A preliminary report on potential funding models and delivery approaches which could be used to allocate the levy funding devolved to the Scottish Government for debt advice

August 2019

improvement service

Contents

Executive Summary

The purpose of this preliminary report is to explore potential funding model options for how the Scottish Government might best utilise the debt levy funding that has recently been devolved to it in order to obtain maximum impact and added value.

Whilst acknowledging the multiple benefits offered by public access to advice services, how the levy funding is used requires to take account of the current context in which these services exist - both in terms of the complexity of the sector and the constraints under which it is operating.

Meeting increased demand at a time when public sector resources are reducing, is indicative of the many challenges facing both advice service providers and funders. Improving channel choice through greater use of new technology, reducing duplication, facilitating access to advice services at an earlier stage through service transformation and encouraging greater collaboration, all represent further challenges, but also provide opportunities that levy funding could be used to address.

Scottish Government is keen to ensure that the model, or models, used to allocate levy funding for debt advice, as well as maximising short term impact, could be used as pathfinders to promote a more integrated approach to the broader funding of advice services in the future.

The purpose of this preliminary report was twofold; Firstly, to produce indicative findings that would assist Scottish Government deliberations regarding funding decisions for 2020/21 and; Secondly, to inform discussions regarding the more in-depth research and wider stakeholder engagement required to facilitate consideration of a longer-term Scottish Government approach that will maximise the impact of levy fund investment.

The work to inform this preliminary report was undertaken over a c.10 week period until the end of June 2019. Through a combination of initial research and initial stakeholder consultation, seven potential funding models / approaches were identified and a provisional analysis of each undertaken, with recommendations made for each of these regarding potential next steps/ actions to be considered.

Without going into the detailed findings in relation to each model, one approach, which is currently in use, was seen as the most feasible for immediate implementation for the period 2020/21.

Given the timescales, it is unlikely to be possible to fully research, consult on and scope out alternative models in time for them to be operational for the 2020/21 decision-making timetable. Nevertheless, the preliminary research has highlighted that a number of these approaches are likely to have considerable merit, offering the potential, in the longer term, to support a more integrated approach to the funding and delivery of advice services of which levy funding for debt advice is a key element. In particular, the report suggests in the short term that two models warrant further research, development, scoping and engagement. This will also likely entail a programme of meaningful engagement with service providers, service users (and potential users) and other stakeholders.

The report concludes with setting out provisional 'next steps' for taking this work forward, which includes the option of developing 'tests of change' in conjunction with service users and providers using a co-production methodology.

1. Introduction

In January 2019, the Scottish Government assumed responsibility for levy funded debt advice. It was recognised that this offered an opportunity to use the funding allocated to address the challenges experienced in the sector, such as increasing channel choice and managing greater demand, alongside reducing resources and *“support[ing] individual users and enabl[ing] the wider free debt advice sector to remain sustainable”*.

The focus of this report is on an initial identification of those funding models and delivery approaches through which levy funding can be distributed and which are most likely to result in the achievement of those aims, and to outline criteria and processes through which the effectiveness of the chosen models can be tested and assessed. This will be achieved by identifying and considering models that are used to fund advice services in other countries alongside approaches used in Scotland to support other policy areas. Each will be assessed in relation to their ability to enable the greatest impact to be delivered by levy funding, potential to ultimately support an integrated approach to funding of advice services and the views of a managers in the statutory and third sector who have a strategic role in providing advice services.

Given the short time frame for producing this initial output, the report is also intended to inform the content of further in- depth research, evaluation and engagement work, which will enable the issues to be explored in more detail.

The reference point for this work has been the recommendations of the Tackling Problem Debt Group and the stated wish of the Scottish Government to retain a strategic influence regarding the broad approach and focus of how the levy funding can achieve maximum impact, whilst not necessarily having a direct role in prescribing or deciding the detail of individual initiatives/projects to be funded.

As the ultimate ambition is to maximise the potential impact created by levy funding, the wider context in which debt advice operates needs to be taken into account. Funding for debt advice comes from multiple sources and hence, to avoid duplication and offer value for money, it is important to consider how best to utilise the levy funding in conjunction with other public-sector funders. This is an area where there is potential to achieve effective partnership working, particularly given the broadly shared objectives that Scottish Government and Local Government have in this area. As well as working collaboratively to meet service users’ needs effectively, it should be recognised that individuals seeking money advice frequently have multiple issues and their need for debt advice is often linked to a need for income maximisation. In addition, in the long term, improving financial capability will result in reducing levels of unmanageable debt.

A key aspect of assessing the effectiveness of any funding model is an analysis of the activities for which it could be used, how the funding is deployed and what added value it achieves. This may also include, for example, a comparison of the benefits of building the capacity of service providers with supporting direct service delivery, as a means of achieving longer-term, sustainable impacts. However, investing in building the capacity and skills of the sector ought to go hand-in-hand with ensuring that resources are provided to sustain and deliver core services.

2. Background

The benefits of citizens accessing effective advice are well documented and wide-ranging. Providing money and welfare advice can do much to reduce the effects of poverty both for individuals and the communities in which they live.

> *"The direct, financial, benefits of [advice] provision are effective in mitigating the worst effects of poverty, for example by raising disposable incomes through benefit take-up or by helping people to restructure their debt repayments. Studies also indicate a wide range of beneficial non-financial effects in respect of housing, education, training and employment, health, and relationships."*

Within the Scottish Budget 2019-20, the Scottish Government stated:

> *"We will continue to take action to protect the poorest members of our society from the most damaging effects of the UK Government's austerity policies through a range of mitigation measures, including supporting advice services to ensure people are receiving all the income they are entitled to."*

Scottish local authorities are key funders of advice services in Scotland. Data returned by all Scottish local authorities for the Common Advice Performance Management Reporting Framework (CAPMRF) for 2017-18 suggests that 28% of individuals accessing local authority funded advice services had a disposable household income of less than £6,000. As a result of accessing these services, individuals in Scotland gained additional income amounting to some c£624.7million. This equates to a financial gain per client of between £21 and £24 for every £1 that was invested by local authorities.

Both national and local governments acknowledge that ensuring individuals, particularly those who are most vulnerable, have access to advice services is critical to achieving the outcomes set out in key policies areas such as reducing child poverty.

It is also recognised that, for many service users, advice needs are often closely linked with wider needs. For example, this may include issues such as housing, domestic abuse, employability, etc. In relation to achieving a holistic, person-centred approach, it is therefore also important that advice services provide appropriate referrals in order to achieve sustainable outcomes that address root causes.

There is a recognition by Scottish Government that local authorities have a key role to play in addressing local needs and priorities and, as such, are key partners in ensuring advice services meet local needs.

> *"It is the responsibility of individual local authorities to manage their own budgets and to allocate the total financial resources available to them on the basis of local needs and priorities."*

Within the sector, there are many examples at a local level of good practice and innovation which could potentially be scaled up or replicated at a national level. Formal and informal networks exist which could be used to support and encourage this approach.

Sustaining services and attempting to meet increased demand when faced with reductions in public spending, at both national and local levels is challenging. The Local Government

Benchmarking Framework (LGBF) highlighted that, over the past seven years, funding for Scottish councils has reduced by 7.6% in real terms.

In the current financial situation, as increasing, or indeed maintaining, investment may not be an option, there is an imperative to consider how to deliver services differently. The majority of funding for advice is currently used to support traditional models of service delivery based on the provision of face to face advice services from a centrally based office. Whilst this model can be effective -there is a need to consider alternative approaches. Looking to the future, delivering services using a variety of models will be more cost effective and will result in improved, and earlier, engagement with service users.

As well as service transformation, avoiding duplication by adopting a more ‘joined up’ approach to both the funding and delivery of advice services will ultimately result in improving outcomes.

The Scottish Government itself has a key leadership role to play in actively encouraging greater collaboration across and between the multiple agencies and organisations involved in delivering advice services, and the levy funding provides a mechanism by which this may start to be delivered. Indeed, this leadership role also extends to other key partners and funders, including local authorities. The Framework for the Public Funding of Advice Services (‘Funders’ Framework) sets out a series of principles that bodies funding advice should aspire to. Implementing these principles is likely to be a core consideration of whatever model(s) of funding is taken forward by the Scottish Government.

The context for this work also includes the fact that there is a wide network of stakeholders that have significant experience of this area. It will, therefore, be important to build on the expertise, good practice and networks that already exist. Equally, it will be important, at times, to constructively challenge conventional wisdom and explore potential new ways of achieving objectives more effectively. Ultimately, and with reference to ever-tightening public resources, there is an imperative to ensure that the manner in which the levy funding is utilised embraces the broader public sector reform agenda and results in an approach that achieves maximum impact and value for money.

