

SOCIAL RENEWAL ADVISORY BOARD: CALL FOR IDEAS

Deadline: 23<sup>rd</sup> October

Email/Queries: [socialrenewal@gov.scot](mailto:socialrenewal@gov.scot)

ORGANISATION:	Includem
CONTACT NAME AND EMAIL:	Meg Thomas <a href="mailto:meg.thomas@includem.co.uk">meg.thomas@includem.co.uk</a>
BRIEF SUMMARY OF ORGANISATION:	We are a Scottish charity working closely with children, young people, and their families, who are facing difficult challenges in their lives. Our trust-based, inclusive model of support is centred on the needs of each young person. We help young people make positive life choices and empower them to transform their lives, creating better outcomes for young people and their communities.
DEMOGRAPHIC SUPPORTED:	<i>Does your organisation work in a specific locality or with a specific group or community of people?</i>  Includem is a youth support charity headquartered in Glasgow with regional offices in Aberdeen, Dundee, Fife and Stirling that delivers services across large areas of Scotland.  Since our formation in 2000 we have worked with more than 5000 young people aged 5-25, helping to improve their lives, and the lives of their families and carers.
IDEA THEME:	<i>What is the main subject area / theme of your idea?</i>  Debt / Gainsharing

YOUR IDEA: What needs to change to build a Fairer Scotland, learning from the response to the COVID pandemic?

*In this response we outline two exploratory ideas for consideration: tackling issues of debt faced by many of the families we support, and reflecting on how partnership-working could be encouraged through 'gainsharing'.*

### **Removing debt from Scotland's poorest families**

Includem's report *Poverty and the Impact of Coronavirus on Children and Young People in Scotland* highlights the extent to which families in Scotland are struggling to meet essential costs, with many having to make devastating choices between heating and eating. It shows that the COVID-19 pandemic has exacerbated entrenched poverty, but also highlights its prior prevalence.

During the pandemic there has been a welcome increased investment in discretionary housing payment funding and the Scottish Welfare Fund, as well as the establishment of the Wellbeing Fund. At Includem we have supported families and young people through our Young Person's Fund. These cash injections have provided vital financial lifelines for families that are being swept up in the rising tide of poverty. But wider, structural changes are urgently needed to prevent families needing these payments simply to stay afloat in the first place.

At Includem we want families to have financial independence and to be able to plan their finances long-term. However, many families currently face a 'perfect storm' of increasing debt; limited resources; a precarious job market; and insufficient social security payments. In this context, it is little wonder that families are struggling.

Consequently, a crisis of mental ill-health continues to deepen – 73% of families supported by Includem (and 82% of those reliant on social security) that we spoke to reported a deterioration in their mental health since the start of the pandemic.

As we look to building a fairer Scotland, Includem's experience of supporting our families is that such a Scotland can only be built by lifting families out of poverty so that no longer will they have to worry about simply covering the basics. To do this, we must tackle household debt.

IDEA: Explore debt write-off where possible to support Scotland's poorest families

In 2019 alone, over 40,000 Scots contacted StepChange Debt Charity for help with a debt problem. The main reason for clients contacting the charity for help was a reduction in income or benefits, which affected 24% of their clients. They noted the

proportion of their clients in arrears on their council tax had increased drastically over the past decade, from 18% in 2010 to 42% in 2019.<sup>1</sup>

The pandemic has exacerbated issues with debt and poverty. An IFS report notes that non-payment of household bills increased sharply after lockdown, and increased further between April and May, with poorer households falling behind by more on council tax and utility bills.<sup>2</sup> According to The Money Charity personal debt has increased by £539 per UK adult between July 2019 and July 2020.<sup>3</sup> Citizens Advice noted that: 'without help, many households will be trapped in unfair, unaffordable debt for years to come' as a result of the pandemic.<sup>4</sup>

Increasing debt and consistent struggles to meet essential costs were highlighted in Includem's poverty research, published earlier this month. 42% of families we surveyed reported that their debt had increased over the course of the pandemic. This was a particularly sharp issue for our families reliant on social security, half of whom stated their debt had worsened. We heard from families that the five-week wait for Universal Credit is pushing them further into debt, and, for eligible families in rent arrears, the Tenant Hardship Loan will only move debt around.

