

**Manchester City Council  
Report for Information**

**Report to:** Economy Scrutiny Committee – 6 March 2019

**Subject:** The Impact of Welfare Reform and Universal Credit on the Manchester Economy

**Report of:** Head of Work and Skills

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**Summary**

This report provides an update on the implementation of welfare reform in Manchester. It analyses the impacts of welfare reforms on the city so far, specifically Universal Credit and the anticipated impact from the continued roll out. It summarises the City Council's response to the reforms and where the City Council and partners have opportunities to focus efforts to mitigate some of the impacts in the future.

**Recommendations**

The Committee is invited to note and comment on the report.

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**Wards Affected:** All

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**Alignment to the Our Manchester Strategy Outcomes (if applicable):**

<b>Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the OMS</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Focus on sustainable work as a route out of poverty.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Monitoring the impact of welfare reform on Manchester's workforce.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Monitoring the impact of welfare reform on residents including opportunities available, support into work or progression, the ability to provide for their children and levels of homelessness.
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	Focus on improving basic skills including digital skills to help residents negotiate the digital city and move into work.

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**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:**

- 6 February 2013 - The Impact of Welfare Reform
- 4 September 2013 - Special meeting on Welfare Reform and impacts
- 24 September 2014 - Universal Credit
- 28 October 2015 - Cumulative Impact of Welfare Reform
- 20 July 2016 - Cumulative Impact of Welfare Reform
- 3 January 2018 - Universal Credit roll out

**Reports to Resources and Governance Scrutiny Committee:**

- 9 November 2017 - The Roll out of Universal Credit Full Service in Manchester
- 7 February 2019 - The impact of welfare reform agenda on the Council's finances in its ability to provide support to residents of Manchester

**Reports to GMCA Economy, Business Growth & Skills Overview & Scrutiny Committee:**

- 13 July 2018 - Welfare Reform and Universal Credit in Greater Manchester

## **1.0 Introduction**

- 1.1 The Welfare Reform Act 2012 saw the start of significant reform to welfare provision in Britain, which was in part to deliver budget savings for Central Government of £12bn. Central Government has continued this reform programme with the implementation of the Welfare Reform and Work Act 2016.
- 1.2 The purpose of this paper is to provide an update on previous reports, presented to this committee in July 2016 on welfare reform and January 2018 on Universal Credit. This paper focuses on the implementation of welfare reform including the roll-out of Universal Credit across the city and the impact on Manchester's residents.

## **2.0 Economic Context**

- 2.1 As of May 2018 there were 45,394 people claiming out of work benefits in Manchester. The worklessness levels in Manchester fell steadily between February 2012 and November 2017, from 64,230 to 44,720, and have only risen slightly since then. This is one of the lowest claimant count for decades. Out of work benefits include Jobseeker's Allowance (JSA), Employment Support Allowance (ESA), Income Support (IS) and Universal Credit (UC) (where the claimant does not work). This figure includes some claimants who may not currently be actively seeking employment, for example those in the support group of Employment Support Allowance but not those who are working low numbers of hours, who would previously have been recorded within out of work benefit claimant numbers undertaking 'permitted work'.
- 2.2 Jobseeker's Allowance and Universal Credit data is available more frequently than total out of work benefit figures. A proxy figure for the number of residents who are actively seeking employment can be created by combining UC claimants (out of work) with the JSA figure. As of July 2018, there were 12,420 claimants in this category. As of November 2018, there were 24,325 Universal Credit claimants in Manchester, of whom 8,348 (34.3%) are in some employment (note: these claimants could still be subject to conditionality to seek more work) and 15,979 (65.7%) are out of work. It is worth noting that not everyone who is out of work claims an out of work benefit and the number of residents who are out of work is likely to be much higher, particularly in the 18 to 24 year age group.
- 2.3 Macro economic conditions have a significant impact on levels of employment. Manchester has continued to experience high levels of economic growth over the past few years. Manchester's GVA grew by 5% in 2013, 4.8% in 2014 and 6.4% between 2015 and 2016. It is therefore a positive outcome that the out of work benefit claimant number has fallen in this time, evidence that local residents are taking advantage of economic growth in the city, although the caveats around who is recorded as out of work since the introduction of Universal Credit should be noted.

*At 11.9%, the out-of-work benefits claim rate remains higher than the national rate for those aged 16 and over, but over the past ten years the gap between the City's claimant count and national average, has reduced from 7.1 to 3.1 percentage points (November 2017). In the context of rapid working-age population growth, maintaining a rate of reduction on a par with national comparators suggests that the city's increased population growth is not coming at the expense of increased benefit dependency. (State of the City Report 2018)*

- 2.4 It is important that as people move into work, the employment that they secure is sustainable and pays a wage that they can live on. A large proportion of Manchester residents rely on in-work benefits to top up their income. Data from HM Revenues and Customs shows that in 2015/16 there was an average of about 33,400 families/individuals who were in work and claiming Tax Credits in Manchester. Of these, 21,900 families claimed Working Tax Credit (WTC) and Child Tax Credit (CTC), 5,600 families claimed CTC only, and 5,900 claimed WTC only. Universal Credit will gradually replace tax credits. Universal Credit is currently only for new claimants and claimants who have had a change in circumstances.

