

Agenda item	14.
Report no	RES/29/18

Meeting: Corporate Resources Committee

Date: 24 May 2018

Report Title: Universal Basic Income : Research projects update

Report By: Report by Depute Chief Executive/Director of Corporate Resources

1. Purpose/Executive Summary

- 1.1 This report provides Members with summarised information about the Universal Basic Income (UBI) desk research projects being undertaken within Scotland by four local authorities. The introduction of a universal income would represent a radical change from the current social security system which is largely based on the application for benefits and means testing. The advocates of universal income promote UBI would have advantages by reducing income inequalities. They also endorse its apparent simplicity and reduced stigma.
- 1.2 The policy has been criticised by some as being simply unaffordable unless components of the current social security system, such as housing benefit, were excluded. Opponents report that for the policy to achieve a substantial reduction in income inequality it is likely that it would have to be implemented alongside increases in taxation, in addition to the income tax rates already set by the Scottish Government.
- 1.3 UBI would involve replacing welfare benefits reserved to the UK Government and those devolved to the Scottish Government. From a welfare policy perspective, the UBI roadmap appears confused and, at time when UK and Scottish Governments are seeking to simplify current approaches, UBI may add complexities into the overall welfare system rather than achieving both Governments' policy aims of simplifying welfare. It is unclear how joined-up UBI projects are with the UK Welfare and Scottish Social Security systems and it is important to note that UBI is not being lead or prioritised by central Governments. The following table sets out the current welfare arrangements within the UK and Scotland.

The Welfare State : Ongoing Policy Development	
UK Government	Scottish Government
<ul style="list-style-type: none"> ✓ Most radical reform of the welfare system since 1948. ✓ Ongoing roll-out of Universal Credit. ✓ Legacy payments still in payment on a large scale. ✓ Whole scale review of Personal Independence Payments. ✓ Devolution of some aspects of the welfare system. 	<ul style="list-style-type: none"> ✓ Responsibility for 15% of Scottish welfare bill. ✓ Undertaking a comprehensive review of social security in Scotland. ✓ Establishing agencies to administer social security. ✓ Ongoing dialogue with local government for face to face pre-claim support and review.

- 1.4 The core consideration from an economic perspective is whether UBI would provide

adequate motivation to work. Within the Highland context, it is forecast that the working age population will decline by 10% by 2039 at a time when total employment is expected to grow by 2-3% over the same period. In essence, this means that more people in Highland will be needed in the workplace and those furthest removed from employment, who are deemed work-able, will continue to be supported to attain their full potential through work.

- 1.5 Four Scottish local authorities (Fife, Edinburgh, Glasgow and North Ayrshire) are undertaking desk research and feasibility studies to determine the key components of any eventual live-running pilot scheme within the context of their local areas. Such research, supported by NHS Scotland, is anticipated to be progressed over a 12-18 month period. Research outputs will inform whether UBI should be trialled in Scotland and if so, the models to be tested.
- 1.6 Currently a key role of local Jobcentres is to support claimants into work as a condition of receiving welfare benefits. This involves DWP Work Coaches agreeing and monitoring compliance with the claimant's written agreement (known as a Claimant Commitment) to undertake work searches and to attend interviews with the ultimate aim of finding work. As UBI is an unconditional payment, implementation of a universal payment will impact on local Jobcentres and may have other knock-on effects for other local public sector employment, the extent of which is unknown.
- 1.7 On 13 February 2018, members of the Poverty & Inequalities Working Group considered a report regarding UBI as a concept, the research projects that are underway in Scotland and recommended that members of the Group maintain a "watching brief". The Minute of the meeting was reported to the People Committee, now Care, Learning and Housing Committee, on 15 March 2018.

2. Recommendations

2.1 Members are invited to:

- Note the contents of this report.
- Agree that members of the Poverty & Inequalities Working Group to continue to track progress with the feasibility studies in Scotland. This can be achieved within existing resources although should Members decide to accelerate participation in UBI research at some point in the future then resource implications will need to be reviewed.

