

Poverty and Inequality Commission

FURTHER ADVICE TO THE SCOTTISH GOVERNMENT ON THE COST OF LIVING CRISIS

12 August 2022

1. The request for advice from Scottish Government

The Poverty and Inequality Commission was asked by the Cabinet Secretary for Social Justice, Housing and Local Government to provide advice on:

- Actions the Scottish Government could take in the short, medium and long term to support those most at risk with the cost of living crisis that are aligned with a dignified and cash-first approach;
- The impact these actions would have, including which particular group(s) of people each action would support; and
- The associated cost of each action (where known).

The Scottish Government also requested that the advice included:

- Prioritisation of the actions the Commission suggests
- How the Commission would re-prioritise current budgets (i.e. what things to reduce or stop) to deliver the suggested actions within existing 2022/23 budgets, or what actions could be taken forward if more funding became available.

2. The Commission's initial advice

The Commission provided initial advice to the Scottish Government on 14 June 2022. This advice focused on which households were missing out on support with the cost of living, or receiving insufficient support for the costs they face, and looked at what options there might be for filling these gaps using the limited consequential money that the Scottish Government would receive as a result of UK funding decisions. It aimed to be pragmatic about the options available, recognising that existing mechanisms are not always ideal, but are often the best way of getting money to people quickly.

It identified the following groups who missed out on, or received limited support, under the UK Government's plans:

- Larger families
- Unpaid Carers
- Disabled people who face higher energy costs but don't qualify for low income benefits
- Households whose income drops after the UK Government payments have been made/after the qualifying date for payments

- Households just above the benefits threshold
- Households using off-grid fuel, such as those with oil heating
- Those who pay fuel bills via a landlord or site owner, this may particularly impact Gypsy/Travellers, those in park homes and adults in shared accommodation

The initial advice recommended that the Scottish Government should:

- continue the Scottish Child Payment for children who will turn six in between now and the end of 2022
- increase the amount of the Scottish Child Payment bridging payments
- make an additional payment to unpaid carers through Carer's Allowance Supplement
- lobby the UK Government for more support for households dependent on off-grid fuel
- provide a dedicated fund for off-grid heating costs
- instruct local authorities that crisis grants can be provided through the Scottish Welfare Fund for off-grid fuel costs
- establish a cost of living fund to be delivered locally by local authorities and third sector organisations
- make any changes that are needed to the Scottish Welfare Fund guidance and legislation to ensure it is fit for purpose before the coming winter; this should include considering reallocating underspends to local third sector organisations to distribute
- provide local authorities with funding to write off school meal debt
- explore if it would be possible to provide a supplement through the Low Income Winter Heating Assistance Payment to households with a disabled adult or child, or a child under 5
- if funding can be identified, consider increasing Adult Disability Payment, Disability Living Allowance, Attendance Allowance and Child Disability Payment by a further 2.9% to bring them into line with other Scottish Social Security payments that have been increased by 6% this year
- re-prioritise Scottish Attainment Challenge Funding to directly support children experiencing poverty
- gradually raise the age of entitlement to concessionary travel until it is equalised with the state pension age and use the money saved to expand support for low income users of public transport
- consider establishing a short-life cost of living taskforce

3. Further advice on the cost of living

In its initial advice, the Commission said that it would explore longer term options for addressing the cost of living in its final advice in August. These were options that might be less straightforward to deliver, for example because there were not existing mechanisms in place to deliver them, or because they might require legislative change, or more significant funding than was available in the short-term.

These were:

- Extending the thresholds for free school meals, which have not kept pace with inflation, and expediting the automated registration of free school meals
- The potential for Scottish Government to procure oil/off grid fuel directly in order to help people to benefit from bulk pricing
- Increased investment in insulation and energy efficiency measures for low income households
- A ‘debt amnesty’ for public debt, such as council tax debt, suspending arrears for the period of the cost of living crisis, and reducing the timeframe for writing off council tax debt from 20 years to 5-6 years
- Council tax reform and review of income levels at which households lose council tax reduction
- Changes to legislation to allow for additional council tax charges on second homes (which will benefit from the UK Government £400 energy bill rebate)

These topics are considered below, alongside some additional recommendations that have arisen in Commission discussions since it provided its initial advice.

Since the Commission’s initial advice the outlook for the coming year has worsened considerably. Energy bills for a typical household have been forecast to reach over £4,200 a year¹ from January 2023, the inflation rate has risen to 9.4%, interest rates have risen to 1.75%, and the Bank of England has forecast a recession lasting over a year.² While the Commission welcomed the initial cost of living support package from the UK Government, which went some way to supporting the households in most need at that time, it is clear that it is now inadequate to meet the increasing difficulties that households face. Immediate action is needed by both the UK and Scottish Government and the Commission reiterates its initial advice that the Scottish Government should use existing mechanisms to get support to households quickly.