### **3.0 Welfare Reforms**

#### **3.1 Overview**

- 3.1.1 Welfare Reform encompasses fundamental changes that have been implemented since 2012 (see February 2019 RAGOS report for a summary of these). Outside of Universal Credit, there have been limited changes to other welfare measures since 2016 when a report on welfare reform was last brought to this committee. However, we see in the City the cumulative impact of welfare reforms, which is significant for Manchester residents dependent on benefits for some or all of their income. Unsurprisingly the effect is disproportionate in some of the City's poorer neighbourhoods.
- 3.1.2 The Manchester Welfare Reform Board whose members include relevant departments across Manchester City Council, advice agencies, Registered providers and the DWP, continues to monitor the impact of a wide range of welfare reforms, agreeing on actions to mitigate negative impacts where possible. The welfare reform monitoring report pulls together data from a range of sources at city wide and neighbourhood level. This, along with anecdotal information and research gathered from stakeholders both locally and nationally, provides a strong evidence base. See Appendix 1 for a glossary of the welfare reforms.

#### **The Benefit Cap**

- 3.1.3 In June 2017, the High Court decided that the Benefit Cap was unlawful when applied to lone parents with children aged under two, because of its discriminatory impact upon those children. However, in March 2018, the Court of Appeal decided that the Benefit Cap could be imposed on lone parents with children under the age of two. The welfare reform monitoring report includes

data on the Benefit Cap and its impact on Manchester's residents, please see section 5.2.

### **Disability Living Allowance to Personal Independence Payments**

- 3.1.4 Disability Living Allowance (DLA), a benefit to help with the extra costs of living with a disability, is being replaced by Personal Independence Payments (PIP) that has different, stricter, qualifying conditions. The original timetable for invitations for claimants to make a new claim for PIP has been extended, with full roll out now expected to be complete by the end of 2019. By May 2018, there were 20,655 PIP claimants in Manchester.

### **Freeze on Cost of Living Increase**

- 3.1.5 The policy not to increase working age benefits in line with inflation continues until the end of 2019/20 effectively reducing incomes, as inflation is currently at 2% (December 2018).

### **Housing Benefit**

- 3.1.6 The Government announced on 9 August 2018 that housing benefit will be kept in place for all those living in supported housing. The Government committed to working with stakeholders to develop a robust regime to ensure quality and value for money across the whole of the supported housing sector and to a further review of housing related support "to better understand how housing and support currently fit together".
- 3.1.7 From June 2017, the additional earnings disregard can be applied where a claimant, or their partner, is in work for at least 16 hours per week and one of them is entitled to a disability premium, the support component in ESA, or is a member of the work related activity group.

### **Under-occupancy**

- 3.1.8 From April 2017, an extra bedroom can be awarded to disabled couples who cannot share a room and to disabled children or non-dependents who need an overnight carer. Apart from this change the under-occupancy rules, known more widely as the "bedroom tax" continue to apply.

### **Tax Credits**

- 3.1.9 From July 2019, anyone on tax credits, who moves onto Universal Credit through managed migration will not have the capital limit of £16,000 applied for the first year of their UC claim. After one year, if they have capital over £16,000 their UC will stop.

## **3.2 Council Tax Support**

### **Background**

- 3.2.1 In April 2013, the Council Tax Benefits (CTB) system transferred from DWP to Local Authorities and Manchester introduced the Council Tax Support scheme (CTS) requiring all working age claimants to contribute to their net Council Tax liability (ranging from 8.5% in 2013/14 to 17.5% in 2018/19). The City Council has mitigated some of the negative impact of this reform by not increasing the contribution from our residents and protecting the budget, even though it has been reduced by Central Government. Further detail is available in the February 2019 RAGOS report.

### **Manchester's current CTS scheme, 2017/18 to present**

- 3.2.2 CTS is based on a maximum of 82.5% of the amount due meaning that all working age claimants have to pay at least 17.5% of their liability. It should be noted that non-working age residents (pensioners) are protected by government and are entitled to support for up to 100% of their Council Tax liability.

### **Manchester's proposed CTS scheme for 2019/20**

- 3.2.3 There has been a consultation process and recommendations will be brought to RAGOS and Executive, which mean that Manchester City Council will treat UC claimants as CTS claimants from day 1. Support will be banded, so that anyone with a weekly income of no more than £25, will have their Council Tax reduced by 70%; between £75 and £80 weekly income, it will be reduced by 12% and over £80 no reduction.
- 3.2.4 In addition the Council's Discretionary Council Tax Payment Scheme will be used to mitigate the impact of the banded scheme on those hardest hit by:
- ensuring that those residents on Universal Credit who lose more than £1 per week in CTS as a result of moving onto the banded scheme in April 2019 have the additional shortfall over £1 per week covered by DCTP during 2019/20 up to the maximum level of 82.5% of their full Council Tax liability, and;
  - providing support to families in 2019/20 who are impacted by the two child limit. The Benefits Service will identify families in receipt of CTS who are impacted and DCTP used to cover any loss above a de minimis amount of £1 per week.

The DCTP scheme will also be used to address individual cases where residents make an application for support.

