

SCOTTISH CITIZENS BASIC INCOME FEASIBILITY PROJECT

UPDATE REPORT TO SCOTTISH GOVERNMENT 5TH MARCH 2019

REPORT SUMMARY

In March 2018, four local authorities (Fife, City of Edinburgh, Glasgow City Council and North Ayrshire Council) made a successful collective bid to the Scottish Government's Citizen's Basic Income Feasibility Fund. Since May 2018, the four local authority areas have been undertaking research into the feasibility of a Citizens Basic Income (CBI) pilot, supported by NHS Health Scotland, the Improvement Service and the Scottish Government. The project has several workstreams and this report provides an update across all areas.

Project Workstreams

1. Evaluability Assessment
2. Research & Evidence
3. Engagement with DWP/HMRC
4. Communications and Engagement
5. Project Governance

Key areas of progress to date include: the development of an evaluability assessment outlining outcomes of interest and exploring possible CBI models; commissioning of key research projects; and the publication of an International Learning Report.

The Steering Group will produce three reports to Scottish Government. The first, this report, provides an update on progress of the feasibility project. The second, in autumn 2019, will set out the interim feasibility study findings. Feedback from this report will help shape any final research, pilot design options, and final recommendations of the feasibility project. Finally, a full feasibility report is expected by end of March 2020. Supported by evidence on the ethical, legislative, financial and practical considerations associated with piloting a CBI, the feasibility report will include recommendations on whether a pilot(s) is feasible under current circumstances.

Activities outlined in the funding proposal assumed a start date of March 2018, however, the project did not begin until May 2018, with project staff employed in August 2018. An updated overview of activities and milestones is outlined in appendix 1.

The Scottish Government are asked to note this update report and the Steering Group welcome feedback on progress to date as well as the planned next steps.

INTRODUCTION

In March 2018, four local authorities (Fife, City of Edinburgh, Glasgow City Council and North Ayrshire Council) made a successful collective bid to the Scottish Government's Citizen's Basic Income Feasibility Fund. The funding secured is £250,000 over two financial years, 2018/19 and 2019/20. This complements funding and resource already committed by the local authorities and NHS Health Scotland. Supported by NHS Health Scotland, the Improvement Service and Scottish Government, the local authorities have started to undertake research into the feasibility of basic income pilots in Scotland.

As noted in the Feasibility Funding application, a full-time Project Manager was recruited and has been in post at the Improvement Service since August 2018. A full-time basic income Policy Officer, funded by North Ayrshire Council and working between North Ayrshire and the Improvement Service, has also been in post since August 2018.

Since commencing research in May 2018, the Citizen's Basic Income Steering Group has started work to explore key aspects of undertaking a pilot in a Scottish context, including political, financial, psychological, behavioural and institutional feasibility. To investigate feasibility, several workstreams are currently underway: Evaluability Assessment; Research & Evidence; Engagement with DWP/HMRC; Communications & Engagement; and Project Governance.

The remainder of the report provides an update on each of these workstreams along with next steps for the project.

1. EVALUABILITY ASSESSMENT

Evaluability assessment is a way of working through whether and how a policy such as a CBI can be effectively evaluated. It involves clarifying with stakeholders the intended and unintended outcomes of the policy and assessing whether and how these can be measured with the time and resources available. An evaluability assessment process has begun to explore the nature of possible pilot models, their likely costs, the potential outcomes, and the hypotheses or research questions that the pilot will seek to address.

Over the course of three workshops, facilitated by NHS Health Scotland, the Steering Group has:

- Developed a draft theory of change for a CBI in Scotland. The theory of change maps out both the outcomes we would hope to see and possible unintended outcomes that could result from a CBI in Scotland.
- Prioritised these outcomes with a view to focusing on those that are more likely to be measurable across a sample of the population in the course of a 2-3 year pilot. The outcomes of interest include the impact of a CBI on:
 - Individual and household income
 - Changes in adult and child poverty
 - Labour market participation
 - Individual and community empowerment
 - Health, well-being and education
 - Experience of the social security system
- Identified different possible 'models' for a pilot CBI. These different models are distinguished in terms of the characteristics and potential size of the sample population who would receive the CBI in the pilot and the level of CBI paid. Eleven different models have been identified. These include a 'saturation site', where a whole population within a defined area receives a CBI, and 'targeted' approaches, where a CBI is given to members of a particular population group e.g. people with disabilities. The models assume either a 'no detriment' level of payment, in which no one would be worse off compared to the status quo, or a (higher) Minimum Income Standard level based on estimates of what the public think is an acceptable minimum standard of living.

