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The Rt. Hon David Gauke MP
Secretary of State for Work and Pensions
Caxton House
Tothill Street
LONDON
SW1H 9NA

28 September 2017

Dear David

ROLL OUT OF FULL SERVICE UNIVERSAL CREDIT

As you know there are a number of issues arising from the roll out of full service Universal Credit (UC) across Scotland and the UK. We are sure that, like the Scottish Government and COSLA, you have received reports and feedback from local authorities and others about the problems on the ground and the negative impact that full service UC is having on claimants, landlords and the public and third sector.

This is not the first time that the Scottish Government or COSLA has highlighted the problems to the UK Government. In February and March, the Cabinet Secretary for Communities, Social Security and Equalities and the then COSLA President both wrote separately to the then Secretary of State for Work and Pensions requesting a halt to the roll out of full service UC until the problems were resolved. We were disappointed that the response from the Department for Work and Pensions (DWP) made it clear that you have no intention of halting the roll out.

Stakeholders in Scotland have again expressed their concerns to us about the abject failures of the UC system. Data from Scottish local authorities, attached at Annex A, provides clear evidence of the severe impact that the roll out of full service UC is already having. For example, both East Lothian Council and Highland Council, which have been longest on UC full service continue to report major increases in rent arrears which are not reducing through the DWP recovery as indicated by DWP. Data gathered by both authorities also shows that the average arrears for those in receipt of UC are more than 2.5 times average arrears for those on Housing Benefit. In addition, councils are incurring additional administrative costs because of added complexities and processes, significantly more than funding received from the DWP. Feedback from other local authorities such as East Dunbartonshire and Inverclyde suggest similar patterns of impact.

Stakeholders are very concerned that the acceleration of roll out planned for this autumn will create a situation that is unmanageable for local authorities, advice services, landlords and UC recipients.

This is not only a problem in Scotland. You will be aware of the extensive evidence gathered from a range of stakeholders by the House of Commons Work and Pensions Select Committee prior to the summer in its examination of how UC roll out is progressing. The recent sitting of the Committee on 13 September 2017 heard more compelling evidence of a cycle of rents arrears, debt and hardship from local authorities, social landlords, Citizens Advice and foodbanks from across the UK.

It is not for the Scottish Government or Scottish local authorities to fill the gaps left by UK welfare reforms which leave people in crisis situations.

Despite the clear evidence of the failures of UC, and calls from the third sector, as well as MPs in the Westminster Parliament, including the Chair of the Work and Pensions Committee, the DWP still refuses to acknowledge the severity of the problem. We urge you, once again, to **reconsider a pause in the rollout of full service UC to allow DWP officials the space to pursue workable solutions.**

If you decide to continue with the roll out as currently planned, we request that you, at the very least, take actions to mitigate against some of the more problematic areas. In our view, there are several areas where you could take short-term action that would alleviate some of the pressures.

Waiting Time

The seven waiting days and payment monthly in arrears means that people wait 6 weeks, or longer, for their first payment of UC. The evidence shows that this leads to a build-up of rent arrears and an increasing reliance on foodbanks and crisis grants from welfare funds. The impact is not only felt by the applicants themselves, but has a knock on effect for other public services struggling to cope with those who have no access to other sources of support.

The UC design was intended for people who stop work and receive a month's salary which they can live on until UC is paid. It must be obvious that for a significant number of people there is no monthly salary to see them through. **We request that you seriously consider shortening the waiting time for receipt of first payment for all UC applicants.**

Advances of benefit can provide a short term fix, but often cause more issues when recovered at a high rate from the first UC payment making it difficult for a claimant to budget for household bills, rent and food. Guidance on advance payments indicates that for a new claim advance the repayment period is 6 months. However, in other circumstances the period is 12 months. There are also different levels of repayments that can be applied. **We would urge you to ensure that DWP staff are actively offering advances where they should and structuring the recovery period and level to avoid further debt accumulation and hardship.**

Payments to Landlords

The Scottish Flexibilities will offer new claimants the choice of having direct payment of their housing costs to their landlord. However, the payment of housing costs to landlords under the Alternative Payment Arrangements using an interim solution has been causing difficulties for them, although automation of this process is planned. Our concern is that the interim solution will struggle to cope when volumes increase therefore **we ask you to prioritise the IT development work to ensure the process is improved before the roll out is accelerated.**

Implicit Consent

As you will know arrangements for implicit consent were removed under UC full service because of concerns about protecting the large amounts of personal data held online. On 13 March, the UK Government announced it would be reinstated for MPs only, on the basis that they need constant access to such a system through which they can help their constituents. For everyone else, a claimant must give 'explicit consent' on their online journal, or in writing or by phone, before a representative can talk to DWP on their benefit. This consent is only for a specific piece of information and is time limited.