## **4.0 Universal Credit**

### **4.1 Implementation**

Manchester's Jobcentres went to Universal Credit (UC) Full Service for new claimants and those who had changes to their circumstances between October 2017 and July 2018, with other Greater Manchester local authorities doing the same from April 2017 (Oldham) through to November 2018 (Stockport). Nationally, full service was rolled out by the end of December 2018. It is no longer possible to become a UC Live Service claimant and Live Service is to be decommissioned in March 2019. UC Live Service was the original version of UC, was not fully digital unlike Full Service and if a claimant moved into full time employment and no longer received any payment, they remained a UC claimant for six months and would automatically receive benefits if their income reduced.

### **4.2 Managed Migration**

Managed migration is the process of moving all 'legacy' benefit claimants, whose circumstances have not already changed, across to UC. In November 2018, the Social Security Advisory Committee made twelve recommendations to support a smooth managed migration to UC and the DWP accepted eleven. Following an announcement by the new minister for Work and Pensions in January 2019, the timeline for migrating legacy benefit claimants across to UC has been delayed, with a pilot of 10,000 claimants planned from July 2019 and full migration from November 2020 with completion end date of 2023. The pilots will look at different ways of migrating claimants and these methods will be co-designed with partners. £3.1bn has been identified for transitional protection for 1.3m claimants. The plans for the full migration will be put to Government to agree following the pilots.

### **4.3 UC System Changes**

4.3.1 The Department for Work and Pensions (DWP) are continually updating the UC system, taking account of recommendations and legal challenges, and the following changes have occurred since January 2018:

4.3.2 As announced in March 2018, from December 2018 the restrictions on accessing the housing element of UC for 18 to 21 year olds was removed.

4.3.3 2018 Autumn Budget:

- A £1,000 annual increase in the Work Allowances from April 2019. If you are employed, UC reduces as you earn above a certain level, so for every £1 you earn, UC reduces by 63p. However, if you or your partner are responsible for a child, or are living with a disability or condition that affects your ability to work, you are eligible for a work allowance, a set amount you can earn before your UC reduces. This increase could mean an extra £630 to families, who are affected.

- A reduction in the cap for deductions from 40% to 30% to soften the burden of repayment of debts. Additionally, from October 2021, advances can be repaid over 16 months.
- The introduction of a one year start-up (grace) period before the Minimum Income Floor applies for self employed people joining UC giving them time to grow their business.
- The introduction of a two week run on of Employment Support Allowance Income Related (ESA IR), Jobseekers Allowance Income Based (JSA IB) and Income Support (IS), provides an extra two weeks of benefits for people moving onto UC from these benefits. This is to help them manage in the period up to their first monthly UC payment. This extra financial support will not need to be repaid.
- An extension in the surplus earnings disregard exception for up to £2,500 for another year from 2019 to 2020.
- From January 2019, claimants receiving Severe Disability Premium will be prevented from naturally migrating to UC, prior to the managed migration process and will receive financial protection when they do. There is also financial protection for those who have already moved over.

#### 4.3.4 In November 2018, it was announced that:

- From February 2019, claims for UC would be accepted from all families regardless of the number of children. If it is a new claim with no transitional protection from legacy benefits, only 2 children will be included in the award unless exceptions apply. If there is protection due to moving from tax credits, then only third or subsequent children born on or after 6 April 2017 are excluded.
- The exceptions, to the two child limit for children who are adopted or in kinship care, will apply regardless of the order of children in the family. Prior to this the exceptions only apply if the adopted child or the child in kinship care joined the household as the third child, so when the claimant already had two children.

#### 4.3.5 In January 2019, Government announced:

- Changes to the rules where one member of a couple of pension age and one is working age. From May 2019, these couples will have to claim Universal Credit rather than Pension Credit. This change only applies to new claims, existing claimants are not affected.
- That they will seek to make UC payments to women if they are the household's main carer; bring in a new online system for private landlords to request direct payments for tenants who have problems managing money; and changes to pay childcare costs in advance if needed, although no dates were set for these changes to be introduced.

#### 4.3.6 As these changes are being introduced at staggered points through to October 2021, in some cases it will be a substantial length of time before it can be ascertained what effect the changes will have on UC claimants. A timeline graphic is updated each quarter in the Welfare Reform Monitoring Report which provides a clear visual overview for stakeholders of key changes which



have taken place since 2014, and are due to take place by 2023. This shows both national policy changes, and the Manchester roll out.

#### 4.4 Universal Support

The DWP originally entered into a Delivery Partnership Agreement with the City Council to deliver Personal Budgeting Support (PBS) and On-line Supported Access. Manchester City Council used this funding to commission the PBS from Shelter and the ADS from a partnership of Citizens Advice Manchester and Cheetham Hill Advice Centre.

##### Current Provision

- 4.4.1 The take up of the ADS and PBS services has slowly grown alongside the roll out of UC Full Service across Manchester, see the table below. The 2018/19, ADS provision is consistently achieving greater numbers than predicted by the DWP. However, the PBS provision is facing issues with engaging residents, including a low number of referrals.

2018/19			Q1	Q2	Q3	Q4	Annual Total	Guaranteed 50% upfront
		No. of clients						
<b>Assisted Digital Support</b>	£53.55	Estimated	330	494	564	540	1928	964
	102 mins	Provider Reported	355	532	659			
		DWP Actual	361	519			880	
			109.39%	105.06%	0.00%	0.00%	45.64%	
<b>Personal Budgeting Support</b>	£63.00	Estimated	548	820	939	899	3206	1603
	120 mins	Provider Reported	428	338	521			
		DWP Actual	342	328			670	
			62.41%	40.00%	0.00%	0.00%	20.90%	

- 4.4.2 As these services are working directly with residents, they are recording the many issues raised, particularly regarding UC and providers are working with the Council and DWP to identify ways to improve the support offered.