3. Background

- 3.1 Universal basic income (UBI), also known as Citizens Income or basic income guarantee is an unconditional payment (which can vary by age or recipient) from a government or public institution to all citizens or residents of the community irrespective of their income, gender or employment status. In effect, UBI would be paid as a basic right of citizenship. It is considered by some to ease the future impacts of automation and the anticipated consequential reduction in employment opportunities as it would provide a minimum income for every individual.
- 3.2 Within Highland, it is forecast that by 2039 total employment will grow by 2-3% whereas the working population will reduce by around 10%. Although, nationally, there are concerns about the future impact of automation, there is a different challenge facing the Highland economy which will be dependent upon moving more people into employment, including those who are workable and are currently furthest removed from the workplace.
- 3.3 For the purpose of this report, UBI will be used as a generic term to describe these unconditional and universal payments. UBI implementation is hugely complex with many divergences in policy under the UBI umbrella. Most basic income models will contain some or all of the following characteristics:
- UBI is a universal, non-taxable, non-means tested payment made to **all** citizens, and in some models, from cradle to grave.
 - UBI is paid to individuals not households and is paid regardless of past national insurance contributions, income/wealth or marital status.
 - Income from UBI is not withdrawn as employment increases and all non-UBI income would be subject to tax. Some models refer to a flat rate of income tax on all income.
 - In most cases, it is assumed that UBI replaces social security benefits with the exception of disability, maternity and bereavement benefits. Additionally some UBI models include housing costs whilst others continue to have housing support paid as a separate benefit.
 - The level of UBI payment is generally expected to vary with age to reflect needs at different life stages, for example, working-age and non-working age.
- 3.4 UBI and related policies have been growing in the fields of economics, philosophy, political science, sociology, and public policy over the last few decades with a plethora of reports, studies and journal articles published each year on differing models and concepts of universal basic income.
- 3.5 Currently multiple governments and private research groups have independently conceived and launched experimental trials of basic income (and closely related policies) across a number of countries including USA, Finland, Canada, Netherlands, Spain and Namibia. During 2016, Switzerland rejected universal income implementation (75%:25%) when a question was included during a referendum.
- 3.6 In Finland, UBI introduced a 2-year trial for 2,000 unemployed residents who each receive around £480 per month until January 2019. Should their

circumstances change and they become gainfully employed during the pilot, then they retain the UBI payment. Learning from this model will be limited as it is targeted to unemployed citizens and is not therefore universal in its approach. It is reported that the aim of the Finland scheme is to reduce administration and simplify the welfare benefits system rather than to achieve societal behavioural change and support more people into work. The Finland model is on a small scale, is targeted rather than being universal, and may have different policy intentions, and therefore different success criteria, than other schemes.

- 3.7 On 25 April 2018, the Finnish Government announced it will not be extending the trial and will continue to pay participants until the planned end date in January 2019. Instead, Finland is considering a trial similar to Universal Credit. Officers understand that the 4 Scottish local authority pilots are reflecting on the findings in Finland, and the decision to not extend the trial, as part of their research.
- 3.8 In the UK, child benefit is a form of universal payment; paid regardless of wealth up to a maximum of individual earnings of £50,000 per annum.

4. Desk feasibility projects in Scotland

- 4.1 Four Scottish local authorities (Fife, Edinburgh, Glasgow and North Ayrshire) are leading universal basic income desk feasibility projects in Scotland which if implemented, would mean residents receive a fixed amount of income, regardless of their circumstances, on a pre-determined frequency.
- 4.2 These local authorities are leading these secondary research projects. These are not UK or Scottish Government projects. Officers within the Highland Council understand that the Scottish Government became involved after these local authorities had developed their initial discussions to the feasibility stage. The Scottish Government later made available £250,000 over 2 years to these 4 councils, with a break point which will result in a joint report being made available to the Scottish Government, setting out how a national model(s) could operate across rural and urban communities within Scotland. NHS Health Scotland is supporting these 4 local authorities to develop such national policy proposals. The Scottish Government has confirmed that there is not currently any funding available for a fifth or other additional feasibility projects.
- 4.3 The Scottish Government does not have the full powers over tax and benefits necessary to pilot a full UBI scheme and as a consequence any proposals in Scotland need to take account of the legislative and practical basis for implementing an actual live-running pilot, including the consideration of reserved and devolved powers and administrative complexities.
- 4.4 These local authority feasibility research projects are at very early stages and are currently focusing on how a pilot could be carried out, rather than how a system could be rolled out across a council area. UBI is not therefore being trailed within Scotland at the present time.
- 4.5 Current thinking is that the pilot schemes would be limited to a specific community (possibly defined by geography or demography), with unconditional payments being credited to individuals for a period of about two