3. Purpose

As indicated, the timescales required to prepare this preliminary report have meant it has various limitations. The initial findings set out in the report are, therefore, indicative and further in-depth research and consultation will now commence in the next phase of the work.

The aims of this preliminary report are to:

- Provide examples of existing and potential funding models that could be used to allocate the levy funding devolved to the Scottish Government for debt advice.
- Suggest potential funding approaches by considering the likely benefits, challenges and stakeholder views of those models identified.
- Outline criteria to assess the effectiveness of potential funding models, which will be further developed in consultation with stakeholders and service users and subsequently applied.
- Report on preliminary consultation with actual and potential service users of advice services, local authorities and other key stakeholders in the statutory and third sectors.
- Propose future areas of research and engagement and a potential action plan to deliver these.

4. Process

The research and consultation for this report was carried out in two stages.

Following an open tendering process using Public Contracts Scotland, the consultancy firm 3rd Horizons, was commissioned to boost short-term capacity by providing additional support to the IS in relation to research and supporting stakeholder engagement.

The first stage was to provide actionable intelligence to help identify potential models that could be used for funding advice services, which would lead to improved outcomes for both service users and providers. Initially this would be in relation to dispersing the levy funding for debt advice but also considering how it could ultimately be used or adapted to support the integration of funding for wider advice services.

The second stage was to ensure that the views and experiences of relevant stakeholders and service users was given due consideration in identifying which models were most beneficial.

Stage One - Review of the evidence base

Literature Review

A review of the existing evidence on advice service funding models in Scotland and internationally was conducted. This involved the identification of primary and secondary literature through an electronic database search of academic literature (ProQuest, Web of Science) and policy and legislative documents (Public Information Online). Additional searches in Google Scholar to identify other relevant works were carried out, and the bibliographic references of retrieved policy documents, academic papers and other reports were reviewed to identify other relevant publications for the review.

Semi-structured research interviews

Telephone interviews were conducted with three local authority leads in Scotland and three third sector debt advice providers to gauge their views of current and alternative advice service funding models.

Four telephone interviews with policymakers in other countries, namely, the Republic of Ireland, Wales, Australia and the Netherlands, were carried out to explore the funding models operating in their country and to identify the best practice and learning each offered for Scotland. These countries were chosen after an initial review of international funding models, as offering a good mix of different funding approaches adopted in countries with similar welfare systems to Scotland. The organisations that participated in the international interviews represented a mix of advice providers and funders, including national, regional and local stakeholders.

The interview schedule was developed at the start of stage one whilst the initial review of relevant literature was being conducted. The research interviews each lasted approximately one hour, were semi-structured and based around a series of set questions.

Timeframe and outputs

The research was carried out during April and May 2019, in order to achieve the target deadline of the initial evidence base and findings being completed by the end of June

2019. Thereafter, a more detailed research, evaluation and engagement programme will be undertaken, which will be informed by this preliminary review.

Stage Two- Consultation

The findings from the review of the evidence base were used to consult with key stakeholders along with potential and actual users of advice services through a series of engagement opportunities.

Engagement Events

In relation to engagement with actual and potential advice service users, two sessions took place using community anchor organisations. One in Dundee, was attended by 20 people supported by Faith in Community, and the other at Cranhill, northeast Glasgow, was attended by 40 people and supported by Cranhill Community Development Trust.

Two ‘Listening Events' were held with officers with a strategic role in relation to advice services within local government, health, and social care. These were held in Edinburgh and Glasgow and were attended by 25 representatives. A further engagement session took place with independent third sector advice service providers and law centres in Glasgow attended by 8 individuals.

Discussions also took place with Citizens Advice Scotland, Scotcash, Stepchange, Money and Pensions Service, Money Advice Scotland and the Scottish Legal Aid Board.

Timeframe and outputs

These consultation events were carried out in May and June 2019, and the findings have been incorporated at all stages in the preparation of this report.

5. Context

In considering how best to distribute the levy funding for debt advice, it is necessary to look at the influential factors that operate in the advice sector that will be likely to, directly, or indirectly, contribute to the relative success or failure of any approach that is taken. As has been stated, income maximisation and debt advice are closely linked and considering each in isolation creates an artificial barrier. Advice services operate in a complex landscape in which (in the engagement events) it was openly acknowledged by representatives across sectors that services are not always well integrated, there are elements of duplication and, due to competition for limited resources, partnership working can be challenging. Indeed, some stakeholders identified a highly competitive (and, at times, adversarial) relationship between advice providers. These competitive relationships can undermine trust, collaboration, and limit cross-referrals. Levy funding will create the greatest impact if it can be used to assist the sector to surmount such barriers, which can have an adverse effect on achieving positive outcomes for service users.

Despite the reported challenges, examples exist of integrated approaches, collaborative working and the delivery of person-centred services. The use of levy funding to support and increase the number of such initiatives, in relation to debt advice, will increase its effectiveness and potential impact.

One way of achieving this is to work in a complementary fashion with other funders and funding streams. To do this, other funding sources, the type of activities they pay for and the potential for collaborative funding should be considered. Collaborative approaches might take the form of developing joint initiatives or aligning funding from the debt levy with an existing project or activity.

(a) Other funders

The advice sector in Scotland receives funding and support from a wide range of agencies in both the statutory and voluntary sectors.

(i) Scottish Government

The Scottish Government funds advice services through both direct and indirect funding. Indirectly, it provides block grants to Scotland's 32 Local Authorities, which have discretion over the amount they allocate to advice services. Directly, it provides core funding to the Scottish Legal Aid Board (SLAB), Accountant in Bankruptcy (AiB) and NHS Scotland Boards, which then provide advice services directly or indirectly through grants and contracts.

The Scottish Government also provides a range of direct grants, for example, In 2016-17, the Scottish Government estimated that it spent over £21m of project funding for advice services, including welfare, debt and money, household costs, and civil rights.

(ii) Scottish Legal Aid Board

The Scottish Legal Aid Board manages the legal aid system in Scotland. A proportion of debt levy funding was previously used by Money Advice Service to support grant-funding programmes managed by the Scottish Legal Aid Board and which focussed on achieving the priorities agreed by the Scottish Government and Money Advice Service. Recipients of funding were wide ranging and included local authorities, third sector, housing associations and other non-profit and local community organisations. The three grant-funding programmes funded 102 different projects across Scotland between 2013 and 2019. Funding for projects was time-limited and projects exited the programme at different times to March 2019. Funding for 26 projects has been continued until March 2020

Expenditure on civil legal assistance by the Scottish Legal Aid Board in 2017-18 was over £42 million. This element of public funding for advice will not be considered further as it is out with the scope of this report.

(iii) Scottish local authorities

Local authorities voluntarily provide annual performance reports to the Improvement Service on a series of measures related to the money and welfare advice services which they fund external organisations to deliver, provide in-house, or indeed a combination of both. Until 2016-17, data was provided solely in relation to money advice services, but from 2017-18 it was agreed with local authorities that reporting would include welfare advice services. This was primarily because there was a shift towards generic working and many local authorities no longer funded a stand- alone, dedicated money advice service. It should be noted that the reporting framework still deliberately contain indicators that measure outputs related specifically to money advice.

In 2017-18 council funding supported 85 external and 32 internal money and welfare advice services. Three local authorities funded only internal services, whilst six funded only external services. All local authorities funded at least one service.

In 2017-18, advice services were used by the most economically disadvantaged and vulnerable members of communities. 55% of service users had a disposable income of less that £10,000, 38% were experiencing health problems and service users had combined debts of c£204 million.

(iv) Accountant in Bankruptcy

An executive agency of the Scottish Government, the AiB receives most of its funding through fees and charges raised from individual cases of personal and corporate insolvency (including from creditors, debtors and the public purse), which is ‘topped up’ by a small amount of Scottish Government funding (£134,000 in 2016-17).

AiB provides funding to bankruptcy and debt counselling advice providers through several programmes and projects.

The draft legislation for the introduction of The Debt Arrangement Scheme (Scotland) Amendment Regulations 2019 has now been laid in the Scottish Parliament. The consultation document, ‘Building a Better Debt Arrangement Scheme’, detailed a new process for the Debt Arrangement Scheme payment distribution functions, including options to return surplus funds to the free advice sector. This could potentially be an additional source of income for debt advice providers in local authorities and the third sector.

(v) NHS Scotland, Health Boards and Health and Social Care Partnerships

Whilst this information is not reported on a national basis there are many examples of advice services being funded and delivered directly or with partner agencies using a variety of approaches.

(vi) Money and Pensions Service

Although funding for debt advice has been devolved, the Money and Pensions Service has responsibility, and funding, for supporting money guidance on a UK basis. 2019/20 is a transition year but the organisation will produce a three-year Corporate Plan and National strategy in autumn 2019.

