

Public debt literature review

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1. Introduction

1.1. This literature review sets the scene for the rest of the research project being carried out by Aberlour and Heriot-Watt University into the extent and experiences of public debt in Scotland. The review of the existing literature gives an overview of what is currently known about public debt in Scotland. It also references the situation of the UK, where pertinent, for wider context and because some of this debt arises from UK administered benefits and benefit deductions. The next sections set the scene by explaining what public debts are and why they are vastly more problematic than personal or consumer debt.

What is public debt?

1.2. When we talk about debt we usually think of consumer or personal debt. We think of overdrafts, credit cards and catalogues, payday loan companies, and rent-to-own companies such as Brighthouse. Indeed, these used to be the most widely held debt for low income families but this has changed in recent years. Money advice agencies are seeing fewer cases of debt to doorstep lenders and payday loan organisations, and an increasing number of cases of money owed to government and essential service providers, usually in the form of arrears and overpayments.¹ These have been referred to as ‘hidden debt’ by Citizens Advice as they are not openly discussed and little is known about them.² These types of debt, when owed to national and local government authorities, are called ‘public debt’ and it is these that are the focus of this review.

The problems with public debt

1.3. There are four main reasons why we should be concerned about public debt. These are: (1) that these types of debt have proliferated in the past decade, especially for those on lower incomes, including those in low-paid employment; (2) what public debt tells us about the financial straits of ordinary families; (3) the impacts and implications of being in debt to a government body; and (4) the outdated debt recovery practices used by public bodies exacerbate people’s difficult circumstances and provide little or no benefit to the public purse.

1.4. This review mainly covers Scotland, contextualising it within the UK where relevant, and reveals how for some public debts, eg council tax, the situation in Scotland is quite dire. The rest of this review aims to provide evidence to demonstrate the four points above and to highlight gaps in the data and evidence where they arise.

The growing scale of public debt

1.5. One of the reasons there has been a decrease in personal and consumer debt across the UK in the past decade is that the UK government intervened with the widely backed payday charter in 2013. This meant that, from April 2014, such lenders would be regulated by the Financial Conduct Authority. Since this intervention, the debt practices in the personal and consumer debt market, including how they recover loans, have greatly improved. Lenders now take people’s vulnerability and financial circumstances into account.³ As will be explored

¹ Lane, J., et al. (2018). Hidden Debts: The growing problem of being behind on bills and in debt to the government. London, Citizens Advice.

² As above

³ Centre for Social Justice (2020). Collecting Dust: A path forward for government debt collection. London, Centre for Social Justice.

further in the review, the public sector lags far behind the commercial sector in its loan recovery practices.

1.6. There has been an explosion of public sector debts that roughly coincide with post-2010 austerity measures and welfare reform. An analysis of Citizens Advice data shows that the level of problems reported to them for debts owed to the government or other public bodies doubled from 21% in 2010–11 to 42% in 2018–19. The per cent of problems for utility and private rent debt rose from 14% in 2010-11 to 23% in 2018-19. ⁴ It should be noted that this is before the expected negative effects caused by the Coronavirus pandemic.

1.7. Changes to the social security system through UK welfare reform since 2013 has increased levels of poverty across the UK for all groups in society. The changes that are leading to increasing poverty and, therefore, to increasing levels of public debt are:⁵

- the two-child limit in income-related benefits
- the benefit cap
- the five-week wait for the first Universal Credit payment
- changes to council tax support
- Local Housing Allowance rates (frozen since April 2020) breaking the link between housing costs and benefits.

1.8. As of 2020, the total outstanding debt owed by individuals to government authorities in the UK was around **£13.5bn**.^{6 7} Council tax arrears were calculated to be in the region of **£3.2bn**, rent arrears to local authorities in the region of **£400m**, benefits overpayments and advances around **£2.5bn** and tax credit overpayments **£6.2bn**.⁸ Later sections in the review will look at each of these areas in turn.

1.9. Citizens Advice call some debts, including those to public bodies, 'priority debts' because they can cause particularly serious problems to people if they go unaddressed. Priority debts include: rent arrears, mortgage arrears or secured loan arrears, council tax arrears, gas or electricity bills and tax credit overpayments, among others. A full list of what Citizens Advice advises are 'priority debts' can be found [here](#).⁹ The severity of the problems these debts can cause are set out in the section on debt collection practices.

1.10. In spite of the growing scale of the problem, and of the severe problems they can cause people, public debts are often ignored by policy makers. This is in part because, incredibly, no

⁴ Centre for Social Justice (2020). Collecting Dust: A path forward for government debt collection. London, Centre for Social Justice.

⁵ JRF (2022). UK Poverty 2022: the essential guide to understanding poverty in the UK. York, Joseph Rowntree Foundation.

⁶ Note that this analysis does not capture welfare debts for which there is not public data.

⁷ Centre for Social Justice (2020). Collecting Dust: A path forward for government debt collection. London, Centre for Social Justice.

⁸ As above.

⁹ CAB (2021). Rising pressure on household budgets. UK, Citizen's Advice Bureau.

single organisation is responsible for measuring the level of public debt. It is not collated by any government body.¹⁰

1.11. Yet, as Citizens Advice emphasise,¹¹ the scale of that debt should concern policy makers. Almost every study into poverty shows that when people fall behind on household bills, especially ones that can cause major problems, it is an indicator of severe financial distress. It is a sign that families are in dire straits because household bills are the last things people stop paying. In addition, the majority of household bill debts are priority debts meaning people face strong collection practices - such as losing their home,¹² as will be outlined later in this review.

1.12. The following sections look at the current rates of public debt owed on the various priority debts, where such data and information are available. Where they are not we highlight this as a gap in the knowledge.

Public debt collection practices

1.13. The main problem with the proliferation of debt owed to government authorities is that their debt recovery practices are not governed in the same way as consumer debt and have been widely criticised for being harsh and punitive.¹³ In fact, they are coming under fire from many sources including MPs of the current governing Conservative party.¹⁴ The Centre for Social Justice (CSJ), which was set up by the Conservative MP Iain Duncan Smith, describe how current government approaches to debt make people's situation worse rather than offer a route out of debt.¹⁵

1.14. In 2018 the Treasury Committee judged government debt collection to be 'uncompromising' compared to private sector practice and stated that debts are pursued 'over-zealously'.¹⁶ Further, public sector practice in debt recovery has been criticised as being unfair and inefficient, with the suggestion that such action results in higher long-term costs to the taxpayer.¹⁷

1.15. The Centre for Social Justice are calling for a Government Debt Management Bill to bring government debt collection in line with private sector practice, which has been governed by the Financial Conduct Authority since 2014, and to provide people with a sustainable route out

¹⁰ Lane, J., et al. (2018). Hidden Debts: The growing problem of being behind on bills and in debt to the government. London, Citizens Advice.

¹¹ As above.

¹² As above.

¹³ Evans, J. (2020). Debts to public bodies: are Government debt collection practices outdated? London, House of Commons Library.

¹⁴ As above.

¹⁵ Centre for Social Justice (2020). Collecting Dust: A path forward for government debt collection. London, Centre for Social Justice.