4. Support with energy costs from the UK Government

Rapidly rising energy costs mean that the initial cost of living support package announced by the UK Government is clearly inadequate to meet the energy crisis that households face. Members of our Experts by Experience Panel have said that they are already doing everything that they can to reduce their bills and they do not know how they will cover rising costs. Joseph Rowntree Foundation has estimated that the combination of rising energy costs and inflation will leave low income families worse off by £2,550 on average, and that the UK Government’s support package needs to be at least doubled to get families through the winter.³

The position of low income households going into this winter is dire and worsening, and an emergency response is needed from the UK Government. The Commission welcomes the Scottish Government’s continued calls for further action on the cost of

¹ [Energy bills forecast to hit over £4,200 a year - BBC News](#)

² [Monetary Policy Report - August 2022 | Bank of England](#)

³ [Government must at least double help for low-income families amid unprecedented winter cost crisis | JRF](#)

living by the UK Government.⁴ The Scottish Government should continue to work with the UK Government to achieve the best possible support for households in Scotland. This should include advocating for action by the UK Government to limit rises in energy costs, and to increase financial support to households through further cost of living payments.

One action which could quickly make a difference to energy bills for low income households – and so should be prioritised by the Scottish Government to press the UK Government for action on – is to reduce energy standing charges. The high level of standing charges means that households continue to face significant bills, even when their energy use is minimal. Even a temporary suspension or reduction would be beneficial in enabling households to get through this crisis and so this should be among the first actions that the Scottish Government advocates at UK level for.

Recommendations

- The Scottish Government must use all the channels it has available to it to exert maximum influence on the UK Government to act to reduce energy costs and provide further financial support to low income households.
- As part of this, the Scottish Government should lobby the UK Government to take action to reduce energy standing charges, as these are punishing for low income households, and even a temporary suspension or reduction would be beneficial in getting through the crisis.

5. Off-grid fuel

In its initial advice the Commission identified a particular gap in support for those who use off-grid fuel, such as heating oil, gas canisters or solid fuels. The 2019 Scottish House Condition Survey⁵ found that 8% of homes in Scotland did not use mains gas or electricity, with 5% of homes using oil as their primary heating fuel. The Commission recommended that the Scottish Government should lobby the UK Government for more support for households dependent on off-grid fuel; provide a dedicated fund for off-grid heating costs; and instruct local authorities that crisis grants can be provided through the Scottish Welfare Fund for off-grid fuel costs.

Prices of oil have continued to rise and there is no regulation of off-grid fuel costs such as oil and LPG, although many suppliers are signed up to industry body codes of conduct. The lack of regulation means that there is no price cap and price rises can be passed on to consumers more frequently. Prices are very volatile and can change day by day, and between making an order and getting delivery.

⁴ [Cost of living crisis: letter to the Prime Minister - gov.scot \(www.gov.scot\)](https://www.gov.scot/Content/consultations/2022/08/01/cost-of-living-crisis-letter-to-the-prime-minister)

⁵ [2 Key Attributes of the Scottish Housing Stock - Scottish house condition survey: 2019 key findings - gov.scot \(www.gov.scot\)](https://www.gov.scot/Content/consultations/2022/08/01/key-attributes-of-the-scottish-housing-stock-scottish-house-condition-survey-2019-key-findings)

Some of our Panel members use off-grid fuel and told us about their experience of rising costs and price instability.

“We use heating oil as our main source of fuel for heat and we are off the gas grid like most of rural Scotland. There are currently no price controls in place for oil so it’s just a free-market rate and the costs are just spiralling out of control.”

“500 litre prices for me:

- June 2020 = £180
- June 2021 = £250
- Nov 2021 = £300
- Feb 2022 = £360

Now (July 2022) I am being quoted £700.”

Panel members also talked about the difficulty of having to pay large sums up front due to minimum orders:

“In most areas the minimum amount of oil you can buy is 500 litres and most organisations don’t allow you to have an account so you need to pay for the whole amount up front so it’s a huge amount of money you need to have available.”

“Buying 1,000 litres, you’ll get a much better rate than buying 500 litres but most companies don’t allow you to pay, for example, a monthly direct debit like lots of people do with gas and electric. In order to get the best prices you have to pay up front.”

Any regulation of the industry would be a reserved matter for the UK Government and there appears to be a lack of appetite to take any action on regulation, from the UK Government or the industry. There is a lack of reliable data about off-grid fuel suppliers, or about the experiences of customers. While customers in some areas might have a choice of suppliers, customers on the Islands and in the most remote areas may have access to only one or two suppliers. This might mean that they cannot get the best rates and do not have the option of paying monthly, which might only be available with larger suppliers.

During the summer months the severity of the issues for off-grid fuel users is likely to be hidden, because less fuel is being used, but we can expect there to be significant crisis this winter as people are unable to pay for their fuel. As the Commission said in its initial advice, the £400 energy bill rebate will be of limited use because it is tied to the electricity account. One of our Panel members said:

“The company I’m with is good because it does allow accounts so I pay £50 per month and as long as my balance is cleared, they’ll give me my next load, so I’ve got a year to clear it. But, because I had to pay so much in March, by the time November comes, I’ll still owe over £300 so I could really use that

£400 that's coming in [from UK Government] for my electricity bill to put on to my oil bill but I can't."

The Commission reiterates the recommendations from its initial advice, that the Scottish Government should provide a dedicated fund for off-grid heating costs and instruct local authorities that crisis grants can be provided through the Scottish Welfare Fund for off-grid fuel costs. This support will be vital over the winter. The Scottish Government should also look at providing interest-free loans, potentially through Home Energy Scotland, for people who would otherwise struggle with the cost of paying upfront for off-grid fuel.

