

Local Government and Communities Committee

Homelessness

Supplementary Written Submission from COSLA

Universal Credit cost burdens on local authorities in the Full Service in Scotland

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 on 12 April 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.

Local Authorities

Data has been provided by East Lothian Council, Highland Council, Inverclyde Council, East Dunbartonshire Council as these were the authorities on UCFS full service in 2016/17. The Full UC service was rolled out in these areas as follows;

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

Data from Midlothian Council where full service began in March 2017 has not been included.

Cost Pressures

Local Authorities are experiencing very significant increase in rent arrears because of the impact of the Full UC service in its current state of development. This impacts on the service they can deliver. In addition to incurring increased rent collection/administration costs, these authorities also anticipate an increased level of debt which they will be unable to recover and they are seeking a full recognition of this from the UC Programme. Councils will be required to either increase rents materially to offset this reduction in finance and / or deliver significantly reduced services.

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 crisis 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
9. Increase in rent collection costs

Administrative burdens

Detailed figures provided by authorities are contained in the attached appendices. The following table summarises the total data for all 4 councils that has been provided to COSLA by these councils for 2016/17. The combined population of these 4 councils represents 9.8% of Scotland's population.

The Highland Council; East Lothian Council; East Dunbartonshire Council; Inverclyde Council	Additional resource impact (fte)	Additional costs incurred in 16/17 attributable to UCFS
Additional HB work /decreased efficiency	7.15	£238,070
Additional CTR work /decreased efficiency	12.10	£373,513
Additional SWF work	3.13	£76,075
Additional DHP work /decreased efficiency	0.70	£28,640
PBS overhead exceed DWP estimates	0.00	£0
PBS online support	0.75	£26,850

Additional IT development and overheads	0.85	£89,463
Total	24.68	£832,612

Feedback from LAs suggest that the additional costs can be three times higher than the income received under their respective Delivery Partnership Agreements. Authorities are continuing to maintain this data and it is intended that data pertaining to 17/18 will be provided reflecting the period April 17 to September 17 by December 2017.

Direct Costs

Rent: increased rent arrears

The following summarises the mainstream rent arrears data that has been provided to COSLA by Highland Council and East Lothian Council. Inverclyde Council does not have its own housing stock and East Dunbartonshire Council is not yet able to provide full data. (East Dunbartonshire Council has however confirmed **that** it is experiencing similar trends in rent arrears). The combined population of these two councils represents 6.3% of the population of Scotland.

It shows that rent arrears have increased significantly during 2016/17 when UCFS has been introduced.

Council	Rent Arrears (mainstream tenancies) as at 31-Mar-16	Rent Arrears (mainstream tenancies) as at 31-Mar-17	Increase (£)	Increase (%)
East Lothian	£1,295,782	£1,676,047	£380,265	29%
Highland	£1,539,197	£1,748,506	£209,309	14%
Total	£2,834,979	£3,424,553	£589,573	21%

Further evidence is that the average level of rent arrears comparing tenants in receipt of UCFS is at least 2.6 times higher than those tenants in receipt of HB.

Average rent arrears (mainstream tenancies) as at 31 Mar 17	ELC	THC
Tenants in receipt of full HB	£390	£185
Tenants in receipt of partial HB	£400	£270
Tenants not in receipt of HB/UC	£570	£314
Tenants in receipt of UC	£1,022	£764

Ratio of average rent arrears comparing those tenants in receipt of UC compared to average rent arrears for tenants in receipt of HB	2.6	2.8
--	-----	-----

For the first quarter in 17/18, Highland reports a position similar to that of 16/17 year end with East Lothian reporting a small decline. Both Councils advise that this is primarily attributable to the impact of the 2 rent (charge) free weeks in April 17 with Highland still nonetheless reporting a further increase reflective of the further roll-out of UCFS across the remaining job centres in Highland.

Council	Rent Arrears (mainstream tenancies) as at 31-Mar-17	Rent Arrears (mainstream tenancies) as at 30 June 17	Increase (£)	Increase (%)
East Lothian	£1,676,047	£1,570,830	-£105,218	-6%
Highland	£1,748,506	£1,765,554	£17,048	1%
Total	£3,424,553	£3,336,384	-£88,169	-3%

Some more detailed trends for East Lothian Council is illustrated in the graphs provided as Appendix 1.

Rent: increased collection costs

Both authorities have provided an estimate of the additional staff time associated with rent collection.

Council	Additional resource impact (fte)	Increased costs
East Lothian	3.0	£107,400
Highland Council	4.0	£143,200
Total	7.0	£250,600

Additional UC associated Welfare Spending – Crisis Grants

The following summarises the total spend that has been provided to COSLA by all 4 authorities for 2016/17.

The Highland Council; East Lothian Council; East Dunbartonshire Council; Inverclyde Council	Additional costs incurred in 16/17 attributable to UCFS
Increase in SWF spend	£94,131

Additional UC associated DHP Spending

The following summarises the total additional spend for all 4 authorities that has been provided to COSLA for 2016/17.

The Highland Council; East Lothian Council; East Dunbartonshire Council; Inverclyde Council	Additional costs incurred in 16/17 attributable to UCFS
Increase in DHP spend	£343,010

Conclusions

The levels of additional costs being experienced by local authorities are unsustainable. The UC Programme requires to significantly improve processes, consistency and efficiency in the Full Service to reduce these burdens in the future. Additionally, the Programme should consider compensation for the additional direct and indirect cost burdens currently being borne by local authorities.