¹⁶ House of Commons Treasury Committee (2018). Household finances: income, saving and debt. London, House of Commons

¹⁷ Evans, J. (2020). Debts to public bodies: are Government debt collection practices outdated? London, House of Commons Library.

of problem public debt.¹⁸ This call is being backed by all the money and debt advice organisations, including StepChange¹⁹ and Money Advice Trust.²⁰

2. UK level debts

- 2.1. The link between debt and the benefit system has been highlighted in the last few years by reports from a wide range of organisations with key drivers identified as including the 5-week wait, as well as changing eligibility for disability benefits, involuntary third-party deductions, and the localisation of Council Tax support schemes. This review does not go into great detail on UK level benefits but rather focuses on those that are currently affecting most families with children.
- 2.2. the basic rate of out-of-work benefits is at its lowest for 30 years after adjusting for inflation, while earnings have risen by more than a quarter over the same period.²¹

Universal Credit

- 2.3. Universal Credit and the repayable advance payment to cover the mandatory 5-week wait for a claim to be processed is a leading cause of public debt. For people without savings, the main option to avoid going without essentials in those five weeks is to take the DWP Universal Credit advance or incur a different type of debt. In early 2020, 66% who indicated having income from Universal Credit were under one or more benefit deductions.²²
- 2.4. Additionally, the change in monthly payments, depending on the previous month's earnings, has made insecure incomes even more insecure. In some instances it has led to the cessation of other passported benefits such as Housing Benefit, which, in turn, has led to rent arrears. An All-Party Parliamentary Group on Universal Credit was established and an in-depth report on what needs to change in Universal Credit was published.²³
- 2.5. JRF's most recent report into poverty in the UK states that more than half of people in receipt of Universal Credit are in poverty and 43% of households in receipt of Universal Credit are food insecure.²⁴ Further research by JRF reveals that two thirds of people in receipt of Universal Credit are in arrears and struggling with household finances.²⁵ Heriot-Watt's research on foodbanks shows that the proportion of people referred to a food bank in contact with the Universal Credit system increased from 43% in late 2018 to 64% in early 2020.²⁶

¹⁸ Centre for Social Justice (2020). Collecting Dust: A path forward for government debt collection. London, Centre for Social Justice.

¹⁹ <https://www.stepchange.org/media-centre/press-releases/call-for-debt-management-bill.aspx>

²⁰ <https://moneyadvicetrust.org/latest-news/government-urged-bring-forward-debt-management-bill/>

²¹ JRF (2022). UK Poverty 2022: the essential guide to understanding poverty in the UK. York, Joseph Rowntree Foundation.

²² As above.

²³ All-Party Parliamentary Group on Universal Credit (2019). What needs to change in Universal Credit? London, All-Party Parliamentary Group on Universal Credit.

²⁴ JRF (2022). UK Poverty 2022: the essential guide to understanding poverty in the UK. York, Joseph Rowntree Foundation.

²⁵ Earwaker, R. and M. Bestwick (2021). Dragged down by debt: Millions of low-income households pulled under by arrears while living costs rise. York, Joseph Rowntree Foundation.

²⁶ Bramley, G., et al. (2021). State of Hunger: Building the evidence on poverty, destitution, and food insecurity in the UK (Year two main report) London, Trussell Trust.

2.6. The number of people exposed to the 5-week wait and the advance payment under Universal Credit has increased hugely as a result of the Coronavirus pandemic. Universal Credit caseloads are around twice as high as they were pre-pandemic, with over half of all single parents now in receipt of Universal Credit. A third of new Universal Credit claimants report their family income to be at least 40% lower in January 2021 than its pre-pandemic level.²⁷ This is a situation that is going to have continuing knock on effects on families indebtedness.

2.7. Universal Credit and the 5-week wait for a first payment has been widely discussed, with many calls for the 5-week wait to be abolished. Another idea would be for the advance payment to be given as a grant and be made non-repayable so as to avoid the inevitable debt incurred.

Tax credit debt

2.8. Much has also been written about the Child Tax Credits system, which frequently resulted in overpayments being made and then owed, often because of issues related to people's variable incomes and understanding of how the system worked. These overpayments were acknowledged to be caused by flaws in the design of the tax credits system. These historic debts continue to follow people, even long after their children have grown and they no longer receive tax credits.

2.9. In 2011, HMRC announced that it was going to write off historic tax credit debt over 3 years old under its 'Older inactive debts' policy 2011-12. This did not happen and consequently we are living with a system where the majority of current tax credit debt is from a long time ago.

2.10. In 2019, £6.2bn worth of tax credits overpayments were transferred to the Department for Work and Pensions from HM Revenue and Customs.²⁸ Seventy-one percent of these overpayments was from the period up to 2015-16 and sixteen per cent was from before 2011.²⁹ The Conservative MP and former Work and Pensions Secretary, Sir Iain Duncan Smith, says this old debt should never have been arranged for transfer.³⁰

2.11. Even in 2021, there remained 5.4bn worth of tax credit overpayment debt, a figure which is likely to grow as around 1.9 million families are still in receipt of tax credits.³¹ This is the situation for the UK as a whole.

2.12. In Scotland, there were 140,000 families with approximately 230,000 children still in receipt of child and/or working tax credits in 2021.³² This includes 24,500 families with 41,000 children in Glasgow and 11,000 families with 16,900 children in Edinburgh.³³ Table 1 gives a full breakdown by Scottish local authority.

²⁷ Brewer, M. and K. Handscomb (2021). The debts that divide us Flash findings from a survey of families claiming Universal Credit. London, Resolution Foundation.

²⁸ All-Party Parliamentary Group on Universal Credit (2019). What needs to change in Universal Credit? London, All-Party Parliamentary Group on Universal Credit.

²⁹ As above.

³⁰ Centre for Social Justice (2020). Collecting Dust: A path forward for government debt collection. London, Centre for Social Justice.

³¹ StepChange (2021). The true cost of tax credit overpayments: A fairer approach. London, StepChange.

³² HMRC (2021). Child and Working Tax Credits statistics (Geographical Data Tables) - April 2021. HMRC. London.

³³ As above.

Table 1 - Number of children and families receiving tax credits in Scotland (thousands, April 2021)

Local Authority	Total children	Total Families
UNITED KINGDOM	3,485.4	1902.4
SCOTLAND	228.8	139.6
Aberdeen City	6.6	4.1
Aberdeenshire	6.8	4.1
Angus	4.1	2.4
Argyll & Bute	3.3	2.1
Clackmannanshire	2.2	1.2
Dumfries & Galloway	7.7	4.8
Dundee City	7.2	4.2
East Ayrshire	5.1	3.2
East Dunbartonshire	3.1	2.0
East Lothian	3.2	1.9
East Renfrewshire	3.3	2.0
Edinburgh, City of	16.9	11.0
Eileanan an Sar	1.2	0.7
Falkirk	6.4	3.9
Fife	16.8	9.6
Glasgow City	41.0	24.5
Highland	7.6	4.5
Inverclyde	2.8	1.9
Midlothian	3.6	2.0
Moray	3.1	1.8
North Ayrshire	6.5	4.0
North Lanarkshire	16.3	10.1
Orkney Islands	1.0	0.6
Perth & Kinross	5.7	3.6
Renfrewshire	8.6	5.6
Scottish Borders	4.3	2.8
Shetland Islands	0.6	0.4
South Ayrshire	4.0	2.5
South Lanarkshire	13.5	8.3
Stirling	2.5	1.5
West Dunbartonshire	5.5	3.3
West Lothian	8.7	5.2

Notes:

1. Includes all children or qualifying young people in families receiving tax credits. This may not be equal to the number of children for whom the family is receiving the child element of CTC due to the policy to provide support for a maximum of two children, affecting children born after 6 April 2017 unless they are covered by an exception.
2. Families benefiting from the child care element are part of in-work families receiving CTC & WTC or CTC only, and are not counted separately in the total numbers.
3. In some columns and rows, the sum may not add up exact to the total due to rounding.