The Commission and the Panel discussed the option of the Scottish Government procuring off-grid in bulk on behalf of consumers, in order to secure bulk discounts and offer the option to everyone of paying monthly. In principle there was a lot of support for this idea. One of our Panel members said:

"I think that would be really good if Scottish Government could buy fuel in bulk. If they get a huge amount we could get much better rates. Some areas have oil clubs but Scottish Government could buy on an even bigger scale, getting bigger reductions. Hopefully it would also stabilise it a bit more because, right now, if I call up today they might say it's £600 but if I call back in two days when I have the money, it might be up to £800."

While the Commission considers that there would be value in the Scottish Government exploring the potential to bulk procure off-grid fuel, it recognises that the legal and practical issues are likely to be substantial and that it may not be possible. As an alternative the Scottish Government should support the establishment of fuel buying clubs across Scotland. Fuel buying clubs are where people in a local area band together to order fuel to get bulk discounts and lower cost deliveries. There are a few existing clubs scattered around Scotland, but they do not exist in all areas and are dependent on individuals having the time and knowledge to set them up.

Recommendations

The Scottish Government should:

- Provide financial assistance and work with third sector organisations, such as the Fuel Bank Foundation, and local authorities to support the setting up of fuel buying clubs across Scotland, including in less rural areas which may not typically be considered as needing support with off-grid fuel.
- Provide interest-free loans, potentially through Home Energy Scotland, for people who would otherwise struggle with the cost of paying upfront for off-grid fuel.

6. Energy Efficiency

Investment in energy efficiency measures can help households with the cost of living by reducing their energy costs. This can provide an ongoing benefit to households and also help meet climate targets.

Scottish Government allocated £50 million to Warmer Homes Scotland in 2021-2022, to provide funding and support to install a range of energy saving improvements for households who are struggling to stay warm and keep on top of energy bills. Support is available to home owners and private sector tenants who meet the eligibility criteria. For private rented sector tenants, landlords must give permission for improvements to be made, and the scheme cannot provide improvements that a landlord is legally obliged to provide under the Repairing Standard.

The Scottish Government is also investing £64 million in local Area Based Schemes in 2022-2023. This is funding for local authorities to develop and deliver energy efficiency programmes (mainly solid wall insulation) in areas with high levels of fuel poverty.

Our Experts by Experience Panel were generally supportive of continuing investment in insulation and energy efficiency measures for low income households. One Panel member, who is a home owner, had received a new boiler and heating system for free through Warmer Homes Scotland, although they thought that the scheme was not well advertised.

However most Panel members felt that, while they would benefit from these measures, in practice, they had not been able to access improvements in insulation or energy efficiency due to factors such as their property not being suitable for the energy efficiency measures on offer, or their private landlords not taking up or not granting permission for improvements in insulation or energy efficiency.

“Unfortunately, the council told me they couldn’t insulate my house because there are thick walls but they are hollow. What they had couldn’t be used in my home.”

“It’s quite difficult for people in privately rented properties. Lots of these measures aren’t available to you because you’re not eligible or there are huge barriers put in place around getting permission or agreement from landlords.”

Tenants may also be concerned about asking landlords about energy efficiency measures in case it leads to higher rents, especially if some of the costs cannot be covered by the Warmer Homes Scotland scheme.

“I cannot see private landlords being interested in paying for this. Where is the money going to come from? In our flat, the windows are so drafty and it’s cold all year round. The landlord recently spent £5,000 on a kitchen that we didn’t want instead of putting decent windows in. Even if you get the landlord to insulate the property they will pass the cost onto the tenant.”

The Warmer Homes Annual Report for 2021-2022 shows that in fact the vast majority of support goes to owner occupiers, with only a very small proportion of households supported in the private rented sector.⁶ Levels of poverty are high in the private rented sector, with 34% of people in the private rented sector in 2017-2020 living in relative poverty after housing costs. While the sector is smaller than the owner-occupied sector, this still means that nearly one in four (24%) people in relative poverty were living in the private rented sector.⁷ More support with energy efficiency is need for those in the private rented sector.

Some Panel members suggested that there should be a right to energy efficiency in order to remove barriers to private tenants accessing energy efficiency measures.

“Give people the right to make adjustments even if they don’t own the property, because there are so many barriers in the way. Everybody has the right to housing now. They should have the right to access energy efficiency measures too.”

Our Panel members highlighted the need to engage tenants in both the private and social rented sectors in decisions about energy efficiency to make sure they are the right options for their homes and meet their needs.

“We lived in a housing association property facing a beach so it was always cold. If anybody had asked people living there what we wanted, we’d say we wanted the windows replaced. [Housing Association] put in a new central heating system. Everybody had that upgraded so the heating was going straight out the windows and then about 18 months after that, they decided it was the wrong heating system and we had new gas boilers installed which are going to be scrapped anyway. There is money but nobody is asking tenants, people who are experiencing fuel poverty, what we actually need and they’re not having the foresight to realise that what they’re installing is going to have to be scrapped soon anyway.”

Some Panel members also emphasised the need to think long term and invest in more sustainable measures to reduce costs and address climate change.

“In terms of long-term energy efficiency, we need to build on the work already happening with hydrogen and fuel cells in Scotland. For people living in poverty, we can provide battery packs in their homes and have them run the lighting, so they’ll get free lighting, for example. It’s a complex problem but hydrogen and fuel cell technology can be part of the solution.”

