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# The Future of Money Advice Services in Scotland

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# Money Advice Services



## What does the evidence suggest?

Are effectively targeted on the most vulnerable people in society, delivering significant, tangible financial benefits to the group.



Every £1 invested delivers £5 return to vulnerable communities.

Are of practical benefit in safeguarding revenue streams to the Council



Citizens that have accessed money advice are better able to pay council tax, rent and other routine bills.



Prevent the need for more costly interventions from a range of social services such as housing, social work and health.



## CUTS LOOMING

Despite clear evidence of the effectiveness of money advice services, evidence is emerging that these services are being cut and their future viability is extremely precarious.



## DELIVER ON OUTCOMES

Help deliver on the priority outcomes set out within councils' corporate plans, CPPs' SOAs / LOIPs, Scot Govt national outcomes and Community Empowerment Act duties concerning improving outcomes and tackling inequalities.

## PROVIDING A MUCH NEEDED SERVICE



Preventing the need for more expensive interventions.

**VACANT**

But could disappear from a number of council areas over the next few years.



Leadership role required from LA's to maintain service delivery.

# The impact of money advice services

Advice services are used primarily by the most socially and economically excluded individuals in our communities.<sup>1</sup> The Community Empowerment (Scotland) Act 2015 imposes a statutory duty on community planning partnerships to improve outcomes and tackle inequalities – money advice services have an important contribution to make in assisting public authorities to meet these obligations.

Money advice services:

- Maximise the amount of money available to the most income deprived. For every £1 that was invested by local authorities in money advice services in 2015-16, individuals achieved a financial gain of c£4-6<sup>2</sup>
- Deliver tangible benefits to the health and wellbeing of individuals<sup>3</sup>
- Play a vital role in supporting some of Scotland's most vulnerable families by breaking the cycle of indebtedness
- Effectively target those in greatest need - c80% of service users lived in households with an annual income of less than £15,000<sup>4</sup>
- Boost the local economy - much of the additional income secured by individuals is spent locally on goods and services<sup>5</sup>
- Make a significant contribution to supporting earlier intervention and reducing inequalities which, in the long term, reduces health costs, increases employment levels and lowers demand for social services and welfare benefits and public services in general<sup>6</sup>
- Safeguard other sources of local authority revenue streams – individuals that have accessed money advice services are better able to pay council tax, rent and other routine bills

If publically funded money advice services are not available, individuals will have to cope with unmanageable debt for longer periods<sup>7</sup> and, as a result, are more likely to experience ill health, relationship breakdown, and even homelessness. All of these consequences will have a direct impact and additional cost to the public sector.

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1 [http://www.parliament.scot/ResearchBriefingsAndFactsheets/S5/SB\\_16-84\\_The\\_social\\_impact\\_of\\_the\\_2016-17\\_local\\_government\\_budget.pdf](http://www.parliament.scot/ResearchBriefingsAndFactsheets/S5/SB_16-84_The_social_impact_of_the_2016-17_local_government_budget.pdf)

2 [http://www.improvementservice.org.uk/documents/money\\_advice/MAPMF/MAPMF-data-analysis-2015-16/mapmf-data-analysis-report-2015-16.pdf](http://www.improvementservice.org.uk/documents/money_advice/MAPMF/MAPMF-data-analysis-2015-16/mapmf-data-analysis-report-2015-16.pdf)

3 [http://www.improvementservice.org.uk/documents/money\\_advice/SROI-co-location-advice-workers.pdf](http://www.improvementservice.org.uk/documents/money_advice/SROI-co-location-advice-workers.pdf)

4 Ibid 2

5 <https://www.sbs.strath.ac.uk/economics/fraser/20160913/ScotlandsBudget-2016.pdf>

6 [http://www.euro.who.int/\\_\\_data/assets/pdf\\_file/0009/278073/Case-Investing-Public-Health.pdf](http://www.euro.who.int/__data/assets/pdf_file/0009/278073/Case-Investing-Public-Health.pdf)

7 <https://mascdn.azureedge.net/cms/research-oct12-effectiveness-of-debt-advice-from-yougov.pdf>

# Background

Funding for the provision of money advice services in Scotland is reducing as demand is increasing.

In 2015-16 Scotland's local authorities<sup>8</sup> provided investment in both in-house and external money advice services of c£13.3 million. Despite the evident need, effective targeting and exceptional value for money of these services, this represents a reduction of c.15% on the previous year.

When considered within the context of substantial and continuing public service cuts<sup>9</sup>, coupled with the Christie Commission's recommendation for a shift towards preventative measures<sup>10</sup>, the work of money advice services should be considered crucial to facilitating the achievement of Scotland's strategic objectives<sup>11</sup> and the key priorities set out by councils and Community Planning Partnerships. This vital, but often unrecognised, service makes a significant contribution to achieving the priority outcomes set out within the strategic documents of local authorities, Community Planning Partnerships, Scottish Government and Health and Social Care Partnerships.