2.13. This review now turns away from UK level benefits governed by the DWP or HMRC and to those owed and enforced at the local authority level.

3. Local government debts

Council Tax - Change in support since 2013

3.1. There has been a significant increase in levels of council tax debt in recent years in the whole of the UK. Although the levels of council tax debt in Scotland are not as severe as in England and Wales, Citizens Advice Scotland report that council tax has become the most common debt issue reported to them by people seeking debt advice and that there has been an increase in advice sought for all local authority debts. In 2020, 21% of all requests for debt advice to CAS relate to local authority debts (council tax, rent arrears and water/sewerage charges). This compares to 11% in 2012-13.³⁴

3.2. One reason for increases in council tax debt relate to the welfare reforms post-2013, when council tax benefit was abolished and localised council tax support was introduced. These new support schemes are not benefits and are administered by local authorities.³⁵ In England and Wales, these schemes vary from authority to authority; however, Scotland implemented a national scheme so that no such variation would occur. The review now turns to the council tax situation in Scotland only.

3.3. The national scheme in Scotland is based on an agreement between the Scottish Government and local authorities to make sure that people receiving Council Tax support do not receive less than they would had they claimed under the old council tax benefit. This national Council Tax Reduction scheme ensures all local authorities in Scotland offer the same reductions and administer the scheme in their areas.³⁶

3.4. While there is supposed to be no geographic variation of levels of support in Scotland, CPAG says:³⁷

‘lack of guidance to local authorities results in different approaches in different areas, and means it is harder for individuals (and advisers) to understand the basis of decisions. This problem is exacerbated by the lack of an obligation to produce a detailed decision notice explaining how entitlement has been calculated’.

3.5. As well as potential geographic variation in Scotland, the changes to social security post-welfare reform has led to differences in levels of support for people with identical circumstances. For example, depending on whether someone receives Universal Credit or legacy benefits, they can have identical circumstances but be eligible for different levels of council tax support, with

³⁴ CAS (2020). Scotpulse survey results March/April 2020. Edinburgh, Citizens Advice Scotland.

³⁵ Money Advice Trust (2021). Council Tax after Covid: Reforming Council Tax Support and collection in the wake of the pandemic, Money Advice Trust.

³⁶ <https://www.turn2us.org.uk/Benefit-guides/Council-Tax-Support/Council-Tax-Support-Scotland> (Accessed 18 January 2022).

³⁷ <https://www.parliament.scot/chamber-and-committees/committees/current-and-previous-committees/session-6-social-justice-and-social-security-committee/correspondence/2021/response-from-cpag-to-the-committees-letter-on-council-tax-reduction-scotland-regulations-2021>

those receiving Universal Credit being distinctly disadvantaged. This is especially the case where the household has one adult in work.³⁸

3.6. In response to this inequitable treatment by type of benefit, the Scottish Government has introduced new regulations to address this: the Council Tax Reduction (Scotland) Regulations 2021.³⁹ These new regulations consolidate the existing regulations and make significant changes to the way council tax reduction is calculated for those of working age and in receipt of Universal Credit.⁴⁰ They are expected to come into effect for the financial year 2022-23.

3.7. The Scottish Government invited consultation responses to the proposed new regulations from Citizens Advice Scotland, CPAG, Inclusion Scotland, IRRV, One Parent Families Scotland and The Poverty Alliance, but not from the general public. All of the organisations approached are broadly supportive of the new regulations but also have some reservations. CPAG, for example, state that while the Scottish Government's policy intention is largely met, they believe that an opportunity was missed to use these regulations to reduce child poverty by making the rules more generous for low income households. They give full details of who will be most disadvantaged [here](#).⁴¹

3.8. Citizens Advice Scotland have one suggested improvement to the new regulations and that is the:

'encouragement of local authorities to automatically apply Council Tax Reduction upon notification of a Universal Credit Application. Currently some councils have already implemented such automatic application, whilst others have opted for other processes such as sending a letter to encourage Universal Credit applicants to apply for CTR or to wait until the Universal Credit award has been paid'.

3.9. Although there are some reservations, organisations who were given the opportunity to respond believe that in the majority of cases it will improve access to council tax support for Universal Credit recipients. What the new regulations do not amend are the harsh collection practices which can make people's financial situation worse.

Council tax enforcement

3.10. Much of this section on council tax enforcement is taken from 'In Practice: Exploring Council Debt Collection' by CAS as it was so comprehensive.⁴²

³⁸ Local Government and Analytical Services Division (2021). Scottish Government analysis of the impact of revisions to the Council Tax Reduction scheme for working-age caseload in receipt of Universal Credit. Edinburgh.

³⁹ <https://www.legislation.gov.uk/ssi/2021/249/contents/made>

⁴⁰ <https://www.parliament.scot/chamber-and-committees/committees/current-and-previous-committees/session-6-social-justice-and-social-security-committee/correspondence/2021/letter-to-organisations-asking-for-views-on-the-council-tax-reduction-scotland-regulations-2021>

⁴¹ <https://www.parliament.scot/chamber-and-committees/committees/current-and-previous-committees/session-6-social-justice-and-social-security-committee/correspondence/2021/response-from-cpag-to-the-committees-letter-on-council-tax-reduction-scotland-regulations-2021>

⁴² Holmyard, M. and L. Hutton (2020). In Practice: Exploring Council Debt Collection, Citizen's Advice Scotland.

- 3.11. Local authorities in Scotland have 20 years to enforce their debts, not five like other creditors have.⁴³ This means the statute of limitation for council tax in Scotland is also 20 years, unlike in England and Wales, where the equivalent statute of limitation period for council tax is 6 years. This has not been changed by the new regulations of 2021.
- 3.12. Unlike other debts, council tax has a fast track through to enforcement. While timeframes differ by local authority; typically, if a person misses a single instalment of their council tax, they will receive at most two official reminders, after which they lose the right to pay their council tax by instalments and a final notice is issued charging them for the full year. Given that the failure to pay is usually a symptom of not having enough money, it is unlikely that at this stage the full year's council tax will be paid.⁴⁴
- 3.13. If the council tax is not paid in full a summary warrant is then issued which adds a 10% surcharge to the outstanding amount and the debt is handed over to sheriff officers to enforce. Unlike consumer debts there is no legal process to defend against the summary warrant.⁴⁵
- 3.14. Before carrying out enforcement sheriff officers have to serve a 'Charge for Payment' and a 'Debt Advice and Information Package'. The Charge for Payment gives two weeks for the debt to be paid in full after which enforcement can begin. Sheriff officers charge between £80-£100 for serving the Charge for Payment and this is typically added to the debt. 201,026 Charge for Payments were served in 2018-19 which gave sheriff officers, at minimum, a £16 million revenue stream.⁴⁶
- 3.15. The speed of action taken by local authorities makes it possible for council tax to proceed from missed payment to summary warrant for enforcement in little over a month. The thresholds for taking action for non-payment of council tax are generally low and in some cases the enforcement costs are the same or greater than the debt owed. There is also seldom consideration of the person's financial circumstances and their ability to pay, before moving to enforcement.⁴⁷
- 3.16. CAS explain that moving through the enforcement stages so quickly may actually be a false economy to the council as the costs of collection have to be absorbed by the them, including the sheriff officer costs, if the person cannot pay.⁴⁸
- 3.17. The most common type of enforcement is a non-earnings arrestment, which is also referred to as a bank account arrestment. In 2018-19, there were 167,356 non-earnings