We have asked DWP officials if the arrangements for implicit consent under UC full service could be extended to MSPs. We have been advised that this will not be possible.

From our perspective, this response is unsatisfactory. The lack of implicit consent is creating operational problems for MSPs, councillors, local authorities, third sector and Registered Social Landlords (RSLs) employees trying to assist UC claimants with their application or where housing costs are wrongly calculated by DWP. It also means a poor customer experience for UC claimants. Again, **we would urge you to give this issue further consideration.**

Terminal ill claimants

Third sector stakeholders have raised concerns about the policy for terminally ill patients who wish to claim UC. We understand under legacy benefits there was no requirement for workers advocating on behalf of a terminally ill person to make that person aware of their prognosis, if they did not wish to know, although the DWP would be informed.

We have been told that the process under UC has changed. There is now a requirement for this information to be provided explicitly as part of the assessment process and, therefore, making the terminally ill person aware of their prognosis, even if they have already chosen not to know. This seems to be an unnecessary prerequisite given the challenges a person living with a terminal illness is already facing. **We would be grateful if you could reconsider the existing process for those who are terminally ill and applying for UC.**

Overall, the evidence that we have seen and heard from stakeholders in Scotland strongly suggest that an acceleration in roll out of full service UC this autumn in Scotland will exacerbate the current problems being experienced by UC applicants, landlords and public services.

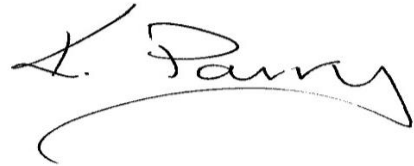
We would therefore urge you to allow more time by pausing, or at the very least slowing down your roll out plans, until the DWP can improve the service and eliminate the issues being experienced across Scotland.

Our officials are happy to work with yours to help collect and analyse the evidence on the impact of UC in full service areas and find scalable solutions.

We look forward to your response



JEANE FREEMAN, MSP
Minister for Social Security



COUNCILLOR KELLY PARRY
COSLA Community Wellbeing Spokesperson

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 area 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 conformed **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 2.5 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	2.5	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.

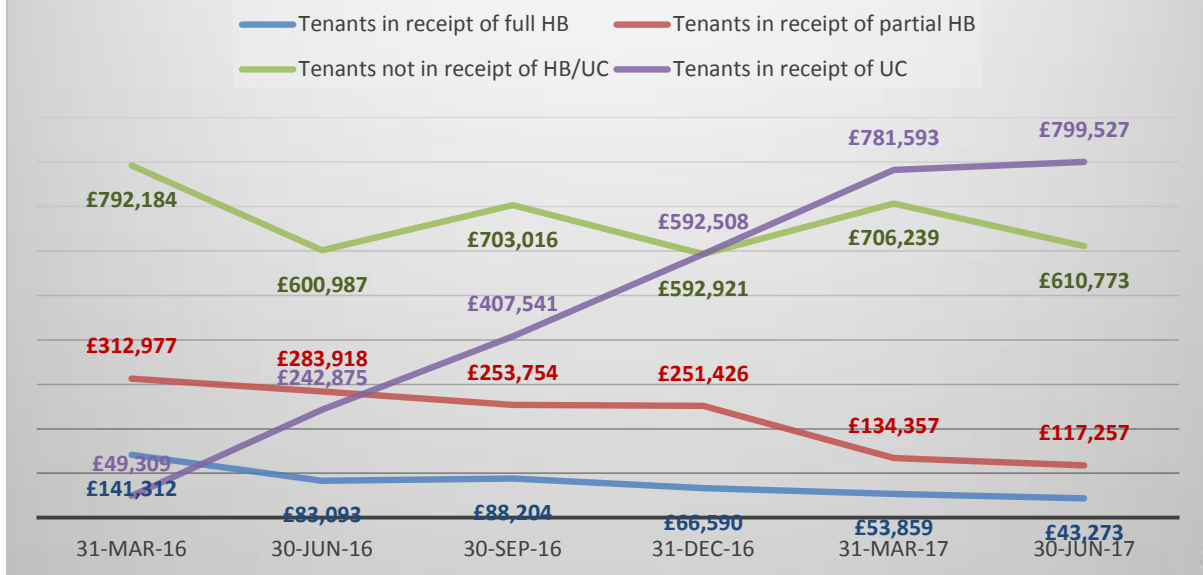
The Highland Council; East Lothian Council; East Dunbartonshire Council; Inverclyde Council	Additional costs incurred in 16/17 attributable to UCFS
Increase in DHP spend	£343,010

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.

Appendix 1

East Lothian Council - Mainstream Tenancies Rent Arrears Split by Type of Financial Assistance 2016/17 - 2018/18



East Lothian Council - Mainstream Tenancies Average Rent Arrears 2016/17 to 2017/18

