a local authority welfare rights representative, with competing departments chasing debts – rent arrears, council tax arrears and housing benefit overpayments all being chased from Universal Credit, with no specific plans for a corporate debt policy known of.

Corporate debt policies offer the benefit of alignment across the local authority, with one point of contact for debts and better affordability outcomes for those in debt. However, not all local authorities have policies in place, and some are not clear. Best practice is observed where local authority debt is considered alongside other debts in a more holistic way.

Emergency legislation

Some local authority and third sector respondents felt that, since emergency legislation on evictions, people in rent arrears were not coming forward to engage until the point at which their rent debt was at a level where eviction action could be taken. This was recognised as an unintended consequence of the legislation, which was meant to provide tenants with greater security.

One local authority respondent felt that, with a blanket ban on eviction up to a certain level of rent arrears *'You are allowing people to get to a very high level of debt before eviction'*. Since the legislation, there had been a significant increase in arrears, with a larger group of people at the top end. People needed support during Covid and the cost of living crisis but the policy was seen as a 'knee jerk' reaction.

Another local authority felt that a lot of people have gotten out of the habit of paying their rent and needed to be nudged to see their rent as a priority debt. Post Covid, their rent arrears were 'horrendous' but were improving.

One third sector respondent felt that writing off debts was not a long-term solution. They were of the view that *'if you write off debts then people will not pay'*.

In terms of writing off debt, the view was put forward by one local authority that it was a bit of a 'postcode lottery' if different local authorities were doing different things. Another local authority respondent suggested that if you write off school meal debt, for example, then does everyone just not pay? The 'blanket approach' was felt to *'send out the wrong message'*.

The Covid grants/payments were put forward as an example, by some local authorities, of **a lack of engagement** between the Scottish Government and local authorities on emergency legislation. The delivery of these payments, alongside other roles during Covid was very hard to manage and it was felt that higher level discussions should have taken place.

One local authority highlighted the need for collaboration and consultation when considering mitigation:

'Collaboration and consultation continue to be important to ensure that all factors are considered, unintended consequences are minimised and mitigated, and those who can, contribute and pay what they are due'. (local authority, finance)

Government announcements were also believed to have built up an expectation in the public and local authorities had difficulties delivering. The Cost of Living Allowance was another example, where the local authority had to administer the scheme with no additional staff resources. Third sector respondents were also critical of how some local authorities had not spent tenant grant funding while in other areas *'quite a chunk of rent arrears was written off'*.

Additional funding also had a knock-on effect on the third sector. For example, local authorities received additional funding for fuel payments but needed to take staff from existing welfare rights teams as there was no additional staff resource. This had a big impact on the capacity of local authorities to do benefits work, which in turn impacted on capacity within the third sector.

The third sector policy representatives more commonly highlighted the need for ongoing forbearance, emphasising the need to recognise that many people in debt 'can't pay' rather than 'won't pay'. A few third sector organisations were also concerned that the cost of living crisis had not yet had its full impact in terms of debt, with the prospect of a mortgage crisis when fixed rate mortgages end and families see huge increases in mortgage payments. There was the suggestion of the need for a pause or moratorium on debt recovery and a more supportive approach to debt recovery. It was also acknowledged that debt write-off might be appropriate but would need national funding.

'I think an example of good practice was the FCA instruction to financial organisations that they should give forbearance. We need something similar now for LAs, DWP and HMRC on how they treat their clients. The FCA are introducing a new Consumer Duty that puts the client first and looks to the financial bodies not to cause foreseeable harm. This should be copied and incorporated into the management of LAs, DWP and HMRC too. If we had this one overarching duty I think it would solve a lot of issues' (third sector, policy)

Another third sector policy respondent pointed to the writing off of school meal debt as an example that *'policy can be implemented that goes against the grain'*. They pointed to the guidance on school meal debt produced by COSLA, and the writing off of school meal debt by 15 local authorities (almost half of all local authorities). However, it was also highlighted that a local authority that had written off school debt previously was now seeing debts build up again. They suggested the need for preventative policies – such as increasing the income threshold for free school meals.

There are very mixed views on what mitigation action is needed, and how mitigation action has been consulted on and delivered.

Some local authorities raised significant concerns about the impact of actions to limit evictions on rent arrears and the impact of delivering emergency funds on services across the local authority and third sector. The third sector wanted to see more intervention to mitigate future financial hardship.

Consistency in practice

Consistency and discretion

It was noted by some local authorities that there were differing practices on charges – with some neighbouring local authorities charging for brown bin collection and bulk uplift and others not, for example. It was recognised that it would be good to have some consistency for customers, but acknowledged that councils had to manage their own budget.

Local authorities were sometimes torn on this issue of consistency and discretion in debt collection. One representative noted that it might be useful to have clarification/guidance from the Scottish Government to ensure consistency, but local authorities had to balance the income versus the costs of collection.

The local authorities who took part in the research were commonly looking to others to see what others were doing, were open to good practice and commonly recognised the need for a 'different approach' to public sector debt.