##### Future Provision

- 4.4.3 A review of the ADS/PBS by the DWP, showed poor take-up of the provision. In October 2018, DWP announced a new national contract for Universal Support to be delivered by the Citizens Advice Bureau (CAB) from April 2019.

This new service is designed to be more holistic. It will triage and signpost claimants to subject experts, get claimants to the end of their first assessment period and help them to receive a full payment. It will not include personal budgeting support. CAB have a 12 month grant agreement with National Government for £12m to set up and then £39m to deliver the Universal Support. There will be a review after 6 months and DWP will then decide what they will commission for 2020/21. MCC's Work and Skills Team is working with CAB, Advice commissioning colleagues and the DWP to ensure a smooth transition into the new service and that it is aligned with the City's wider commissioning of advice services.

## **5.0 Impact on Residents**

### **5.1 National research**

During the roll out of welfare reform and UC across the country, there have been several different pieces of research into the impact on residents. The following is a summary from:

- House of Lords, 1 November 2018, Welfare Changes: Impact on Family Life
- DWP, June 2018, Universal Credit Full Service Survey
- Gateshead Council, November 2018, The impact of the roll out of Universal Credit in two North East England localities: a qualitative study
- DWP, September 2017, Understanding how Universal Credit influences employment behaviour
- National Audit Office (NAO), 15 June 2018, Rolling out Universal Credit

5.1.1 The roll out of UC has not been smooth with claimants describing the process as complicated, difficult and demeaning, and the system as dysfunctional, prone to administrative errors and difficult to navigate. Digital literacy, lack of computer access, bank account and/or email address and problems verifying identification online added to the difficulties. 98% claimed online; 54% unassisted and 21% with help. However, 30% found the process of verifying their ID online very difficult; 43% said they needed more support registering their claim and 31% said they need more ongoing support with using their UC digital account.

5.1.2 There is some evidence of positive employment outcomes for UC claimants with 23% in paid employment when first making their claim, rising to 33% after three months and 40% at eight months. UC can encourage a broadening of employment behaviours and willingness to take on a wider range of work. Meaningful changes in behaviour were brought about by coupling compliance elements with a strong understanding of the more 'enabling' elements of UC.

5.1.3 Evidence shows some households in England are being pushed into more precarious circumstances as result of the cumulative impact of welfare reform, and this is felt most severely among vulnerable households. Forty % were experiencing difficulties keeping up with bills eight months into their claim and over a third were experiencing housing payment arrears. Consequences of

waiting for their first payment pushed many into debt, rent arrears and serious hardship, including going without food and utilities. However, few were offered alternative payment arrangements. Non-judgemental individually tailored advice and support by DWP staff was appreciated where this occurred, but this was not always apparent.

- 5.1.4 Research identified the risk of welfare reforms pushing additional unmet costs on to local authorities and partners including voluntary and community sector (VCS) organisations, as they manage both the administrative and wider policy consequences of welfare reform creating significant workload pressures. Councils are uniquely placed to support families to adjust to changes brought about by wider welfare reforms. Low income households can, potentially, mitigate the impact of reductions in benefits income by increasing earnings and reducing outgoings. In practice this may entail a complex range of solutions including housing, employment, social care and financial inclusion. Councils are best placed to understand family circumstances and bring services together with improved partnership working. It is vital that they are given the flexibility and resources to do this work.
- 5.1.5 There is scope to improve knowledge of UC, improved messaging and explanation, particularly of the earnings taper may help to address negative perceptions of UC stemming from comparison to legacy systems such as tax credits. Emphasising the removal of the 16-hour rule may also be particularly important to increasing the belief that you can be better off in work under UC compared with JSA and therefore driving employment behaviour. However, to influence behaviour, UC needs to be administered smoothly and supported by positive Work Coach interactions.
- 5.1.6 The NAO report examined the impact of UC on individuals and third parties, and the extent to which UC is meeting its stated long term aims. The NAO's view is that the DWP does not have a realistic choice but to continue to roll out UC because of the system changes and practices that have become embedded in delivery.

## **5.2 Welfare Reform Monitoring Report**

### **Development and purpose of the report**

- 5.2.1 As described in section 3, the welfare reform monitoring report - produced by Performance, Research and Intelligence, and attached in Appendix 2 - is a quarterly report, developed in 2012 to enable the Council and partner organisations to track and measure the impacts of Welfare Reform as they have taken effect. This has included:
- Statistics showing the number of households in Manchester affected by welfare reform legislation, for example under-occupancy and the benefit cap.
  - Statistics monitoring measures where effects may be felt, but where the extent might not be known - for example homelessness, and demand for advice services.

- An assessment of the variations of the number of affected households and impacts at place level, using maps for example

5.2.2 The report has been adapted over time to ensure it remains an effective tool for stakeholders, for example by:

- Consolidating indicators to focus on a small set of key measures.
- Regularly engaging with stakeholders at the Board to ascertain their needs.
- Developing the report to include analysis of new information when it becomes available, for example more detailed Universal Credit (UC) statistics.
- Improving the clarity of visual presentation and the concise communication of key trends, policy changes and challenges.

