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Library Reference	101/18
Date Received	25/06/18
Bulletin	Jun18

Universal Credit Full Service cost impacts on Scotland's Local Authorities

Purpose of Report

This report provides further evidence on the additional cost impact on local authorities in Scotland of the rollout of the Universal Credit full service (UCFS).

Background

Local authorities in Scotland have experienced a variety of additional cost pressures, both direct and indirect, arising from the roll out of Universal Credit, particularly as the Full Service has rolled out. COSLA facilitated a meeting in April 2017 with Neil Couling, Director General UC and the councils then in UCFS. At that meeting, initial data was shared on these cost burdens and those authorities undertook to further provide full year data for 2016/17 and the 1st quarter of 2017/18 as it became available. This was provided in September 2017.

Further information and evidence is provided in this report for the period April 2017 to December 2017.

Local Authorities

Data has been provided by East Lothian Council, Highland Council, Inverclyde Council, East Dunbartonshire Council and Midlothian Council as these were the early "go-live" authorities on UCFS full service. The Full UC service was rolled out in these area as follows;

East Lothian	March 2016
Highland (Inverness)	June 2016
East Dunbartonshire	Nov. 2016
Inverclyde	Nov. 2016
Midlothian	March 2017
Highland (the rest)	July 2017

Midlothian Council has been able to provide data on rent arrears but not on the additional administrative costs

Cost Pressures

As evidenced in September 2017, local authorities continue to experience significant increase in rent arrears because of the impact of the Full UC service in its current state of development and these authorities also anticipate an increased level of debt which they will be unable to recover.

Similarly, and again as evidenced in September 2017, local authorities are also incurring additional administrative costs due to increased manual tasks, because of the lack of automation of CTR processes and increased administration of DHP, where they do not have the same access to information as with legacy benefits. They are also incurring additional direct costs, above allocations they have received, for Scottish Welfare Fund grants.

Cost Pressures Include:

1. Additional Housing Benefit related work/ reduced efficiency
2. Additional Council Tax Reduction work/ reduced efficiency
3. Direct increases in welfare spending (Scottish Welfare Fund) on crisis grants
4. Increased work related to SWF administration
5. Direct Increases in DHP spending
6. Increased work related to DHP administration
7. Additional IT development and overheads
8. Increases in rent arrears

Administrative Costs

The following table summarises the total data on additional administrative costs arising from UCFS for East Lothian, Highland, Inverclyde and East Dunbartonshire councils that has been provided to COSLA by these councils for the period April 2017 to December 2017. The combined population of these 4 councils represents 9.8% of Scotland's population. Midlothian Council has been unable to provide data on the additional administrative costs.

This work is mainly associated with the time being taken by authorities to carry out the major increase in work to deal with large numbers of HB stop notices and ever rising numbers of LCTR notifications that require to be manually processed irrespective of the resulting impact on the LCTR value/award. Additionally, there have also been further costs associated with IT developments and the extra administrative work due to additional Universal Credit related demand on Discretionary Housing Payments and Welfare payments.

Description / Council	Additional Resources Impact									
	Highland		East Lothian		Inverclyde		East Dunb.		Total	
	Fte	Cost	Fte	Cost	Fte	Cost	Fte	Cost	Fte	Cost
Additional HB work /decreased efficiency	3.2	£87,216	2.8	£75,224	0.3	£6,814	2.0	£54,510	8.3	£223,764
Additional CTR work /decreased efficiency	5.3	£144,452	3.8	£103,296	4.5	£122,648	2.0	£54,510	15.6	£424,905
Additional SWF work	0.9	£23,439	0.0	£0	1.5	£40,883	0.6	£16,353	3.0	£80,675
Additional DHP work /decreased efficiency	0.4	£10,902	0.5	£12,810	1.0	£27,255	0.3	£6,814	2.2	£57,781
Additional IT development and overheads	0.5	£13,628	0.5	£13,628	1.0	£27,255	0.3	£6,814	2.3	£61,324
Total	10.3	£279,636	7.6	£204,958	8.3	£224,854	5.2	£139,001	31.4	£848,448

In September 2017, we advised that these councils incurred additional administrative costs attributable to UCFS in 2016/2017 amounting to £832,612. With costs in 2017/2018 to Dec 2017 amounting to £848,448, it is estimated that costs for 2017/2018 overall will amount to £1,131,264. This represents an increase of 36% (or £298,652) on the previous year.