One local authority was comfortable with their corporate debt policy and low statutory requirements, feeling that they were trying to understand the customer, respond flexibly and get the money in. They worked closely with money advice services to make sure that they got the money they needed and worked with external agencies including sheriff officers and the DWP. However, one of the challenges in trying to learn from the good practice of others was that other local authorities had larger teams, better software, etc.

Another local authority felt that the legislation around Council Tax recovery and pre-action requirements for rent arrears allowed appropriate discretion at the local authority level. Another local authority suggested that the Scottish Government should set priorities and fund them, but let local authorities deliver these: *'Let them govern'*.

A 'postcode lottery' of outcomes

Several third sector policy representatives identified the need for legislation to ensure a minimum standard around debt recovery practice. One respondent suggested that there should be a National Framework – with national standards for the recovery of debt and arrears. The private sector provided examples of discretion being exercised within an

overall framework, they felt. There was also some support among local authority welfare rights staff for there to be more consistency around key processes (like affordability checks), in a similar vein to FCA compliance.

One third sector representative had worked across six different local authorities and noted that there was no consistent approach to debt recovery. A major issue identified by several third sector respondents in relation to one local authority was the delay in getting information from the local authority to enable them to help their clients.

A respondent in the (frontline) third sector focus group also highlighted a wish to see COSLA work with local authorities to develop debt recovery/debt management guidelines. Although it was also noted in that group that, when there was guidance, you got '32 different interpretations' of that. The Scottish Welfare Fund was given as an example of where detailed, statutory guidance had not reduced the significant variation in practice across local authorities.

One third sector representative highlighted the need to ensure that affordability checks were done in partnership with debt advisers to ensure that payment schedules were realistic. Another noted that *'there are 32 local authorities, all doing things slightly differently'*.

One third sector (policy) respondent said that:

'At the moment, it is just such as mixed bag. The inconsistency can be really hard to fathom. There is something not right about it, with outcomes varying by postcode'.

This was echoed by one local authority representative:

'There is a lot of disparity across Scotland – everyone is not being treated the same'
(local authority, welfare rights)

Another looked for clearer guidance to help them:

'What services look for is clarity – local authorities look for clear guidance'
(local authority welfare rights)

Examples of where local authorities were doing well were where it was evident that different departments were talking to each other and working together. One local authority finance representative said *'there is tonnes of good work being done on an individual basis'*.

The governance of outcomes

Although some respondents indicated positive relationships at a strategic level between the Scottish Government, local government and COSLA, it was noted that there were few instances where all relevant partners were around the table together, including the third sector. There were also recognised to be important roles for COSLA, the Improvement Service and AiB in supporting progress on outcomes at the local level. However, one third sector policy respondent noted that there had been *'a bit of finger pointing, and people have gone round in circles'*.

Other views on these relationships were mixed -

'Variations in practice can be for different reasons – local authorities face different challenges. It's not that they don't want to help people. You could make everyone work to a minimum, but best practice might be stifled' (national stakeholder)

'There is a very good relationship between local authorities, COSLA and the Scottish Government' (local authority, finance)

'There needs to be a wider look at how the Scottish Government engages with local authorities' (local authority, finance)

'The relationship with the Scottish Government is more disjointed due to budgets cuts and the Scottish Government not seeing the importance of in-house local authority welfare rights services' (local authority, welfare rights)

'The Scottish Government is lacking a role – they don't know what to do with us'. [...] 'They write policy but they are a world away from operational issues. COSLA has helped.' (local authority, welfare rights)

'The third sector has an important role in representing those who do not have a voice. It is therefore important for the third sector to continue to have access to decision-makers and to collaborate with them. This enables both the public and the third sector to understand issues in the round rather than through clouded lenses'. (local authority, finance)

There was some support among front-line welfare rights staff in the third sector for the Scottish Government 'requiring' more collaboration where local authorities were not engaging with the third sector, to the detriment of vulnerable clients. However, there was also recognition that there needed to be a willingness to change and try new approaches

as well as to share data on vulnerabilities to improve outcomes. One third sector policy representative felt you could not 'mandate' the development of positive relationships – *'you do this because you want to, not because you have to'*.

The local authority welfare rights advisers noted that there was a need for longer-term funding to maintain the skills and capacity of the sector. One welfare rights worker also felt there was **not enough regulation** of the advice on offer – which might impact on quality. Some local authority welfare rights staff felt the 'volunteer' third sector model may lack robustness while some in the third sector felt local authority debt advice was not impartial, with a conflict of interest to collect the debt. There was also noted concern about private sector debt advice encouraging people towards some debt solutions.

One third sector respondent highlighted that there were national standards already in place for information and advice services, as well as registration with the FCA in the case of insolvency practitioners⁴. Given that this is the case, it may be that these views indicate a general wariness across the sector and possibly some concerns that there is not systematic monitoring/enforcement of the existing standards.

There are clearly significant differences in practice across local authorities in relation to enforcement and in the quality and efficacy of relationships between the local authority and the third sector.

On balance, local authority finance representatives want to be consulted about policy and enabled to govern (with possibly some greater clarity of guidance) while third sector representatives want to see greater policy intervention from the Scottish Government.

There are concerns about the variations in local authority practice around debt collection, with some demand for more guidance and minimum standards of practice in debt collection which would lead to better potential outcomes for those in debt.