Although there is no specific statutory requirement on local authorities to provide money advice services, a general duty to make 'advice' available is imposed in several pieces of legislation<sup>12</sup> and in certain situations a requirement to seek money advice is obligatory.<sup>13</sup>

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8 It should be noted that whilst this paper focuses on local authorities, as the largest funders of the service, funding is also provided by the Scottish Government.

9 Joseph Rowntree Foundation's report 'The Cost of the Cuts: The Impact on Local Government and Poorer Communities' (<https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/Summary-Final.pdf>)

10 Commission on the Future Delivery of Public Services (<http://www.gov.scot/resource/doc/352649/0118638.pdf>)

11 Scottish Government's Strategic Objectives (<http://www.gov.scot/About/Performance/scotPerforms/objectives>)

12 Social Work (Scotland) Act 1968: The Bankruptcy and Debt Advice (Scotland) Act 2014: Carer's (Scotland) Act 2016

13 <https://www.stepchange.org/policy-and-research/scotland-in-the-red.aspx>

# Challenges

## 1. Reduced investment and increased demand

Demand for advice services is rising, and with the rolling-out of Universal Credit, this is likely to continue. Whilst there is evidence of increased demand across a range of providers, this can be exemplified by the fact that more people contacted StepChange Debt Charity in the first half of 2016 than in any previous six-month period on record. 313,679 people contacted StepChange Debt Charity for help between January and June 2016, up 11% on the same period in 2015. The proportion of clients in arrears on their Council Tax has doubled from 18% in 2010 to 36% in 2015, and the average amount owed on Council Tax (£1,615) has increased by 43% since 2010<sup>14</sup>. In 2015-16 Council Tax and rent arrears were identified as the most common reasons for individuals initially seeking money advice<sup>15</sup>. The inability of individuals to pay Council Tax/rent has a direct and adverse impact on the income available to local authorities. There are over half a million adults in Scotland who are over-indebted<sup>16</sup> and of them only 17% are accessing advice. The numbers of individuals who will experience the personal, social and economic problems associated with debt is predicted to rise.<sup>17</sup> In November 2016, the Bank of England reported that unsecured debt is rising at its fastest pace for 11 years. The introduction of Universal Credit has already resulted in significant rent arrears in England and this position is likely to be mirrored in Scotland.<sup>18</sup>

A review by the Improvement Service<sup>19</sup> of the impact of 2016-17 local authority budget cuts on the provision of money advice services, which are funded and/or delivered by local authorities, suggests that further significant cuts are likely to continue for the foreseeable future. A recent survey of Citizens Advice Bureaux by Citizens Advice Scotland indicated that over 80% were anticipating cuts in 2017/18. These findings should be considered in the context of reports on local government spending by the Fraser of Allander Institute<sup>20</sup> and Audit Scotland.<sup>21</sup> The review and reports identify very clearly that the position in 2017-18 is likely to be one of continued reductions in budgetary provision

The effect of reducing budgets does not impact equally on all services. Areas that are seen as priorities (e.g. education / teacher ratios) or in which there is high demand (e.g. social care) are more likely to be protected and to experience less of a reduction. The effect of this is that other service areas may face a significantly higher and disproportionate reduction. The impact is particularly exacerbated as the areas receiving relative 'protection' make up a significant proportion of overall budgets. So, for example, an overall reduction in a council of say, 4%, may translate as a reduction of, say, 20% in 'non-prioritised' services, such as money advice. In the face of this, the only way to maintain services may be through wide-ranging transformational changes.<sup>22</sup>

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14 <https://www.stepchange.org/policy-and-research/scotland-in-the-red.aspx>

15 Ibid 2

16 individuals who have been at least three months behind with their bills in the last six months or say that they feel their debts are a heavy burden

17 <http://www.bankofengland.co.uk/Pages/reader/index.aspx?pub=fsrnov16&page=9>

18 <http://www.welfareweekly.com/universal-credit-has-pushed-86-of-council-tenants-into-rent-arrears-research-shows>

19 [http://www.improvementservice.org.uk/documents/money\\_advice/mapmf-impact-of-la-budget-cuts.pdf](http://www.improvementservice.org.uk/documents/money_advice/mapmf-impact-of-la-budget-cuts.pdf)

20 <https://www.sbs.strath.ac.uk/economics/fraser/20160913/ScotlandsBudget-2016.pdf>

21 [http://www.audit-scotland.gov.uk/uploads/docs/report/2016/nr\\_160317\\_local\\_government\\_overview.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2016/nr_160317_local_government_overview.pdf)

22 [http://www.improvementservice.org.uk/documents/money\\_advice/mapmf-impact-of-la-budget-cuts.pdf](http://www.improvementservice.org.uk/documents/money_advice/mapmf-impact-of-la-budget-cuts.pdf)