years. One planning assumption is that any eventual start of a live-running pilot in Scotland is still some time off. It is therefore unclear how UBI would impact on the ongoing radical reform of welfare across the UK and the comprehensive review of social security in Scotland. It will be important to ensure that UBI reflects what the future welfare systems in the UK and Scotland will be rather than basing assumptions and analyses on the current welfare and social security systems.

- 4.6 North Ayrshire Council set aside £200,000 in its 2017/18 budget to undertake research into UBI and estimates that it is likely to take 12 to 18 months to design a pilot scheme. Thereafter to consider whether a trial should be implemented.
- 4.7 Fife is giving consideration to selecting a town to test and evaluate a UBI.
- 4.8 Although not confirmed, one option may be to model a pilot UBI scheme on the premise that each working age adult will receive £73.10 per week. This is equivalent to the weekly rate of Job Seekers Allowance [JSA] for 2018/19 for single claimants aged 25 or over. Those aged under 25 years of age, who are claiming JSA, are currently paid £57.90 per week and so would gain financially under this proposal. In this example, the universal nature of UBI means that earners would also receive £73.10 or £57.90 per week while at the same time, some would experience increased income tax rates and potentially increased national insurance payments.
- 4.9 In a letter dated 18 April 2017 to the Convener of the Social Security Committee at The Scottish Parliament, Fife Council recognised UBI as a long term project and acknowledged that initial work has focused on desk research and engagement with interested groups.
- 4.10 Fife Council has established that to progress UBI, they will require assistance, support and collaboration with the Scottish and UK Governments.

5. Financial implications of Universal Basic Income

- 5.1 UBI is not a cost neutral option compared to the current social security system as those who are not currently recipients of social security will be recipients of UBI. Any UBI would need to be funded; increased taxes are regularly cited as the preferred option where windfall funds are not available e.g. philanthropist funding is relied upon in California. Within Scotland, UBI funding arrangements are less clear. One option may be to reduce tax allowances and increase tax rates for earners.
- 5.2 Work by the Joseph Roundtree Foundation suggests that whatever system is developed, it would require a tax rate on all earned income of around 40% if housing benefit was excluded or over 50% if UBI was to include housing costs. Given the differences in income distribution between Scotland and the rest of the UK there is the potential for an even higher tax rate to be required in Scotland. **Appendix 1** to this report contains Reform Scotland's assessment of impacts on taxes and national insurance rates combined of between 40% and 65% should UBI be set at £100 per week for each adult and £50 per week for every child.
- 5.3 Covering the costs of UBI means there will be gainers and losers either

because UBI does not equate to previous benefit levels or because of the redistribution of taxes and benefits. Individuals who are under-claiming social security at the moment may gain as UBI is an automatic payment although this assumes that the amount of UBI to be paid will not be made at a lower rate than is currently the case for individual circumstances. The exact nature would depend on how the system is established and funded.

- 5.4 For the purposes of this report, it has not been possible to establish the impacts, if any, on collection of local taxes, rental income, employment, homelessness, wellbeing and child poverty as this evidence does not appear to be readily available or accessible within the context of the UK and Scotland.
- 5.5 At this stage, Universal Credit is designed to be paid directly to individuals, including housing costs. Members will be aware of the reported negative impact that Universal Credit has had on rent arrears. Accordingly, it is imperative that the lessons being learned from Universal Credit are taken into account when impact assessing UBI. It will be particularly important to ensure that such impacts are not replicated under any future welfare and economic models, such as UBI.
- 5.6 Members will be aware that the Scottish Government has funded the development of Universal Credit choices (often referred to as Scottish Flexibilities) to address the financial impacts on Universal Credit claimants. It is difficult at this stage to perceive that UBI payments will be paid in an alternative way other than to the claimant. Accordingly, it will be essential that those designing future schemes fully assess the evidence available from Universal Credit including critically analysing models that include and exclude housing costs from UBI.