The respective Councils acknowledge the correspondence, and payment remitted by DWP, in March 2018 to “*make an additional one-off payment to all LAs that went through UCFS Rollout before the current final phase which started in October 2017*”. Nevertheless, the data shows that increased manual interventions required by local authorities under Universal Credit are resulting in substantial additional administrative costs which are likely to continue unless there are significant improvements in the both the level of relevant automation and the quality of data sharing.

Feedback from local authorities suggest that the additional costs can be at least three times higher than the income received under their respective Delivery Partnership Agreements.

Rent: increased rent arrears

Mainstream rent arrears

In September 2017, COSLA reported on high levels of mainstream rent arrears increases in East Lothian and Highland of 29% and 14% respectively for the full year 2016/2017. The table below shows further data on mainstream rent arrears for the following 9 months to 31 December 2017.

Figures have been provided to COSLA by Highland Council, East Lothian Council, East Dunbartonshire Council and Midlothian Council. (Inverclyde Council does not have its own housing stock).

The combined population of these four councils represents 9.9% of the population of Scotland.

Council	31.3.16	31.12.16	31.3.17	31.12.17	% increase 31.3.17- 31.12.17	% increase 31.12.16- 31.12.17
East Lothian	£1,295,782	£1,503,445	£1,676,047	£1,721,244	2.7%	14.5%
Highland	£1,539,197	£1,520,174	£1,748,506	£2,238,110	28%	47%
East Dunbartonshire	£ 582,015	£ 811,100	£ 683,209	£1,069,075	56%	32%
Midlothian	£1,160,094	£1,234,348	£1,106,626	£1,354,641	22%	9.7%
Total	£4,577,088	£5,069,067	£5,214,388	£6,383,070	22%	38.9%

All authorities continue to show historically high levels of rent arrears which largely corresponds with the rollout of Universal Credit (*See Appendix 1*)

East Lothian has, however, shown a much smaller level of increase in arrears in 2017/2018 than the other councils. This is largely due to the timing of when the full service was introduced. East Lothian witnessed a rapid acceleration in Universal Credit claims in 2016/2017 continuing into the first 3 months of 2017/2018. Since July 2017, the acceleration has slowed down and the volume of new UC claimants has dropped considerably. This could be attributed to two factors. Firstly, most of those tenants with a greater propensity to have changes in circumstances which trigger a move to UC will have made the transition. Also, from April 2017, a restriction was made for claimants with more than two children which meant that they would claim or remain on Housing Benefit, rather than move onto Universal Credit. By contrast, the other authorities including Highland Council, where Universal Credit Full Service was not introduced for areas other than Inverness until July 2017, will still be experiencing the build of UC claims.

Overall, the levels of increase in rent arrears for the first 9 months of 2017/2018, averaging 22% for mainstream local authority tenancies in these four councils is both unprecedented and concerning. When comparisons are made between the rent arrears figures at 31 Dec. 2016 and 31 Dec. 2017, the full year percentage arrears changes average 38.9% across the 4 local authorities, an even higher figure.

The graphs in Appendices 1 and 2 evidence a clear association with the introduction of the Universal Credit Full Service. This is particularly evident in Appendix 2 which illustrates the trend in rent arrears for the first 12 months of UCFS in each of the local authorities (Note that UCFS started in Highland(Inverness) in June 2016 and the rest of Highland in July 2017).