⁴ <https://www.gov.scot/publications/scottish-national-standards-information-advice-providers-quality-assurance-framework-2009/>

Relationships between national, local government and the third sector can be challenging and there is a need for work to improve these relationships. There are also some concerns about the funding, capacity and monitoring of advice services.

Building positive relationships

There was a recognition that good relationships between the advice sector and the local authority can depend on personal relationships. This meant that collaborative approaches needed ongoing work – to keep relationships going where there were changes in staff. Where the third sector had a ‘contact’ within the local authority, this worked better. Liaison could be very challenging for frontline advice workers as local authorities were sometimes reluctant to engage.

One local authority representative with a very positive relationship with the third sector and a willingness to work together locally was aware that some local authorities had very adversarial relationships with the third sector. Another local authority had launched a strategy with the third sector, where they were looking at data sharing and co-locating services at a local food bank. Another local authority spoke about local collaboration and partnership, with the local authority invited to the third sector provider’s board meetings.

One third sector respondent felt that since their local authority had transferred their debt recovery to sheriff officers, they had lost the really good relationship they had built up. They had previously access to named people that they could talk to, and people had longer to make arrangements to pay off rent arrears. The council had also previously waited longer before taking enforcement action and put a hold on enforcement action more frequently. It is now passed very quickly to the sheriff officer and you were lucky to get any contact with the sheriff officer.

The third sector can have an important role in encouraging those in debt to engage with the local authority. This is why it is important for the local authority to positively engage with the third sector. Some third sector staff had extremely difficult relationships with one local authority, with emails left unanswered for several weeks in the worst cases.

Relationships between the third sector and their local authority were of a variable quality, in terms of collaboration and communication. One third sector organisation, who had a good relationship with their local authority said:

'Our role is to get communication going. We are very realistic – the local authority has not yet challenged us on a financial statement'

One third sector organisation noted that *'we are not in competition'* but felt that where debt advice was provided by the local authority itself, there was inevitably a conflict of interest where the adviser was also effectively a creditor.

One local authority representative spoke of their very positive relationship with the third sector in their area but the third sector advice providers were very overstretched, with a lack of other support available.

In another local authority, the welfare rights representative highlighted the challenges of dealing with debt recovery, which was a process of *'picking your battles'* and trying to *'win over hearts and minds'* when dealing with sometimes *'judgemental people'* involved in debt recovery. As their priority was with their client and where bankruptcy was an option, this *'does not go down well'* with other sections in the Council. This was very different from another local authority, where the debt recovery section actively used sequestration for any rent arrears over £5,000.

In another local authority, the debt recovery and debt advice sections had developed a *'good cop-bad cop'* routine, so that debt advice providers were as independent as possible in their dealings with the client. This local authority had a closer working relationship between welfare/debt advice and debt recovery, working in the same office, which was the case in another local authority with a strong relationship between welfare rights and debt recovery. **Physical closeness appears to promote stronger relationships.**

During Covid, lots of face-to-face meetings stopped, which impacted on relationships. In one local authority, there had been a forum for advice workers across the local authority and the third sector, which had recently started back up again but it was difficult to get consistent attendance.

As highlighted earlier by one third sector policy respondent, positive relationships cannot be 'mandated' and people have to want to work together. Where collaborative relationships exist, there have been efforts to build contacts with ongoing meetings and engagement, with teams working in close contact and even co-locating services or departments for a better fit.

Barriers to progress

Local authority budget constraints

A number of respondents recognised the ‘perfect storm’ of long-standing hardship, then Covid and the cost of living crisis, which had left people in serious levels of debt and still with very low incomes and high living costs. One third sector respondent summarised the dilemma that this created for local authorities –

‘There are some people whose circumstances are not going to get any better’ but ‘there are millions of pounds owed’ (local authority, welfare rights)

Austerity has also impacted significantly on council budgets. One third sector (frontline) respondent felt that this was *‘Unfortunately down to the Scottish Government and Westminster’*. They suggested that budgets were so tight that local authorities themselves were effectively *‘robbing Peter to pay Paul’*.

One local authority struggled with staff capacity, with over 1,000 people in debt owing around £8mn but a fairly small staff team to recover the debt and support those who needed it. They noted that more investment was needed but felt that *‘is not going to happen’*. Another local authority had seen staff numbers reduce by 40% in recent years through budget cuts, which made it even more important to work effectively with the third sector, in their view. It also limited the scope to do pro-active work in the community to engage with people in debt and arrears. They were once again going through the process of looking for even further budget cuts that could be made, in advance of this year’s budgets.

‘We would love to have people out visiting, but we just don’t have the resource’ [...] ‘Revenues has been cut back to the bone, so customer engagement gets cut’ (local authority, finance)

‘We struggle with staff resources. We don’t have enough staff to do as much as we would like. There has been a loss of that personal touch’. (local authority, finance)

‘Local authorities face a challenging financial position and every year budgets are hit’ (national stakeholder)

Although they recognised the budget constraints, some in the third sector wanted to see a more person-centred approach:

'Public services across Scotland are very stretched but it is better for the council and better for the client if the council has a person-centred approach.' (third sector, policy)

'Local authorities should not be able to take any form of recovery action until they can demonstrate that they have done everything in their power to assist the clients to maximise income/ benefits entitlement etc.' (third sector, policy)

One third sector policy respondent questioned why local authorities were employing sheriff officers to chase Council Tax debt as 'only 2.5%' of Council Tax was unpaid. Another felt that sheriff officers were being used to pursue very small debts in a way that was disproportionate. They wanted to see more discretion used.