The next steps in the evaluability assessment process will be to work through whether and how it would be possible to measure all the prioritised outcomes of interest across the 11 different models. This will help to identify those that it would be most feasible to evaluate. Parallel work to assess the institutional, financial and political feasibility (including the potential funding sources) of these models will help to inform recommendations about the preferred models to implement and evaluate in a pilot study, should it go ahead.

2. RESEARCH & EVIDENCE

The Steering Group are gathering evidence and commissioning research to inform the feasibility project. Pre-existing published work has been used to inform the research questions for the planned commissioned work, as well as the evaluability assessment.

The evaluability assessment has been particularly informed by a recent systematic scoping review of CBI-type interventions. The scoping review assessed the potential impacts of CBI-type interventions that provided as unconditional cash transfers to individuals or families (Gibson et al, 2018¹). This review concluded that, for the studies identified, the impact of basic income on labour market participation is small for male heads of household, and for both men and women in the contemporary studies. There was also consistent evidence that a basic income led to young people spending longer in education. Although less consistent, there was evidence of positive impacts on some health and social outcomes, and spill-over or wider economic effects such as reduction in health service use and increases in business activity.

This review suggests that a CBI could impact on a wide range of social justice, economic and health outcomes, but the evidence base for CBI is variable and there is a lack of evidence to assess the effects on long-term service use and wider economic impacts. Gaps in evidence along with important evidence suggesting the likely impacts of a CBI in Scotland have been highlighted by this report and have supported the development of the theory of change for the project, as well as informing the research plan.

A research sub-group were convened to consider the published research and identify gaps that require commissioning of specific research projects. These projects account for much of the budget allocated to the feasibility project and considerable progress has been made in this area. Three specific research projects now underway:

1. Benefits-CBI Interaction research

The purpose of this work is to explore how a pilot study of Citizen's Basic Income (CBI) might impact on the pilot participants' eligibility for other welfare benefits and associated 'passported' benefits. The work will consider the implications of different levels of options for the level of CBI, the potential for variation by age, and different responses by DWP, HMRC, Scottish

¹ Gibson, M., Hearty, W. and Craig, P. (2018) Universal basic income: a scoping review of evidence on impacts and study characteristics. Project Report. What Works Scotland.
<http://whatworksscotland.ac.uk/publications/universal-basic-income-scoping-review-of-evidence-on-impacts/>

Government and Local Authorities to the CBI payments (i.e. whether these will be disregarded or not). The research will look at the impact of the CBI pilot on all taxes paid and benefits received including, but not limited to, Universal Credit, housing benefits, disability benefits, passported benefits, and any local arrangements. This research will inform the CBI pilot design to help ensure that participants are in a position of 'no detriment' and will inform the discussions with the Department for Work and Pensions (DWP), Her Majesty's Revenues and Customs (HMRC), Scottish Government, and local authorities in relation to locally arranged welfare payments/in kind benefits. The project value is approximately £10k and was commissioned in January 2019. The successful contractor is the Child Poverty Action Group in Scotland and the report will be made available by the end of March 2019.

2. Economic modelling of broader and second order impacts on the local and national economy

The purpose of this commissioned work is to estimate the economic impacts of a CBI if it were implemented in Scotland. The first stage of the work, covered by this commission, will identify evidence on the impact of different levels and structures of CBI on:

- changes in behaviour, such as labour supply decisions
- the immediate distributional implications of a CBI.

It will then use this evidence to inform models estimating the economic impacts of a CBI in terms of variables such as demand side changes in levels and patterns of spending, supply side changes in incentives and productivity, and what these changes mean for longer-term economic performance.

A second stage, which would be commissioned separately, would adapt and update the analysis based on the findings of the pilot studies, if these are progressed.² The pilot studies would provide insights on changes in some of the short-term outcomes likely to determine longer term economic outcomes, such as labour supply decisions. The findings from the pilot studies would not, however, be available for several years, even if they go ahead. Therefore, this commission is for the first stage only.

The results of the modelling, alongside the results of the pilot studies if they go ahead, will form an important part of the evidence base for SG and other stakeholders, when the decision on whether to implement a CBI is taken. Although there is some uncertainty about whether the pilot goes ahead, this

² The current phase of work investigates the feasibility of conducting pilot studies in Scotland. A decision on whether to proceed to piloting will follow completion of that work.

modelling work will be required whether it does or not, to inform the wider debate about the potential costs and benefits of a CBI.