This trend in rent arrears increases is also borne out among social tenants in Inverclyde Council's area. Inverclyde no longer has local authority tenancies but River Clyde Homes which took over 5,800 former local authority properties in a stock transfer is reporting a 27% increase at January 2018 in rent arrears since the introduction of Universal Credit in the area in November 2016.

Temporary Accommodation rent arrears

Three of the local authorities, Highland, East Dunbartonshire and Midlothian, were also able to provide data on the trend of increasing rent arrears for their temporary accommodation.

Council	31.3.16	31.12.16	31.3.17	31.12.17	% increase from start UCFS
Highland	£217,299	£470,879	£469,254	£462,907	87%
East Dunbartonshire	£71,653	£78,040	£88,043	£173,005	122%
Midlothian	£46,260	£50,348	£60,999	£230,323	278%
Total	335,212	£599,285	£618,296	£866,235	

All three of these authorities show very steep rises in the level of rent arrears in their temporary accommodation which arise both from the processes of payment in Universal Credit and because of the policy of restricting the level of housing element to Local Housing Allowance rates. The increased levels of TA rent arrears from the start of UCFS range from 87% in Highland to 278% in Midlothian.

These figures clearly demonstrate the real difficulties arising for the funding of temporary accommodation rental costs through Universal Credit. This has now resulted in a change of policy to pay Temporary Accommodation housing costs from Housing Benefit from April 2018.

Budget Changes to Universal Credit

After extensive lobbying by stakeholders, the Government announced a variety of changes to Universal Credit at the time of the Budget in November 2017. Most of the changes were still to be introduced in the period covered by this data, including:

- Housing Benefit 2- week transition payment to be introduced in April 2018
- Changes to advance payments. Repayment over 12 months rather than 6 and advances up to 100% of estimated entitlement from February 2018
- Temporary Accommodation housing costs to be paid from Housing Benefit from April 2018.

Consequently, local authorities in the UCFS rollout had yet to see any impact of these measures for the period to December 2017 covered by these figures. Further data, when available, for the period after April 2018 may indicate whether the implementation of these changes impacts on the trend in rent arrears.

Additional UC associated Scottish Welfare Fund Spending

The following table summarises the total spend that has been provided to COSLA by all 5 authorities for the period April 17 to December 2017.

Council / Cost	Additional SWF spending attributable to UCFS: 17/18 to Dec 17
Highland	£236,000
East Lothian	£22,901
Inverclyde	£61,829
East Dunbarton	£26,351
Midlothian	£34,732
Total	£381,813

This represents a 4-fold increase on 2016/2017 annual spend (£94,131).

Additional UC associated Discretionary Housing Payments Spending

The following table summarises the total spend that has been provided to COSLA by all 5 authorities for the period April 17 to December 2017.