### **What the report shows**

5.2.3 Variation in impacts by place:

The report illustrates that certain parts of the city are disproportionately affected by different aspects of welfare reform. For example, at Q2 2018/19 Wythenshawe had 1,911 social housing tenants affected by under-occupancy legislation. This presents 30.2% of the citywide affected total of 6,331 tenants. Despite the number of affected tenants steadily falling, the area remains the most affected area by a substantial margin. However, there is a narrower gap from that which existed three years ago with South and Central, which remain the least affected areas. The type of housing stock in Wythenshawe, with a high percentage of larger family homes, means the area is likely to remain most affected. A significant proportion of DHP payments continue to be allocated to support tenants affected by under-occupancy legislation.

5.2.4 Enables change over time to be measured:

The report allows trends to be tracked over time across a number of measures. This can illustrate and assess a number of things, for example:

- Showing the change in the number of affected residents when there is change in government policy, such as the reduction in the benefit cap threshold.
- To track changes in demand - where reform may be a driving factor - for example for demand for advice services.
- Evidencing impacts, such as increased social housing tenant arrears associated with the Universal Credit roll out.

5.2.5 In the example of the Benefit Cap, the chart in the report (on page 9) illustrates how the number of affected residents increased steeply in Q1 2016/17 to 1,385 from 248 in the previous quarter following the reduction in the cap to £20,000 per household outside of London. When first introduced, the Benefit Cap had been £23k outside of London. It then shows how

subsequently the number reduced significantly initially, and then more gradually, to leave 779 households remaining affected at Q2 2018/19.

#### 5.2.6 Highlights key areas of concern to stakeholders:

The report starts with a commentary and analysis section which acts as an executive summary, highlighting key messages. At the moment this focuses on major government policy changes (as the UC system continues to be amended over time), the pace of reform roll out, and impacts which are evidenced by data in the report.

#### 5.2.7 Manchester's main registered housing provider partners share statistics with the Council on the level of housing arrears for Housing Benefit (HB) and UC claimants. This has provided a robust evidence base from which to assess whether and how much the levels of arrears differ between tenants receiving housing support from the legacy HB system, compared with UC.

#### 5.2.8 One of the current key areas of concern highlighted by the report is the disparity shown in the figures between the levels of arrears for tenants on UC, which are much higher than tenants on HB. As the UC caseload is rising rapidly, this has led to a corresponding increase in the arrears caseload. Key evidence from the data in the quarterly survey of registered providers shows this as being a growing concern:

- The average arrears for registered provider tenants in receipt of UC at Q2 2018/19 was £786, which is £293 higher than registered provider tenants overall.
- The total amount of arrears owed by UC social tenants across the five providers is £3.35 million, an increase of 31.7% in one quarter alone.
- Only 13% of the registered provider housing support caseload currently consists of UC tenants, with the other 87% still receiving HB. However, because on average each tenant on UC has higher arrears, a disproportionate amount of the total arrears owed across providers - 27% - are attributed to UC tenants.

#### 5.2.9 It should be noted that it is likely that UC tenants in the private rented sector are also experiencing equivalent challenges with arrears but data is not available to fully assess and evidence this. This is particularly concerning as the robust level of support available to tenants in arrears in the social rented sector provided by their housing provider does not exist in the private rented sector. City Council commissioning of CAB services has attempted to address this by prioritising support for private rented tenants.

### **Focusing on, and investigating key areas**

#### 5.2.10 As a result of concerns around the levels of registered provider housing arrears for tenants in receipt of UC, the City Council has recently worked with Northwards to look at the impact in more detail at a place level. To investigate the detailed area picture four maps were produced at sub-ward Lower Super Output Area (LSOA) level. These compared and contrasted:

- Number of Northwards tenants in over £500 of arrears.
- The average arrears for all Northwards tenants.
- Number of Northwards *Universal Credit* tenants in over £500 of arrears.
- The average arrears of Northwards *Universal Credit* tenants.

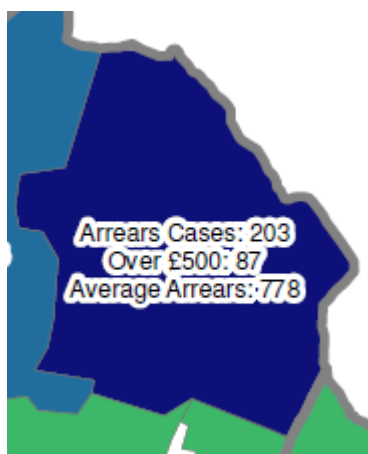
5.2.11 The key messages from this analysis were:

- In the majority of the small areas assessed, the average arrears were higher for UC tenants than for tenants overall, sometimes by a considerable margin.
- The number of UC arrears cases with £500+ owed is cause for concern.
- There was a great deal of variety in the average amount of arrears across LSOA areas both across wards and within each ward, showing a complex picture at sub-ward level.