(vii) Others

Other funders of advice include charities and private trusts, such as Big Lottery Fund and the Energy Savings Trust and also the European Social Fund.

(b) External Factors

There are other factors that will have the potential to influence, to varying degrees, the impact that can be created by debt levy funding and as such should be taken into account when decisions on apportionment are being made.

(i) Rising demand and reducing investment

Scottish local authorities are one of the main investors in locally based money and welfare advice services. In the last 5 years, the Scottish budget has reduced in real terms by 4%. Whilst this effects all services, it has a disproportionate impact on those services that are not 'protected' by policy priority or statutory requirement.

"Savings can only be made to c42% of the budget. Scottish Government policies continue to protect 58% of the available budget which exacerbates the problem and actually means [that] an 8% cut = a 20% cut to the unprotected part of the budget"

As a 'non- protected' yet essential service, this has an impact on the funding available for the provision of advice services.

Local authority investment is reducing. In 2016-17, investment by local authorities in money advice services totalled £11.72 m– this represented a reduction of 5% on the previous year's funding. At the same time as funding is falling, demand is rising and, in the same period, the number of service users increased by 5%.

.

Whilst a statutory duty on local authorities to provide advice services is contained in several pieces of legislation, how this duty should be exercised is not defined and, as a result, there remain wide variations in the amounts invested by local authorities in advice provision and the type of services delivered.

Several of those local authorities that have so far been able to maintain funding levels for advice have expressed concerns regarding their ability to continue to do so in future years.

(ii) New Technology

Although there are some small-scale examples of new technology being used to offer digital access to advice (e.g. web chat in Inverclyde Council and channel choice offered by Citizens Advice Bureau in North Lanarkshire), these are not widespread. The sector has not fully engaged with the opportunities new technology offers. The Common Advice Performance Management Reporting Framework, which reports on the performance of local authority investment in advice services through a series of indicators, reports on the first channel through which advice is sought. The 2017/18 data returns suggest that the first contact made to advice service is most likely to be face-to-face (60%) followed by telephone (32%), email (7%) and web chat (1%). However, these findings differ significantly to a study carried out by the Money Advice Service in relation to advice seekers with unmanageable debt, who are twice as likely to telephone the service (66%) followed by gaining access through websites (22%).

Research carried out by the Money Advice Trust in relation to channel choice found that service users tend to use the channels offered by the service provider they first approached and that this did not necessarily reflect the service users' actual preferences. The Money Advice Service found that service users have equally strong preferences for the different channels through which access to advice is provided. While digital and telephone routes were rejected by many service users, those with social anxiety, mobility issues and time constraints frequently preferred the privacy and convenience of digital or telephone options. The research also highlighted that most service users have a low awareness of channel options, which can result in many service users choose the 'wrong channel'.

> *'The future of channel and service strategy should be driven by evidence of what works, and by the consumer, rather than being shaped by the existing sector structure or specific funding models'*

The Wyman Review recommended that face-to-face advice should continue to be widely available for those who need it, but that there should be a shift to telephone and web chat services.

(iii) Devolution of Social Security Benefits to Scotland

The Scotland Act (2016) devolved areas of social security to Scotland which the Scottish Government has created a new agency, Social Security Scotland, to administer. The devolution of social security and welfare benefits is likely to have significant implications for wider advice services in Scotland as it is anticipated that there will be growing demand for advice services relating to the devolved benefits. This is likely to result in increased demand for advice more generally as individuals become more aware of their rights and are likely to require additional support with benefits that do not fall within the remit of the Agency.

(iv) Welfare reforms

UK-wide welfare reforms can affect advice services in several ways. Directly, welfare reforms can change the nature of the advice that people require - as was the case, for example, with the requirement to set up an online account to claim universal credit. Less directly, welfare reforms may result in reducing the income for some groups of recipients, in turn causing an increase in demand for money and debt advice amongst these groups. More generally, changes to the welfare system can result in an increased demand for advice services.

(v) Communication

There was consensus across sectors that local authorities and third sector organisations had limited input into national decision-making on policies related to advice services. It was felt that when consultation did take place it was not conducted on an equitable basis and certain organisations appeared to be treated more favourably than others. There was a request for new approaches to be developed that would allow the diversity that existed in the sector to be properly represented and for a wide range of experiences and views to be considered when decisions were made about advice services at a national level.

6. Consideration of Potential Funding Models

The purpose of this section is to identify possible funding models which the Scottish Government could use, initially to allocate the funding received from the debt levy but which may ultimately be relevant to encouraging a more integrated approach to supporting advice services across a broader range of areas. It provides examples, both from within and beyond Scotland, of alternative governance approaches and considers the applicability of those from abroad in relation to the Scottish context.

(a) Methodology

The research is based on qualitative methods, including (1) the analysis of primary and secondary documents on advice services and funding models and (2) semi-structured interviews with policymakers and funders in Scotland, Wales, the Republic of Ireland, the Netherlands and Australia.

(b) Funding models in other countries

To identify and consider funding models used in other countries a ‘most similar systems design’ approach in comparison to the position that exists in Scotland was taken. This was based on there being a mix of funding models (direct grants, local bodies, national bodies) provided in similar settings (liberal democracies with strong welfare states and local tiers of governance).

Funding, governance and delivery models in relation to advice services in four countries - the Republic of Ireland, the Netherlands, Australia and Wales were considered to be most relevant. Each will now be reviewed in turn and their applicability to the Scottish context considered. Three of the case studies (Republic of Ireland, the Netherlands and Australia) were analysed ten years ago in a report by Gillespie and Dobbie on ‘Funding Money Advice Services: Exploring Sustainable Models for the UK’. While the authors said they did not uncover models that were “vastly different” to those used in the UK, each country was seen to offer lessons for the sustainability of approaches. Since that original report was written, there have been significant changes in relation to the funding and delivery of advice services in Ireland and Wales.

(i) Republic of Ireland

Publicly funded advice services in the Republic of Ireland have been integrated under the aegis of a single state-funded statutory body, the Citizens Information Board (CIB). The CIB receives funding of c€60 million per year from the Department of Social Protection to provide information, advice and advocacy on a broad range of welfare, money and debt issues. The CIB then allocates funding to its regional network of Citizens Information Services (CIS) and Money Advice Budgeting Services companies (MABs) to deliver advice services in different localities.

The CIB also receives funding from other governmental departments to deliver specialised services and projects. For example, the CIB receives funding from the Department of Justice for a project providing mortgage arrears advice, the Department of Foreign Affairs for migration-related advice services, and the Department of Health for mental health-related advice services.

The work of the CIB is organised under four pillars:

1. Citizens Information, Advocacy and Social Policy (including CIS services)
2. Money Advice and Budgeting Services (MABs) and Information Resources
3. Corporate Services (including the Abhaile Services on mortgage arrears)
4. Restructuring (to reduce the number of CIS and MABs companies)

The CIB originally focussed on the first pillar - in particular, in providing CIS services which covered social welfare, employment, health, housing, consumer affairs, migration, justice, education and other social services.

There are currently 8 regional CIS companies, which operate from 200 local offices across Ireland. The CIB also funds a national Citizens Information Phone Service, which provides confidential and comprehensive advice to the general public.

The second pillar, delivering Money Advice and Budgeting Service (MABs), was added to the responsibilities of CIB in 2009. The MABs aim to provide people, especially those in low incomes, with a wide range of personal budgeting and debt advice. The CIB also supports a separate MABs helpline.

The third pillar relates to a Mortgage Arrears Support scheme called 'Abhaile', which was launched in 2016 to provide dedicated advice on long-term mortgage arrears. Abhaile is jointly funded and coordinated by the Department of Justice and Equality and the Department of Employment Affairs and Social Protection (DEASP). CIB administers the DEASP funding, and works with MABs, the Legal Aid Board and the Insolvency Service of Ireland to implement the Abhaile scheme.

In 2017-19, the CIB underwent a restructuring process to create a regional service delivery structure. The Restructuring pillar was tasked with reducing the CIS and MAB companies from over 90 individual local companies with voluntary boards of directors to a 16-company regional model (comprising 8 MAB and 8 CIS each with regional boards). The main rationale for moving from a local to a regional model, and reducing the number of companies, was to ensure that services were more responsive to the needs of citizens. The CIB engaged in extensive consultation with stakeholders prior to the restructuring. The new structures pool resources and capacity and allow easier communications and strategic coordination and decision-making. The CIB also stated that "the current costs associated with maintaining 93 individual Boards across the country will be redirected into making MABs and the CIS capable of delivering more services to a greater number of citizens." Having served its purpose, this pillar will be wound down in 2019.