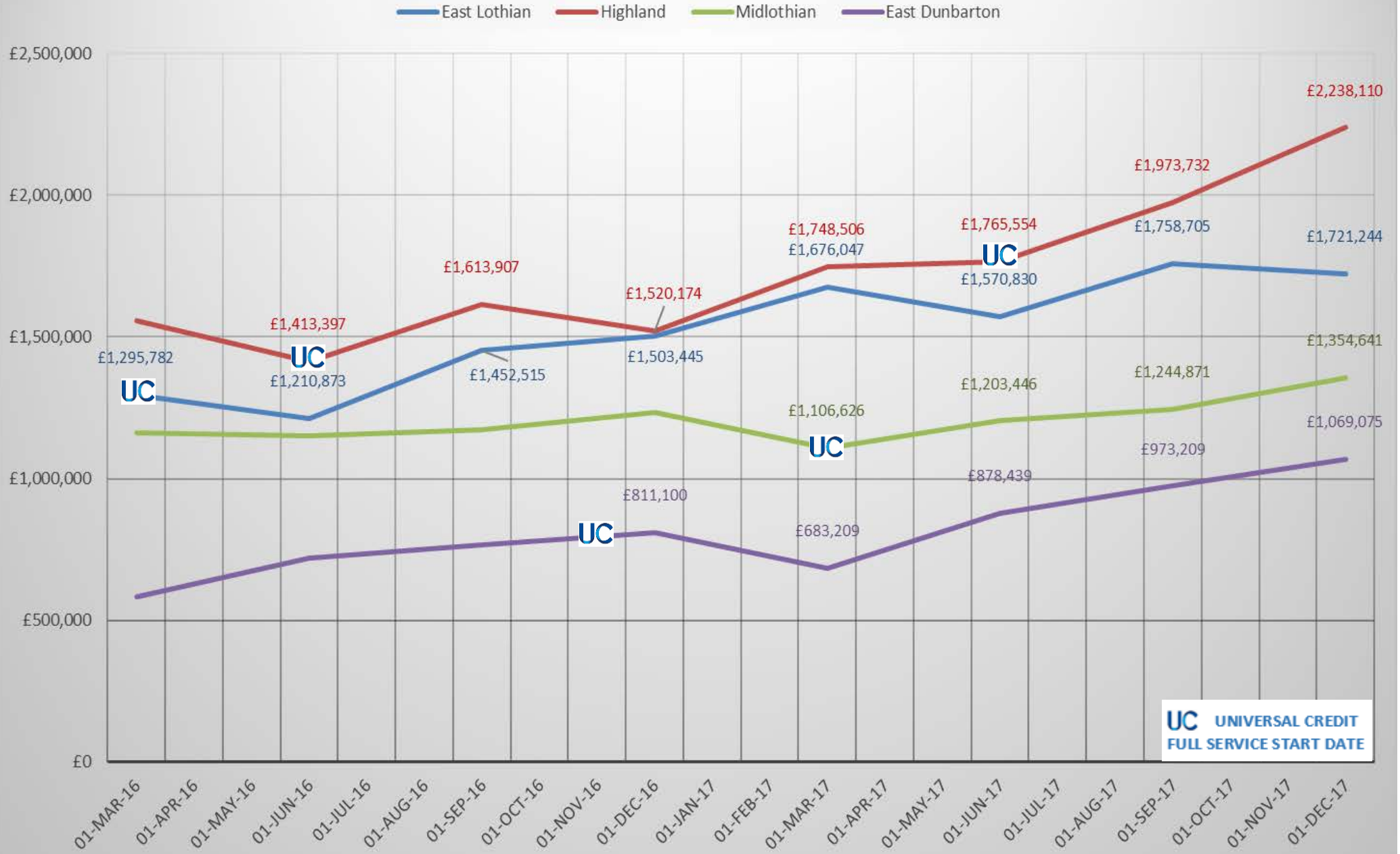
Council / Cost	Additional DHP spending attributable to UCFS: 17/18 to Dec 17
Highland	£143,214
East Lothian	£244,708
Inverclyde	£141,784
East Dunbarton	£91,568
Midlothian	£241,289
Total	£862,563

This represents more than a 2-fold increase on 16/17 annual spend (£343,010).