6. Legal Gateway

- 6.1 The legal powers in Scotland for progressing financial assistance in the form of UBI have not yet been clearly identified although Fife Council has suggested that Section 20, the “Power to advance well-being” in the Local Government in Scotland Act 2003 provides the necessary authority.
- 6.2 **Appendix 2** to this report provides an extract of Section 20 which includes a power “to give financial assistance to any person”. Fife Council does highlight however that complication may arise from the need to address any impact on national tax and welfare policy and procedures. Section 22 of the 2003 Act, “Limits on power under section 20”, would need careful examination.
- 6.3 As is wholly the case for local authorities, the Scottish Government does not have the full powers over tax and benefits and so UBI in Scotland is fully dependent upon UK Government collaboration and agreement over those powers on tax and benefits that are reserved.

7. UBI : The challenges and opportunities

- 7.1 The numerous reports/studies etc of UBI report a variety of opportunities and challenges with UBI when compared with the existing welfare system in the UK and Scotland. As Members are aware, the Scottish Government is currently undertaking a comprehensive review of social security in Scotland

and the UK Government is undergoing the most radical reform of the welfare state since 1948. In the medium to long term, UBI may not therefore provide the same opportunities and challenges as currently assessed against current UK and Scottish welfare arrangements. It is difficult to analytically interpret the existing evidence because UBI policies have been tried at different levels, with different policy intents and time periods and because the future landscape for welfare is changing. Variances between the socio-economic, fiscal and legal environments also exist across the countries that have trialled UBI. The following paragraphs detail a small number of **reported** opportunities and challenges. These lists are not exhaustive.

7.2 Opportunities UBI:

- UBI policy represents the establishment of a non-means tested social security system that would ensure the entire population is provided with a level of income to live on;
- Those in the poorest households who do not currently take-up all or some of their benefit entitlements, will experience financial gain from UBI assuming UBI as a minimum equates to previous benefit rates. From this perspective, UBI would positively impact on closing the poverty gap;
- A UBI model that is wholly universal may help to de-stigmatise state welfare payments;
- UBI is designed to support greater economic risk-taking in the population on the basis that there is baseline income that people can rely on and to which there could be less interruption if their business start-up were to fail, for example;
- Some policy-makers report that UBI may change the nature of the economy by providing people with the income they would require to undertake less paid work but more creative or voluntary activity – thereby benefiting individuals and the population overall in a different way;
- UBI may have the effect of stimulating consumer spending;
- There is a perception that UBI may reduce the existing overheads of administering social security in the UK and within Scotland but as well as a lack of evidence to substantiate that as UBI is unlikely to exclusively replace all legacy benefits. This could also therefore introduce complexities for recipients, administrators, advisers and Governments;
- UBI may help to alleviate some of the forecasted impacts of future automation on the labour market. Note however, there is a different challenge in Highland which will involve motivating more of the working-age population into the workplace; and
- UBI may attract skilled workers to Scotland which may have positive impacts on the service industry, research and development, and Gross Domestic Product.

7.3 Challenges UBI:

- UBI can be expensive to fund and would require funding from taxation and national insurance (Appendix 1 refers) at a sufficiently high enough level (suggested at 40%-65%) to ensure that existing benefit recipients do not experience financial harm from the withdrawal of

existing benefits;

- Where an intended outcome is to close the poverty gap, UBI would need to be in excess of the current welfare levels unless this is achieved by either reducing the disposable income of medium and high earners or a combination of the two;
- There is a risk that those who are gainfully employed will be financially worse off as their tax contributions increase to fund UBI and concerns that such an approach would not motivate people to progress in the workplace or to attract skilled and highly skilled professionals to Scotland;
- The provision of an unconditional income may create a disincentive to work which could make industry less competitive because of increased wages and associated increased costs. Ultimately, this could lead to a decrease in national economic output and less resources to fund universal income policy and public services;
- There is a risk that UBI may not provide adequate motivation to work. Within Highland for example, by 2039 it is forecasted that whilst the working age population will decline by 10%, the total employment is expected to grow by 2-3%.
- A feasible UBI system would need to be supplemented with the continuation of disability, maternity and bereavement benefits which would involve extra cost and complexity in administration to UBI;
- Financial assistance with housing costs would also need to be considered as would the manner in which that links to the Scottish Government's strategies and commitments to tackle homelessness. The wide variation in housing costs across the UBI population would need to be a key factor when deciding a model for UBI;
- Any UBI scheme would involve a shift from a system based on contribution and the sharing of risk to a system of income as of right;
- UBI would rely on complete information on every citizen which may engender civil liberty concerns;
- The policy intentions of UBI pilots may differ and would need careful examination when evaluating the outcomes and considering local impacts of importing schemes across countries and between urban/rural communities.
- UBI has not been tested on a large scale in a developed country and must be considered within the much broader context of fiscal policy. UBI cannot therefore be implemented at local government level in isolation of UK and Scottish Government fiscal policies.