However, this indicates some lack of awareness among third sector representatives of the financial impacts of budgets cuts that local authorities have seen and how this has impacted their capacity to recovery debts in-house, or to have a discretionary or bespoke approach. As shown above, this is often not the approach that local authority staff would prefer to adopt.

A Glasgow case study from several years ago also indicated that the use of sheriff officers made financial sense. 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 collection.

A debt management review highlighted the need to increase council tax collection and increase the percentage collected in the year of billing. The key activities adopted were to:

- 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 increased the rate of collection of council tax 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 was collected from trace and collect activity. During the same period the council reduced the cost of collection from £18.45 in 2010/11 to £11.24 in 15/16⁵.

While using sheriff officers may be considerably less person-centred an approach, not suitable for vulnerable customers and not necessarily the approach local authority staff would prefer, it clearly can make financial sense. However, the case study in Glasgow did not consider the impact of the debt recovery arrangements on the financial hardship of residents, so provides only a partial picture of impacts.

Developing systems and processes to identify vulnerable customers will ensure that what makes financial sense to local authorities does not lead to undue financial hardship.

The sustainability of the third sector

The significant reductions in council budgets have also had a knock-on effect to the third sector, with examples of local authorities referring people on to the third sector rather than to their own services. Examples included the use of third sector crisis funds – where people should be accessing the Scottish Welfare Fund, or Discretionary Housing Payments.

Funding for advice services was also raised by several respondents across local authorities and the third sector:

'The Scottish Government need to fund advice services properly, either local authority or the third sector' (local authority, welfare rights)

'Poverty is multi-faceted and requires a joined-up strategy that will quickly improve the lives of all age groups. It also must be sustainable. Funding for the third sector also needs to be sustainable to enable projects to have real-life impacts in the longer term and to avoid the constant cycle of bidding that is currently the case'. (local authority, finance)

⁵ https://www.improvementservice.org.uk/_data/assets/pdf_file/0016/11572/CS-Glasgow-CouncilTax-SheriffOfficers.pdf

Another local authority noted that third sector 'pop-up' clinics were no longer possible due to funding constraints and that annual budget cycles meant that it was difficult for services to plan and retain staff. They wanted to see longer-term funding for the third sector.

One third sector representative highlighted that there is a significant capacity issue for providers across all sectors. The local authority had approached the third sector to deliver training on budgeting for care experienced young people, but this was not within their commissioned funding remit. This reflected local authority capacity constraints but also the rigidity of commissioning guidelines.

Difficulties accessing services

Within the context of budget cuts and as a 'hangover' from Covid, a number of respondents in the third sector spoke about the difficulties people had accessing face-to-face information or advice from the council, with a strong push towards digital, online services in particular. Phone call waiting times were also a concern. While funding constraints were acknowledged, the lack of a 'front office' was identified as a serious concern, for older people and young people with limited digital skills.

'Vulnerable people find it incredibly difficult when you get hit by a massive wall of text'
(third sector, frontline)

'The offices are closed to the public. It is the vulnerable people who need the direct contact.'
(local authority, finance)

It was also noted that people may be able to use computers in a library but may need phone access alongside the internet – if speaking to the DWP, for example, and expected to be able to access their journal at the same time.

In rural areas remoteness was noted to increase isolation and indicators of vulnerability could be missed if services were being offered remotely. Offering person-centred, holistic services needs to be face-to-face for vulnerable people. One third sector agency interviewed operated a home-based, outreach model to provide a truly person-centred approach. This was important, due to the high level of very serious mental health issues that people in extreme hardship face.

'If the council has shut down all of its face-to-face services, how can they meet the communities' needs?' (third sector, policy)

One local authority had recognised the difficulty in getting immediate Crisis Grant help for their tenants, so started a food bank for their own team for people in rent arrears, so they would have food and bus fares to cover the period until they could get a Crisis Grant.

Another local authority welfare rights representative also felt that Social Security Scotland was *'starting to creak at the seams'* with no escalation procedures and long times waiting on the phone to help clients.

One third sector organisation admitted that they were no longer able to provide a 'drop-in' service due to the lack of volunteer advisers that they had experienced since Covid. Third sector agencies reported having 3 to 5 week waiting times for people to access their appointments. This put people who were already anxious with potentially poor mental health under additional pressure. This issue was raised by a number of respondents across local authorities and the third sector as a big problem for future capacity, with the third sector having relied on a volunteer-led model that was potentially no longer sustainable.

The shift to digitisation was a key element of cost reduction for councils. One local authority was already using automation in Housing Benefit and Council Tax and hoping to bring that into corporate debt and link to the online, self-serve portal. Another was trying to get customers to sign up to online services and get more people onto Direct Debit. They felt automation would be better but did not have the development funding.