Recommendation

- The Scottish Government should work with landlords and tenants to find ways in which its existing energy efficiency investment scheme can be more effectively utilised to improve standards in the PRS and reduce fuel poverty

⁶ [Warmer-Homes-Scotland-2122-Annual-Report.pdf \(warmworks.co.uk\)](#)

⁷ Poverty and Income Inequality in Scotland 2017-20 [Download data](#)

amongst its tenants. This should include raising awareness that energy efficiency ratings must be provided to tenants, and setting minimum energy efficiency ratings which must be reached to permit landlord registration.

7. Free School Meals

The Commission's initial advice called on the Scottish Government to provide local authorities with funding to write off school meal debt. It said that the Commission would explore further the need to extend the threshold for free school meals and expedite automated registration. Analysis carried out for Aberlour⁸ by the Commission's Deputy Chair, Professor Morag Treanor, based on Freedom of Information requests to Local Authorities, shows there was upwards of £1 million owed by families across Scotland in free school meal debt, and that the families most likely to have free school meal debt are those working, on low incomes, and (due to the failure of thresholds to rise adequately over time) who would have been eligible for free school meals twenty years ago.

Professor Glen Bramley, of Heriot Watt University, analysed the Family Resources Survey 2019/20 data on behalf of the Commission to look at current free school meal eligibility and the anticipated effect if the free school meal thresholds had been increased by inflation over the last ten years.

While this is an initial analysis with caveats that limit the strength of the conclusions that can be drawn, it suggests that:

- In the 2019/2020 year 86,000 pupils in Scotland between the ages of 11 and 16 (inclusive) should have been eligible for free school meals under existing thresholds.
- However, the analysis implies a large gap between eligibility and receipt of free school meals, as only around 37,000 were actually reporting receiving free school meals.
- The effect of increasing the income/earning threshold by CPI inflation from 2009 to 2019 levels increases the estimated numbers eligible in this age group by around 6,700 – this increase is mainly concentrated in the lone parent category and in households with no, slight, or moderate reported food insecurity.

As Professor Bramley produced additional analysis by food insecurity levels, he also estimated that around 22,000 children within that age range were in households with severe food insecurity, of whom 14,500 were eligible for free school meals, but only around 7,600 of them were actually in receipt of free school meals.

Taken together, this analysis suggests that, while increasing the thresholds by inflation has a modest effect on increasing eligibility, there is already a gap of tens of thousands of children between those *currently* eligible, and those who *actually receive* free school meals. In addition, it suggests that only around a third of children

⁸ [Summary-of-School-Meal-Debt-processes-June-2022.pdf \(aberlour.org.uk\)](#)

of this age in Scotland from households in severe food insecurity who were eligible for free school meals were in receipt of it.

While the Scottish Government has committed to extending free school meals to all primary age children, the issue of low take-up is particularly acute for older pupils and more action needs to be taken to understand the reasons behind this, and what works in promoting take-up.

Automated registration for free school meals would ensure more children and young people got the meals they were entitled to and may help with the issues of school meal debt. In a recent House of Lords debate on the UK Government *Schools Bill*⁹, the UK Government indicated that it was continuing to explore the options and delivery feasibility of introducing auto-enrolment functionality. The Scottish Government should ask the UK government what progress has been made on this.

The Commission considers that access to free school meals for children and young people can play an important part in supporting families through the cost of living crisis, and supporting the wellbeing of children and young people in the longer term. We recognise that the infrastructure may not be in place in all areas to support the immediate expansion of free school meals and consider that where this is the case the Scottish Government, COSLA, and local authorities should work in partnership with communities, catering providers, local businesses, and children and young people themselves, to develop creative solutions that give children and young people access to food. For older young people, this could include giving a cash alternative, which will give greater choice, encouraging take-up, and potentially enable young people to buy more culturally appropriate food.

Recommendations

- Take immediate action to increase take-up of free school meals by working with schools, catering providers, COSLA, public health bodies and trusted community intermediaries to highlight availability and entitlement. In the first instance this should be based on existing evidence of what works in improving take-up, and this should be built upon as time goes on by including consultation with families and children and young people themselves on the best approaches to further increase take-up.
- Raise the threshold for free school meals so that the threshold is equivalent to the level it would have been if it had risen with inflation over time.
- Where the infrastructure is not in place to support expansion of free school meals, the Scottish Government should work with local cash first partnerships to explore and pilot different options. These could include working with local businesses and using Young Scot cards to give older children a cash alternative to free school meals. It could also include giving secondary school pupils who get free school meals a cost of living 'top-up',

⁹ [Schools Bill \[HL\] - Hansard - UK Parliament](#)

via their cashless cards, so they can buy breakfast or something to eat at morning break, without having to cut back on their main meal daily allowance.

- Provide young people receiving Education Maintenance Allowance with the cash equivalent to free school meals, as a top-up to their existing Education Maintenance Allowance. This will encourage take-up and give young people greater choice.