8. Wider Research

- 8.1 The International Monetary Fund (IMF) supports UBI in countries such as India which was modelled on the basis that reduced subsidies would result in a substantial increase in the generosity of benefits received by lower-income groups.
- 8.2 In their report "Tackling Inequality", published in October 2017, the IMF wrote *"In countries where both coverage and progressivity are relatively high, such as France and the United Kingdom, expanding coverage by replacing the existing systems with a UBI would result in a very large reduction in progressivity and losses in the size of benefits for many poor households and could even lead to higher poverty. This potential outcome suggests that*

priority should be given to reforming and strengthening the current system to enhance its coverage and targeting.”

- 8.3 In a report published by the Organisation for Economic Cooperation and Development (OECD), published in May 2017, the following conclusions, specifically in relation to the UK, were reported if UBI is set at guaranteed minimum income levels:
- Single person households with very low incomes would be largely unaffected;
 - Single people with higher incomes would be broadly unaffected.
 - The individualised nature of UBI cannot adequately replicate the levels of support that existing social protection systems provide to different family types. (This is a general conclusion and is not specific to the UK.)
 - Many couples without children would gain from UBI as would higher income families with children.
 - Lone parents at lower income levels may lose out.
- 8.4 The RSA (Royal Society for the encouragement of Arts, Manufactures and Commerce) published a report in February 2018 “Pathways to Universal Basic Opportunity Fund” which examined “The case for a Universal Basic Opportunity Fund”.
- 8.5 RSA’s reported Universal Basic Opportunity Fund (UBOF) is based on the premise that every citizen under the age of 55 will be funded “with a £5,000 opportunity dividend for up to two years, taken at a time of their choosing over the course of a decade. The fund would initially last for ten years, with dependant children also eligible for the payment in the year a parent, or both, were receiving it.” The dividend would be topped up with housing and other support with a reported maximum net cost to be around £14.5bn per annum.
- 8.6 The RSA report that “.. UBOF would also constitute an opportunity to experiment with the kind of unconditional social support mechanisms advocated by supporters of the principles underpinning Universal Basic Income.” In their report, the RSA highlights that “in a domestic political climate defined by the uncertainties of Brexit, ... major transformative interventions such as UBI are unlikely in the immediate future.”
- 8.7 RSA’s proposed modelling would include that individuals accepting UBOF payments would be foregoing Personal Tax Allowances and income-related benefits and, in the case of higher rate tax payers, paying additional tax.
- 8.8 The RSA propose that UBOF could be designed in a manner that disincentives higher earners to access UBOF. The RSA report that “such an approach would reduce the overall cost of the UBOF, but may risk negating some of the stigma reduction arguments posed by proponents of universality.”
- 8.9 Concluding their report, the RSA seeks to explore the concept of “labelled cash transfers” to provide citizens with an income which, while still unconditional, is administered in such a way to support recipients to define non-binding but explicit intentions and goals for how they use the dividend.

9. Stakeholder event for UBI

- 9.1 The Benefits & Welfare Manager attended a UBI stakeholder event on 19 February 2018 organised by the 4 Scottish local authorities and NHS Health Scotland. The main thrust of the event was to provide information about the progress of the research projects, to examine potential approaches within each of the 4 local authority areas and to identify opportunities for ongoing engagement and collaboration amongst academics, local authorities and the third sector.

10. National and Local Context

- 10.1 The following information summarises the national landscape and provides some contextual information from a local perspective.