There are seen to be several advantages of operating an integrated, fully state-funded advice service model in Ireland. These include:

- **A single service user access point**
  The ability to provide joined-up services (across all areas of advice) allows the CIB to adopt a holistic approach to supporting service users. With the structure of integrated CIB services, advice providers are able to address all service user needs in one place.

- **Shared national databases and systems for recording data on advice issues**

  All queries to any Citizens Information Service (CIS) office are recorded by staff or volunteers in the 'Oyster Database'. This allows the CIB to identify trends which can be used to adjust services and prioritise user needs. The CIB also operates a separate client management system for MABs services across Ireland, which again, collects case work information in one place.

- **Consistency of service provision on a national basis**

  Clear structures of authority and funding, allow a streamlined and integrated approach to advice services, resulting in consistency in delivery.

- **Improved ability to meet local needs**

  The regional model enables providers to respond to regional issues, in particular, differences across urban and rural regions. However, concerns have been expressed that regionalisation may reduce accessibility to services, as service users and volunteers may face difficulties in travelling to regional offices.

- **Improvement areas**

  It is suggested that fully integrating the MAB and CIS schemes in future (so they do not operate independently of one another), under an 'advice' banner would remove the stigma of being seen to walk into a MAB office to seek money help.

Applicability of approach to Scottish context

The Citizens Information Board offers an example of a statutory body governed by 15 members appointed by the Minister for Employment Affairs and Social Protection for a period of five years. The purpose of the board is to "support the provision of information, advice and advocacy on a broad range of public and social services.

Whilst the primary source of funding comes from the Department of Social Protection, contributions are made from other departments to deliver specific projects. This might lead to a more 'joined up' approach to government funding.

If the Scottish Government were to consider adopting this method to funding, then it would be useful to analyse the model adopted in Ireland in more detail in the next phase of the research.

(ii) Wales

The Welsh Government is currently carrying out a full restructuring of publicly funded advice services in Wales, including changes to delivery and funding models. The aim is to create a "comprehensive network of quality assured information and advice providers from the public, private and third sectors by 2026." This restructuring is the result of an Advice Services Review that was carried out by the Welsh Government in 2013, in response to the financial pressures advice services were facing following funding cuts. The Review recommended a more strategic approach to funding, commissioning and delivery models; the creation of quality assurance frameworks; better partnership working; and a stronger focus on outcomes for advice seekers. In 2016, the Welsh Government drew up a National Advice and Information Action Plan based on these recommendations. The Action Plan was founded on a commitment that public advice should meet high standards and offer value for money. To support this, it created a national advice framework for quality standards.

Prior to the review, funding for advice was provided by the Welsh Government giving direct grants to third-sector organisations, such as Citizens Advice Bureaux and Shelter, along with local authorities using the block grant they were awarded to commission external providers to provide advice or to deliver in-house services.

From 2020 onwards, the Welsh Government has created a Single Advice Fund of c£6 million, which will be awarded to organisations through a competitive grant application process. The Welsh Government has produced guidance for bidders, which includes seeking collaborative grant applications from a group of organisations (with one organisation acting as a 'major partner' alongside other smaller organisations within a consortium). The aim is to encourage partnerships and avoid any one service provider having a monopoly over advice services.

Furthermore, whereas previously, only third-sector organisations could apply for government funding to deliver advice services, from 2020 a variety of providers will be eligible to bid for this funding, including CABx, Shelter, local authorities, housing associations, legal firms and local community organisations. To receive funding, organisations must offer quality assured services and hold a quality standard accreditation. The funding cycle for the first year (2020) will be 12 months due to budget uncertainty (pending the outcome of the UK Government's comprehensive spending review), but the long-term aim is to have a 3 to 5-year funding cycle.

To help design and coordinate the new Single Advice Fund, the Welsh Government has created a number of new organisations at different levels. The National Advice Network Wales (NAN) was created in 2015 and brings together a range of funders and advice providers to provide expert advice and guidance to Welsh Ministers on the future development of advice and information services. The NAN has so far been tasked with creating a national quality assurance framework for advice services, mapping of advice service provision, and developing local and regional networks. The Welsh Government is also exploring the creation of a funding advisory hub *"to encourage a consistent strategic approach to information and advice funding based on agreed principles which support national and local funders and delivery bodies."*

The Welsh Government is planning to create a regional structure to support the funding and delivery of advice services. There are currently 22 local authorities in Wales that commission and provide advice services. The Welsh Government is considering moving to a regional model, with the creation of 6 regional committees, to encourage collaboration and cost-effective working across local authorities.

Applicability of approach to Scottish context

This is a new approach towards funding that is not yet fully implemented in Wales. The original funding model used in Wales, of separate funding streams provided by local and national government using a mix of services provided by the third and public sectors mirrors the current position in Scotland. Accordingly, it will be beneficial to get more detail of the benefits and challenges of adopting the new model, from the perspective of a wide range of stakeholders, as it is rolled out.

Much of the infrastructure that the NAN has been asked to develop already exists in Scotland and has been created using partnership approaches. The Framework for Public Funding of Advice supports the adoption of a common approach to the funding of advice services. It sets out the key elements that funders should consider when reviewing their current funding arrangements with advice services, and when funding new projects.

"The Scottish National Standards for Information and Advice Providers (SNSIAP): A Quality Assurance Framework (2009) is the accepted quality framework for agencies providing advice on housing, money, debt and welfare benefits issues. Their primary purpose is to encourage agencies to adopt a culture of continuous improvement for their advice work."

The SNSIAP framework is owned by the Scottish Government. In 2005, accreditation was introduced to provide formal third-party recognition of achievement of the Standards. Staff from the Improvement Service have met those officials in the Welsh Assembly who are leading on the review and the intention would be to continue dialogue as the new approach is delivered so that its effectiveness can be considered in relation to the Scottish context, particularly in relation to collaborative grant applications, the funding advisory hub and the creation of regional committees.

(iii) Netherlands

The Netherlands operates a decentralised money advice funding model, in which local municipalities have a defined statutory duty for delivering debt advice services. The Municipal Debt Counselling Act (2012) requires municipal councils to support citizens to resolve their financial/debt issues – activities that they had previously undertaken, in the main, voluntarily. The aim of this legislation was to ensure that debt prevention and support became a prominent part of municipal debt counselling services, in response to rising levels of household debt in the Netherlands.

Each municipal council receives an annual 'municipal fund' from the Dutch government, and is free to decide how much it invests in debt counselling. Municipal councils may also receive additional governmental funding for debt assistance; for instance, in 2009 the Dutch government released additional funds for debt assistance to help combat the impact of the international credit crisis.

Services are not provided directly by the Municipal Councils, instead they use the funding to support municipal credit banks, which provide debt counselling and financial advice services. There are no other external providers of debt and financial advice services (such as third-sector organisations); all services are provided by municipal banks, which are funded by and fully accountable to the municipal councils.

In addition to Dutch government funding, municipal councils may also receive direct contributions for debt counselling from creditors and debtors themselves. For instance, municipalities may request a personal contribution or fee from debtors to cover aspects of a debt counselling or a debt restructuring scheme. An example is when a client opens a bank account with a budgeting service; where the municipal bank can charge a fee to operate the account. More commonly, it is the creditors who are charged a fee for individual debt counselling services. An agreement was reached with creditors, whereby, for every client a municipal social bank helps to resolve its debts, the creditor would pay a fee of 9% of the total amount of money saved by the client. As one representative stated, *"we have an easy cooperation with creditors; we save them money and they have never hesitated in paying the 9% fee, which is to their advantage."*

Municipal councils in the Netherlands have freedom to develop and fund money and debt advice services due to the decentralisation of powers and funding. However, they are reliant on central government resources, and if there are cuts to the Municipal Funds by the Dutch government, they must pass those cuts down through their service provision.

Applicability of approach to Scottish context

In relation to the adoption of a funding model, this approach is not particularly relevant to the position in Scotland. However, certain elements such as the fees paid by creditors may be worth exploring in relation to 'ensuring the sustainability of funding'. This links with another recommendation of The Tackling Problem Debt Group.

(iv) Australia

In Australia, funding for money and welfare advice services is provided by the Federal government, State and Territory governments and local governments. Both the federal and state governments directly commission external providers (such as Citizens Advice Bureaux and charities) to provide money, debt, legal and welfare advice services. A smaller amount of funding goes through local government channels, which often work in partnership with CABs at the local level.

Funding from the federal government tends to be restricted to financial counselling and legal aid. The federal government's Financial Management Program includes a Commonwealth Financial Counselling (CFC) service strategy. The CFC is situated within the federal Department of Social Services, and delivered by community and local government organisations to help provide advice and support to people in financial difficulty. CFC services include face-to-face meetings (advice and advocacy), a website, and a national debt helpline. The federal government funds these nationwide financial counselling services jointly with State and Territory governments.

