

**Manchester City Council
Report for Resolution**

Report to: Resources and Governance Scrutiny Committee –
9 November 2017

Subject: The Roll out of Universal Credit Full Service in Manchester

Report of: City Treasurer

Summary

This report provides details of the Universal Credit regime and roll out, including the financial impact on both Manchester residents and the Council, including other areas of financial support offered by the Council.

Recommendations

Committee is requested to note the contents of the report.

Wards Affected:

The functions and services covered in the report are provided to all wards in the city.

Contact Officers:

Name Carol Culley
Position: City Treasurer
Telephone: 234 3406
E-mail: c.culley@manchester.gov.uk

Name: Julie M Price
Position: Head of Revenues, Benefits and Shared Services
Telephone: 953 8202
E-mail: j.price2@manchester.gov.uk

Name: Angela Harrington
Position: Head of Work and Skills
Telephone: 234 3171
E-mail a.harrington@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Reports to Economy Scrutiny Committee:

- 6th February 2013 – The Impact of Welfare Reform
- 4th September 2013 – Special meeting on Welfare Reform and impacts
- 24th September 2014 – Universal Credit
- 28th October 2015 – Cumulative Impact of Welfare Reform
- 6th July 2016 - Cumulative impact of Welfare Reform and Universal Credit Presentation

Reports to Communities Scrutiny Committee:

- 4th September 2013 – The Equalities Impact of Welfare Reform (scoping paper)
- 8th January 2014 – The Equalities Impact of Welfare Reform

1. Introduction

Universal Credit (UC) is the government's flagship welfare scheme which aims to simplify the benefits system for working age people by bringing together out of work and in work benefits, improve the transition to employment and make work pay by removing disincentives to work. However, there are a number of concerns regarding its implementation. UC is one of a number of reforms to the welfare system since the Welfare Reform Act of 2012, which includes the under-occupancy rules for social housing (known as the bedroom tax), the Benefit Cap, reform of Local Housing Allowance for private rented properties, changes to Disability Living Allowance and Employment Support Allowance and the limiting of benefit claims to two children.

The combined and cumulative impact of these welfare reforms alongside the introduction of UC is difficult to monitor due to its complexity and the fact that individuals will have very different experiences based on their circumstances. However evidence suggests that vulnerable residents in particular, who have barriers to employment, could be at risk of greater poverty and housing instability.

The Council's Welfare Reform Board monitors the impact on residents, local areas and services and coordinates mitigating activity. A range of communication work has taken place with residents, staff and partners to ensure that people affected are prepared and know where to access support. The Board reviews the support services available for people affected and where residents can be proactively encouraged to undertake employment and skills related activity.

The Welfare Reform Board has provided regular reports to the Council's Economy Scrutiny Committee. The Economy Scrutiny Committee have the overarching remit for monitoring and responding to the impact of UC in Manchester. This report to the Resources and Governance Scrutiny Committee is intended to address those areas within its remit; in particular Council Tax, the Council Tax Support Scheme, Discretionary Housing Payments, and the Welfare Provision Scheme.

2. Universal Credit

2.1 Background

Universal Credit replaces six means tested benefits and tax credits known as the legacy benefits which include:

- Income-based Jobseekers Allowance
- Income-related Employment and Support Allowance
- Income Support
- Child Tax Credit
- Working Tax Credit
- Housing Benefit (unless living in 'specified accommodation'; or where there are three or more children in the household)

Council Tax Support and Free School Meals sit outside of UC and must be claimed through the Council in the normal way.

Universal Credit is claimed by those on low to moderate income, whether in work, or out of work because they are seeking work, caring, or too ill to work. Universal Credit consists of a core 'personal allowance' plus additional payments depending on the claimant's situation e.g. housing cost allowance, extra allowance for children, or disability allowance.

The monthly payments automatically adjust to income from employment, since 'real time' income information is taken from HMRC.

2.2 Universal Credit payments

The default approach to UC payment is:

- The claimant will receive one payment each month into their nominated bank or credit union account and will be expected to manage this amount themselves, including rent payments to their landlord
- Claims will be paid as one payment to a single nominated account for the household, rather than to individuals within the household. There is a 5-6 week window between the date of the claim and the first payment. Advance payments (loans) are available via the Jobcentre Plus Work Coach if claimants need assistance in this period

2.3 Universal Credit and the benefit cap

UC claimants will have the Benefit Cap applied to their total benefit income. This differs to Housing Benefit (HB) where only HB is reduced by the Benefit Cap. There are exemptions to the cap for people who claim certain elements for example the carer's element of UC. Working age people will also continue on HB where they have three or more children. The rates of the cap for UC claimants (outside of London) are below.