8. Council Tax debt

As fuel, food and housing costs rise, increasing numbers of people will be pushed into debt. For those already in debt, that debt is likely to increase and become even harder to pay off. The Scottish Parliament's Social Justice and Social Security Committee Inquiry into low income and debt heard that the types of debt people have has moved away from credit cards and loans (although those debts may still feature) to debts for essential services, such as rent, fuel and council tax.¹⁰

Council Tax Debt is the most common debt issue reported to Citizens Advice Scotland (CAS) by people seeking debt advice. Polling for CAS in May 2021 found that 32 per cent of people ran out of money before pay day in the last year, and of those people, 30 per cent missed a council tax payment as a result.¹¹ The impact of council tax debt, and the enforcement measures taken to recover it, is going to become even more significant as the cost of living crisis deepens.

The Social Justice and Social Security Committee's Inquiry into low income and debt heard that there was confusion and a lack of transparency about council tax payment reductions, which contributed to council tax arrears. The Committee notes that evidence suggests there is a low awareness of entitlement to rebates or benefits, that eligibility is not always straightforward, and it can be confusing to know if you are already receiving a discount or if you are entitled to one.¹²

The evidence heard by the Committee chimes with the experience of our Experts by Experience Panel. Panel members described letters about council tax reduction as hard to understand. The Council Tax Reduction scheme was seen by Panel members as complicated and in need of reform. One Panel member said they did not understand what you got and why; another said that they had not known that they could have got it while on maternity leave, which had led to them building up arrears. Panel members worried about the impact of changing circumstances.

“If you don't fit into the box [to get a reduction], or your circumstances change one tiny bit to mean you don't fit in the box anymore, then you suddenly lose that discount. Then some people aren't going to be able to pay their council tax, then they'll get a letter within a few days to say they need to pay in full.”

¹⁰ [Robbing Peter to pay Paul: Low income and the debt trap \(azureedge.net\)](https://www.azureedge.net)

¹¹ [Almost 430,000 people missed a Council Tax payment last year | Citizens Advice Scotland \(cas.org.uk\)](https://cas.org.uk)

¹² [Robbing Peter to pay Paul: Low income and the debt trap \(azureedge.net\)](https://www.azureedge.net)

Panel members were also aware that getting Council Tax Reduction could mean that people got access to other support, so it was really important that people were getting Council Tax Reduction if they were entitled to it.

“There definitely needs to be a reform because a lot of financial interventions are based on someone’s entitlement to council tax reductions. Once you reach the taper and you’re a pound over, you lose that entitlement.”

Some people who receive Council Tax reduction are still eligible to pay water and sewerage but this is not billed separately, it is billed as part of council tax. This can lead people to build up water and sewerage arrears because they think they are not eligible to pay it.¹³

With consumer debts, creditors generally try to work with customers to achieve payment, rather than going straight to enforcement action. In comparison, council tax debt is enforced quickly and punitively. While timeframes differ by local authority, typically, if a person misses a single instalment of their council tax, they will receive at most two official reminders, after which they lose the right to pay their council tax by instalments and a final notice is issued charging them for the full year. If the council tax is not paid in full, a summary warrant is then issued which adds a 10% surcharge to the outstanding amount and the debt is handed over to sheriff officers to enforce. Unlike consumer debts there is no legal process to defend against the summary warrant. Before carrying out enforcement sheriff officers have to serve a ‘Charge for Payment’ and a ‘Debt Advice and Information Package’. Sheriff officers charge between £80-£100 for serving the Charge for Payment and this is typically added to the debt. It can take as little as 6-8 weeks to go from a missed payment to the debt being handed over to sheriff officers.¹⁴

In Glasgow, for example, a Freedom of Information request to Glasgow City Council found that nearly 1 in 4 council tax accounts were referred to sheriff officers in 2021/2022. Of 321,310 Glasgow City Council council tax accounts, 97,112 (30%) were subject to a Summary Warrant notice, which means that an extra 10% surcharge added to their debt. 75,274 (23%) of these accounts went on to be referred to sheriff officers, increasing their debt further.¹⁵ The Freedom of Information request also identified that 42,212 council tax accounts had third party deductions, which are direct deductions from benefits to pay council tax arrears. This means that around one in eight council tax accounts were experiencing deductions from benefits.

This swift and inflexible enforcement process is reflected in the experiences of our Experts by Experience Panel members. A number of our Panel members had negative experiences with their local authority following a late payment or getting into council tax arrears. Panel members felt local authorities have too much power in these cases and that there is little sympathy or leniency for people who are struggling to make repayments.

¹³ [Public-debt-literature-review-002.pdf \(aberlour.org.uk\)](#)

¹⁴ [Citizen’s Advice Scotland. In practice: Exploring Council Debt Collection. June 2020](#)

¹⁵ It is possible that these figures may include accounts from previous years that are in arrears.

“If you fall into trouble and you can’t pay, they can arrest your bank account, can arrest money from your employer... The unwieldy power that they have to collect Council Tax debt is shocking... In the 21st century, that local authorities have this fast route and that they can chase people for so long makes it really difficult to turn your life around and get out of debt.”

The lack of communication and of any kind of flexibility came out strongly in the Panel discussions. One Panel member described trying to make a late payment in the same month in which the payment was due, but finding that the enforcement process had already been put into motion.

“They need to be more lenient. They should give you the month to pay it. Especially with the cost of living. As parents you’re thinking of your kids and I don’t even eat properly. I can’t remember the last time I had three meals in a day. Do these people take that into consideration?”