⁴³ In terms of legislation, councils were successful in influencing the Scottish Law Commission to explicitly exclude council tax debts from the shorter five year prescription period that applies to other debts in the draft legislation that went on to become the Prescription Act 2018.

⁴⁴ Holmyard, M. and L. Hutton (2020). In Practice: Exploring Council Debt Collection, Citizen's Advice Scotland.

⁴⁵ Holmyard, M. and L. Hutton (2020). In Practice: Exploring Council Debt Collection, Citizen's Advice Scotland.

⁴⁶ As above.

⁴⁷ As above.

⁴⁸ As above.

arrestments served in respect of council tax debts in Scotland, a 21.3% increase on the previous year.⁴⁹

3.18. The next most common type of enforcement is an earnings or wage arrestment which requires an employer to make deductions from wages payments. There were 71,835 earnings arrestments in 2018/19 in Scotland, a 4% increase on the year before.⁵⁰

3.19. Since the arrival of Universal Credit people on benefits are more likely to having their bank accounts arrested. A single monthly payment of UC can include a housing payment, which can make a household exceed the £529.90 protected minimum balance, and so make them at risk of arrestment. This means that people on UC are treated differently to people on legacy benefits in the same circumstances, who very rarely exceed the protected minimum balance in an account because of shorter payment periods and housing benefit being paid direct to the landlord. The incoming Council Tax Reduction regulations should address this.

3.20. One of the most difficult and intractable problems with dealing with council tax debt collection is the unrelenting way that debts can build up once somebody gets behind on their payments. Without fail the council will bill every year and if the person is already in arrears, trying to balance ongoing payments to council tax against debt payments for previous years on top of already frugal budgets is very difficult. This is exacerbated if sheriff officers are carrying out enforcement for arrears as the likely outcome is a further reduction in available funds to pay the new bill.⁵¹ CAS assert that there is no easy answer to this particular problem, apart from debt write off.

3.21. In England and Wales it is possible to appeal to a council to apply discretionary powers to completely write off the council tax where other discounts and schemes cannot be applied. The power is under section 13A of the Local Government Finance Act and there have been recent tribunal decisions requiring councils to apply that discretion. CAS argue that councils in Scotland should consider following the examples of councils in England and Wales in writing off debts, especially ones that they know are unpayable.⁵²

3.22. CAS are committed to improving good practice in council debt collection. They emphasise that maximising council income is in the best interests of all tax payers but that there clearly needs to be protections in place for the most vulnerable. CAS have a charter on what local authorities should implement in relation to public debts.⁵³

How much does Scotland owe in Council Tax?

3.23. In 2020-21 for Scotland as a whole, the total amount of Council Tax billed (after Council Tax Reduction) was £2.675 billion. Of this total, £2.535 billion, or 94.8 per cent, was collected

⁴⁹ We could FOI this?

⁵⁰ We could FOI this?

⁵¹ Holmyard, M. and L. Hutton (2020). In Practice: Exploring Council Debt Collection, Citizen's Advice Scotland.

⁵² As above.

⁵³ As above.

by 31 March 2021. This leaves £139.5 million uncollected as of 31 March 2021 for the year 2020-21 alone.⁵⁴⁵⁵

3.24. This provisional in-year collection rate is lower than the figure for the previous year (95.8 per cent). It has been impacted by the economic effects of the Covid-19 pandemic as Councils suspended debt recovery process and actions to avoid contributing to financial pressure on Council Tax payers. In some cases council tax payers have arrangements moving into the current year, 2021-22, with Council Tax recovery continuing.⁵⁶

3.25. Between 1999-00 and 2020-21, the overall total amount of Council Tax billed in Scotland was £42.441 billion, of which £41.193 billion, or 97.1 per cent, was collected by 31 March 2021. This leaves £1.25 billion uncollected as of 31 March 2021.⁵⁷ This two decade collection period is reported in the Scottish Government statistics bulletin because the statute of limitations on recovering council tax arrears in Scotland is twenty years. In England and Wales it is 6 years.

Water and Sewerage – Scotland

3.26. Much of this section on water and sewerage is taken verbatim from 'In Practice: Exploring Council Debt Collection' by Citizens Advice Scotland.⁵⁸

3.27. Local authorities in Scotland have a statutory responsibility for collecting water and sewerage charges on behalf of Scottish Water. In practice the water and sewerage charges are on the same notification that is issued for council tax at the start of the year and both are collected together under a single payment. Some exemptions apply, for example if the person gets a council tax exemption then they are also exempt from water and sewerage. However, confusingly, if the person receives a full council tax reduction, which replaced council tax benefit in 2013, then they still have to pay 75% of the water and sewerage charge, and this is where the problems begin.⁵⁹

3.28. People receive council tax reduction because they are on a low income. However people who get a full council tax reduction are prone to water and sewerage debt for a number of reasons including poor communications and a general lack of affordability. Water and sewerage debt is collected like council tax debt i.e. it follows the summary warrant process and is enforced by sheriff officers.⁶⁰

3.29. Communications and billing from councils add to the confusion, because they tend to focus on the council tax, or council tax reduction that they administer. For example one council's reminder letter CAS has seen does not refer to water and sewerage charges at all, but

⁵⁴ Scottish Government (2021). Council Tax Collection Statistics, 2020-21. [A National Statistics publication for Scotland](#). Edinburgh, Scottish Government.

⁵⁵ We have a table of % of council tax collected in 2020-21 by each local authority if required.

⁵⁶ Scottish Government (2021). Council Tax Collection Statistics, 2020-21. [A National Statistics publication for Scotland](#). Edinburgh, Scottish Government.

⁵⁷ As above.

⁵⁸ Holmyard, M. and L. Hutton (2020). In Practice: Exploring Council Debt Collection, Citizen's Advice Scotland.

⁵⁹ As above.

⁶⁰ As above.

will be sent to people who have not paid it. So somebody receiving the reminder letter will assume it is irrelevant to them as it only refers to council tax, which they know they are already exempt from, and the opportunity will be missed to deal with the water and sewerage arrears.