This does not include the Childcare Costs element of UC which is not counted when the cap is applied:

- £384.62 a week for couples - with or without dependent children
- £384.62 a week for a lone parent with dependent children
- £257.69 a week for a single person without children

2.4 Universal Credit and conditionality

Depending on the personal circumstances of the claimant they will be placed into a 'conditionality group' which will influence whether they are required to undertake work related activity and if so what level. Claimants who are required to undertake work related activity will sign a claimant commitment. Failure to keep their claimant commitment could mean losing some of their UC (a sanction). This claimant commitment can extend to people who are in work but earning below the 'minimum earnings threshold'.

3. UC roll out to 'Full Service'

3.1 UC Live Service

Universal Credit 'Live Service' was first rolled out in Manchester in September 2014, to single people / couples initially and then families. A 'gateway' was applied which meant that only certain claimants were eligible to make a claim for UC (for example those without health conditions and those not in any work).

With UCLS If a claimant moves into full time employment and no longer receives any payments, they remain a UC claimant for six months which means they will automatically receive benefits if their employment income falls again.

As of end of August 2017 there were 8,724 people claiming UC in the city.

3.2 UC Full Service

Universal Credit 'Full Service' is the roll out of the full digital service to all new claimants. The claim is made online and the ongoing management of the claim is via the digital portal. Therefore claimants will be required to have a certain level of digital skills. They will also require a bank/ credit union account, email address and photo ID (or verification of their identity via an interview with their Jobcentre Plus work coach) to complete their claim.

With UCFS if a claimant moves into full time employment and no longer receives any payments, they remain a UC claimant for six months. However if their employment income falls again during this period they need to update their online UC claim. Their UC claim does not automatically start paying again as it does with UCLS.

The 8,724 current UC Live Service claimants in Manchester will all be required to make a new 'full service' claim so that their claim is moved to the digital service - DWP will be notifying all affected to prepare them for this.

A few groups remain exempt from Universal Credit and will continue to claim the legacy benefits until further notice. This includes people living in certain types of Supported Housing, families with more than two children and pensioners.

The roll out schedule is determined by the DWP and takes place by Jobcentre Plus office:

25th October 2017 - Alex Park (N.B. Some M16 postcodes linked to Alex Park went live on 4th October 2017), Didsbury, Rusholme

29th November 2017 - Newton Heath, Openshaw, Town Hall Outreach

24th January 2018 - Longsight due to close - customers will move to Rusholme Jobcentre

2nd May 2018 - Cheetham Hill, Wythenshawe

4. Services for UC claimants

DWP have provided Local Authorities with funding to commission Personal Budgeting Support (PBS) and Assisted Digital Support (ADS) for UC claimants. PBS helps claimants to manage their monthly benefits. ADS provides support with new online claims for UC and ensures that the claimant has the digital skills to maintain their claim on the digital portal.

In Manchester, PBS is being delivered by Shelter. ADS is being delivered by Citizens Advice Manchester, Cheetham Hill Advice Centre and the Council's Customer Service Centre. These providers already deliver advice services for Manchester residents and have well established links with organisations across the city. It is vital that any person needing to claim UC, or who is already claiming and needs extra support, accesses these services. The advice providers are encouraged to refer clients into wider support to promote ongoing skills and employment support, for example referring into MAES digital skills provision. Further information on these services including referral process and delivery locations will be available soon via the website and communications material.

Further information on sources of support in a particular area of the city can be found by visiting the Council's website and entering a postcode in the 'your neighbourhood' box in the bottom right of the site homepage. This shows locations of public computers and sources of IT support and locations of work clubs.

5. Vulnerable Residents

The DWP has discretion to alter the payment arrangements for claimants who are deemed to be vulnerable, for example those suffering from domestic violence or those who have alcohol/ drug dependency. This should be discussed with the Jobcentre Plus work coach handling the claim or with the DWP UC Service Centre. Registered Housing Providers also have the power to request alternative payment arrangements for their tenants, for example those with substantial rent arrears or those considered vulnerable.

For claimants who are considered never able to manage their claim digitally, the claimant or a representative needs to visit a Jobcentre Plus office or contact the UC Service Centre to make alternative arrangements.

Discretionary Housing Payments are available for UC claimants who have housing costs included in their UC payment. Claims may be considered by the Council's Revenues and Benefits Service where a UC claimant is struggling to pay their rent and requires temporary assistance. The Council also has a discretionary Welfare Provision Scheme, which can provide beds and bedding / white goods, small cash grants of up to £60 for emergency support and payments of up to £49 charged onto fuel cards.