In 2016-17, the federal Department of Social Services invested AUD $11.9 million in face-to-face financial counselling and free debt advice, AUD $6.2 million in specialist gambling financial counselling, AUD $2.5 million in the National Debt Helpline (which is administered by the not-for-profit agency, Financial Counselling Australia), and AUD $13.5 million in 'income management' in remote aboriginal communities and disadvantaged areas in Australia.

In order to create a more viable and sustainable funding model for financial advice, Financial Counselling Australia has also called on the federal government to introduce a debt-funding levy on financial services providers and other industries such as utilities, similar to that operating in the UK. Given that financial counselling is an area of shared responsibility, Financial Counselling Australia has called for the creation of a National Partnership Agreement (NPA) between the Federal and State governments, and has also launched the Financial Counselling Foundation. This is a charitable trust designed to accept voluntary donations from the credit industry, which is similar to the UK model of the Money Advice Trust.

The State and Territory governments fund a wider range of advice services than the federal government, including welfare, housing, family matters, family law, neighbourhood disputes, employment and estate matters. State and Territory governments tend to commission services directly from non-profit organisations and charities operating at the state or local level. For instance, in Western Australia (WA), the WA State Government's Department of Communities provides direct funding to the Western Australia Citizens Advice Bureau (WACAB) to provide advice services.

However, the way in which funding is allocated in Western Australia is changing. Whereas previously, the WACAB was given the status of 'preferred provider' for the state government advice service funding, the WA state government has since introduced a competitive tendering model for advice services, allowing any organisation to tender for funding.

Local governments also provide a small amount of funding for specific advice services to external providers, such as resolving neighbourhood disputes (where CABs and local organisations are asked to intervene and provide mediation). In general, though, the State governments provide almost all of the advice funding.

Applicability of approach to Scottish context

Following analysis, it is concluded that the Australian approach does not relate particularly well to the position in Scotland and it is not proposed to give this model further consideration.

(c) Existing structures in Scotland

Consideration will now be given to other models and delivery approaches that exist in Scotland and which could be used as the basis for the governance and dissemination of levy funding for debt advice.

(i) Community Planning Partnerships

Community Planning Partnerships (CPPs) were formed in each of Scotland's 32 local authorities following the Local Government in Scotland Act 2003, with the intention of bringing together various public, private and third-sector actors to ensure that public services are delivered in the most effective way possible. More recently, the 2015 Community Empowerment (Scotland) Act set out an enhanced role for community planning in the delivery of services, giving CPPs a *"clear statutory purpose focused on improving outcomes and expanding the number of public sector bodies subject to community planning duties.* CPPs have a number of specific duties relating to outcomes, including a requirement to publish Local Outcomes Improvement Plans (LOIPs) setting out the local outcomes which have been prioritised for improvement. Partner organisations involved in community planning now have several duties pertaining to outcomes, including *"co-operating with other partners in carrying out community planning"* and *"contributing such funds, staff and other resources as the CPP considers appropriate to improve local outcomes."*

CPPs already influence the provision of publicly-funded advice services in Scotland to some extent. Research carried out by the IS found that over a third of local authorities have stated that the priorities cited in LOIPs will influence their future funding decisions regarding investment in advice services.

CPPs, are primarily strategic in nature and focus on co-ordination of partner activities, as opposed to direct delivery or direct resource management.

(ii) Change and Innovation Funds

In 2011-12, the Scottish Government established three Change Funds aimed at driving a shift towards more preventative approaches to public service provision. These were: (a) the Reshaping Care for Older People (RCOP) Change Fund, aimed at improving outcomes for older people and redesigning services to ensure their future sustainability; (b) the Reducing Re-offending Change Fund, which sought to provide offenders with support through one-to-one mentoring schemes and encourage partnership between third and public sector organisations; and (c) the Early Years Change Fund, created to help the Scottish Government, the NHS and local authorities deliver a joint commitment to prioritise the early years of children's lives and embed early intervention and prevention.

The Change Funds have demonstrated some success in achieving their aims, particularly in relation to facilitating partnership and collaboration, embedding preventative approaches and improving outcomes.

Innovation Funds are established with a still more specific remit in mind, such as the Scottish Government's £3.5m Innovation Fund aimed at improving attainment in schools.

Strengths of Innovation Funds include their flexibility in allowing a wide range of innovative practices to be developed and tested, and their potential to facilitate long-term investment in innovative projects. The Centre for Social Action Innovation Fund, for example, provided grants to a total of 52 organisations between 2013 and 2016, allowing a wide variety of innovations to be tested for impact and subsequently enabling the most promising to be scaled up and to receive further support.

(iii) Public Social Partnerships

A PSP is defined by the Scottish Government as "a strategic partnering arrangement which involves the third sector earlier and more deeply in the design and commissioning of public services." The Scottish Government has invested a total of £2.76m in six Strategic PSPs across Scotland since 2012, in policy areas including health and social care, community transport and recovery from substance dependency.

PSPs to date have typically been used to drive innovation in public services, either by designing and testing entirely new services or redesigning and rethinking existing ones. PSPs have also been used with the intention of increasing collaboration between public and third sector organisations, and to increase the contribution made by service users in service design.

(iv) Partnership Frameworks

In 2018, Scottish national and local governments jointly launched,

> *"a new partnership approach to develop employability support which is more flexible, joined-up and responsive to the needs of people who are looking to find work, and to stay in work."*

In light of the recent devolution of employability powers to Scotland, the Partnership Working Framework for Employability, entered into by the Scottish Government and COSLA, creates a strategic partnership to shape future provision of employability services. The Framework was the outcome of a Review of Employability Services.

> *"As a key first step, we will work with the Convention of Scottish Local Authorities (COSLA) to collectively agree a new Partnership Working Agreement in Employability to create a framework which can positively shape and join up employability provision nationally and deliver it locally. Under this agreement we will work jointly with local authorities to agree a shared action plan that will set out how we will work collaboratively with other key partners, including the third sector, other employability providers, Skills Development Scotland and communities to create a new funding model that will deliver the more person-centred vision we all want to see."*

The Employability Framework Partnership recognises that local authorities have a,

> *"strategic interest in employability because of its relationship to the wellbeing of communities and economic development in their areas."*

The strategic partnership will replace the Scottish Government's open competitive procurement route for its 'Fair Start Scotland Programme'. It was acknowledged that the cost benefits offered through competition could be offset by an improvement in joined-up services and outcomes. The Partnership Framework allows for the alignment of funding streams, and the potential to maximise outcomes with more funding coming directly to local authorities.

As a result, the Partnership is seen to,

> *"ensure effective synergy with both local employability provision and other locally delivered services in a more joined-up system, with better use of resources and a simpler service to navigate."*

The approach taken by Scottish Government and local government in developing a Partnership Agreement for Employability was based upon a recognition of the shared objectives and contributions of the partners. Whilst it is early days for this approach, its broad principles have applicability across a wider range of policy areas and elements of the approach may be useful to consider in the context of advice funding.

7. Analysis of Potential Funding Models

In the previous section the models used to fund and support advice services in other countries (Ireland, Wales, Australia and the Netherlands), along with the approaches used in other policy areas (Community Planning Partnerships, Change and Innovation Funds, Public-Social Partnerships and the Employability Partnership Framework) were briefly outlined and analysed to consider their potential, as models or approaches, to allocate the levy funding for debt advice.

Using this information, potential models that could be used to distribute the debt levy funding have been identified. These will now be considered, alongside the existing methods through which advice services are funded. The existing models are: direct funding to local authorities, and a grants programme managed by an independent body, currently SLAB.

Accordingly, the following outline models were used as the basis of stakeholder consultation:

- Direct Grants to local authorities
- Grants programme managed by an independent organisation
- National body to oversee the funding of advice services
- Regional groups
- Community Advice Partnerships in each local authority area
- Change Funds / Innovation Funds
- 'Advice Services Partnership Framework' between Scottish and Local Governments

The strengths and weaknesses of the seven models identified will be considered alongside the views of those stakeholders consulted. Not surprisingly a diversity of views was expressed and there was not consensus around a single model. However, it was possible to identify those models which attracted most support and those which attracted least.

Consultation took place using individual and group interviews and two 'listening events' for groups of strategic stakeholders in the public sector who had responsibility for funding or delivering money and welfare advice services. It should be stressed that the timescale available for this preliminary report limited the extent of the consultation. The focus of engagement had to be on the key principles on which models were based and not on the detail required in terms of governance, process, procedures and barriers to implementation. These aspects will all require further dialogue in relation to the model(s) that it is proposed to use / test, alongside giving a wider stakeholder cohort, who were not involved in the initial engagement, the opportunity to contribute.