Whilst there is a general acceptance of the need to deliver services differently, identifying the best way to do this that meets local priorities and service users' needs is not always straightforward. The ability to make the adaptations that will be required may be compromised by the timescale in which they have to be achieved. During this period of financial challenge, advice providers are responding in a variety of ways, for example:

- In two local authorities, in-house services have been completely withdrawn, resulting in the loss of around c9 jobs or 6% of the workforce on a Scotland-wide basis.
- In only five local authorities was there a slight increase in funding of between 1% and 2%.
- In relation to the provision of core funding of Citizen's Advice Bureaux in 2016-17, less than half of local authorities have been able to maintain a standstill budget whilst, in others, cuts of between 1% and 48% have occurred.
- Five local authorities are presently carrying out service reviews - one of which has already suggested that this will result in a 25% reduction in funding for advice services.

In short, despite their impressive track record of delivering significant benefits, many money advice services are extremely vulnerable to further cuts. Given the comparatively small and precarious position of many services, even relatively small cuts to these marginal services, could have a major negative impact.

## 2. Maintaining accessible services

It is possible to access money advice services using the internet, telephone or on a one-to-one basis. Reductions in funding levels are already impacting on the availability of locally based services and consequentially the degree of service user access and choice. Whilst the use of on-line channels may more be cost effective, it is not always a viable option for individuals with complex needs. Furthermore, individuals who are experiencing disadvantage, and are the greatest users of the service, are those most likely to be facing digital exclusion.<sup>23</sup> The challenge is to offer a range of channels that meet the needs of citizens, allowing those who can self-serve to do so, those with intermediate needs to access phone based services and freeing up face-to-face adviser time for the most vulnerable clients and those with complex needs.

To provide advice that is accessible, represents good value for money and improves the quality of provision, providers of money advice services are developing different models of service delivery which focus on more effective partnership working and service transformation.

**Local authorities** are considering various service models which include co-location of staff in accessible community hubs or in medical centres, improved referral pathways and increased use of telephone advice lines. A holistic approach to money advice is increasingly being promoted across all services and through increased partnership working. For example, professional staff in other disciplines, such as health and employability, are being encouraged to include the provision of basic advice in the support that they offer to their clients and to identify at an early stage when referrals to specialist money advice support would be beneficial. Practical support to enable professionals to fulfil this role is available through the use of 'toolkits' and training.

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23 <http://www.carnegieuktrust.org.uk/carnegieuktrust/wp-content/uploads/sites/64/2016/09/v3-2697-CUKT-Digital-Participation-summary.pdf>

**Citizens Advice Scotland (CAS)** is supporting the provision for the most vulnerable individuals with the development of more Citizens Advice Bureau services in partnership with local community organisations. There are currently more than 200 formal and informal partnerships which enable a variety of outreach services, referrals and surgeries throughout Scotland to be provided and more are planned. CAS is working with the Money Advice Service to ensure that the added value offered by the involvement of skilled volunteers can be utilised.

# Conclusions

The need for continued funding to support money advice services and the positive outcomes they provide is critical.<sup>24</sup>

Despite substantial evidence of their effective targeting, impact and value for money, money advice services have experienced significant reductions in recent years and their future viability is uncertain.

There is evidence that a flexible approach to service delivery is being adopted by many service providers, which is based on improving outcomes for people and communities and reducing inequality by meeting the needs of vulnerable individuals. Case studies that provide examples of these approaches will shortly be published on the Improvement Service website. Whilst the provision of money advice could be considered to be a 'discretionary' service, the reality is that it supports core priorities, delivers excellent value for money, secures revenue streams and, through early intervention and reducing inequality, decreases long-term costs to the public sector.

Money advice services tend to be small in nature and even relatively modest cuts can have a disproportionate impact on their viability. Short term savings achieved by cutting money advice services are likely to be of negligible value and may ultimately result in increased costs to the public sector – both via reduced revenue streams for Council Tax / council rent and via council and other public services having to deal with the consequences of problem debt in areas such as housing, social work and health.

Money advice services are in a critical position and, at the current rate of decline, in some areas, they could disappear completely over the next few years.

As the single largest provider/funder of money advice services in Scotland, there is an important leadership role for local authorities to engage with other partners to ensure Scotland continues to have a strong, effective and vibrant money advice service.

For further information on the Money Advice Outcomes Project visit:

<http://www.improvementservice.org.uk/improving-outcomes-in-money-advice/>

To discuss any aspect of this report further please contact:

Karen Carrick: [Karen.Carrick@improvementservice.org.uk](mailto:Karen.Carrick@improvementservice.org.uk)

Andrew McGuire [Andrew.McGuire@improvementservice.org.uk](mailto:Andrew.McGuire@improvementservice.org.uk)

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24 This report has been prepared by the Improvement Service with assistance from the Money Advice Service, Citizen's Advice Scotland, StepChange and Money Advice Scotland.