A range of support is available from organisations across the city depending on the individual's circumstances. A comprehensive directory can be found at the Council's Help and Support Manchester site: <https://hsm.manchester.gov.uk>

6. Cumulative impact

There are a number of concerns regarding the implementation of UC. UC is one of a number of reforms to the welfare system since the Welfare Reform Act of 2012, which includes the under-occupancy rules for social housing (known as the bedroom tax), the Benefit Cap, reform of Local Housing Allowance for private rented properties, changes to Disability Living Allowance and Employment Support Allowance and the limiting of benefit claims to two children.

The combined and cumulative impact of these welfare reforms alongside the introduction of UC is difficult to monitor due to its complexity and the fact that individuals will have very different experiences based on their circumstances. However evidence suggests that vulnerable residents in particular, who have barriers to employment, could be at risk of greater poverty and housing instability. The Council's Welfare Reform Board monitors the impact on residents, local areas and services and coordinates mitigating activity. A range of communication work has taken place with residents, staff and partners to ensure that people affected are prepared and know where to access support. The Board reviews the support services available for people affected and where residents can be proactively encouraged to undertake employment and skills related activity.

7. Activity within the Council

7.1 Co-ordination

The Council's Welfare Reform Board is monitoring the impact of the implementation of UC. A UC working group has been established consisting of key Council services and DWP to deliver a project plan, which details activity relating to resident and partner communication, support services, internal and staff communications, monitoring of impact and governance arrangements and reporting. Updates will be provided to Economy Overview and Scrutiny committee as part of its focus on welfare reform.

7.2 Communications Activity

Work is currently underway to map the local support offer to help residents obtain photo ID, a bank account and an email account. A full mapping of digital access points across the city has been completed. The Communications Team will be developing a printed leaflet for residents with information on digital access points and the Personal Budgeting and Assisted Digital Support services, which will be sent to partners and organisations across the city. The Council's UC web pages are being updated and a full communications and social media plan is underway.

Discussions are taking place with the Council's HROD with regards to internal staff who may be affected themselves by UC and communications are being developed to alert staff who may be affected.

DWP are carrying out further engagement activity with employers who need to be aware of the implications of UC roll out for their staff.

7.3 Information for Staff and Partners

Staff in the Work and Skills team are producing a one page UC flowchart to support staff in giving accurate and simple direction to anyone claiming or needing to claim UC. DWP are delivering briefing sessions for the Council's frontline services who are likely to be engaging with residents affected and have made contact with the Customer Service Centre, Homelessness Team and the Library service – further services will be identified via the UC Working Group. All Council employees will be informed about UC by means of broadcasts and newsletters and e-learning is being explored as a way of making this process coordinated and streamlined.

The local DWP Partnership Manager is leading on engagement with partners and has met with a range of services over the past few months. The Council are supporting with this, such as making links with private rented landlords where possible through the Neighbourhood Teams and sharing information on local VCS groups to maximise the chance of those affected having the information regarding the changes and support available in the city.

8. Risks and Impact on Manchester residents

The following areas have significant impacts on residents:

- There is a 5-6 week wait between a claimant making the online claim and getting their first payment. There are concerns that this will lead to claimants getting into debt and/or rent arrears during this period. DWP can offer an advance payment to support during this period but this is a loan and taken out of future monthly benefit payments.
- Universal Credit is often not paid for the first seven days following the claim as these are 'waiting days'.
- DWP work closely with Registered Housing Providers and verify rent costs with them directly in order to process UC claims. Registered Providers can also make applications for Alternative Payment Arrangements (APA) for their tenants where they are vulnerable or have rent arrears. This is not possible with Private Rented Sector landlords. Claimants are required to obtain evidence of their tenancy and rent costs themselves and DWP must have the consent of the customer to discuss any APA (e.g. rent paid directly to the landlord) with the landlord.
- Some single people aged under 21 cannot access any support with housing costs under the Full Service.
- The fact that the benefit cap is applied to the whole of the UC claim (not just the housing element), raises the risk that some families will struggle to find or maintain a tenancy (although families with three or more children will still be required to claim HB). Unlike claimants of Housing Benefit, the Council does not receive notifications of UC claimants subject to the Benefit Cap and therefore the Council cannot carry out any proactive engagement.