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3.30. Water Direct is a new development in the council debt collections landscape that CAS refers to as an 'unfortunate' development. If a person is in receipt of benefits it is possible to have water and sewerage arrears plus an ongoing payment towards their current year's liability deducted from benefit payments. Because of the ongoing payment element, new arrears of water and sewerage should not accrue, so theoretically this is a good debt management tool. However in practice the payments are difficult to manage on benefits.⁶²

3.31. Councils are allowed to apply for Water Direct without agreement or consultation with the person in debt and the numbers of councils using this method of recovery has grown from just two who were pilot areas, to nearly half of all councils in Scotland.⁶³⁶⁴

3.32. In 2015 CAS wrote a report highlighting issues with water and sewerage charges and the issues caused by communications not clearly defining liability. Water and sewerage charges are collected with council tax by each local authority. All these years later the issues have not changed, with many people being unaware that they are liable to pay at least 75% of their water and sewerage, even if they get a full council tax reduction.⁶⁵ This is a practice that is directly leading to indebtedness.

Housing debt (not just social housing) Scotland

3.33. Renters make up roughly 37% of households in Scotland.⁶⁶ JRF conducted poll of social and private renters in Scotland. They found that for social tenants in February 2021, 12% were in arrears with their rent. If they scaled this per cent to the whole Scottish population, it would suggest that there are approximately 70,000 social-renting households currently in arrears with their rent. The scaled up results also suggest that approximately 20,000 private-renting households are currently behind on their rent, with many more struggling to meet the cost of essentials.⁶⁷

3.34. At 31 March 2021, total arrears in the social rented sector stood at just over £160 million up by nearly 10% (from £146.8 million) on March 2020.⁶⁸ The Scottish Housing Regulator's research with its Tenants' Panel (social rented sector tenants) found that 40% have experienced difficulties affording their rent and 64% were concerned about future affordability.⁶⁹

⁶¹ As above.

⁶² As above.

⁶³ Holmyard, M. and L. Hutton (2020). In Practice: Exploring Council Debt Collection, Citizen's Advice Scotland.

⁶⁴ Should we FOI this?

⁶⁵ Holmyard, M. and L. Hutton (2020). In Practice: Exploring Council Debt Collection, Citizen's Advice Scotland.

⁶⁶ Joseph Rowntree Foundation (2021). Laying the foundations for a Scotland without poverty. York, Joseph Rowntree Foundation.

⁶⁷ Hay, D., et al. (2021). A just recovery for renters, Joseph Rowntree Foundation.

⁶⁸ [Michael Cameron - TIS Rent Setting and Affordability event 8 September 2021 | Scottish Housing Regulator](#)

⁶⁹ From PIC advice, to be published in January 2022.

- 3.35. CAS research, and that done by social landlords, shows a higher rate of rent arrears among social housing tenants claiming Universal Credit.⁷⁰ JRF research shows that, at the end of September 2021, almost seven in ten (68%) low-income, Universal Credit (UC) recipients were grappling with priority arrears (not just rent).⁷¹
- 3.36. Data on arrears is not available for the private rented sector, but Citizens Advice Scotland reports that requests for advice on private rented sector rent arrears have increased⁷² and research with private landlords estimates that around 25% of private rented sector tenants could have arrears amounting to a total value of current arrears in the Scottish private rented sector in the region of £126m.⁷³⁷⁴⁷⁵
- 3.37. Private renters who are worried about being able to pay their rents are more likely to turn to borrowing. JRF report that 23% of private renters whose income had fallen since March 2020 had borrowed more from family or friends than social renters, and 18% had borrowed more from sources such as banks, credit cards and overdrafts to deal with the loss in income.⁷⁶ Of course, it is likely that private renters have access to a wider source of borrowing from friends, family and financial institutions than do social renters.
- 3.38. The ultimate sanction for rent arrears of course is eviction. CAS explain that the legal process of eviction is complex and leaves the tenant subject to the uncertainties of the court system. The only way to avoid eviction if the rent owed becomes too large to practically repay in a short period of time is to apply for bankruptcy. The arrears are then written off.⁷⁷
- 3.39. Citizens Advice Scotland's data hub shows 40% of bankruptcy cases had rent arrears as part of their debt profile. Whilst this solves the immediate housing issue, it will have knock on effects. People who go bankrupt will find it difficult to obtain credit for 6 years, will be blocked from working in certain professions and will struggle to obtain a private tenancy where credit checks form part of the application process.⁷⁸

Multiple council debts

- 3.40. An increasing concern is the phenomenon of multiple debt owed to different departments of the same council. Different departments collecting debt across the council have an overview neither of the number of debts being taken, nor the impact that this can have. CAS explain that

⁷⁰ Holmyard, M. and L. Hutton (2020). In Practice: Exploring Council Debt Collection, Citizen's Advice Scotland.

⁷¹ Earwaker, R. and M. Bestwick (2021). Dragged down by debt: Millions of low-income households pulled under by arrears while living costs rise. York, Joseph Rowntree Foundation.

⁷² [Annual Housing Data Briefing | Citizens Advice Scotland \(cas.org.uk\)](https://cas.org.uk/annual-housing-data-briefing/)

⁷³ Watson, A. R. and N. Bailey (2021). The pandemic arrears crisis: Private landlord perspectives on the temporary legislation impacting the Private Rented Sector. Glasgow, UK Collaborative Centre for Housing Evidence (CaCHE), University of Glasgow.

⁷⁴ This is likely to be an upper estimate, and possibly an overestimate, as experience of arrears was likely to influence landlords' participation in the research.

⁷⁵ From PIC advice, to be published in January 2022.

⁷⁶ Joseph Rowntree Foundation (2021). Laying the foundations for a Scotland without poverty. York, Joseph Rowntree Foundation.

⁷⁷ Holmyard, M. and L. Hutton (2020). In Practice: Exploring Council Debt Collection, Citizen's Advice Scotland.

⁷⁸ As above.

without a co-ordinated approach this can leave people destitute, and that this particularly affects the most vulnerable.⁷⁹

3.41. JRF research shows that where people have multiple kinds of debt it is predominantly debts owed to the state by low-income households. JRF explored combinations of arrears owed to local and central government through council tax, tax repayments, fees and fines, and rent to local authorities. They found that, in the UK, low-income households owe an estimated almost £1.5 billion to the state, with council tax arrears making up half of this amount.⁸⁰

3.42. CAS analysed their database and found that people with multiple council debts are more likely to be female (54%), aged between 45-59 years (33%), single (55% against an overall client profile of 38%), either unable to work or unemployed (21% and 24% respectively) and in the lowest SIMD deciles (51% were in the 1st SIMD decile and 35% in the second).⁸¹ As CAS and JRF note, these are people on particularly low incomes with additional vulnerabilities.

Information on councils' websites

3.43. CAS researched every council website in Scotland to establish whether they publish a multiple debt policy. They concluded that some have no debt policy at all, whereas others to have a multiple debt policy, which ensures that all debts are included in a single recovery process, where the most important debts get paid first, and the payment is made affordable.⁸²⁸³ This is a practice that could be replicated throughout Scotland.