The project value is approximately £115k and the commissioning process is now underway following a period of negotiating an appropriate project brief. It is anticipated the work will be undertaken between March 2019 and January 2020 with an interim report due in August 2019 with interim results informing the initial business case to be submitted to Scottish Government in autumn 2019.

3. Model the direct impacts on household income and poverty

The best ways to model the direct instrumental impact of CBI on household income and poverty is currently being explored by the Scottish Public Health Observatory (ScotPHO) in NHS Health Scotland, who will undertake this modelling. It is anticipated that the economic model, Euromod, can be used to describe the direct income and poverty impacts of different models of CBI. This work will be undertaken from March 2019 and the results will be used to inform the outline business case.

Further to considering published evidence, and commissioning research to meet gaps, the Steering Group have considered what could be learned from current pilots worldwide. In August 2018, Carnegie UK Trust funded a group of delegates from the Citizen's Basic Income Steering Group to participate in the 18th Basic Income Earth Network (BIEN) Congress in Tampere, Finland. Held over four days in August, the event brought together over 300 academics, policy-makers and advocates to discuss and share opinion on a range of topics related to Basic Income. Participation in the BIEN Congress allowed insight to the activities, successes and challenges of several pilots, particularly those taking place in Finland, the Netherlands and Ontario, Canada. There is significant international interest in the Scottish feasibility study. Participants in the study visit produced an International Learning Report³ from the congress, which was published by Carnegie UK Trust in January 2019. This report focused on practical lessons for CBI pilots as much as possible rather than theoretical debate about the concept of a basic income, and highlighted lessons around: framing, pilot design, implementation, evaluation, and communication.

³ Barclay, C., McLachlan, J., and Paterson, M. (2019). Exploring the practicalities of a basic income pilot. International Learning Report. Carnegie Trust UK.

<https://www.carnegieuktrust.org.uk/publications/exploring-the-practicalities-of-a-basic-income-pilot/>

3. ENGAGEMENT WITH DWP/HMRC

The Steering Group are actively engaging with the DWP as to what commitment they can make to potentially supporting a pilot. It is anticipated that through ongoing dialogue we will explore and outline local/regional flexibility or delegation that could support a pilot of basic income. These discussions are at an early stage, although there is high level commitment to engaging with the project from the former Secretary of State for Work and Pensions. The Steering Group have ongoing email contact with DWP since April 2018, with discussions with DWP officials in April, May, August and November 2018.

Engagement with DWP is a significant project risk due to the number of dependencies on the outcomes of these discussions. At present, despite ongoing discussions, progress has been slower than anticipated and this has had an impact on exploring and agreeing feasible funding and payment options. This may require an adjustment of project milestones in relation to exploring funding and payment mechanisms, and subsequent pilot design options. In mitigation of this risk, the Steering Group, actively supported by Scottish Government colleagues, are exploring different channels by which to engage with DWP. Alternative contacts have been made within DWP and we hope that we will now be able to progress discussions more swiftly.

We are also actively engaging with HMRC around interaction between CBI and taxation. We have had successful discussions in February 2019 and commitment to ongoing communication has been established. It is anticipated that a face to face workshop will be agreed for early March 2019 to discuss opportunities for local flexibility to support the implementation of a pilot.

4. COMMUNICATIONS AND ENGAGEMENT

The Steering Group are keen to share learning and progress as appropriate throughout the duration of the project. Fife Council take the lead on Communications by providing expert support and coordinating communication activity. To date much of this activity has been proactive sharing of project progress via the project website (basicincome.scot) and twitter (@BasicIncomeScot), along with specific briefings to elected members and the Poverty and Inequality Commission. Media activity has been minimal to date.