National landscape

Desk Research projects

- Research outputs from the four Scottish local authorities will inform (a) whether to implement a UBI trial scheme for some of their residents and (b) the model to be used, including identifying the target group of residents who will be involved in each trial. This may be selected on the basis of demographics or geographical location or a combination of both.

The Scottish Government

- The Scottish Government is keeping a “watching brief” and has provided £250,000 over 2 years to support the desk research being undertaken by these 4 councils. The Scottish Government advises that there is no additional funding to support other councils that may be interested in taking forward UBI desk feasibility studies.
- Given the differences in income distribution between Scotland and the rest of the UK there is the potential for an even higher rate to be required by the Scottish Government to fund UBI in Scotland should such a model proceed. **Appendix 1** to this report contains Reform Scotland's assessment of the impact on taxes (ranging from 40% to 65%) should UBI be set at £100 per week for each adult and £50 per week for every child.
- The Scottish Government has varied some income rates in Scotland and should they be minded to do so, it is within their control to alter tax rates further for the purposes of any future live-running of UBI.

Local Authority budget provision

- North Ayrshire Council set aside £200,000 in its 2017/18 budget to take forward the desk feasibility study into UBI.

Legal

- The Scottish Government does not have the full powers over tax and benefits and so UBI in Scotland wholly relies upon UK Government collaboration and agreement over those powers on tax and benefits that are reserved.
- The legal gateway available to councils to introduce UBI is limited to making financial payments to advance wellbeing rather than having full powers to implement UBI for their local area.

Social Welfare

- It is important that any eventual UBI reflects what the future welfare

systems in the UK and Scotland will be rather than basing assumptions, analyses and future policy direction on the current welfare and social security systems.

- Depending on any eventual live-running trial model that may be implemented, there is likely to be gainers and losers arising from UBI. In which case, as a minimum, a transitional scheme may be required which will need to be both administered and funded.

Learning from other countries

- While useful learning can be taken from other countries, it is imperative that these are considered within the social, economic, legal and fiscal factors that exist locally.
- The Finnish Government announced on 25 April 2018 that it will not extend the 2-year trial beyond the planned end date of January 2019 for 2,000 unemployed residents. Instead, Finland is looking to trial a system similar to Universal Credit. It is understood that the 4 Scottish local authorities are reflecting on the learning from Finland, and their most recent decision to not extend the trials.

Stakeholder Engagement

- Stakeholder engagement and collaboration is essential as any eventual UBI scheme will impact upon local residents, businesses, the third sector, public agencies (eg local Jobcentres) and national policy.

Highland context

Social Welfare

- Impacts on employment, homelessness, wellbeing and child poverty are unknown and would need to be fully assessed within the local context including taking into account the urban and rural factors that exist locally.

Economic

- In Highland, by 2039, total employment is expected to grow at a rate of 2-3% while the working age population is forecast to reduce by around 10%. It is therefore essential that national and local policies motivate people into work and mechanisms are in place for those furthest removed from employment to support them into work.
- The full impact of UBI implementation on public sector employment is unknown although there will be impacts for local Jobcentres as they are currently responsible for supporting benefit recipients into work as a condition of receiving welfare payments whereas the underpinning principles of UBI include universal, unconditional payments. The extent of such impacts is unknown and would need to be assessed to understand the economic and social outcomes for individuals, communities and businesses.

Fiscal and Legal

- The Highland Council does not have the fiscal powers to create UBI although the “power to advance wellbeing” does permit local authorities to “give financial assistance to any person”. The necessary legal or fiscal powers for UBI rest with the UK and Scottish Governments.

Financial - Revenue

- The impacts on collection of local taxes and rental income have not been established for the purposes of this report on the basis that such

evidence does not appear to be readily available or accessible.

- There is a presumption inherent within the Universal Credit model that payments will be made directly to each citizen. It is envisaged that UBI will be modelled on the same basis. There is a risk therefore that any eventual model that includes housing costs will have similar impacts on increased rent arrears for landlords as is currently being experienced by social and private rented sector tenants in Highland who are in receipt of Universal Credit.