Conclusions

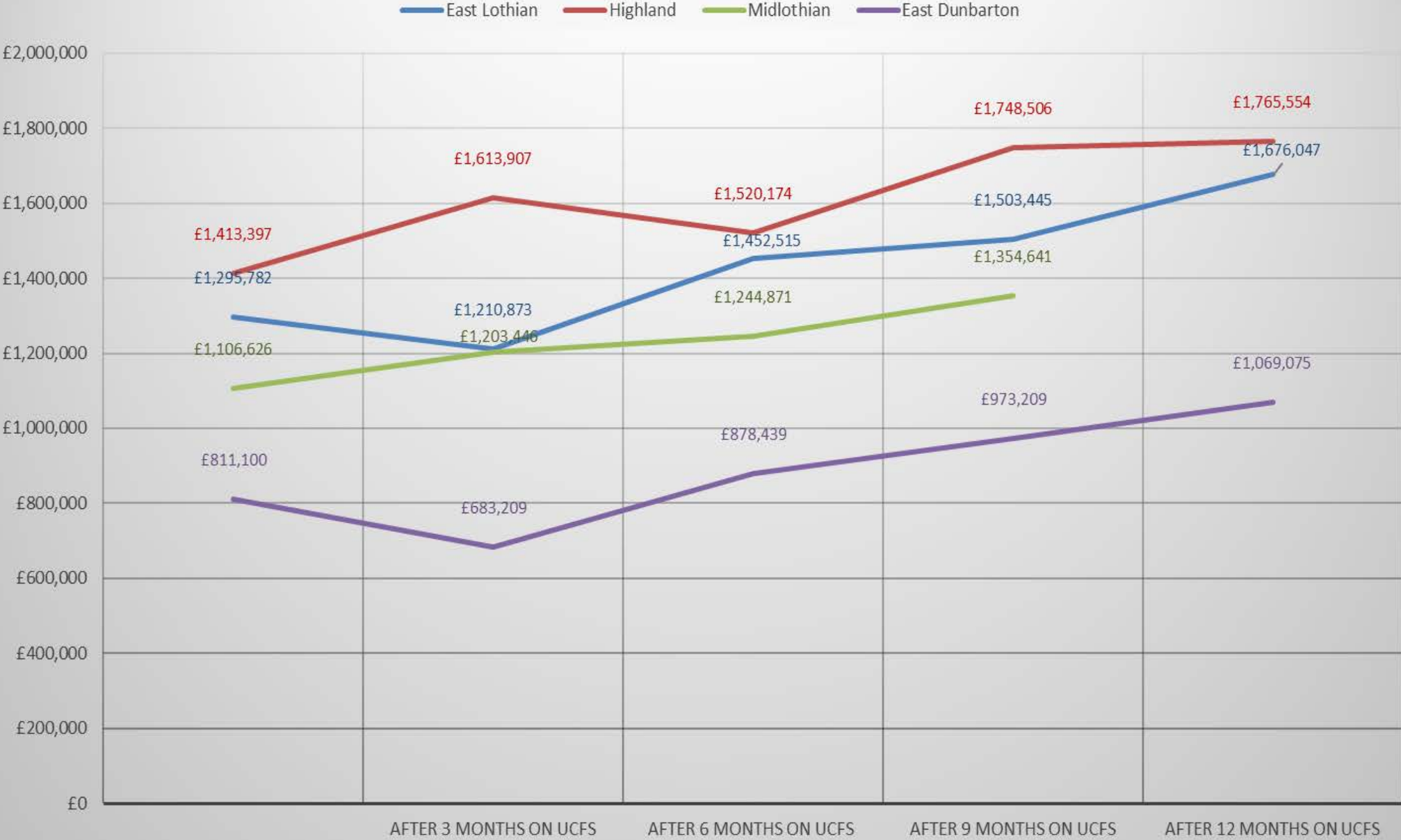
Local authorities continued to experience very significant levels of additional costs associated with the rollout of Universal Credit Full Service in the period up to December 2017. As well as consideration of the additional costs already incurred, the Department for Work and Pensions requires to significantly improve processes, consistency and efficiency in the UC Full Service to reduce these burdens in the future and/or take full account of these additional costs that Universal Credit is imposing on local government by providing greater long-term funding security to local authorities.