3.44. CAS found that only 31% of councils had a debt recovery policy that could be located on their own website and that a further 22% were able to be located using an external search engine. They conclude that this means that nearly 50% of councils do not have a debt policy that is available to the public.⁸⁴

3.45. Only 6 local authorities had information on Water Direct, although nearly half of councils are using it as a recovery method.⁸⁵

4. The Covid-19 pandemic

4.1. By August 2020, 6 million people (1 in 9) across the UK had fallen behind on household bills as a result of the pandemic.⁸⁶ For those already on a low income the figure is starker. Prior to the pandemic, in 2019/20, the Family Resources Survey showed that 11% of low-income households were behind on at least one household bill or credit commitment. JRF did a UK-wide survey, which, while not perfectly comparable, found that 33% were in arrears by 2021. This figure rises to 44% for working-age households (i.e. excludes pensioners whose incomes

⁷⁹ As above.

⁸⁰ Earwaker, R. and M. Bestwick (2021). Dragged down by debt: Millions of low-income households pulled under by arrears while living costs rise. York, Joseph Rowntree Foundation.

⁸¹ Holmyard, M. and L. Hutton (2020). In Practice: Exploring Council Debt Collection, Citizen's Advice Scotland.

⁸² As above.

⁸³ We could FOI this?

⁸⁴ Holmyard, M. and L. Hutton (2020). In Practice: Exploring Council Debt Collection, Citizen's Advice Scotland.

⁸⁵ As above.

⁸⁶ CAB (2021). Rising pressure on household budgets. UK, Citizen's Advice Bureau.

were protected under the pandemic). The situation in households where an adult was aged 18-24 years was particularly worrying as almost three quarters (71%) of those households reported having arrears.⁸⁷

- 4.2. There is much evidence that rates of housing debt are considerably higher than in the pre-pandemic period too. This is the case for those in social and private rental housing. The Resolution Foundation found that by January 2021, the level of arrears had at least doubled since the start of the pandemic, caused in part by the disproportionate falls in income renters have experienced during this time.⁸⁸
- 4.3. CAB noted that the number of people seeking debt advice from them in September 2021 was 11% higher than the month before and 20% higher than the same time in 2020.⁸⁹
- 4.4. The Scottish Government established a zero-interest loan fund (the £10 million Tenant Hardship Fund) for tenants struggling to pay their rent costs but unable to access other forms of assistance, such as Discretionary Housing Payments.⁹⁰
- 4.5. There was a low take-up of these loans and many people's applications were rejected because of their poor credit scores or it was deemed they could not afford the repayments (as of March 2021, only around 16% of applications were successful).⁹¹
- 4.6. In September 2021, the Scottish Government announced another £10 million fund for tenants. This time the fund is for grants to tenants who have fallen behind on their rent as a result of the pandemic and are at risk of eviction.⁹²

5. Impacts and implications

- 5.1. StepChange calculate that 14 million GB adults experienced a fall in income during the pandemic. They found that a third of those who experienced a fall reported impacts such as skipping meals and rationing utilities. Further, their findings show that 1 in 10 parents who experienced a fall in income said their children had to miss meals or go without appropriate clothing for the weather. 10.6 million people said they took on additional borrowing to make ends meet and 1.7 million people depleted their savings to pay for essentials.⁹³ Table 2 gives the percentages of these various impacts for Scotland, England and Wales separately.

⁸⁷ Earwaker, R. and M. Bestwick (2021). Dragged down by debt: Millions of low-income households pulled under by arrears while living costs rise. York, Joseph Rowntree Foundation.

⁸⁸ Judge, L. (2021). Getting ahead on falling behind: Tackling the UK's building arrears crisis. London, Resolution Foundation.

⁸⁹ CAB (2021). Rising pressure on household budgets. UK, Citizen's Advice Bureau.

⁹⁰ JRF (2021). A just recovery for renters. York, Joseph Rowntree Foundation.

⁹¹ As above.

⁹² <https://www.gov.scot/news/grants-for-tenants-in-rent-arrears/#:~:text=Councils%20have%20been%20given%20%C2%A3,pay%20off%20their%20rent%20arrears.>

⁹³ StepChange (2021). Stormy weather: The impact of the Covid-19 pandemic on financial difficulty in January 2021. London, StepChange Debt Charity.

Table 2 - From Stepchange survey⁹⁴

	England	Scotland	Wales
Income fall since March 2020	28%	30%	29%
Signs of financial difficulty	19%	24%	21%
Problem debt	4%	7%	7%
Arrears on household bills	8%	10%	10%
Experienced hardship	11%	14%	18%
Borrowed to make ends meet	20%	25%	25%
Run down savings	6%	8%	6%
'Certainly' or 'probably' unable to pay for essentials in next 12 months	11%	10%	10%

Source: StepChange 2021

5.2. On almost all the measures Scotland fares less well than England and fairly equally badly as Wales. These findings suggest that a quarter of the population of Scotland is struggling with basic needs as a result of the pandemic.

5.3. Public debt is leading to increasing levels of hunger. In the Trussell Trust's State of Hunger (by the author of this review), debt was a very significant issue for households referred to food banks: nine in ten had some form of debt, while six in ten had arrears on bills and owed money on loans. In mid-2020, the DWP had become the main creditor to people referred to food banks: 47% of all people referred to a food bank and 41% of disabled people referred were indebted to the DWP in mid-2020. This was cited as one of the most striking findings of the whole study.⁹⁵

5.4. Rising levels of problem debt are both a symptom of, and a compounding factor in, destitution. These debts are mainly public sector debts owed to the DWP, local authorities and utility companies.⁹⁶ People in problem debt are scared: they are scared that 'they will go hungry, lose their home, be separated from their children, or even sent to prison'.⁹⁷

5.5. Most worryingly, there is also a strong link between financial difficulties and at suicide. In England, over 100,000 people in problem debt (public and personal/commercial debt) attempt suicide each year.⁹⁸ This does not include those who actually die by suicide. By a process of

⁹⁴ As above.

⁹⁵ Bramley, G., et al. (2021). State of Hunger: Building the evidence on poverty, destitution, and food insecurity in the UK (Year two main report) London, Trussell Trust.

⁹⁶ Fitzpatrick, S., et al. (2020). Destitution in the UK 2020. York, Joseph Rowntree Foundation.

⁹⁷ Bond, N. and M. Holkar (2018). A silent killer: Breaking the link between financial difficulty and suicide. London, Money and Mental Health Policy Institute.

⁹⁸ Bond, N. and M. Holkar (2018). A silent killer: Breaking the link between financial difficulty and suicide. London, Money and Mental Health Policy Institute.

extrapolation, we would expect that figure to be around 8,000-10,000 each year in Scotland. Of everyone who attempted suicide in 2017, almost a quarter were in problem debt.^{99 100}

Debt and vulnerable people

- 5.6. In 2017, StepChange conducted analysis on their debt advice data to look more closely at the one in five people they advised who had an additional vulnerability on top of their financial difficulties. The most common type of vulnerability experienced by StepChange clients was a physical or mental health issue: 43% of StepChange's vulnerable clients identified poor mental health as their main vulnerability.¹⁰¹
- 5.7. StepChange found that health problems are a major cause of people becoming indebted:
- 40% of people with mental health issues said illness was the main reason for their debt problems.
 - 68% of people with cancer said illness was the main reason for their debt problems.
 - 77% of people with a terminal illness said this was the main reason for their debt problems.¹⁰²
- 5.8. StepChange defines a negative budget as one where people have less money coming in than they have going out, even after receiving budgeting advice from a debt advisor. They found that 45% of their more vulnerable clients, compared to 30% of all their clients, had a negative budget.¹⁰³