- At present only DWP and RPs can apply for an APA on behalf of a claimant, although MCC is included as a Trusted Partner where we are directly responsible for housing residents e.g. within temporary accommodation. It is possible that some vulnerable clients will fall through the cracks, for example private sector tenants who do not disclose problems to their Jobcentre work coach. If they have a support/ key worker, they can attend appointments at the Job Centre with them and act on their behalf.
- The single payment to one account for the household may restrict access to finance for one partner within the household.
- The UC Full Service is fully digital which will require claimants to have a certain level of digital skills. Support is being put in place to ensure that residents are able to make their claim and provide some information on how to manage their claim, however it is vital that those with poor digital skills access ongoing support. There is a risk that claimants mismanage their claim, for example fail to upload required information, which could lead to action from DWP.

9. Impact on areas of the Council

9.1 Other Financial Support provided by the Council

9.1.1 Council Tax Support

Council Tax Support is now wholly funded by the Council and is not paid as part of the UC claim. The main issue is that any housing costs are paid as part of the UC award and any financial help towards Council Tax now has to be claimed as a separate claim from the Council.

Unfortunately some residents are not claiming what they should and extra resources are being put into supporting residents in receipt of UC to ensure that they make their claim for Council Tax Support with the Council. It is vital that this is well promoted as the risk is that claimants do not realise this and become liable for their full Council Tax bill.

The Council will continue to work with the DWP to ensure that DWP staff supporting residents make it clear that a CTS claim needs to be made and where agreed details are passed over to the Council to follow up a claim with a resident.

The Council has maintained the ability to backdate CTS claims for six months. This allows for late claims to be considered and where possible claims backdated to the correct date of entitlement.

9.1.2 Discretionary Housing Payments

The Discretionary Housing Payment scheme provides funding to deal with anomalies and hardship in situations where normal Housing Benefit does not cover all the rent. To qualify for some consideration for assistance under this scheme the resident must already qualify for some Housing Benefit or the Housing Element of Universal Credit.

The government provides councils with a grant amount up to an agreed threshold and any money not spent in the year to which it relates is returned to government as unspent. The Council is able to fund above this amount up to a further threshold but this is funded from the Council's budget.

Although housing costs are included within the UC award, those residents requesting additional discretionary support are still directed to the Council's DHP scheme and responsibility for discretionary support for these cases is maintained by the Council.

There is an increasing burden on the scheme, especially in relation to the UC scheme and changes to the amount of funding for temporary accommodation.

The following table shows current year spend to date and previous years' award information as background. Of the £2,006,057 committed spend, £579,791 relates to committed spend for the remainder of this financial year.

Year	Government contribution	Amount spent	Cost to Council	Amount returned to government
2017/18 year to date	£2,557,484	£2,006,057	N/a	N/a.
2016/17	£2,097,016	£2,131,683	£34,667	£0
2015/16	£1,874,257	£1,901,789	£27,532	£0
2014/15	£2,356,068	£2,390,249	£34,181	£0
2013/14	*£2,222,105	£2,287,046	£64,941	£0

The budget will be have to be carefully managed both for the remainder of this financial year and the 2018/19 financial year, the amount of which is expected to be around £2.35 million which is a decrease on this financial year..

9.1.3 Welfare Provision Scheme

The Council provides financial support in the form of grants to Manchester residents who are suffering financial hardship and:

- Have been subject to an emergency or disaster situation, and are at the point of crisis; or
- Have had to move home due to fear of violence, significant health or care needs or as a result of an emergency or disaster, or as part of a supported or emergency rehousing, and their previous furniture is no longer available; or
- Need additional furniture or equipment to enable them to stay within their current home and maintain independent living; or
- Are in a specific vulnerable group and are in extreme fuel poverty in that they are unable to afford immediate heating costs during the winter months or have been dis-connected.

The Council will also provide support to residents moving into work but who remain on a low income with the provision of a grant to assist with public transport costs for the first month of employment.

As a general principle, given the very limited budget, the service has taken care to avoid making payments where there is an alternative and more suitable source of support and will often refer to other agencies or other parts of the Council. This includes the DWP for households affected by benefit sanctions or the Council's No Recourse to Public Funds (NRPF) team for people or families who are not entitled to mainstream welfare benefits due to their immigration status.

Although the Council would not normally make payments to families waiting for their UC award to be paid, exceptional circumstances and vulnerability are considered and payments have been made.

9.1.4 Free school meals and identification of pupil premium

It should be noted that entitlement to free school meals is also the identifying factor for government to award a pupil premium to schools. This is an amount of additional funds paid to recognise the additional needs of these pupils. It is essential that the Council continues to maximise entitlement even if a family chooses to not take up the provision of a meal.