Another panel member described getting into debt because of not having enough money and being unaware of the support that was available, and then the difficulties of trying to negotiate a payment plan that they could afford in order to repay the arrears.

“I was on maternity leave and my statutory maternity pay was about £550 a month and my rent alone was £500. I had a period of about 6 months where I just could not pay my council tax and I didn’t know I could get an exemption as a single person. Eventually I started paying again and got a letter saying ‘You have to pay this within 14 days or we’re going to start freezing things.’ I had to tell them about all my spending and what I thought I could afford to pay and they said I could afford to pay more than that based on what I had told them. There’s no sympathy or leeway.”

Panel members described letters about council tax as hard to understand, causing confusion about what they owed. One Panel member said that they had received a summary warrant through the door with no warning. Some Panel members also said they had experienced deductions from benefits that they thought were for council tax arrears, but that no explanation was given.

The Commission believes that local authority debt enforcement is pursued much more harshly, and with less consideration for the circumstances of individuals, than consumer debt. The public sector should be held to the same standards as the private sector on debt management and recovery. During 2020-2021 councils suspended council tax debt recovery process and actions to avoid contributing to financial pressures on households due to the COVID-19 pandemic.¹⁶ The cost of living crisis is going to be at least as significant a pressure on low income households and urgent action needs to be taken now on council tax debt enforcement. This should not be temporary but should be an overhaul of the whole approach, with a requirement to improve communication and to work with households to come up with a realistic plan for repayment or potential debt write-off, before any move to enforcement.

¹⁶ [Council Tax Collection Statistics, 2020-21 - gov.scot \(www.gov.scot\)](https://www.gov.scot/council-tax-collection-statistics-2020-21)

The statute of limitation for council tax debt in Scotland is 20 years, unlike in England and Wales, where it is six years. In comparison, consumer creditors in Scotland have five years to enforce their debts. This means that individuals can face action on council tax debt for two decades.

At March 2022 just under £116 million (£115, 924,000) of council tax for 2021-2022 was uncollected. This was 4.3% of all council tax. The Scottish Government reports that typically the in-year collection rate is well over 95%, with a further 0.5% usually collected in the following year and the final collection rate can be expected to exceed 97%. Yearly collection figures suggest that the collection rate normally exceeds 97% within five or six years, with only very small further increases in the collection rate beyond that time.¹⁷

While councils have a duty to try to collect tax, it is clear that the vast majority of council tax is collected in the first two years from when it is due, and very little is likely to be collected after five years. Continuing to be pursued many years later for historic debt, however, can have a big impact on lives of individuals. It can also impact someone's ability to pay their current bill.

Recommendations

- The public sector should be held to the same standards as the private sector on debt management and recovery. In practice this means that:
 - The Scottish Government should amend the law to reduce the statute of limitation for council tax debt in Scotland from 20 years to five years.
 - The Scottish Government should work with local authorities and COSLA to ensure that councils actively promote support for households with council tax. If someone misses a payment this should trigger support, including checking whether the individual/household is receiving all the benefits and reductions they are entitled to, and debt advice where appropriate. A missed payment should not immediately trigger enforcement activity.
- There should be forbearance in recovery of council tax and other public debt over the coming period, and councils should take all reasonable steps to work with households to manage their debts and not move it on to debt recovery.
- For existing historic council tax debt, the Scottish Government should provide guidance to local authorities to consider writing off debt where it is causing individuals to fall into arrears with current council tax.

¹⁷ [Council Tax collection statistics: 2021-2022 - gov.scot \(www.gov.scot\)](https://www.gov.scot/council-tax-collection-statistics-2021-2022)

Council Tax on second homes

Councils currently have discretion to grant a council tax discount of between 10% and 50% for second homes. This compares to empty homes, where, if a property has been unoccupied for more than 12 months, a council has the option to charge double the normal rate of council tax.

As of September 2021, there were 23,890 second homes in Scotland. For 2021-22, 25 out of the 32 local authorities had removed the council tax discount on second homes, six retained the 10% discount and in one local authority a second home discount of 10% would only apply for a period of 12 months from the date the property was last occupied as a sole or main residence, and then be removed.¹⁸

Owners of second homes in Scotland will benefit from the £400 energy bill discount for their second home as well as for their main residence. This means those who own two homes will get twice as much support from the government as those who own one home. Second-home owners are on average wealthier (in terms of both total wealth, and all categories of wealth – property, financial, pension, and physical wealth) and also have higher incomes compared to home-owners without second homes and households without any property wealth.¹⁹ Through the energy bill discount and council tax discounts wealthier people are in effect being supported by tax payers to own a second home.

Some members of our Experts by Experience Panel thought that second home owners should pay more council tax.

“People who own second homes, they should pay more council tax. There should be a premium. Say if it’s a second home, and it’s lying empty half the year, there should be a premium on that. Right now they can get an exemption, but they should be charging people more.”

“Anyone with a second house, third house, I don’t see how they should get away without paying, especially if you’re getting an income from it.”

The Scottish Government should amend the law to allow councils to charge up to double the normal rate of council tax on second homes, in the same way they can charge for empty homes. In the short term this would allow councils to recover the additional £400 received by second home owners (raising in the region of £9.5 million), and in the medium term the ability to increase council tax would be a tool that councils could use to help manage the impacts of second home ownership in their areas.