Automation was also felt to have potential uses if it could be linked up to Universal Credit, to produce automated reductions for Council Tax, for example, to reduce the scope for people to lose out on benefits. It was suggested that this may increase errors but also noted that automation may reduce human errors which led to some of the benefit over-payment issues that people encountered. However, while providing the opportunity to improve processes, there were concerns about wholesale digital delivery.

One local authority was using digital delivery to allow more time to be devoted to those who needed more traditional methods:

'We are aiming to provide digital access for customers to view their council tax bills. We are also continuously reviewing the payment facilities that are available to customers to make payment. We are taking forward improvements to customer engagement and access to information. This

will enable those with the capacity and desire to self-serve to do so at times convenient to them, enabling resources to be targeted to support those who require more traditional access methods'. (Local authority, finance)

The severe budget constraints local authorities have been facing alongside increasing customer debt and arrears has led to difficult choices about how best to recover debts and support those in debt.

Digital and remote access services offer scope for more efficient delivery and cost savings. However, there needs to be mechanisms for vulnerable people and people with more complex debts to access information and advice services in other ways, particularly pre-enforcement.

Current funding for third sector provision does not meet the demand for advice services, with the 'volunteer' model under extreme pressure.

Changing values and attitudes

The research suggests that there has been a change in attitudes among service providers towards people in debt, but there is still more to be done in changing the value and attitudes that drive policy and practice. Good progress had been made where there was a strong emphasis at the strategic level.

Debt recovery policies have 'morphed' – there is better commissioning of advice services now and a cultural shift in how we approach arrears. (local authority, finance)

There has been a development in the way local authorities are approaching debt, with more acknowledgement that *'we should not be recovering debts from people that cannot afford it'*. (national stakeholder)

'There has been a change in attitudes in recent years and a realisation that some people just do not have enough income' (national stakeholder)

'There has to be a realisation that we are all working for the same goal' (third sector, policy)

However, some negative attitudes remain as a barrier to progress:

'People in the council say quite judgemental things. Just pressurising people for the purpose of debt is not right' (third sector, frontline)

'Even now, lots of staff in Revenues and Benefits are of the same (judgemental) mindset'
(local authority, welfare rights)

'Culture and values are still an issue – and notions of the 'undeserving poor''
(national stakeholder)

'I have often said, many times, creditors are nowadays better to deal with than government agencies' (local authority, welfare rights)

One third sector representative highlighted the need for empathy for families in particular, with rent arrears barring families from accessing social housing, for example. They wanted to see a **compassionate response** with local authority departments working together to map where families are in financial crisis.

One of the reasons that guidance around enforcement was required, from a third sector perspective, was to ensure that **fairness and empathy** are at the heart of debt collection.

In one local authority, the respondent wanted to work more in future on prevention and staff training to encourage a more supportive and 'hands-on' approach. However, it was felt that sometimes this comes down to how committed people were to their job. Another local authority also wanted to train housing staff widely to enable staff to understand needs and refer people on, but budgets constrained this.

Social Security Scotland was put forward by one third sector organisation as an example of a values-based organisation focused on co-production. They felt that this provided an example of there being a procedure to follow but a better experience for applicants.

There has been progress on attitudes and values in relation to public sector debt and arrears, but some negative perceptions persist.

There is a need to promote person-centred and trauma informed practice across local authorities so that vulnerable people can access the support that they need.

Awareness raising

One local authority felt that there were 'lots of websites' that people could go to for financial help and advice but that there was almost too much information. There was a 'plethora of information' from the Scottish Government – on debt, benefits, mental health and well-being, etc.

One third sector representative raised the issue that debt is complicated and the potential solutions can be complicated so it can be very difficult for people who were often mentally vulnerable to navigate the system. This is why advice from a person to help unravel and navigate issues is needed, rather than just self-help. The 2019 Debt Advice Road Map⁶ was raised as needing revisited in the light of Covid and the cost of living crisis.

One local authority suggested that the benefit system was confusing – with Social Security Scotland, DWP and local authorities looking after different elements of social security. They felt that greater clarity about the system would be useful for service users.

Several respondents raised the issue of the perceptions people had about priority debts – with some (flawed) perception that it's better to pay your credit card than rent or council tax.

Recognising and accepting that some debts (e.g. mortgage/rent/council tax/utilities) have a higher priority for payment than others is also crucial as this shapes payment plans, giving debtors more chance of successfully paying their debts in full. (local authority, finance)

There have been awareness campaigns about affordable credit, benefit advice and income maximisation but there was still recognised to be a significant stigma about being in debt. One third sector policy representative felt that the overarching message that '*anyone can get into debt*' was an important one to get across to reduce this stigma.

The wide array of organisations providing debt advice was raised as a matter of concern, with a few particular concerns about commercial debt advice agencies who were perceived by some to be encouraging clients towards Trust Deeds, for example. One local authority welfare rights adviser felt that there was work to do to de-mystify what advice services can

⁶ <https://www.gov.scot/publications/debt-advice-routemap-scotland/>

do and what outcomes can be achieved. Income maximisation was critical to this, so some felt that it can be worrying to hear about people getting benefits advice or debt advice in an 'ad hoc' fashion. More holistic provision was viewed as considering debt alongside broader issues of welfare rights and mental/physical well-being as well as employability, so joining people up to other services.