Local collaboration and partnerships

- The Council's programme of priorities for 2017-2022 "Local Voices, Highland Choices" is based on five themes underpinned by listening and closer working with communities and partners.
- Strong partnerships already exist and continue to be developed in Highland to maximise incomes and support people into work and thereafter to sustain their employment.
- Within the context of UBI, these include for example but are not limited to:
 - o in collaboration with a range of public and third sector agencies, maximising household incomes through the support provided by the Welfare Support Team and the contracted advice service with Inverness, Badenoch & Strathspey Citizens Advice Bureau;
 - o working with partners, the Employability Team's ongoing support for those furthest removed from the labour market to be gainfully employed;
 - o delivered by the third sector, Community Service's housing support service for those at risk of, or experiencing homelessness, to sustain tenancies from which tenants can apply for and sustain work;
 - o working with businesses and supporting business start-ups; and
 - o the integration of public services, for example the Department for Work and Pensions operating with Council Services from Caithness House, which is delivering benefits for customers while also providing asset income for the Council. This model of integration with the Council and the DWP, is now also in place at the Charles Kennedy Building in Fort William.

11. Conclusions

11.1 This report notes the challenges and opportunities of UBI compared with the fundamental reform of the current UK welfare and Scottish social security systems. UBI compared to what the ultimate system will look like is therefore unclear. The report also includes examples of the effective steps already being taken in Highland to support individuals into work and thereafter to sustain employment.

- The approaches for reviewing welfare are at a UK Government level, including Universal Credit and, in Scotland the comprehensive review of social security is already underway. It is unclear as to how UBI supports and complements either or both of these developing provisions.
- There is likely to be significant complexities in relation to implementation.

- While some lessons can be drawn from other countries, UBI has not been tested on a large scale in a developed country and desk research and feasibility studies are being undertaken to better understand UBI.
- Evidence suggests there will be gainers and losers from UBI.
- UBI needs to develop as a component of fiscal policy rather than in isolation and would need direction from and implementation by UK and Scottish Governments.
- Workforce and operational planning would need to be progressed carefully and sensitively in collaboration with key stakeholders.
- The legal and fiscal gateway to implement UBI is highly complex and requires negotiation and collaboration with government departments at all levels.
- The Highland Council does not have powers to introduce any form of UBI although the Community Empowerment Act makes provision for local authorities to advance wellbeing by making financial payments.
- While the Scottish Government has devolved powers on matters such as social security and income tax levels, such powers do not extend to reserved welfare benefits and so are not sufficiently adequate for the purposes of modelling UBI in Scotland.
- Impacts on local tax and rental incomes, employment, homelessness, wellbeing and child poverty do not appear to have been tested or evaluated in countries comparable to Scotland.

12. Implications

- 12.1 **Resource** – reporting national and international progress with universal income programmes to the Poverty & Inequalities Working Group can be accommodated within existing resources. Should the level of reporting or Officer involvement in UBI accelerate at some point in the future then the impact on resources will require to be reviewed.
- 12.2 **Legal** – the legal powers and limitations are detailed within this paper and highlight that while Councils have powers to provide financial assistance to advance wellbeing, local authorities have no powers over matters such as income tax and welfare benefits. Similarly, the Scottish Government does not have the full range of powers to implement UBI in Scotland. Many of the legal and fiscal powers rest with Westminster and therefore require direction and implementation from the UK and Scottish Governments.
- 12.3 **Community (Equality, Poverty and Rural)** – the report identifies high level community issues that will need to be considered as UBI thinking in Scotland develops in a manner that informs equality, poverty and the rural dimensions.
- 12.4 **Climate Change/Carbon Clever** – there are no implications.
- 12.5 **Risk** – a number of risks are highlighted throughout this report. Understanding of UBI in Scotland is very much based on theories with limited comparable experience upon which to model UBI in Scotland. The four local authorities in Scotland are very much in research mode and have identified that implementation of small-scale UBI schemes are some time off. There are risks that the UK and/or the Scottish Governments do not support UBI which would mean that any local UBI would not be funded by central Governments

and would instead be dependent on funding from the local authority's revenue budget. Such an approach would also mean that welfare payments would continue to be made by UK and Scottish Governments in addition to any local authority UBI scheme.

12.6 **Gaelic** – there are no implications.