¹⁸ [8. Long-Term Empty Properties and Second Homes - Housing statistics quarterly update: December 2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/long-term-empty-properties-and-second-homes-2021-22/pages/8.aspx)

¹⁹ [Households who own second homes - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/households-who-own-second-homes-2021-22/pages/1.aspx)

Recommendation

- The Scottish Government should amend the law to allow councils to charge up to double the normal rate of council tax on second homes, in the same way they can charge for empty homes.

Council Tax Reform

While it is vital to respond to council tax debt now and to look at issues around second homes and council tax, more fundamentally, council tax reform is long overdue. There have been previous reviews, including the Commission on Local Tax Reform in 2015, which have not led to meaningful reform. As part of the 2019/20 budget deal, cross party talks were announced on a replacement for council tax – with the aim of bringing forward legislation before the end of the parliamentary term, if agreement could be reached. This did not progress.

Council tax is a regressive tax. Analysis carried out for the Poverty and Inequality Commission in 2019 by the Resolution Foundation found that those living in Band A properties face a Council Tax bill amounting to as much as 2 per cent of the value of their home each year, while those in Band H pay a tiny percentage of the value of their home. Council Tax is remarkably flat right across the income distribution, with those in the top income decile paying only 2.7 times as much as those in the bottom. When we compare this with income tax, where the richest households pay more than 30 times more, we can clearly see that this is not a fair system.²⁰ Reforming council tax now to align it with ability to pay can have a longer term impact on households' ability to manage in any future economic crisis.

There was generally agreement amongst members of our Experts by Experience Panel that there was a need for council tax reform, and that council tax, as it works, is not fair nor fit for purpose. Some Panel members thought council tax levels should be based on income:

“For god knows how long they’ve been talking about making council tax fairer. Personally I think it should be based on your income.”

“I agree that it should be based on your income, on your ability to pay.”

The Bute House Agreement between the Scottish Government and the Scottish Green Party includes a commitment to establish a working group to oversee the development of effective deliberative engagement on sources of local government funding, including council tax, that culminate in a citizens' assembly.²¹ While genuine engagement is welcome, there is a risk that this just puts off taking action on council

²⁰ [Poverty and Inequality Commission - Housing Wealth Inequality in Scotland summary report - Poverty & Inequality Commission \(povertyinequality.scot\)](#)

²¹ [Scottish Government and Scottish Green Party: draft shared policy programme - gov.scot \(www.gov.scot\)](#)

tax, particularly given the failure of previous reviews to lead to meaningful reform. Urgent action on council tax is required now.

Recommendation

- The Scottish Government must urgently take action to fundamentally reform council tax. The Commission will return to this issue in its future work on tax.

9. Additional support for disabled people

In its initial advice the Commission identified that one of the groups who missed out under the existing UK Government support package was disabled people who faced higher energy costs, but were not on low income benefits. Many disabled people face particularly high energy costs, because of the need to run specialist equipment and maintain consistent temperatures at home, and received limited support as part of the UK Government's cost of living announcement. The Commission suggested that an option would be for the Scottish Government to increase Adult Disability Payment and Child Disability Payment by a further 2.9%, to bring them into line with other Scottish Social Security payments that have been increased by 6% this year, but it recognised that increasing disability payments might be extremely difficult within the existing funding, and that this should be considered if further funding became available.

In the light of even greater rises in energy costs, the Commission has been considering other options for providing support to disabled people. One option is to make use of the Disabled Person's Council Tax Reduction, which applies where a property has extra facilities or space which are needed by the disabled person. This discount reduces the council tax band by one band e.g. from band D to band C (with a percentage reduction for those in band A). As a temporary measure the Scottish Government could provide funding to local authorities to move qualifying households down two bands, rather than one, with a greater percentage reduction for those in band A. Data on the number of households currently receiving this discount do not seem to be publically available, so the Scottish Government should use data it, or its partners, holds to model the cost and impact of this option.

The Commission has also identified that lone parents and their children are going to face particular hardship and we have considered ways of assisting them through the Council Tax Reduction scheme, but this has proved difficult because there is not a straightforward way of identifying lone parents for council tax purposes. Instead the Scottish Government should consider where there are ways of delivering assistance to lone parent families via devolved benefits, such as the Scottish Child Payment and Best Start Grant.

Recommendation

- The Scottish Government should provide funding to local authorities to give additional council tax reduction to disabled people. It should model the cost and impact of doing so.

10. Promotion of reserved benefits that are the qualifying criteria for UK Government cost of living support package

One way to support households with the cost of living is to ensure that they are receiving all the benefits that they are entitled to. While we lack take-up data for some benefits, such as Universal Credit, the data that is available suggests that many households are not claiming everything that they are entitled to.

The issue is particularly relevant in the current cost of living crisis, as much of the May 2022 UK Government support package is delivered through the social security system, with reserved benefits as eligibility criteria. For example, at the UK level the UK Government estimates some 850,000 eligible households are not claiming Pension Credit, so many tens of thousands of eligible households in Scotland will be missing out on both pension credit, and potentially the £650 low income cost of living payment for which pension credit is a qualifying criteria.

While the qualifying dates for some of the cost of living payments have already passed, the qualifying dates have not yet been announced for the second cost of living payment linked to low income benefits. The same reserved benefits are also likely to be the qualifying criteria for any future support that will be needed. Swift action to increase take-up has the potential to increase the numbers qualifying for cost of living support, while also providing ongoing support to households.