There is a demand for greater awareness-raising so that people in debt feel less stigmatised but also understand the importance of public sector debt as a priority debt and know where to access good quality information and advice.

Factors enabling changing practice

There were several local authority representatives that highlighted the overarching requirement that *'At the end of the day, the Council needs to collect that money'*. This causes a conflict between balancing the books and helping the most vulnerable people, which runs through a lot of the findings outlined above. Within this constrained environment, how has progress been enabled?

Joining up and re-structuring services

Changing practice has worked well where local authorities have joined up services, with active referral for early debt advice. Better practice local authorities tended to have **more robust approaches to identifying and reaching out to more vulnerable clients**. Some local authorities had staff out on the ground in effectively an 'outreach' role – most commonly for rent recovery while others admitted that 'patch officers' were not out as much now as in the past.

There has been some **re-structuring of services to enable the development of closer relationships**. For example, where debt recovery is co-located nearer to welfare rights and debt advice, this reduces physical barriers. Or where welfare rights is embedded alongside housing and homelessness services, there is the potential to encourage good lettings practice to support tenancy sustainment. Having revenues and benefits and welfare funding in a single team strengthens referral pathways.

One respondent in the local authority welfare rights group felt that **understanding the relationship between council structures and outcomes** would be useful – for example, to understand whether linking revenues and benefits, debt recovery and advice services in a 'standard operating group' achieved better outcomes.

Innovative practices/changing approaches

There are also **innovative practices**, for example, using hardship funds to pay off arrears. encouraging people to pay rent by the council paying off arrears as an incentive, or the council matching any rent arrears tenants pay off. There is also some targeted write-off of debt in very specific cases.

One local authority had changed their practices to make it easier to pay – matching up payment dates to income, offering different payment methods/frequency, allowing people to pay using a barcode.

One local authority with a mixed area – with some deprived areas and some less deprived areas – was looking at areas with high levels of benefit, looking at whether benefits were being paid, what **different ways they needed of approaching debt and looking at different ways of interacting with people.**

Another local authority was using the sheriff officer less than previously, but they also suggested that sheriff officers had a different approach since Covid. The local authority now reviews cases before they go to the sheriff officers.

One local authority had been visiting others, to talk about best practice, benchmarking and also has had meetings with The Institute of Revenues Rating and Valuation and The Chartered Institute of Public Finance and Accountancy. They were very keen to learn, but also acknowledged that their size/structure and staffing impacts on what they could do.

Third sector policy organisations wanted to see a **stronger focus on the person** – viewing the person in debt on a human level. One representative noted, for example, if someone is cold, hungry and have not slept they need crisis assistance before they can deal with their debt. Another highlighted the importance of mental health in debt – with the need to trust those in debt and not insist on medical evidence.

Involving key staff to drive change

In order to develop supportive approaches, this was felt to need strong action:

'It needs key personnel who are willing to question organisational practice' (third sector)

One local authority welfare rights representative felt that, while there was a review of the corporate debt strategy in their area, there had not been 'real change' because the processes needed changed rather than just the policy. There can be collaboration at a high level among senior staff but this needs to include practical application to achieve system change.

Changing public sector debt and arrears practice also involved high level engagement – with examples of Chief Executives and other senior staff members having regular meetings

and ongoing engagement with other councils. There were recognised to be more forums now and shared practice. In the past, a local authority doing well would 'hide it' *'whereas now, with decreasing budgets, they need to share information'*. (local authority, finance)

It was noted by several local authority respondents that higher level 'buy in' to person-centred practice is needed to promote this across the whole local authority. Having the Chief Executive chairing anti-poverty meetings sends a strong message but needs to be actively championed at every level to influence debt recovery practice. Where there is strong leadership, **approaches at the strategic level are mirrored at the operational level.**

Changing relationships

One local authority was **working closely with the third sector** to help ensure that people were applying for benefits, trying to reach out to help people in a more proactive way. The debt recovery team had regular meetings with the team offering money advice to help this. This focus on benefit uptake and income maximisation was seen as a critical part of the process by the third sector.

A couple of other local authorities had been strengthening their relationship with the third sector. This had involved 'mending' relationships in one case, with the local authority trying to understand the debt more and use other early intervention tools e.g. the Scottish Welfare Fund.

One local authority had been **working together with members of the community**, which involved collecting data on fuel costs and incomes to inform research on the location of needs. That area is also building diagnostic data to identify needs based on benefits, council tax and other data, to help targeting future support.

At the national level, one third sector policy representative felt that while COSLA had become **very engaged** in school meal debt and had produced guidance on this, the same was not the case in relation to public sector debt recovery. Similarly, the Scottish Government was felt to be **'hands off' in relation to council tax guidance** by another third sector policy representative.

Changing practice has worked well where local authorities have joined up services, with active referral for early debt advice. Better practice local authorities tended to

have more robust approaches to identifying and reaching out to more vulnerable clients, developing flexible and innovative approaches.

Re-structuring services can reduce physical barriers and enable the development of closer relationships between departments or across sectors in shared spaces.

