

Final Business and Regulatory Impact Assessment

Title of Proposal

The Universal Credit (Claims and Payments) (Scotland) Regulations 2017

Purpose and intended effect

- **Background**

Sections 29 and 30 of the Scotland Act 2017 provide the Scottish Government with administrative flexibilities on Universal Credit (UC) such as changing the frequency of payments, varying plans for single household payments, varying the amount of housing costs and paying landlords direct for housing costs in Scotland. This will enable us to ensure that the implementation of UC will be better suited to the needs of the people of Scotland.

Our priority UC flexibilities which these regulations effect are:

- i) the option of the housing element being paid direct to landlords; and
- ii) the option of payments to be made twice monthly instead of monthly.

However, UC will remain a reserved benefit and, as such, UC flexibilities will be delivered by the Department for Work and Pensions (DWP) on behalf of the Scottish Government. The Scottish Government will be liable for any extra costs incurred by DWP to implement the flexibilities and both Governments will need to work closely together to achieve an effective and efficient implementation.

- **Objectives**

These regulations are intended to:

- help the recipient to manage their UC account in a way that suits them best;
- assist with household budgeting;
- secure the tenancy; and
- prevent build-up of rent arrears.

- **Rationale for Government intervention**

UC is intended to be paid calendar monthly. These regulations are designed to offer the recipient the option to have payments made twice monthly.

The housing element of UC is intended to be paid direct to the claimant who then must arrange for payment to their landlord to cover the rent. These regulations offer the claimant the option to have the housing element of their UC paid direct to the landlord in the social and private rented sectors.

Local authorities and housing associations are concerned that if the housing element of UC is handed over to the tenant monthly it may be used for other items the household needs. This could lead to a rise in evictions, arrears and

threaten the associations' income and ability to invest in new properties.

There is a potential positive impact here for third sector organisations in terms of less clients having to approach them on issues such as rent arrears/evictions.

There is a potential negative impact for landlords where the UC housing element does not cover the full rent, leaving some to be paid by the tenant. However, this is the same as the position now under current UC arrangements and UC payment amounts do fluctuate if the household has earnings from elsewhere.

Early indications from UC Full Service areas suggest that rent arrears do increase after roll out commences. In the consultation on the draft regulations earlier this year, one of the most frequently raised issues was the impact of the long wait for the first payment of UC and the likelihood of building up of significant rent arrears.

We intend that the new social security system in Scotland will treat people with dignity and respect and remove the stigma associated with receiving benefits.

The principles of dignity, respect and fairness are enshrined in the Social Security Bill which was introduced in the Scottish Parliament on 20 June 2017. Offering people some choice in how their UC is delivered to them is part of that wider agenda.

Consultation

- **Public Consultation**

The implementation of UC has been ongoing since 2013 and over this period the Scottish Government has been engaging with stakeholders. More frequent payments and managed payments of rent have been two of the issues raising most concerns and so we are seeking to implement these flexibilities as soon as they can be delivered. Consultation on the draft regulations took place from 16 January 2017 to 13 March 2017.

- **Business**

Local authorities and housing associations are, or will be, most affected by the managed payment of rent to landlords as under the current system they already receive housing benefit direct. Private sector landlords do not receive Local Housing Allowance direct unless except under specific circumstances.

There are concerns that without implementing this flexibility, the amount of rent collected will decrease and income streams will be seriously impacted. This would also have a knock on effect in the building of new homes for affordable rents.

The organisations we have talked to are: Scottish Federation of Housing; Shelter; Scottish Association of Landlords; the Convention of Scottish Local Authorities; Citizens Advice Scotland; Child Poverty Action Group; local

authorities; and housing associations.

Many of these organisations responded to the consultation exercise which received 100 responses. Of these responses 18 were from local authorities, 20 were from registered social landlords, 7 from representative bodies and 9 from tenant organisations.

Options

We are not considering different options to deliver the policy. As UC is reserved to the UK Government, it must be delivered by DWP as part of the UC Programme.

To do nothing is not an option as Scottish Ministers have already committed publicly to implement these flexibilities. We require secondary legislation to implement Sections 29 and 30 of the Scotland Act 2016. We are working with the UC Programme on the operational, financial and technical impacts of implementation in the context of the wider roll out of UC across the UK.

Sectors and groups affected

Local authorities; housing associations; tenants; private sector landlords; and welfare rights organisations.

Costs

We are discussing with DWP, and seeking to agree shortly, the one-off investment and on-going costs of DWP delivering the service on behalf of Scottish Government. We will review costs of implementation on businesses once the flexibilities have been operational for a period of time.

Scottish Firms Impact Test

We do not believe that the policy impacts on Scottish businesses because UC can only be delivered by DWP. It will remain reserved to the UK Government and the Scottish Government will not be involved in delivering any element of it. It will impact on local authorities; housing associations; and private landlords. These stakeholders have been involved in the policy development.

Competition Assessment

In our view, the introduction of these regulations do not require a competition assessment. The draft regulations do not directly or indirectly affect suppliers as DWP alone delivers UC.

Test run of business forms

The Scottish Government is not intending to introduce any new forms for businesses to fill in. DWP will be communicating with claimants; local authorities; and housing associations as part of normal business.

Legal Aid Impact Test

These regulations will not have a direct impact on Legal Aid, although costs/applications may decrease demand if evictions are avoided.

Enforcement, sanctions and monitoring

We will have a Service Level Agreement for delivery with DWP which will detail the management information to be submitted to the Scottish Government on a regular

basis. The Service Level Agreement will be reviewed at regular intervals.

Implementation and delivery plan

The proposal will be implemented by DWP as UC remains a reserved benefit. We are working with DWP officials to consider the most efficient and effective way to implement the Scottish flexibilities.

- **Post-implementation review**

UC is not due to be fully implemented by DWP until 2022. We propose the regulations should be reviewed at that point.

Summary costs and benefits table

Option	Total benefit per annum: - economic, environmental, social	Total cost per annum: - economic, environmental, social - policy and administrative
Paying the housing element of UC as a managed payment direct to the landlord in both the social and private sectors	The benefits include: <ul style="list-style-type: none"> • secure tenancies and potential to prevent evictions; • protect income streams for housing associations, local authorities and private landlords; • health benefits in terms of less stress and anxiety for vulnerable tenants; and • less resources needed from public services or third sector organisations e.g. homelessness agencies if we can secure tenancies. 	Costs of delivery not yet agreed with DWP.
Twice monthly payments	The benefits include: <ul style="list-style-type: none"> • easier household budgeting; • less of a significant change for recipients who have been getting their benefits paid fortnightly; • reduces the need to resort to high interest lenders; and • decrease the need to resort to DWP hardship payments or Scottish Welfare Fund Crisis Grants. 	As above

Declaration and publication

- Sign-off for Final BRIAs:

I have read the Business and Regulatory Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs. I am satisfied that business impact has been assessed with the support of businesses in Scotland.

Signed:

Date: June 2017

Minister's name Jeane Freeman
Minister's title Minister for Social Security

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