Appendix 1 - Mainstream Rent Arrears 2016/17 to 2017/18

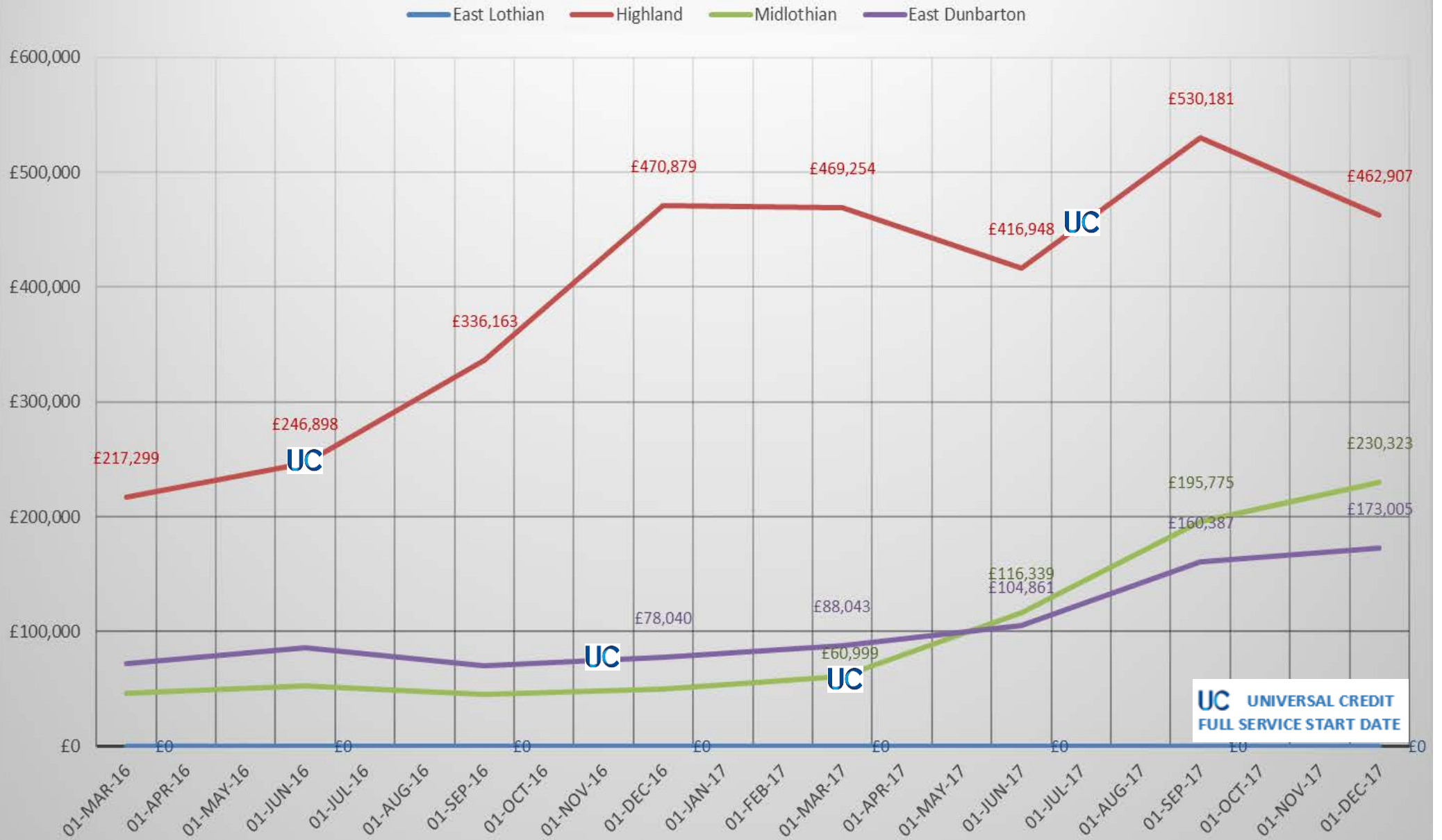


UC UNIVERSAL CREDIT
FULL SERVICE START DATE

Appendix 2 - Mainstream Rent Arrears During First 12 Months of Universal Credit Full Service



Appendix 3 - Temporary Accommodation Rent Arrears 2016/17 to 2017/18



UC UNIVERSAL CREDIT
FULL SERVICE START DATE

Appendix 4 - Temporary Accommodation Rent Arrears During First 12 Months of Universal Credit Full Service