6. Recent action to alleviate debt

- 6.1. As a result of the Coronavirus pandemic there has been some action taken to give people more time and space to try to manage their debts, including their debts to public bodies. However, when this is lifted people may find themselves in extremely difficult circumstances.
- 6.2. Scotland has the Debt Arrangement Scheme (DAS), which was set up by the Scottish Government to help people repay debts in a manageable way without the threat of court action. This scheme offers a moratorium to prevent creditors taking enforcement action and to allow time for people to get advice from a money adviser. The moratorium was for 6 weeks prior to the Coronavirus pandemic but is now for 6 months. Under the DAS a regular payment is made into a debt payment programme, which is then divided up and sent to creditors. This scheme does not cover public debts. Scotland's scheme pre-dates the recently enforced scheme in England.^{104 105}

⁹⁹ Bond, N. and M. Holkar (2018). A silent killer: Breaking the link between financial difficulty and suicide. London, Money and Mental Health Policy Institute.

¹⁰⁰ Could a recommendation of our research be that problem public debt should be considered a risk to public health by Public Health Scotland?

¹⁰¹ Stepchange (2018). Breaking the link - A closer look at vulnerable people in debt. London, Stepchange.

¹⁰² As above.

¹⁰³ As above.

¹⁰⁴ <https://www.citizensadvice.org.uk/scotland/debt-and-money/help-with-debt/what-options-are-there-for-dealing-with-debt/the-debt-arrangement-scheme-in-scotland/>

¹⁰⁵ NB - I believe this is for personal/consumer debt. I am not sure this relates to public debt (something to ask CAS about).

- 6.3. The UK Government's Debt Respite Scheme (England only) – which includes Breathing Space and the Statutory Debt Repayment Plan - came into force on 4 May 2021. This is similar to Scotland's Debt Arrangement Scheme, but it goes further. It gives people a 60 day moratorium on legal action by creditors, extended indefinitely if the indebted person is undergoing mental health treatment. The UK Government has not yet set a date for the implementation of the Statutory Debt Repayment Plan. This scheme, like its Scottish counterpart, does not cover public debts.¹⁰⁶
- 6.4. Scotland has no national scheme for public debt owed to local authorities; rather, it seems this is governed at the local authority level, suggesting there is differing practice throughout Scotland. There has, in contrast, been some action on public debt repayment practices at the UK level.
- 6.5. The UK has published a Debt Management Vulnerability Toolkit, to help public sector creditors support their vulnerable customers. This tool was developed in association with the debt advice sector and aims to identify and assist people facing physical and mental challenges, so that debt 'recovery can focus on those who are deliberately trying to avoid repaying their debts'.¹⁰⁷
- 6.6. The Cabinet Office published 'Fairness in government debt management: a call for evidence' on June 29 2020 for a 12 week consultation period, lasting until September 21 2020. The summary of responses can be found [here](#). Many of the responses urged the UK Government to introduce a Debt Management Bill. As of this date, the responses are still being analysed.¹⁰⁸
- 6.7. In August 2021, the Department for Levelling Up, Housing and Communities (DLUHC) in the UK Government, published new best practice guidance on council tax enforcement to improve enforcement practices across English local authorities.¹⁰⁹ The aim of this guidance is to encourage local authorities to invest in supportive recovery techniques to improve outcomes for authorities and for debtors. There is no equivalent guidance in Scotland.
- 6.8. This recent good practice guidance and potential legislation emanating from Westminster does not cover Scotland. This means people with public debt in Scotland are even more disadvantaged than their counterparts in England, given this is already the case due to the different statute of limitations on council tax arrears (20 years for Scotland compared to 6 years for England). It really is time for Scotland to take action on public debt to local authorities.

¹⁰⁶ Conway, L. (2021). Debt Respite Scheme - a breathing space for those in debt. London, House of Commons Library, UK Government.

¹⁰⁷ <https://www.gov.uk/government/publications/debt-management-vulnerability-toolkit>

¹⁰⁸

https://moneyadvicetrust.org/media/documents/MAT_response_to_Fairness_in_government_debt_management_call_for_evidence_-_Sep_Ac9QJS0.pdf

¹⁰⁹ <https://www.gov.uk/government/publications/council-tax-collection-best-practice-guidance-for-local-authorities>

6.9. At the Department for Work and Pensions (DWP) the rate at which benefit deductions can be applied has been reduced from 40 per cent of a standard allowance to 30 per cent and then to 25 per cent from 2021.¹¹⁰ This does cover the whole of the UK; however, it does not include public debts to other national bodies such as HMRC, nor does it include public debts to local authorities.

7. Potential recommendations from review of the literature

7.1. The report of the Social Renewal Advisory Group, 'If not now, when?', has a recommendation on personal debt to the Scottish Government that we could re-emphasise:

*"Our second call is for the development of an approach to personal debt that is designed around the needs of the individual. This includes ensuring culturally-sensitive money advice and proactive approaches through trusted partners to reach communities less likely to seek money advice, such as certain minority ethnic groups. Debt write-off schemes should be developed to respond to the build-up of unsustainable debt both before and during the pandemic. Money advice services should be defined as essential and statutory. The impacts of existing provision of discretionary and crisis funds should also be reviewed."*¹¹¹

7.2. The following is from Citizens Advice Scotland and notes how council debt collection is outdated and falling behind recent UK government practice.

*"In Scotland, councils' debt collection practices have remained static for decades, however local authorities outside of Scotland and UK government departments have been making changes to balance debt recovery with fairness to the individual. Meanwhile in the world of consumer credit "treating customers fairly" has become a mantra. Councils in Scotland are being left behind in their approach to debt recovery and their methods can cause financial harm to people in debt."*¹¹²

7.3. A recommendation would be for the Scottish Government to develop guidelines for local authority debt collection practice across Scotland.

7.4. JRF's suggested that the UK:

*"Government should increase funding to ensure full local council tax support for people on the lowest incomes, and amend regulations to improve council tax collection processes, including preventing missed council tax bills from escalating so quickly."*¹¹³

¹¹⁰ Centre for Social Justice (2020). Collecting Dust: A path forward for government debt collection. London, Centre for Social Justice.

¹¹¹ SRAG (2021). If not now, when? Edinburgh, Social Renewal Advisory Group, Scottish Government. (page 5)

¹¹² Holmyard, M. and L. Hutton (2020). In Practice: Exploring Council Debt Collection, Citizen's Advice Scotland. Page 4

¹¹³ Earwaker, R. and M. Bestwick (2021). Dragged down by debt: Millions of low-income households pulled under by arrears while living costs rise. York, Joseph Rowntree Foundation.