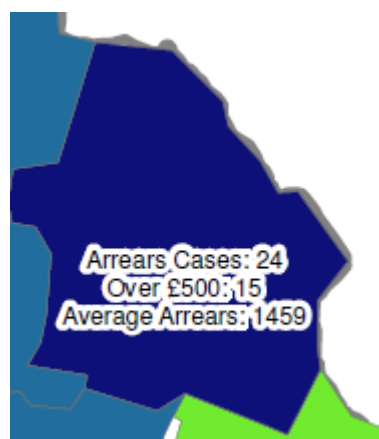
5.2.12 Extracts from two of the maps are shown below as an example to illustrate this. The map extracts show a small area in the North East of Higher Blackley ward. This shows that in this small sample area:

- There are much higher average arrears of £1,459 for UC tenants, compared to £778 for tenants overall.
- 62.5% UC tenants with over £500 of arrears, compared to 42.9% overall tenants.
- That average arrears across the ward vary considerably, as a different small area in the South West of the ward has a much lower average UC tenant arrears figure of £569.

Arrears for all social tenants:



Arrears for UC tenants:



5.2.13 Important points to note are as follows:

- Clearly, as the figures are averages, some tenants in the area will have both much higher, and much lower amounts of arrears. 34 Northwards tenants on UC each had over £3,000 of arrears, approximately 4% of Northwards UC arrears caseload numbers.

- Some tenants will have historic arrears which they accrued before they started claiming UC, and which will show up in the UC arrears total. However, the maps still clearly show a considerable disparity between UC tenant arrears, and arrears for tenants overall across many areas.

### **5.3 Manchester Resident Impact Analysis**

#### **Survey**

- 5.3.1 In October 2018, the Work and Skills Team developed a survey for residents claiming UC to find out more about the impact of Universal Credit on the residents of Manchester. The City Council's Communications and Policy, Research and Intelligence Teams helped to shape the survey. This was promoted through social media, partners and advice support providers as well as other community groups and venues. Where possible, support was provided to complete the survey with paper copies available as well as the online version. The survey was open from 25 October - 14 December 2018.

#### **Focus Groups**

- 5.3.2 In order to gain a more in depth understanding of the impact of Universal Credit on residents, three focus groups were arranged with residents, enabling them to talk more freely about their experiences. The focus groups were held in different parts of the City and at different times of the day to enable as many residents to attend as possible.

#### **Results**

- 5.3.3 The survey received 104 responses from a range of residents and there were 11 focus group participants with a further 5 telephone interviews for residents, who were keen to be involved but unable to attend the focus groups. Overall the feedback had some practical solutions regarding issues and challenges that the residents have faced or are facing whilst going through the Universal Credit process. The results are described in Appendix 3.

#### **Analysis and recommendations**

- 5.3.4 The survey, focus group and in-depth interview results have provided a much greater understanding of how UC is impacting Manchester's residents. They show similar findings to the national research described in section 5.1, with the majority of respondents/ participants having a negative experience and a few recognising positive elements to UC.
- 5.3.5 The research offers constructive comments and possible solutions, with many already being addressed either locally or nationally. The following are some recommendations that have come from the research and will be discussed at the next Welfare Reform Board:
- Increase awareness of the support services available to residents to help with UC and the advantages of seeking support.

- Increase awareness of the need to claim CTS separately from the Council.
- Increase awareness of the need to pay your own rent if you receive UC.
- Increase awareness of the process of applying sanctions, recovering debt etc through UC payments.
- Ensure all support agencies/workers (MCC and partners) are trained with up-to-date information on UC, can support the application process and know where to and how to refer residents for further support:
  - to maintain their UC claim, particularly digital skills
  - for budgeting and debt advice
  - for careers advice and ways to get back into work/progress in work
- Promote positive welfare reform and UC news stories.
- Provide more support to local 'grassroot' organisations who are providing much needed support to residents.

5.3.6 These recommendations are more specifically for DWP and Jobcentre Plus:

- Further increase the length of time that advance payments can be repaid over to at least 24 months.
- Consideration should be taken when applying sanctions, ensuring they are fair and proportionate, and are not counter productive to those claimants making progress towards employment.
- Address how UC takes into account the fluctuating income of claimants returning to work as currently fluctuating UC payments deter rather than encourage.

## 5.4 Homelessness

5.4.1 A driving factor of the increase in homelessness nationally has been attributed to welfare reform. The capping and freezing of Local Housing Allowance (LHA) has had a significant impact. This has been compounded by other welfare reforms such as the 'bedroom tax', the benefit cap, application of the shared room rate to single households under 35 years, and stricter sanction regimes. In Manchester, there has been an 89% increase in larger families presenting with 3 or more children from 117 in 2015/16 to 221 in 2017/18. Although the causes of homelessness are complex, it welfare reform changes, such as the benefit cap are likely to be a large contributory factor. Of the families recorded as living in temporary accommodation, the largest proportion are single mothers (70% in 2017/18). This is a group that has experienced multiple and cumulative changes to their benefits.

5.4.2 Alongside this, PRS rents have increased three times faster than wages nationally: homes in this tenure are increasingly unaffordable for families on low incomes, particularly to households in receipt of LHA. In Manchester our success in sustaining economic growth has led to supply failing to keep pace with demand and as a consequence, increases in average rents in the private sector. The loss of a private rented tenancy has recently become the prime reason for people being owed a statutory homelessness duty in Manchester. The National Audit Office reports a similar picture nationally.