We recognise that, in response to the impact of the coronavirus pandemic on incomes and the ability to repay debt, the Scottish Government has invested over £2 million to expand free debt advice to help with problem debt<sup>5</sup> and agree that 'a new approach' is required from the UK government for economic recovery from COVID-19.<sup>7</sup>

Author Johnna Montgomerie proposes 'a comprehensive package of debt cancellation measures available to households [that] will target harmful debt to provide relief to those that are struggling. By extension, this will create uplift in the economy and society, as those who were once struggling to pay old debts can spend and contribute to the real economy instead.'<sup>8</sup>

In March Katharina Pistor, writing in The Guardian, called for governments to directly assume the debt of high-risk households to treat the economic fallout of coronavirus, stating 'we urgently need debt relief – especially for households at the lower end of

---

<sup>1</sup> <https://www.stepchange.org/Portals/0/assets/pdf/stepchange-scotland-in-the-red-2019-report.pdf>

<sup>2</sup> <https://www.ifs.org.uk/uploads/BN298-FULL-The-effects-of-coronavirus-on-household-finances-and-financial-distress.pdf>

<sup>3</sup> <https://themoneycharity.org.uk/money-statistics/>

<sup>4</sup> <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/debt-and-money-policy-research/excess-debts-who-has-fallen-behind-on-their-household-bills-due-to-coronavirus/>

<sup>5</sup> <https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2020/08/tackling-child-poverty-delivery-plan-second-year-progress-report-2019-20/documents/tackling-child-poverty-delivery-plan-second-year-progress-report-2019-20/tackling-child-poverty-delivery-plan-second-year-progress-report-2019-20/govscot%3Adocument/tackling-child-poverty-delivery-plan-second-year-progress-report-2019-20.pdf>

<sup>6</sup> <https://www.gov.scot/news/free-debt-advice-expanded/>

<sup>7</sup> <https://www.gov.scot/publications/coronavirus-covid-19-uk-fiscal-path-new-approach/>

<sup>8</sup> <https://progressiveeconomyforum.com/blog/cancel-household-debt/>

the income and wealth spectrum'.<sup>9</sup>

In April, civil society leaders wrote to Chancellor of the Exchequer calling for: a write-off of council tax and social security debts to give breathing space to households – noting there should be full reimbursement to local councils by the government for resulting revenue losses; the suspension of debt collection and enforcement activity; and an immediate freeze on all unsecured debt for those facing redundancy, loss of wages or other payment difficulties because of Covid-19.<sup>10</sup>

While Scotland does not have full economic levers at its disposal, as part of Scotland's 'Social Renewal', we are calling for The Scottish Government to explore the feasibility of debt write-off which would support Scotland's poorest families – utilising the full breadth of its powers and collective creativity to end the debt trap where possible.

This could include working with local authorities to write-off council tax and social housing rental arrears and reimbursing councils accordingly; engaging with energy providers and looking at further financial support for private renters in arrears; considering the feasibility of targeted debt write off or alleviation for specific groups such as families living in the most deprived areas of the country (SIMD), and/or families with a child in receipt of free school meals as part of tackling child poverty.

### **Gainsharing**

Includem would like to see a move away from competitive tendering processes to a strategic, collaborative funding model that does not pit local third sector organisations in competition with each other, with contracts that provide longer-term consistency and stability.

We believe that all key stakeholders (local communities, and those who commission, deliver and receive services) should be involved in the development of tender specifications and agree how they should be delivered, ensuring a truly collaborative design and delivery of services with the voice of service users at the heart

A gainsharing approach will deliver these objectives.

Gainsharing is a system of management used by a business to increase profitability by motivating employees to improve their performance through involvement and participation. As their performance improves, employees share financially in the gain (improvement). Gainsharing's goal is to improve performance and eliminate waste (time, energy, and materials) by motivating employees to work smarter as a team

---

<sup>9</sup> <https://www.theguardian.com/commentisfree/2020/mar/18/debt-relief-coronavirus-crash>

<sup>10</sup> [https://jubileedebt.org.uk/wp-content/uploads/2018/07/Letter\\_-\\_Covid-19-and-the-Household-Debt-Trap\\_FINAL.pdf](https://jubileedebt.org.uk/wp-content/uploads/2018/07/Letter_-_Covid-19-and-the-Household-Debt-Trap_FINAL.pdf)

rather than just working harder. It could also be called "savings sharing."

In other words, a company shares with employees the savings from improved performance. In this context we are talking about all sectors and major institutions coming together to share their budgeting process and look across other organisations for sharing savings and improving outcomes.

So a third sector organisation might engage at a community level with young people creating issues in the local area. This saves police budget as they don't need to deal with it, the police then might use that budget saving to further enhance that saving or use it with NHS education to carry out some community education (as an example).

Gainsharing could be used as an incentive for all the institutions to act in agreement with the best interests of the community instead of focusing on their own budgets. Gainshare planning would allow organisations such as Local Authorities, Police, charities etc to align their costs with their ability to contribute to the wellbeing of the economy and needs of their community. This would require an integrated governmental economic policy combining public, private and third sector but at its heart would need to be openness from all major institutions as part of the planning process.