At the present time any entitlement to UC provides entitlement to free school meals. This is slightly more generous than the current regime for working families outside of UC that caps entitlement to a level below which UC would be awarded. This is an area that may change in the future as more families move onto UC.

Historically the Council has been effective at capturing eligible families by virtue of having a combined HB/CTS/FSM claim process. This has meant that eligible families have been picked up when they claim their HB which is the one they are more likely to claim because of the higher amounts of money involved.

As the roll out of UC continues to include more and more families with children, the Benefits Service is less likely to know about families' circumstances. We already know from the reduction in the number of UC claimants who follow up their claim for CTS that people are not claiming what they should do and many will not claim what they are entitled to. As a result, the new regime will require additional activity to make people aware and provide additional support.

Staff from within the Benefits Service, Finance and Children's Services are in the process of reviewing this area so as to ensure maximum take up of free school meals and the capture of pupil premium information.

One of the issues that will need to be explored with schools is the current six week delay in the confirmation of entitlement to UC and the schools' actions and flexibility in providing meals to children during this waiting period.

9.2 Impact on collection of money owed

9.2.1 Rent collection

Registered providers have raised concerns nationally that UC is leading to rent arrears. This is because claimants manage their own budget and are responsible for making rent payments. Information on the impacts of this in Manchester will be monitored and reported via the Economy Scrutiny Committee.

9.2.2 Council Tax collection

The move to Universal Credit will have a significant impact on Council Tax recovery. As stated earlier in this report, the main issue is that any housing costs are paid as part of the UC award and any financial help towards Council Tax now has to be claimed as a separate claim from the Council. A proportion of people don't follow this up and it is proving difficult to engage and get a separate claim for Council Tax Support.

In addition to this, the delays in awarding UC and the cumulative impact of welfare reforms will have an impact on the money available to some families to meet essential household bills.

The delays and nature of the claim process will inevitably lead to recovery action taking place that is then reversed when retrospective CTS is awarded. This will result in increased postage costs and staff time.

In terms of recovery of any Council Tax arrears owed, the Council would look to engage with residents to agree affordable payment plans. The Council would look to avoid bailiff activity for households in receipt of UC and where there were arrears would look to do an attachment to the UC so as to avoid an escalating debt position.

Deductions from Universal Credit are subject to determined rates and rules. The amount deducted and paid over is variable and is based on 5% of the basic allowance for Universal Credit. For example, this works out at £15.89 per month for a single person aged over 25. There are up to three deductions allowable for different debts and Council Tax is sixth in the priority list behind rent/service charges/mortgage/gas/electricity.

The level of these deductions will be captured and reported to future Scrutiny committees as part of the Council Tax collection performance regime.

9.3 Council Resources

There are expected to be increasing numbers of enquiries to frontline Council staff around UC, who will need to know where to signpost residents locally. Frontline staff who are working with vulnerable residents in particular will need to have an understanding of UC.

There are also expected to be resource impacts on the Revenues and Benefits team relating to the processing and administration of UC claims and housing costs. In the short to medium term the decrease in housing benefit caseload is expected to be offset in an increase in the supporting administration of the new and emerging processes and regime.

In the medium to long term there is expected to be a decrease in government grant to support housing benefit administration and an expectation of a decrease in housing benefit assessment staff. Although the service is expected to continue to be responsible for Council Tax Support claims and the housing benefit of non-working age claimants (pensioners), families with more than three children, certain types of supported housing and other complex claims.

9.4 Data Sharing

Council staff have limited access to claimant level UC data.

Revenues and Benefits are notified when a claim for UC is made and the claimant has completed a form to confirm that they wish to claim Council Tax Support. The form acts as a data sharing agreement enabling relevant UC data to be shared with the Council in support of the Council Tax claim. The information includes income, household and property (including rent) data.

Where a claim for UC is made and the claimant does not indicate that they wish to claim Council Tax Support, Revenues and Benefits staff will not receive any UC claim information or have access to this.

As noted in Section 8. unlike claimants of Housing Benefit, the Council does not receive notifications of UC claimants subject to the Benefit Cap. Nor will the Council be made aware of those affected by under occupancy reductions. This means that the Council cannot carry out comprehensive proactive engagement with those households who are affected.

10. Conclusions

The implementation of UC full service will have a significant impact across the Council.

Although there has been significant activity and preparation by the Council, the full effects of the UC regime, on the Council's finances, staff and Manchester residents are not yet fully understood and quantified. In addition, as government continues to amend the scheme the Council will need to be able to adapt and respond to these changes and where possible support residents through this process.

The Council will continue to monitor the impacts and report via the appropriate Scrutiny committees providing updates and statistics on the impact.