In the consultation process, participants were asked to focus on dissemination of the debt levy funding but to consider how each model might contribute to delivering a more integrated approach to funding advice services and improving service user outcomes. Interestingly although all stakeholders consulted were asked if they could suggest other funding models none did so.

(i) Direct Grants to local authorities

In a sense, this approach is already in use, as Scottish local authorities receive an annual block grant from the Scottish Government to deliver public services. Local authorities have discretion over the amount they wish to invest in advice services through in house and third sector providers and, as a consequence, there is variation across Scotland in relation to the services that are provided. Furthermore, as already outlined, because it is not ‘protected’, funding for advice service is more open to being affected by budget reductions.

Strengths

Using a model based on direct grants to local authorities would ensure that the levy funding for debt advice is based on the principle of subsidiarity - where decision-making is taken at the lowest, most appropriate level possible.

Local authorities are embedded in networks within communities, and are well placed to engage with others to assess local demand and to identify needs for debt and other advice services. Allowing local authorities discretion over the allocation of debt advice budgets enables them to respond in a flexible and agile manner in ways which will best meet these needs.

Discretion over the funding and commissioning of debt and other advice services (especially to external organisations such as charities and other non-profit organisations) allows local authorities to innovate in building upon local networks of services. The majority of local authorities are already providing financial support to third sector advice agencies.

Several local authorities have created advice partnerships in their local areas, which are built on working collaboratively with key stakeholders.

Weaknesses

As advice services delivered by local authorities are not ‘protected’ in legislation, budgets are more vulnerable to cuts. Discretion over local authority funding and commissioning models has resulted in variation in the amount of money invested in advice services, the type and quality of services delivered, and the organisations involved in delivery. This is especially the case given that there is no universally applied ‘minimum standard’ for service provision. In addition, as Scottish local authority block grants are based on annual cycles, this has an impact on the funding and commissioning of advice services (which had, until recently, been based on 12-month cycles for external providers). Longer funding cycles (e.g. 3 years) would make it easier for local authorities to create multi-year budgets for advice services.

Areas of further investigation

If this model was adopted then, in the short term, to ensure that any monies awarded are invested in debt advice, it might be helpful to looking at making conditional awards. Given that the debt levy funding comes from an external source and the sums involved are not large in relation to overall local authority budgets, this may be possible without such action being perceived as fettering the discretion of local authorities. However, the stated policy position of COSLA is that local authorities ought to resist further ‘ring-fencing’ of funding. In the longer term putting the provision of advice on a stronger statutory footing or entering partnership agreements might also be options to help protect investment.

Consultation responses

This model was looked upon favourably by the majority of local authority representatives although it was rejected by the majority of third sector organisations.

There was a recognition that this approach was based on subsidiarity and providing local autonomy. Many local authority representatives stated that they were already providing funds to other organisations within their area and hence had appropriate mechanisms in place. It was felt they were best placed to ensure that the levy funding sat alongside existing provision and did not duplicate it. Emphasis was put on the need to adopt a partnership approach and to ensure that all service providers were engaged in the decision-making process.

On a less positive note, concerns were expressed about the ability to ringfence any funding awarded and to ensure that a consistent approach to service delivery was adopted.

(ii) Grants programme managed by an independent organisation

Funding could be awarded through an existing independent body which would make grants to appropriate organisations in line with agreed governance arrangements. These could cover such areas as eligibility, meeting funder priorities, supporting defined user outcomes, grant management and reporting requirements. This model currently operates in relation to the levy funding distributed by the Scottish Legal Aid Board.

Strengths

The model of allocating funding through an independent intermediary has proved effective in that it can support a wide range of organisations, encourage partnership working, make awards conditional on supporting and not duplicating existing services and focus on contributing to specific outcomes or aspects of advice services.

Weaknesses

Possible weaknesses include the potential for local organisations to feel excluded from decision-making processes and to think that their role is restricted to responding to top-down national-led initiatives.

Furthermore, there is risk that it may be unaware of, and hence not able to take account, of local needs and priorities.

Areas of further investigation

If the existing approach of distributing levy funding for debt advice through an independent body is to continue, then mechanisms that will enable local organisations to increase their involvement in determining priorities could be considered.

It may also be useful to assess the effectiveness of different uses of the funding such as building capacity in the sector in comparison with direct service delivery activities.

To maximise the impact of the levy funding, consideration could be given as to how it might be used in conjunction with other funders such as local authorities and the Money Advice and Pensions Service by jointly developing projects that combine money advice, income maximisation and which improve financial capability.

Consultation Responses

A single independent body which disseminated funds was generally accepted by the majority of participants across all sectors. The current funding model managed by the Scottish Legal Aid Board was viewed positively but it was suggested that there were areas that could be improved, such as a greater emphasis on avoiding duplication, reducing what were seen as overly burdensome reporting requirements, promoting collaboration at a local level and ensuring equity of opportunity. The roles played by the Scottish Legal Aid Board in setting standards, and Money Advice Scotland in providing training were acknowledged and welcomed. There was an acceptance that such activities were best done at a national level.

(iii) National body to oversee the funding of advice services

The creation of a national body offers a further potential funding model. This could take the form of a strategic group, with membership drawn from key stakeholders and those with relevant remits, experience and knowledge. In practice, such a group could focus on national oversight and coordination of advice services, and might also take on responsibility for agreeing the allocation of public funding for debt advice. This is a model that has been implemented, in different ways, in Ireland and Wales.

Strengths

Having a national body overseeing funding is more likely to result in a consistent approach to service delivery and accessibility. It may also provide a focal point at which the views and experiences of both providers and funders of services can be shared and considered.

Weaknesses

As with the previous funding model, there is a risk that local organisations feel excluded from decision-making processes and view their role as being restricted to responding to top-down national-led initiatives. This might potentially mean that local needs and priorities are not fully taken into account.

Areas of further investigation

If a body with strategic and funding roles is established, then extensive consultation in relation to powers, remit, membership, approach to funding allocation, etc. would be required.

Consultation Responses

No positive responses were received from any consultees across all sectors in relation to the creation of a new statutory body or consortium with a strategic overview. It was felt that such a group would lack local knowledge, reduce opportunities for partnership working and potentially increase duplication of funding.

(iv) Change/ Innovation Funds

The Change/ Innovation Fund (which brings together both approaches as a single model) is already being used in other policy areas such education, agriculture and climate change.

Strengths

This model may be well-suited to driving improvements in the publicly-funded debt advice sector. As an additional source of funding, it could allow service providers to design and test innovative delivery methods in a way which is currently not feasible, due to constraints on core funding and the limits imposed by short funding cycles. The success of the Change/ Innovation Fund model in bringing different stakeholders together to consider service design and delivery suggests this approach would also have the potential to facilitate increased collaboration between partners in the advice sector. A model based on this approach could be used to test approaches that would result in earlier intervention and greater use of technology. Both of these are priorities for the sector as identified by the Tackling Problem Debt Group and participants in the consultation process.

Weaknesses

The purpose of this approach is to drive improvement and test new approaches. Accordingly, this type of funding should sit alongside the monies required to support ongoing service delivery. It cannot operate in isolation and should not be perceived as 'supplemental' to the core areas of advice service provision. There is also a need to ensure that those initiatives that are effective and create the greatest impact are mainstreamed. Ultimately, this may require changes to the nature of what are considered 'core' services.

Areas of further investigation

This type of funding model can be used creatively in a variety of ways. To ensure that improvements are implemented, a phased approach could be offered with the contribution from the change fund being phased out as the activities it supports receive ongoing funding from a re-profiling of core funding. There are also questions around how to prioritise and determine the breadth or range of projects an advice-based Change/Innovation Fund would aim to support and the question of whether or not the Fund would be time-limited in scope. The purpose of the fund, how and to whom awards would be made are all issues that would require further investigation, consultation and working up.

Consultation Responses

There was acceptance across all sectors that such approaches will be needed to transform services. However, a few individuals suggested that all service delivery should include improvement methodologies. The challenges arise in relation to trying innovative approaches and, at the same time, maintaining core services. Sustainability was viewed as particularly challenging and disinvestment in less effective services was not always easy or possible politically. There was also a feeling that change was too quick and there needed to be time set aside to implement and review before making final decisions as to the future direction.

(v) Regional Groups

Funding models based on regional bodies or self-assembling 'Regional' approaches could focus on providing one or all of the following elements: providing an administrative and coordinating function for agreed priorities; sharing identified services or allocating funding within each region. A regional model has been implemented in Ireland (to complement national and local bodies), and plans to create regional advice bodies are being considered in Wales.