- 5.4.3 There has, and will continue to be, a significant increase in demand. Figures for the first three quarters of 2018/19, since the Homelessness Reduction Act came into force, show that a total of 5,846 households presented as homeless, a 24% increase compared with the same period in the previous year. In the same period, 2,991 statutory homeless applications were taken, a 34% increase when compared with the same two quarters in the previous financial year.
- 5.4.4 Anecdotally, many people state that sanctions have contributed to their debt and difficulties in coping with accommodation or living expenses. This is exacerbated by the delays in payments, which often results in people applying for the government loan; this leads to people's payments being reduced on a monthly basis going forward, subsequently impacting on people's ability to afford to live. Living under financial pressure has led to family breakdown, and therefore increased presentations.
- 5.4.5 Eligibility criteria for the Shared Accommodation Rate has changed to include anyone under the age of 35 (increased from 25), and the way in which the Shared Accommodation Rate is calculated and uprated has changed as well. This has led to increased challenges for young people in finding, and maintaining, affordable accommodation. Since April 2018 there has been a 30% increase in homelessness presentations from young people under 25 years old.

## **5.5 Demand for Discretionary Housing Payments**

- 5.5.1 The Discretionary Housing Payment scheme provides funding to deal with anomalies and hardship in situations where normal Housing Benefit or the housing element of UC does not cover all of a resident's rent liability. The government provides councils with a grant and the Council can fund above this amount up to a threshold, from the Council's budget.
- 5.5.2 In 2016/17, the total spend was £2,131,683 rising to £2,941,208 in 2017/18. For 2018/19, £3,432,920 was originally allocated but by mid-January 2019 92.39% had already been spent with around 53.83% relating to homelessness cases mainly due to the benefit cap and rent shortfall. More details are available in the February 2019 RAGOS report.

## **5.6 Demand for Crisis Support Services**

- 5.6.1 The City Council's Welfare Provision Scheme (WPS) provides support for vulnerable residents who are experiencing extreme hardship to live an independent life, and residents who have experienced a crisis or are at risk of homelessness. The scheme also helps people to return to work and can provide financial support for travel costs. Support to those in hardship consists of essential household goods and/or small cash grants.
- 5.6.2 As at the end of December 2018, WPS had seen an increase in spend of almost £50,000 when compared to the same point last year and an increase in applications by more than 500. In December 2018, 3,349 applications had

been received of which 1,342 were approved. Again, further information is available in the February 2019 RAGOS report.

- 5.6.3 Nationally and regionally there is evidence of an increase in the usage of food banks, although data is not currently available locally. The Trussell Trust has published mid-year statistics showing a national increase in provision of three-day emergency food supplies from 586,907 between April-September 2017 to 658,048 for April-September 2018. In the North West the demand was 96,101. The primary reason for referral is low income (30.71%) followed by benefit delays (21.66%) and benefit changes (17.10%). The Trussell Trust say that although UC isn't the only benefit people at food banks are experiencing problems with, the proportion of benefit delay referrals made due to issues with moving onto the new system rose to 31% from 16% the previous year.

## **5.7 Demand for Advice Services**

- 5.7.1 Since the first roll out of full service began in 2018 the Universal Assisted Digital Service has been able to help support over 2000 people in Manchester to make their initial claim. However, a further 2,100 people have had to seek additional help from Citizens Advice Manchester and its City Wide Advice partners with over 6000 issues related to UC. Digital exclusion continues to be a big hurdle for a number of these people, with the complex verifying process, limited access to internet, language, literacy limitations all being highlighted as key issues. Although there is support in making the initial claim there is still an ongoing need for digital skills support in maintaining their claim.
- 5.7.2 Many clients seem unaware of how the housing element in UC functions and this is leading to incorrect calculations with the housing element not being paid until UC receive the rent agreement. This in turn then frustrates private landlords by causing delay in payment. The Advice providers are also seeing a number of vulnerable clients who have failed the medical for ESA and are told to claim UC, even if disadvantaged. They however have not then been informed about waiting periods before being paid which is then creating undue hardship. The 'agile' nature of UC as it continually evolves and adapts has compounded many of these issues as people are misinformed by those who have not been made aware of any recent changes.
- 5.7.3 In recent years there has been a significant increase in the number of households approaching the Council for a homeless service because they have lost their private rented sector tenancy. In 2012/13 only 12% of acceptances were linked to loss of a private rented sector tenancy but for the first time in 2016/17 more households were accepted as being owed a full homeless duty because they had lost a Private Rented Sector (PRS) tenancy than any other reason. Specialist housing advice has traditionally been restricted to people who are at crisis point and at serious risk of losing their home. Recognising the need for early intervention the City Council commissioned the city-wide advice providers to deliver a PRS Advice Service, funded through monies identified through the city centre review. The service provides general advice and casework in social welfare law, including welfare benefits, debt and housing, as part of an early intervention approach to

preventing homelessness. This service has now been included in the wider city-wide advice contract, which is due to commence in April 2019.

- 5.7.4 Many registered providers offer financial and welfare advice to their own tenants along with regular engagement and support to those affected by welfare reforms. In addition, voluntary and community organisations provide a considerable network of advice provision at various levels.

## **5.8 Engaging local communities**

- 5.8.1 Across Manchester there are many communities who will be greatly affected by the roll out of UC, some of whom have more contact with mainstream services than others. The Orthodox Jewish community in North Manchester and the community in Wythenshawe are examples of how the City Council needs to work differently with different communities.