'Buy in' to changing policy and practice needs to be actively promoted from high-level, senior staff within local authorities and between sectors but also needs to be actively promoted down to operational level to achieve system change.

There is now more openness to sharing best practice and learning and looking to others for examples. There have been innovative, person-centred approaches and the third sector in particular would like to see more of this.

At the national level, school meal debt is held up as an example of cross-sector working but there is perceived to be less appetite for developments on other public sector debt.

Conclusions and recommendations

Preventing debt and arrears

Income maximisation, and benefit uptake in particular, is a critical part of prevention activity but there is a longer-term need to reform the social security system and council tax to prevent those on low incomes from falling into debt.

The Scottish Child Payment and other Social Security Scotland provisions have been major achievements of the Scottish Government but are potentially undermined by deductions from Universal Credit.

The drivers of public sector debt mean that some of the solutions identified by participants in the research were inevitably longer-term measures:

- Universal Credit is not enough for people to live on, and this contributes to debt and arrears. In particular, the 5-week wait for the initial payment is punitive and wrong.
- Extreme hardship often arises where different providers take deductions from benefits. Only the DWP has complete oversight of this and there needs to be more robust approaches to assess affordability in that process, and to take a comprehensive overview of an individual's position.
- Council tax reduction is under-claimed, along with billions of pounds of other benefits. There is a need for more automation of benefits to ensure take-up of benefits linked to Universal Credit.
- Council Tax and Water and Sewerage Charges are regressive and unfair. This system should be reformed: there is the need to remove the poorest households from paying Council Tax, with revised bandings and more relationship to income and wealth.

Awareness raising across all sectors is vitally important to ensure that people get the welfare rights advice that they need.

Longer-term, there is a need to reform social security and council tax to ensure that it provides a safety net for those in need and is not a source of hardship.

Delivering good practice

Early intervention

Where budgets are constrained, being able to effectively target resources is important. There are a host of interesting initiatives underway on early intervention to help avoid people falling into debt, identify people at risk and those who are 'just about managing'. This includes building information sharing, structures and relationships to enable effective practice.

Early intervention activities are the focus of many local authorities trying to take a proactive, preventative approach. This involves working across different local authority departments, including with housing, education, community learning/employability and social work, and across different private and third sector organisations.

There is a mixed picture on early intervention, with some local authorities adopting a 'no wrong door' approach and others using data and local knowledge to target prevention activities. Others admit that there are barriers to early intervention – limited resources for training or data analysis and persisting negative attitudes from some staff who say holistic practices are 'not my job' or have 'judgemental' ideas.

Local authorities and the third sector should continue to share practice and learning with key roles for the Scottish Government, COSLA and the Improvement Service in highlighting the potential gains of early intervention approaches.

Engaging people in seeking help

If customers engage, local authorities can work on debt solutions and payment plans. Or even write off debt in some cases where there is no prospect of people paying off the debt. However, those who refuse/ignore all offers of engagement are most likely to end up in court or with their debt with the sheriff officer.

Engaging customers is a challenge, with some providers using incentives to improve engagement, simplifying messaging and offering a wider range of communication methods and others opting for more assertive outreach approaches. The third sector would also like to see more supportive approaches and messaging to encourage vulnerable customers to engage.

Engaging vulnerable customers requires a more nuanced approach. This might involve in-person assertive outreach ,or be data driven,building customer profiles to identify customers at risk.

Some of the practice developed in the third sector – in trauma informed delivery, offering practical and emotional support could provide learning to local authorities.

Effective and fair enforcement

There are varying approaches to debt recovery across local authorities. Good practice is evidenced with some local authorities having different approaches for more vulnerable customers and using data and intelligence to identify those at greater risk, who need a different approach and more support.

Several people in the third sector would like to see a statutory framework for enforcement, to ensure that practice is consistent and fair and to ensure every effort is made to support vulnerable customers before enforcement action is taken. They would also like to see a moratorium on debt recovery and debt write offs but several local authority and third sector respondents are wary of the unintended consequences of blanket approaches to debt recovery, with concerns with the recent huge growth in rent arrears in particular after emergency Covid legislation around evictions and rent arrears. **There are very mixed views on what mitigation action is needed, and how mitigation action has been consulted on and delivered in the past.**

Statutory debt solutions are less commonly used in local authorities than previously, largely due to low incomes, with many not having income to pay into a debt arrangement. There was some perception that commercial providers were encouraging greater use of Trust Deeds, although they are registered and controlled by the FCA so working within strict guidelines. The issue was also raised that solutions do not always make people 'debt-free' due to the grey area of some public sector debt. There is a need for greater clarity on statutory solutions for those in debt.

Many local authorities do not have coherent practices for debt recovery, with corporate debt policies under development in some areas. However, it is not always clear how well the policy transfers into practice.

There is resistance to more regulation in local enforcement practices in relation to debt and arrears but the significant variation in practice indicates the need for some minimum standards around enforcement. Agreeing what a framework of minimum standards might look like will need a sector-wide, joined up conversation.

In the absence of prescriptive guidance on debt enforcement from the Scottish Government, more detailed examples of different approaches to pre-enforcement engagement and outreach would be useful. There is also a greater need for clarity about the treatment of public sector debt in statutory debt solutions.