Strengths

Regional approaches are developing in many other policy areas and there is a long history, for example, of local authorities collaborating across administrative boundaries on a pragmatic basis and on a wide variety of issues. Benefits such as economy of scale, achieving critical mass and improving resilience in an era of resource constraint, are all factors that can make this approach attractive.

A recent report published on Scottish local authorities' experiences and views on regional working in relation to economic development sets out many elements that have applicability to collaboration in other policy areas, including advice services. This work included extensive consultation with senior officers and politicians from all 32 local authorities. The report concludes that local authorities have a key role to play in leading and shaping regional working.

The benefits of consolidating or integrating local activities into regional groupings include the ability to streamline services, reduce duplication, optimise shared resources, and create savings. Regional bodies are also ‘closer to the ground’ than national bodies, and better able to stay in touch with local needs. Encouraging greater collaboration and a joined-up approach to delivering services across local authority boundaries through regionally aligned services is likely to improve service user outcomes, increase value for money and lead to greater consistency in service accessibility and delivery

Weaknesses

It is important to ensure that developing any regional model is done in a collaborative way and on the basis of equity. This approach would work better in some areas than others and would be most effective if participants shared strategic aims and objectives.

If not managed well, there is a risk that this model could introduce a further layer of bureaucracy.

Areas of further investigation

It is important to ensure that any regional approach adopted to delivering debt advice services is done in a collaborative way and that the learning from other service areas in which this approach has been utilised is taken into account. There are already structures in place for regional collaborations, such as City Region and Growth Deal partnerships. If this model were to be developed further, to ensure that it operated effectively, a consensual approach would be required and local authorities and other stakeholders widely consulted on both geography and governance.

Consultation Responses

This model was generally well received in the statutory sector. It was felt that it could provide an interface for local and national interests. Offering economies of scale, it would allow local authorities to maximise funds. Increased partnership opportunities would be offered that did not currently exist. The approach could offer benefits to service users by removing artificial geographic boundaries.

There could be challenges in relation to defining what constitutes a region and within individual regions different local authorities may have different priorities. However, the principle of self-assembling regional partnerships applied to City / Growth Deals, alongside agreed governance systems, can go some way to helping overcome such concerns.

This model would be well suited to supporting changes in service provision that could be provided effectively at a regional level; e.g. telephony services.

(vi) Community Advice Partnerships

The establishment of 32 Community Advice Partnerships, perhaps modelled on the approach taken in relation to Community Justice Partnerships illustrates the potential for community planning arrangements to be expanded to incorporate policy areas that extend beyond strategic co-ordination.

Strengths

Considering their statutory focus on improving outcomes, both the structure and the existing functions of CPPs make this model potentially effective. The key role that existing Community Planning Partners play in formulating local priority outcomes means that they would be well-placed collectively to consider how debt advice services might be best placed in the context of wider local service provision.

It is likely that this model will offer value for money by ensuring that levy-funded advice services complement those already funded by local authorities, reducing the risk of duplication.

Weaknesses

Given that CPPs tend to be strategic bodies rather than resource-allocating bodies, there is a question around how funding related issues, both in terms of allocation and capacity to manage might be addressed. Furthermore, there are wide variations across Scotland in relation to the policy areas focused on (this is an important aspect that must be retained if they are to meet local needs) and their overall effectiveness and levels of activity.

Areas of further investigation

Given that CPPs are existing bodies that already have an influence on the funding of public services in Scotland, this is a model that ought to be ought to be somewhat more straight-forward to adapt to the advice services landscape in Scotland than some of the other potential models. However, applying this model in practice would require decisions to be made regarding the partners who should be included in the Community Advice Partnerships that were set up, as well as about the level of funding such partnerships ought to be allocated. It would also be necessary to decide whether to establish a national body along the lines of Community Justice Scotland to offer support and coordination to CPPs and, if so, to decide on an appropriate balance of responsibilities between the local and national groups.

Consultation Responses

It was recognised that potentially this funding model had much to offer in that it was outcomes focussed, aware of local needs and priorities and promoted partnership working. In some local authority areas, it would work extremely well but in others where the CPP was not as well developed or in which money advice was not a priority it may be less applicable.

(vii) 'Advice Services Partnership Framework' between Scottish and Local Governments

The final model is based on the creation of a Partnership Framework for Advice Services drawing on the approach taken in relation to Employability.

The Employability Framework created a strategic partnership and a new model based on local and national alignment of funding streams and a shared action plan for addressing employability provision. The approach involves the integration of existing funding programmes to create a single funding stream for employability (based on a multi-year model), the creation of comprehensive governance and accountability structures to oversee delivery and funding arrangements, and the development of a national outcomes and measurement framework, based on co-design and collaboration.

Strengths

The approach places an emphasis on partnership, co-design and collaboration between Scottish Government and local government as opposed to the previous hierarchical structures. It intends to replace several funding streams (that previously worked in isolation for different initiatives, were not joined up and often treated local authorities as contractors rather than partners) with a single fund. The Framework approach recognises that whilst a national 'one size fits all' is not appropriate to employability services, there is merit in aligning national and local aims and priorities. There is a recognition that local authorities are well placed to coordinate services in their constituent areas.

Weaknesses

As this approach to Employability is still being developed it may be too early to identify potential barriers to replicating the approach for advice services. In the Employability Partnership, it has been highlighted that areas that could potentially be problematic should be identified and addressed at an early stage. These were to ensure : (1) that funding for management or administration costs of the new funding stream and local frameworks are provided and there is adequate capacity on both sides; (2) that any governance and accountability structures facilitate representation of all interests in the Partnership (3) there is effective partnership working, for instance by monitoring and evaluation of the Partnership; and (4) that the Partnership is fully focussed on outcomes, and collaborative gain through joint working that adds value. It is likely that a similar approach would be beneficial if this model was adapted for advice services and there are likely to be some similarities in relation to the areas that were identified as potentially challenging.

Areas of further investigation

As the approach develops it would be useful to assess the extent to which it achieves its stated aims. The replicability of the model to advice services, and particularly debt advice, should be assessed and any adjustments likely to be required identified.

Recognising that adopting this approach is likely to take some time to deliver, consideration should be given to actions that could be taken in the short term that would contribute to a longer-term development strategy.

Consultation Responses

This approach had significant support from public sector participants, many of whom were familiar with it, but less from other organisations possibly because they were unaware of it. It was seen as being able to offer local subsidiarity and autonomy at the same time as providing national co-ordination and support and it was felt it provided the best compromise. The model offered many of the benefits of regional approaches in relation to cost effectiveness, removing geographic boundaries for service users and supporting an integrated approach to funding. Some concerns were expressed in relation to ensuring there was parity between national and local actors and it was suggested there was a need to include some process for resolving any issues on which agreement could not be reached.

(b) Conclusions

In determining which model is most appropriate, it is necessary to take into account two important factors.

Firstly, the model adopted will be used to allocate funding for debt advice from the devolved levy funding and in practical terms has to be capable of being implemented in a reasonable timescale. It should avoid duplicating or replacing existing funding, promote collaboration, maximise user outcomes and be subject to clear governance and reporting arrangements.

Secondly, given the increased demand for advice services, reducing resources, a recognition of the links between debt advice and income maximisation and a need to take a holistic person-centred approach to service provision, it would seem logical to work towards better integration of funding for advice services. It is acknowledged that this may take time to achieve but it is important that whatever model or models are chosen should ultimately support this aspiration.

Having considered each of the models, albeit in a limited way so far, in terms of their ability to meet the above criteria, their perceived strengths and weaknesses and the views expressed in the consultation process the following can be concluded.

Models that have a low priority for further consideration at this stage

National body to oversee the funding of advice services

There was a lack of support from consultees for establishing a new statutory body or consortium with a strategic overview. It was felt that such a body would lack local knowledge, reduce opportunities for partnership working and potentially increase duplication of funding.

Community Advice Partnerships

This approach would require the establishment of new bodies at a local and possibly national level. Whilst in some CPP areas thematic or strategic groups may exist which could be used to develop this method as there are wide variations in the effectiveness of CPPs this model would not be suitable for implementation on a universal basis. However, this model does have potential to work effectively and to promote collaboration and reduce duplication.

Models that should be explored further and are likely to offer longer term solutions

Advice Services Partnership Framework' between Scottish and Local Governments

Potentially this approach might ultimately deliver the best results in relation to integrating advice services and improving service user outcomes but would need to be part of a long-term strategy.

Regional Groups - self-assembling 'Regional' approaches

This would offer an approach that could increase value for money and reduce duplication by sharing costs at a regional level whilst still permitting local service delivery. As a potential approach, it would require further work and wider consultation to determine how it would operate in practice and which geographical areas it might cover.

If this approach is a possibility, then a more detailed model should be developed that could be tested.