### **North Manchester Orthodox Jewish Community**

- 5.8.2 A Cross-Authority Working Group was set up between Manchester, Salford and Bury to look at the unique challenge due to welfare reform faced by the Orthodox Jewish community in and around North Manchester, specifically how to engage with this section of the community and to help effect behaviour change. A significant number of households in this demographic have very large families, with those who work often in part-time, low paid employment or self employed and therefore UC is likely to have a huge impact on their income. There is also the expectation that all claimants go into the Jobcentre.
- 5.8.3 As Salford and Bury have a larger proportion of this community in their local authority areas, they are leading on developing engagement activities and have commissioned an organisation called Jewel, a 3rd sector Jewish recruitment organisation. Jewell is organising two events in spring 2019 with a job and business focus, including a mini jobs fair, to subtly pass on the messages about UC. Manchester is contributing a small amount towards this event from the UC Management Fee and the Work & Skills team has an ongoing relationship with Jewell.

### **Wythenshawe**

- 5.8.4 In response to concerns around the level of debt and the impact of UC on Wythenshawe residents, several community based events took place in July and August 2018, as UC Full Service was rolled out at the Wythenshawe Jobcentre.. These events were staffed by DWP early help employment advisers and the Street Advice partners. Sessions took place at Wythenshawe Community Housing Group (WCHG) offices, Wythenshawe Games, Benchill Children's Centre, Tree of Life, the Forum and the Lifestyle Centre. Despite advanced publicity and promotion, take up was low. However, those who attended were given advice and signposting to other support services.

## **6.0 MCC and Partner Response**

- 6.1 Given the number of residents affected, the Government's programme of welfare reform presents significant challenges for a city like Manchester. As referenced in section 3.1, the Welfare Reform Board oversees all of the following areas and continues to focus support on moving residents into work wherever possible.

## **6.2 Communications**

- 6.2.1 An information leaflet was printed and disseminated to residents via libraries, Job Centres, the Work & Skills Team, and support providers across the city. The leaflet explained what UC is, how to make an application, where to go to get help and support and included a list of locations across the City where residents could go to access a PC. The leaflet also included advice on managing money and contact information for personal budgeting support.
- 6.2.2 Messages around debt management, advice and support were sent out on all MCC social media accounts before and after Christmas to encourage residents struggling with money to access help early. The messages also signposted to free events and activities for children over the festive period, food banks and warned people against borrowing from loan sharks signposting to Credit Unions.
- 6.2.3 A three strand debt management campaign is currently being planned following workshops and engagement with a variety of partners and frontline staff. The campaign will target specific messages at those people claiming UC, more universal debt advice messages for all residents to nudge people to get help and support and a media narrative around UC and family poverty.

## **6.3 Adult Education**

- 6.3.1 Manchester Adult Education Service (MAES) offer budgeting courses and a range of digital skills programmes that have been targeted for UC claimants. The service has partnered with the Citizens Advice Bureau (CAB) so that claimants can progress to MAES courses once they have completed their initial CAB session. This approach is being piloted in Wythenshawe and will develop as CAB activity gains traction. However, previous attempts have encountered low take up from residents.
- 6.3.2 MAES have also recently introduced a new programme for UC claimants which is entitled Boost Your Skills. It is an intensive 2 week course which culminates in a mini jobs fair. Again this has been piloted in Wythenshawe and to date two cohorts have completed the programme (16 individuals) and 7 individuals have since secured employment.

## **6.4 Greater Manchester**

Priority 3 of the Greater Manchester Strategy is to 'create an integrated GM approach to welfare reform that delivers progression and addresses low pay',

in recognition that any activity to improve GM residents' employment outcomes is delivered in the context of a changing welfare landscape. In order to deliver this priority, the Greater Manchester Combined Authority (GMCA) has established a GM Welfare Reform and UC Working Group, developed an action plan to address priority areas and a GM Welfare Reform Dashboard. See the July 2018 GMCA report for further details. More recently, GMCA undertaken analysis of the local welfare provision schemes and discretionary housing payments. They have also established a Programme Board tasked to agree the aims and objectives, and work that can be done to reduce the impact of welfare reform on the residents of Greater Manchester.

## **6.5 Training**

In order to provide opportunities for Manchester City Council and partner staff to be trained and kept up-to-date on the developments of UC and Welfare Reform, part of the UC Management Fee has been used to fund:

- A subscription to the Housing Systems website which contains the latest information on UC and Welfare Reform.
- Face-to-face training for frontline staff delivered in either half day or full day sessions by Escalla, a training provider. This training begins in February 2019.
- Well-being and Benefit Showcases in early March 2019 specifically to raise awareness of Council staff who may be affected by UC themselves to inform them of the support available and what UC might mean for them.
- An eLearning module which is yet to be commissioned. This module will be aimed at raising awareness of all Council staff about UC, targeting those who do not need to have face-to-face training.

## **6.6 Conclusion**

6.6.1 The scale, breadth and pace of welfare reform is affecting the same residents numerous times. The City Council is mitigating the impact where we can, working closely with partners including DWP locally, Registered Providers, advice service providers and VCS organisations.

6.6.2 The Welfare Reform Board will continue to monitor the impact on Manchester via the welfare reform monitoring report and other data and intelligence including resident feedback, reviewing policy changes and agreeing actions to mitigate against negative impacts where possible.