Local authorities should use their existing powers to write off debt in cases of vulnerable groups where there is no realistic chance of recovery (due to ill-health, extreme financial hardship etc.) and where sequestration is not an option.

Any future pause on debt recovery/amendment in enforcement needs national investment. More consultation is needed across sectors in future around mitigation and emergency or statutory legislation.

Local authorities without corporate debt policies in place should be supported to put these in place. Best practice is observed where local authority debt is considered alongside other debts in a more holistic way.

Addressing barriers and enabling progress

Building relationships

There are clearly significant differences in practice across local authorities in relation to enforcement and in the quality and efficacy of relationships between the local authority and the third sector. On balance, local authority finance representatives want to be consulted about policy and enabled to govern (with possibly some greater clarity of guidance) while third sector representatives want to see greater policy intervention from the Scottish Government.

Relationships between national, local government and the third sector can be challenging and there is a need for work to improve these relationships.

The voluntary guidance on collaborative council tax collection highlights the positive impact of strong relationships, which our research has also shown. **Effective policy and practice**

is supported by good relationships - between the local authority and the third sector, within local authorities and between local and national government and other actors.

Nobody has enough time but working together more effectively is beneficial, not least to reduce arrears caseloads. If the local authority has a lack of engagement but someone has sought out a third sector agency, that can reduce debt caseloads. If the third sector has secured income gains, that could also improve the income for the local authority.

The building (or rebuilding) of relationships between local authorities and the third sector is a priority to ensure better outcomes for those in debt and arrears. At a national level this needs to involve the third sector, the Scottish Government and COSLA.

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

At an operational level, there is also a need to build trust. Where relationships work well, these have developed over the long-term. Relationships need to be nurtured and need support from more senior staff, with structures and networks for operational staff.

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

Some of the best progress has been made in local authorities where there has been a strong strategic focus on poverty reduction, with senior management support and political support. Transformation depends on converting strategic objectives into operational change – for example, co-locating services that need to work better together, opportunities to network across the local authority and third sector to share practice, sharing data and building strong referral routes.

Budget constraints are expected to continue, so local authorities sharing what works and allowing others to benefit from their lesson learning will remain critical.

One local authority was mentioned by several third sector and local authority respondents as an area where operational relationships were historically poor between the local authority and the third sector. There were concerns that people approaching third sector

organisations had a considerably worse experience than if they approached the local authority directly or lived elsewhere.

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

Targeting (and increasing) funding

Significant budget cuts in local authorities have a knock-on effect on third sector capacity, with organisations not able to deliver the services they would want to and the 'volunteer' model of provision under extreme pressure. **Good quality advice takes time and is adequately funded.** It is person-centred and offered in a range of formats to suit people's needs, including telephone support and face-to-face provision for more vulnerable people with more complex needs. That is not what is being provided at present. The push to digital services is a logical response to the need to reduce costs and may have benefits in addressing geographical and mobility barriers, but it comes at a price and vulnerable households need access to traditional methods of delivery, so they are not left behind.

While using sheriff officers may be considerably less person-centred an approach, not suitable for vulnerable customers and not necessarily the approach local authority staff would prefer, it clearly can improve collection rates. However, the costs to residents (who may be vulnerable) have not been assessed. Developing systems and processes to identify vulnerable customers will ensure that what makes financial sense to local authorities does not lead to undue financial hardship.

There needs to be mechanisms for vulnerable people to access information and advice services particularly pre-enforcement - very targeted provision where there is no engagement (which might indicate the most vulnerable customers). Some of the best practice on offer has retained an element of 'boots on the ground'.

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

Challenging values and attitudes

There are also some barriers that need more 'transformative' change – to tackle the ideas that *'that's not my job'* or *'they are all chancers'*. Those working with people in debt report coming across 'judgemental' people working in the public sector.

Debt is still very stigmatising and awareness raising is important, to ensure that people in debt seek help at an early stage and to encourage those working with people in debt to have an understanding of vulnerability.

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

Strong corporate leadership is important in challenging negative values and attitudes. Trauma informed public services need investment in staff training across all departments to identify vulnerabilities and ensure that there is genuinely 'No Wrong Door'.

Enabling changing policy and practice

Changing practice has worked well where local authorities have **joined up services, with active referral**, more **robust approaches** to identifying and reaching out to more vulnerable clients, and flexible and innovative approaches. **Re-structuring services** can reduce physical barriers and enable the development of closer relationships between departments or across sectors in shared spaces.

There is now **more openness to sharing best practice** and learning and looking to others for examples. There have been **innovative, person-centred approaches** and the third sector would like to see more of this. At the national level, school meal debt is held up as an example of innovation in **cross-sector working** but there is perceived to be less appetite for developments on other public sector debt.

The third sector has an important role to play in championing the outcomes that can be achieved through trauma informed approaches.

'Buy in' to changing policy and practice needs to be actively promoted from high-level, senior staff within local authorities and between sectors but also needs to be actively promoted down to operational level to achieve system change.

The ongoing budget challenges will impact on the extent to which innovative practice is possible and future developments will depend on strengthening cross-sector relationships as outlined above.



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