The Scottish Government has a take-up strategy for devolved benefits, but in the previous session of the Scottish Parliament, the Social Security Committee²² noted that the UK Government did not have a strategy for the take-up of reserved benefits, and one does not appear to have been published since. The UK Government has more recently engaged in promotional activity²³ to improve uptake of pension credit.

The Scottish Government should take action to promote the take-up of reserved benefits, particularly those which qualify households for cost of living support. While we recognise the argument that it is for the UK Government to promote reserved benefits, ensuring that households are getting vital support overrides these considerations. It is more cost-effective for the Scottish Government to ensure that households are getting the reserved benefits to which they are entitled, rather than having to provide separate cost of living support to them for devolved budgets. Improving take-up of reserved benefits will also contribute to meeting the child poverty targets.

The Commission is aware that there are concerns about 'spillover' effects under the fiscal framework that could mean that the UK Government could seek to claw back money from the Scottish Government, if Scottish Government activity incurs extra UK Government expenditure. Our view is that these are benefits that people are already entitled to and it would be extraordinary, and extremely unlikely, for the UK Government to attempt to financially penalise the Scottish Government for people claiming their entitlement.

²² [Benefit Take-up | Scottish Parliament](#)

²³ [Eligible pensioners urged to claim Pension Credit to help with cost of living - GOV.UK \(www.gov.uk\)](#)

Recommendation

- The Scottish Government should directly promote the take-up of reserved benefits, with a focus on those that are qualifying criteria for UK Government cost of living support.

11. Ensuring people know how to get help with the cost of living

Public communications on where and how to get help with the cost of living will be paramount over the coming months. People can only access help of any kind if they know it exists and where to get it. It is vital, for example, that households on pre-payment meters know how to get their £400 energy discount. The Scottish Government should work with all available existing established communication channels and trusted voices in communities to get the messages out about the help that is available.

12. Summary of recommendations

The Scottish Government should:

1. Use all the channels it has available to it to exert maximum influence on the UK Government to act to reduce energy costs and provide further financial support to low income households.
2. Lobby the UK Government to take action to reduce energy standing charges, as these are punishing for low income households, and even a temporary suspension or reduction would be beneficial in getting through the crisis.
3. Provide financial assistance and work with third sector organisations, such as the Fuel Bank Foundation, and local authorities to support the setting up of fuel buying clubs across Scotland, including in less rural areas which may not typically be considered as needing support with off-grid fuel.
4. Provide interest-free loans, potentially through Home Energy Scotland, for people who would otherwise struggle with the cost of paying upfront for off-grid fuel.
5. Work with landlords and tenants to find ways in which its existing energy efficiency investment scheme can be more effectively utilised to improve standards in the PRS and reduce fuel poverty amongst its tenants. This should include raising awareness that energy efficiency ratings must be provided to tenants, and setting minimum energy efficiency ratings which must be reached to permit landlord registration.
6. Take immediate action to increase take-up of free school meals by working with schools, catering providers, COSLA, public health bodies and trusted community intermediaries to highlight availability and entitlement. In the first

instance this should be based on existing evidence of what works in improving take-up, and this should be built upon as time goes on by including consultation with families and children and young people themselves on the best approaches to further increase take-up.

7. Raise the threshold for free school meals so that the threshold is equivalent to the level it would have been if it had risen with inflation over time.
8. Where the infrastructure is not in place to support expansion of free school meals, work with local cash first partnerships to explore and pilot different options. These could include working with local businesses and using Young Scot cards to give older children a cash alternative to free school meals. It could also include giving secondary school pupils who get free school meals a cost of living 'top-up', via their cashless cards, so they can buy breakfast or something to eat at morning break, without having to cut back on their main meal daily allowance.
9. Provide young people receiving Education Maintenance Allowance with the cash equivalent to free school meals, as a top-up to their existing Education Maintenance Allowance. This will encourage take-up and give young people greater choice.
10. Ensure the public sector is held to the same standards as the private sector on debt management and recovery. In practice this means that:
 - i. The Scottish Government should amend the law to reduce the statute of limitation for council tax debt in Scotland from 20 years to five years.
 - ii. The Scottish Government should work with local authorities and COSLA to ensure that councils actively promote support for households with council tax. If someone misses a payment this should trigger support, including checking whether the individual/household is receiving all the benefits and reductions they are entitled to, and debt advice where appropriate. A missed payment should not immediately trigger enforcement activity.
11. There should be forbearance in recovery of council tax and other public debt over the coming period, and councils should take all reasonable steps to work with households to manage their debts and not move it on to debt recovery.
12. For existing historic council tax debt, provide guidance to local authorities to consider writing off debt where it is causing individuals to fall into arrears with current council tax.
13. Amend the law to allow councils to charge up to double the normal rate of council tax on second homes, in the same way they can charge for empty homes.
14. Urgently take action to fundamentally reform council tax. The Commission will return to this issue in its future work on tax.

15. Provide funding to local authorities to give additional council tax reduction to disabled people. It should model the cost and impact of doing so.
16. Directly promote the take-up of reserved benefits, with a focus on those that are qualifying criteria for UK Government cost of living support.

Poverty and Inequality Commission

12 August 2022