Models that could be tested in 2020-21

Direct Grants to local authorities

This approach is already operating but further work would be required in relation to determine how best to allocate funds (e.g. using information from Money and Pensions Service on levels of over indebtedness) and introducing some form of conditionality to ensure that any monies awarded were used to support debt advice.

Change/Innovation Funds

This has proven to be an effective model but needs to sit alongside funding for core services. Further development would be required in relation to the activities it would fund and ensuring that it was used to transform services and led to sustained improvement.

Models that can be implemented immediately

Grants programme managed by an independent organisation

A model based on a single independent body responsible for disseminating funds was accepted by the majority of participants across all sectors. The current funding model managed by the Scottish Legal Aid Board was viewed positively but it was suggested that there were areas that could be improved, such as a greater emphasis on avoiding duplication, reducing what were seen as overly burdensome reporting requirements, promoting collaboration at a local level and ensuring equity of opportunity.

It should be noted that many of those consulted suggested that the best results might be achieved if more than one funding model was used, albeit on a complementary basis as part of an overall strategy.

Assessment criteria

In determining which models are most effective, criteria will have to be agreed from which a more detailed assessment of the effectiveness of each model can be made. In other words, how useful is the chosen model in supporting the achievement of the agreed objectives in relation to the use of levy funding for debt. Whilst this will require further discussion, it is suggested that the following might be a useful starting point.

Clarity of purpose

It is critical the purpose of the funding is clear and the activities it is used to deliver align with and contribute to its achievement.

Reducing duplication

Funding should not be used to duplicate existing activities and if it is used to contribute to funding activities that have more than one funding source the activities which each supports should be discrete and clearly identified.

Impact on service user outcomes

Expected service user outcomes from advice are well documented and include financial gain, improvements in health and wellbeing, and increased confidence and capacity.

Contribution to strategic outcomes

Whilst clearly linked to user outcomes, this criterion refers to the role played by advice services in relation to Scottish Government's strategic priorities, for example by reducing health inequalities and child poverty.

Reach and accessibility

The delivery model through which services are provided has a direct relationship with the type of clients who use the service and the stage at which an initial approach is made.

Value for money

If levy funded debt advice services are to provide good value for money, it is crucial that they complement existing advice service provision in Scotland.

Promotion of joined-up working

Any prospective funding model needs to facilitate collaboration and joined-up working across the publicly-funded advice sector.

Encourage earlier intervention

The activities the funding is used to support should demonstrate how they will support earlier intervention.

Evidence based decision making

Whilst any monitoring and evaluation processes must be proportionate to the amount of investment, the impact created must be recorded and reported using consistent methodologies. The results should influence future decisions about investment and, where appropriate, dis-investment. It will be essential in assessing the effectiveness of different funding models to consider the extent to which each meets defined criteria. The criteria to be used and weighting attached to each should be explored further with key stakeholders. It will also be necessary to consider the methodologies by which each will be evidenced. Part of this will also be to reflect the recommendations of the Tackling Problem Debt Group.

8. Taking Forward the Recommendations of the Tackling Problem Debt Group

Given, as stated initially, that the reference point for this work has been the recommendations of the Tackling Problem Debt Group, the ones which the approaches suggested in this report have focussed on delivering are detailed below.

(i) Ensure that levy funding reflects the needs and experiences of users and potential users of debt advice

Putting service users, or indeed potential service users, at the centre of any approach is essential. Any funding model identified needs to ensure that the activities it is used to deliver or support will contribute to achieving the best possible outcomes for service users.

Whilst some consultation has taken place to date with users of money advice services in Scotland, it has been limited in nature and given that it has often been carried out / commissioned by those organisations providing the service may not be truly independent.

The findings in this preliminary report draw on consultation with sixty actual or prospective users of advice services who were not referred by or linked to any particular advice provider. It is accepted that this is a small sample size and further consultation with a larger, more representative groups will be required. It will also be appropriate to consider this in conjunction with any relevant engagement/ consultation processes that may be taking place.

(ii) Develop a model of Scottish Government levy funding that is transparent, independent and rigorously reviewed and evaluated for impact

This initial research report has sought to identify potential funding models by considering those used in other countries that are comparable to Scotland and approaches that are used in other service areas in Scotland. Whilst seven models were initially identified, following consultation with local authorities, NHS Boards and third sector providers, this was reduced to one option for immediate implementation, two short term possibilities and two longer term prospects. It is worth highlighting that in each consultation session, be it in the course of individual or group interviews or at ‘listening events’, the opportunity to put forward suggestions on alternative approaches was offered. None were suggested.

The next step will be to examine the potential funding models identified in terms of governance arrangements, delivery methodologies, activities that might be supported, achievement of service user outcomes, equity, impact evaluation processes etc. Cross-sector consultation will be a critical element in this process. Whilst it is recognised that there is a pressing imperative to identify and agree a potential funding model or models, it is likely to be helpful to continue to offer opportunities for feedback across all options and to ensure that an inclusive and transparent approach to implementation is adopted.

Whichever model(s) are chosen, consideration will be required in relation to how they can be used to complement existing funding and its ability to being utilised, or adapted, to offer a more integrated approach to funding.

(iii) Harness the potential of technology in a way that practically improves the experience of both providing and receiving debt advice

Several organisations providing advice services in both the statutory and voluntary sectors have used new technology to improve access to the services they offer by providing multi-channel approaches. Recent research by the Improvement Service suggests that individuals prefer to use a variety of methods or channels to access advice depending on the nature of their issue and the stage it has reached. Digital use has increased at population level but the debt advice sector has not always kept pace. Whilst recognising the need for face to face service provision when required, both service providers and users who were consulted commented that increasing channel choice was likely to improve access for service users and also reduce the stigma associated with being seen to require money or debt advice.

Using the debt levy funding to support technological innovations that are both scalable and sustainable through Change/Innovation funding is an option that could be considered.

9. Next Steps

The purpose of this report was to produce indicative findings that would form the basis of further research and wider stakeholder engagement. It has been acknowledged that, whilst efforts were made to ensure that a representative range of views from across the money and welfare advice sector was sought, the timescale for producing this preliminary report meant that it was not possible for all interested parties to input. Accordingly, the first step will be to publish this report and invite comments and feedback that can help inform the next phase of research and engagement around the various models set out.

The second step will be to agree the objectives which the funding model should enable to be met and against which its effectiveness will be assessed. Equally important, will be the need to identify possible ways in which this might be measured. This is necessary to ensure that any agreed principles can be applied in practice via an effective model(s) and in a way that facilitates assessment of objectives/progress to be made.

The models suggested at this stage are basic, descriptive and conceptual in nature and those that are to be taken forward will require much more in-depth analysis over the next two years.. Detailed descriptors for each model that it is agreed to be explored further will be produced. These will include, *inter alia*,

- an explanation of the purpose of the model
- the processes and procedures its implementation will require
- suggested governance arrangements
- an outline of the activities it might support and the outcomes they are expected to achieve
- an indication of barriers and enablers from both service providers' and service users' perspectives
- where appropriate, suggestions as to how any potential challenges may be addressed.

This will require ongoing discussions with the agencies and organisations which are in the process of developing the initiatives described in this report along with wider consultation and engagement with key stakeholders and service users.

Following discussions with officers from the Scottish Government, it is understood that the intention is to develop and agree a definitive model, or models to distribute levy funding for debt advice for implementation as from April 2022.

Whilst acknowledging that this preliminary report was necessarily based on limited engagement, the funding option that garnered greatest support was a 'grants programme managed by an independent organisation'. This model, currently operated by SLAB, could be implemented as soon as the appropriate preparations have been made.

This report has identified two 'tests of change' for distributing levy funding that will be assessed in 2020-21. These are:

- Direct Grants to local authorities
- Change/Innovation Funds

The effectiveness of each of these models will be assessed, both in relation to supporting the achievement of the agreed objectives in their own right and also in relation to the contribution each might make to a longer term, more integrated approaches to funding for money and welfare advice services. For example, in relation to direct funding to local authorities, ways in which it might be used to improve collaboration between local authorities and increase involvement of the third sector and/or service users will be considered.

At the same time as the 'tests of change' are taking place, further assessment of those models that have been identified as being likely to offer longer term solutions, namely the creation of an 'Advice Services Partnership Framework' between Scottish and Local Governments' and the establishment of self-assembling 'Regional' approaches will be explored.

Throughout this process, in partnership with the Scottish Government the IS will hold regular stakeholder and engagement events. In recognition that all who wish to be involved may not have an opportunity to participate in these sessions, a k-hub page will be set up on which regular updates will be published and comments invited.

Improvement Service
iHub
Quarrywood Court
Livingston
EH54 6AX

T. 01506 282012
E. info@improvementservice.org.uk
W. www.improvementservice.org.uk