Further to these communications activities, the Steering Group are keen to engage with other stakeholders outside the four local authorities. To seek broader feedback on the project plans and progress, a Stakeholder Group has been formed. The Stakeholder Group brings together a wider range of individuals and organisations which provides critique and insight to the research project. Two Stakeholder engagement sessions have been held, the first in February 2018 and the second in November 2018. Some of the issues arising from these stakeholder events include:

- Outcomes – welcomed the broad range of outcomes being considered beyond labour market participation, and asked that we include citizenship, civic and environmental outcomes
- Design & Evaluation – some support for saturation approach, that is giving a CBI to a whole community rather than a specific group or a sample across a population, although acknowledging the need to understand the impact of specific population groups or characteristics; raised issues of recruitment to a CBI experiment; the importance of testing different levels of income; and how to capture behavioural impacts and unintended consequences
- Disability & Caring – the need for careful consideration of treatment of those with additional support and income needs
- Administration & Interactions – raised issues of practical administration, interactions with other benefits, and how participants would be transferred to other benefits at the end of any experiment
- Engagement – consider engaging with businesses, potential participants, and coproduction in the design of a pilot
- Political Issues – questions raised about the ongoing political will for such a pilot; what powers are available to implement a CBI pilot; and concerns raised about the potentially excluding nature of the word ‘citizen’.

Time for further public engagement, should this be necessary, has been built into the 3rd Phase of the feasibility work (April 2019 – Sept 2019), however an element of engagement has taken place ahead of schedule as opportunities have arisen.

In 2017 Glasgow City Council with the support of the Royal Society of Arts (RSA) held two workshops with citywide stakeholders and community groups, which was followed up a few days later with a sounding board meeting with a group of selected bodies, including: Big Lottery Fund Scotland; Child Poverty Action Group (CPAG); COSLA; Glasgow Chamber of Commerce; Individual Carer; and STUC.

Fife Council held an exploratory session on Basic Income led by Prof Guy Standing in Dunfermline in November 2016, with the support of Citizens’ Basic Income Network Scotland (CBINS), Carnegie UK Trust, RSA, and others. This was followed by Fife Council and CBINS co-hosting a public meeting in Kelty, Fife, in January 2017. The aim of this event was to raise public awareness of the idea of a basic income and to explore some of the practical issues that would need to be considered if implementing a local pilot of basic income. Fife Council has also undertaken background research on the concept of a basic income and produced a report for councillors setting out what would be involved in developing a local pilot of basic income which was considered at Fife’s Policy and Coordination Committee in September 2017.

Public awareness and understanding of basic income were explored through a survey of Fife People's Panel (a representative panel of 1% of the adult population in Fife). A total of 892 Panel members completed either a paper or online survey between 16 June and 14 July 2017, and the results of this are included in the Fife background report. There appears to be a good level of public awareness of the concept of basic income in Fife, with more than half of respondents saying that they know something about it or understand it fully.

In Spring 2018, as part of awareness raising with frontline staff working on welfare reform and anti-poverty, local meetings were held in each of 7 Areas of Fife, giving the opportunity to discuss and ask questions about the potential for a local pilot of basic income in Fife.

In December 2018, a workshop for Fife Councillors enabled elected members from across political parties to come together informally to hear more about the project and how it is going and discuss some of the practicalities that need to be considered.

During February and March 2019, Fife Council is working with the RSA on a programme of Stakeholder and Citizen engagement meetings to review the existing welfare system, consider the current system from the perspective of citizens, start to explore possibilities for the future, and design basic income interventions, with the aim of developing a blueprint that can be adapted and owned in a local context.

In summer 2018 North Ayrshire Council included similar questions on basic income in their own People's Panel Survey and with follow up focus groups. The survey noted the majority of respondents were not aware of the concept of Citizen's Basic Income or did not understand it in detail.

Within City of Edinburgh Council, a series of internal staff workshops have been held, with a focus on engagement with customer service and transaction teams, including those responsible for the management of benefits transactions, Scottish Welfare Fund, and other hardship support. These events have been valuable in helping raise awareness of the project, and of CBI, and in gathering insight on logistical issues related to the planning and implementation of a pilot.

Evidence and insight from the Councillor group, Stakeholder groups and locally undertaken surveys will be used to establish the necessity of a broader plan for public engagement in the forthcoming 3rd Phase.

5. PROJECT GOVERNANCE

As part of governance arrangements, a Councillor group comprising three representatives from each local authority was formed. The purpose of this group is to provide feedback on the progress of the Steering Group and give senior Local Authority input to the feasibility research programme and subsequent business case development. The first Councillor Group meeting was held in March 2018 when the terms of reference were agreed. Two more Councillor Group meetings have been held since; in October 2018 and February 2019.

Project milestones, risk register, and project finances are monitored and updated regularly (see appendix 2 for a financial update to 31st January 2019). Overall the project is progressing well against the initial milestones, although as already mentioned there has been some minor amendments to timescales due to the project not starting until May 2018 as opposed to March 2018 as set out in the funding application and slower than anticipated progress with DWP engagement. The risks associated with these delays have been mitigated as previously discussed.