Designation: Depute Chief Executive/Director of Corporate Resources
Date: 9 May 2018
Author: Allan Gunn, Head of Revenues & Customer Services
Sheila McKandie, Benefits & Welfare Manager
Andy McCann, Economic & Regeneration Manager

Background Papers:

<https://www.legislation.gov.uk/asp/2003/1/part/3>

<http://www.oecd.org/employment/emp/basic-income-policy-option-2017.pdf>

<http://www.imf.org/en/publications/fm/issues/2017/10/05/fiscal-monitor-october-2017>

<https://www.thersa.org/discover/publications-and-articles/reports/pathways-to-universal-basic-income-the-case-for-a-universal-basic-opportunity-fund>

Appendix 1

Reform Scotland: “The Basic Income Guarantee”

Reform Scotland is a public policy institute which works to promote increased economic prosperity and more effective public services based on the principles of limited government, diversity and personal responsibility.

In February 2016, Reform Scotland published a report “*The Basic Income Guarantee*”. The Citizen’s Income Trust suggested a level of £71.70 per week for

adults and £56.80 for children if a Basic Income was to replace most means-tested benefits. Others suggested different UBI levels. For the purposes of their report Reform Scotland used levels that equate to an annual Basic Income of £5,200 per year for adults and £2,600 for children.

The following table illustrates the consequences of introducing a Basic Income on a range of earners. It is worth noting the figures do not include the child level of Basic Income to which parents from all income households would be entitled. In addition, the figures detail the impact on individual tax income, not household income, because a Basic Income shifts from a household basis to an individual one.

Current income	Current net pay	Proposed net pay	Total income including basic income	Difference
£5,000	£5,000	£3,000	£8,200	£3,200
£12,000	£11,247.20	£7,200	£12,400	£1,152.80
£15,000	£13,287.20	£9,000	£14,200	£912.80
£20,000	£16,687.20	£12,000	£17,200	£512.80
£26,000	£20,767.20	£15,600	£20,800	£32.80
£30,000	£23,487.20	£18,000	£23,200	-£287.20
£35,000	£26,886.20	£21,000	£26,200	-£686.20
£50,000	£36,326.20	£28,400	£33,600	-£2,726.20
£100,000	£65,326.20	£48,400	£53,600	-£11,726.20

Please note: those individuals in the higher tax bands may or may not be better off depending on their personal circumstances.

This is based on proposed changes as a result of merging NI and Income Tax, as well as increasing the combined rates

Earnings	National Insurance rate*	Income Tax rate*	Combined rate*	Proposed levels
Up to £8,060	0	0	0	40
Between £8,061 - £10,600	12	0	12	40
Between £10,601 - £41,786	12	20	32	40
Between £41,787 - £42,385	12	40	52	60
Between £42,386 - £150,000	2	40	42	60
Over £150,000	2	45	47	65

*Rates as at February 2016

Extract from the Local Government in Scotland 2003

Section 20 “Power to advance wellbeing”

20 Power to advance well-being

(1) A local authority has power to do anything which it considers is likely to promote or improve the well-being of—

(a) its area and persons within that area; or

(b) either of those.

(2) The power under subsection (1) above includes power to—

(a) incur expenditure,

(b) give financial assistance to any person,

(c) enter into arrangements or agreements with any person,

(d) co-operate with, or facilitate or co-ordinate the activities of, any person,

(e) exercise on behalf of any person any functions of that person, and

(f) provide staff, goods, materials, facilities, services or property to any person.

(3) The power under subsection (1) above may be exercised in relation to, or for the benefit of—

(a) the whole or any part of the area of the local authority;

(b) all or some of the persons within that area.

(4) The power under subsection (1) above includes power to do anything—

(a) in relation to, or for the benefit of, any persons or place outwith the area of the local authority; or

(b) in any such place,

if the authority considers that doing so is likely to achieve the purpose set out in that subsection.

(5) The Scottish Ministers may, by order, extend the meaning of “well-being” for the purposes of this section.

(6) Such an order shall be made by statutory instrument but not unless a draft of it has been laid before and approved by resolution of the Scottish Parliament.

(7) Before laying such a statutory instrument, the Scottish Ministers shall consult such associations of local authorities as they think fit