- 7.5. A recommendation to the SG would be to provide funds, like Discretionary Housing Payment, to top up partial council tax support where that support would have been full prior to 2013.
- 7.6. A further recommendation to the SG would be to ensure all councils have a debt collection policy, including for multiple debts, that is easy to access and read on their websites. CAS give more fulsome recommendations for council debt collection in Scotland [here](#).
- 7.7. Another recommendation would be to bring Scotland's statute of limitation for council tax arrears down from 20 years to 5 years, in keeping with other debts in Scotland.
- 7.8. Another recommendation would be around how water and sewerage charges are collected with council tax by each local authority. At the moment this is not transparent and those who do not have to pay council tax may still have to pay water and sewerage charges but they may not realise it.
- 7.9. Another recommendation would be about how Water Direct is able to request deductions from people's benefits without their permission. This is especially distressing given the point above, that people may not realise they have such debt.
- 7.10. A final recommendation is about support for those who are particularly vulnerable, due to their health or other issues, especially mental health. This would bring Scotland into line with England.

8. What FOIs should we ask for?

- 8.1. Based on this review of the literature we should send FOIs to both local and national public bodies. To local authorities in Scotland we could send FOIs to find out about:
- **School meal debt** (underway – nothing in the literature)
 - **Council tax debt levels**
 - **Non-earnings arrestments (bank account arrestment)**. In 2018-19, there were 167,356 non-earnings arrestments served in respect of council tax debts across Scotland. What's the level now? Or pre- and post-pandemic.
 - **Earnings (wage arrestment)** which requires an employer to make deductions from wages payments. There were 71,835 earnings arrestments for council tax in 2018/19 in Scotland. What's the level now? Or pre- and post-pandemic.
 - **Rent arrears** – we can't get this for the private sector and not sure about housing associations. Some councils have no housing stock left, e.g. Glasgow.
 - **Water Direct** - Councils are allowed to apply for Water Direct without agreement or consultation with the person in debt and the numbers of councils using this method of recovery has grown to nearly half of all councils in Scotland. What's the level now? Or pre- and post-pandemic.
 - **Debt and multiple debt policies** – do they have these at all?

- 8.2. To UK level bodies we could send FOIs to find out about:
- **Tax credit overpayments** – HMRC to be transferred to DWP. Not clear who holds these debts at present. Confusingly, tax credits debt often taken from Universal Credit payments.
 - **Universal Credit advance payments and other deductions** – DWP.
 - **Legacy benefit deductions** – DWP.
 - **Energy bills? Fuel Direct Scheme** – Utility companies can request for arrears to be paid from benefits. We could try to access this information. Not sure it is possible.
 - **TV licence** – should we include this? It is technically a tax.

9. Data

Public sector data

- 9.1. We need to submit FOIs to access the levels of debt at local authority levels and the levels of benefit deductions at the UK national level.
- 9.2. Chris Stephens SNP MP submitted a parliamentary question on ‘Proportion of Universal Credit claims with deductions, average deduction and proportion of the total amount deducted to repay advances and tax credits for claims with a payment due in February 2021, by Parliamentary Constituency’. We have this spreadsheet and it is very useful. We would want the same data by local authority area for several time periods to look at averages and change. Would it be better to use a parliamentary question rather than and FOI?
- 9.3. Baroness Ruth Lister of the House of Lords also submitted a parliamentary question on the ‘number and proportion of Universal Credit (UC) claims with a deduction for a) Budgeting Advance, b) any Universal Credit Advance, c) Universal Credit Overpayment and d) Tax Credit (TC) Overpayment’. We have this spreadsheet too and it’s for the whole of the UK so less useful but good to know how to word these things.

Third sector collections

StepChange

- 9.4. StepChange have offered to share their client data with us so we can explore the types of debt advice people are presenting for. They won’t have 2021 data available until February so we shall await that.

Citizen’s Advice Scotland

- 9.5. We haven’t approached them to use their client data but we could consider it. There’s no rush for this.

Survey data

- 9.6. There are surveys we can use to explore people’s levels of debt, whether this has changed and their experiences of debt. We can also do modelling to see who is affected in what ways. We can’t do this with the other data. The ones we are going to use are:
- **Wealth and Assets Survey** – this has a lot about debt. Glen has already been analysing this data and is going to write a paper for us.

- CaCHE PRS landlord survey – only recently discovered this is a landlords' survey. I don't know if we can access it but we can try.
- Family Resources Survey – a UK government survey dedicated to family resources, including debt.
- Understanding Society – very large survey of families that may tell us about the profile of indebtedness.

Appendix One – from Holmyard, M. and L. Hutton (2020). In Practice: Exploring Council Debt Collection, Citizen's Advice Scotland, Page 34.

	Availability of information on local authority websites								
	Number of search results related to "debt"	Number of search results related to "arrears"	Council tax recovery process explained	Rent arrears recovery process explained	Water direct process explained (where used)	Referrals to external sources of help	Publicly available corporate debt policy	Multiple council debt policy	Covid 19 council tax forbearance information
Aberdeen City Council	6	6	✓	partial	n/a	✓	external search	✓	✓
Aberdeenshire Council	15	17	✓	✓	x	x	x	x	case by case
Angus Council	422	180	x	✓	x	x	x	x	contact us
Argyll and Bute Council	21	2	✓	n/a	✓	✓	✓	✓	x
City of Edinburgh Council	222	69	✓	x	x	✓	✓	✓	✓
Clackmannanshire Council	672	326	✓	x	✓	✓	✓	x	x
Comhairle nan Eilean Siar	158	101	in debt policy	n/a	n/a	x	✓	✓	x
Dumfries and Galloway Council	5	8	✓	n/a	n/a	✓	x	x	✓
Dundee City Council	60	19	✓	✓	x	✓	x	x	✓
East Ayrshire Council	199	158	✓	partial	x	✓	x	x	✓
East Dumbartonshire Council	10	6	✓	partial	x	✓	external search	✓	✓
East Lothian Council	1100	730	✓	partial	n/a	✓	✓	x	✓
East Renfrewshire Council	11	7	✓	partial	n/a	✓	external search	✓	x
Falkirk Council	455	525	✓	✓	x	✓	✓	✓	✓
Fife Council	23	19	✓	partial	x	✓	✓	✓	✓
Glasgow City Council	44	11	✓	n/a	✓	✓	✓	✓	✓
Highland Council	19	19	✓	✓	x	✓	x	x	✓
Inverclyde Council	225	84	✓	n/a	✓	x	external search	x	x
Midlothian Council	399	334	x	✓	x	✓	x	x	✓
Moray Council	987	704	✓	Policy doc	x	✓	x	x	x
North Ayrshire Council	81	71	✓	✓	n/a	✓	x	x	✓
North Lanarkshire Council	119	72	✓	x	x	x	external search	x	✓
Orkney Islands Council	501	323	✓	✓	n/a	✓	✓	x	contact us
Perth and Kinross Council	21	17	✓	Policy doc	✓	✓	x	x	x
Renfrewshire Council	77	20	✓	✓	x	x	x	x	x
Scottish Borders Council	620	149	x	n/a	n/a	✓	✓	✓	contact us
Shetland Islands Council	n/a	n/a	✓	x	n/a	x	x	x	contact us
South Ayrshire Council	10	11	x	HTTP 404	x	x	x	x	✓
South Lanarkshire Council	64	25	x	Policy doc	x	x	external search	x	x
Stirling Council	10	10	x	Policy doc	x	x	x	x	✓
West Dunbartonshire Council	36	11	✓	partial	n/a	✓	external search	✓	✓
West Lothian Council	29	23	✓	partial	✓	x	x	✓	x