NEXT STEPS

This report sets out key achievements from May 2018 to March 2019, along with progress towards the milestones set out on the original funding application. The next report to Scottish Government will be an interim Feasibility Report at end September 2019. The next six months will be a busy period for the project with several important activities starting or continuing, and key milestones to be met:

1. Report from the Child Poverty Action Group in Scotland on the ***CBI/Benefits Interaction research*** available to the Steering Group by end March 2019
2. The tender for *the Economic modelling of broader and second order impacts on the local and national economy* will be published at the end of February 2019, with commissioning awarded in March. This will allow for interim results to inform the September interim report to Scottish Government
3. The ***modelling of the direct impacts of CBI on income and poverty*** will be undertaken through spring 2019, and will be undertaken by the Scottish Public Health Observatory in NHS Health Scotland
4. ***Engagement with both DWP and HMRC*** will continue, with a face to face workshop anticipated in March 2019
5. The Steering Group will develop a ***funding and payment options paper***
6. ***Process and outcomes evaluation data collection planning*** will continue from March-September 2019
7. The Steering Group will consider the necessity of, and opportunities for further ***stakeholder and public engagement***
8. The outputs from these various strands of work will inform the ***Interim Feasibility Report*** to be submitted for consideration by Scottish Government in September 2019.

Phase 1 (months 1 – 6): May 2018 – October 2018

- Clarify the intended outcomes of a proposed Scottish Basic Income pilot
- Generate options for Basic Income pilots to meet the intended outcomes
- Identify the intended and unintended consequences of the pilot options
- Develop clear research questions to be tested through the pilots
- Commence commissioning of key research and modelling work
- Begin engagement with DWP/MHMRC

Key decisions: Are local authority partners content with objectives? Can these be agreed collectively? Does this impact on the future of the pilots?

Phase 2 (months 7 – 11): November 2018 to March 2019

- Continue commissioned research and modelling work
- Agree preferred Basic Income pilot option/s to be proposed in the business plan
- Continue engagement with DWP/MHMRC
- Develop options paper regarding funding / payment mechanisms for pilots (this has been delayed due to slower than anticipated progress with DWP engagement)
- Pilot evaluation planning in place
- Progress report to Scottish Government (March 2019)

Key decisions: Is there a preferred model(s) that can be agreed upon? Can appropriate funding and delivery mechanisms be identified?

Phase 3 (months 12 – 17): April 2019 to September 2019

- Complete commissioned research and modelling work
- If required, commission qualitative research requirements
- Agree possible funding and payment mechanisms, considering DWP/MHRC discussions
- Production of interim feasibility report to Scottish Government (autumn 2019) setting out nature of proposed pilot, research questions to be evaluated, likely costs and benefits, and sources of funding

Key decisions: Will Scottish Government support the pilots moving to full business case and pre-implementation phase? Will each of the four Local Authorities support the next phase?

Phase 4 (months 18 – 23): October 2019 to March 2020

- Detailed evaluation methods developed, with costings
- Baseline data identified, and collection plan agreed
- Full data collection and analysis agreed
- Progress report / full business case for pilots to Scottish Government (March 2020)

Key decision: Are funding and delivery mechanisms in place?

APPENDIX 2 – FINANCIAL UPDATE (TO 28TH FEBRUARY 2019)

	Total Forecast	Actual 2018-19	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21
	£	£	£	£	£
Income	250,000	130,000ⁱ	130,000	120,000	
Forecast brought forward				82,096	5,868
Expenditure					
Salary and expenses	119,006 ⁱⁱ	24,175 ⁱⁱⁱ	43,404	71,728	3,874 ^{iv}
Events	4,000	729	2,000	2,000	
Research costs:					
1. Economic modelling	115,000		-	115,000	
2. Benefits-CBI Interaction research	10,000		2,500	7,500	
Total Expenditure	248,006	24,904	47,904	196,228	3,874
Carry Forward			82,096	5,868	-
Balance	1,994	105,096	82,096	5,868	1,994

ⁱ Final grant of £50,000 for 2018-19 has now been received

ⁱⁱ Invoice for Project Manager secondment costs has been now received (staff costs increased as VAT is being charged by NHS Health Scotland - to be queried)

ⁱⁱⁱ Actual costs less than projected as Project Manager not in post until August 2018

^{iv} Current Staff Contract for 20 months, 0.5 months will spill over into financial year 2020/21