

## **Manchester City Council Report for Information**

**Report to:** Resources and Governance Scrutiny Committee - 7 February 2019

**Subject:** The impact of welfare reform agenda on the Council's finances and its ability to provide support to residents of Manchester

**Report of:** City Treasurer

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### **Summary**

The impact of welfare reform agenda on the Council's finances and its ability to provide support to residents of Manchester.

The scope of this report only considers the financial impact on the Council. A further report is due to go to Economy Scrutiny in March 2019 and this will cover the economic impact on residents, partners and communities

### **Recommendations**

Members are requested to note the contents and the efforts being made to use Council resources to best effect to support vulnerable residents.

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**Wards Affected:** All

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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:

- 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 Communities Scrutiny Committee:

- 8 January 2014 - The Equalities Impact of Welfare Reform

Reports to Resources and Governance Scrutiny Committee:

- 9 November 2017 - The Roll out of Universal Credit Full Service in Manchester
- February 2019

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

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

## **1.0 Introduction and scope**

The purpose of this report is to show the impact of the welfare reform agenda, including the implementation of Universal Credit on the Council's finances and discretionary budgets.

This will show how spend continues to increase across all areas and raises concerns about budget pressures in future years.

This will include the following areas

- Welfare Provision Scheme
- Discretionary Housing Payments
- Discretionary Council Tax
- Council Tax Support Scheme
- Rent collection for providers that have direct financial links with the council.

It is accepted that there are other financial impacts on the Council including the impact on staffing resources in areas such as Revenues and Benefits and Customer Services.

Although there have been some discrete pockets of new burdens funding for elements of housing benefit processing, there has also been a reduction in administration grant of £185,000 in 2018/19 associated with caseload reductions as a result of UC, but as yet there has been no reduction in workload. This is mainly due to the increased bureaucracy associated with the UC regime at this stage of its implementation.

There are also the knock on implications with the growing numbers of homeless and rough sleepers within the city and the increased demand upon many services provided by the Council and partners. There are other budget pressures, which may, or may not be, directly related to the welfare reform changes such as the growing numbers of homeless and rough sleepers within the city and the increased demand upon many services provided by the Council and partners. As part of the 2019/20 budget proposals the Council is providing for a further investment of £4.4m to support homelessness services.

The scope of this report only considers the financial impact on the Council. A further report is due to go to Economy Scrutiny in March 2019 and will cover the economic impact on residents, partners and communities of the welfare reform agenda including the implementation of Universal Credit.

## **2.0 Background**

Since 2010, there has been a radical reform of the welfare system, introducing measures to cut overall welfare expenditure and to fundamentally change the way particular benefits are structured and administered. This includes the implementation of Universal Credit in the city.

Most working age benefit levels have been frozen at 2015 levels for the following four years, as have most Local Housing Allowance levels of help with rent, despite

continuing increases in rent in a buoyant local private rented sector. In addition, reductions in benefits because of the under occupation rules (the "Bedroom Tax"), the Benefit Cap and restrictions on allowances for some people who have more than three children have also reduced the amount of money people have to live on. This is mirrored by increasing homelessness, increasing demand at foodbanks and increasing calls on discretionary budgets.

Attached as appendix one is a summary timetable of these welfare reform changes.

## **2.1 Budget implications**

### **2.1.1 Funding for temporary accommodation- subsidy implications**

There have also been changes to how funding for homelessness-dispersed accommodation is treated within the benefits regime.

In April 2017, the funding framework for Temporary Accommodation (specifically short-term leased accommodation) changed with the removal of the £60 management fee funding that previously paid as part of the housing benefit award and recovered in full from government subsidy. The impact of this is that while the rent charge and the HB entitlement remained the same, the loss of the management fee created a significant shortfall in HB subsidy paid by the government causing a budget pressure in the Housing Benefit budget.

To replace this management fee, Manchester received a £1.135m Flexible Homeless Support Grant from the Ministry of Housing Communities and Local Government intended to cover the projected shortfall. However, the funding allocation was based on a snapshot of historic data, which did not adequately recognise the growth in the need for temporary accommodation in Manchester and resulted in a subsidy shortfall of around £2m.

### **2.1.2 Other areas of impact**

The Council has also seen a significant rise in homelessness that has had an impact on Council budgets and resources including discretionary budgets. In recognition of the additional pressures, the Council made the following additional investment of £1m into the Discretionary Housing Payment budget for 2018/19.

During 2018/19, it is likely that the discretionary payments will either overspend or the Council will need to tighten up on the associated thresholds. A virement of £500k to provide further support of £400k to the discretionary housing payment budget and £100k to the Welfare Provision Scheme is being recommended in the next Global Monitoring report, which goes to Executive in February 2019.

For 2019/20, the following proposals will be considered for approval as part of the budget process:

- A further £1m for discretionary welfare related payments. If the Council agree to implement the changes to the Empty Property Reliefs for Council Tax then

the recommendation is that the additional income will contribute towards increasing the budgets in this area.

- An additional £100k for the Welfare Provision Scheme.
- An additional net funding of £4.4m to budgets for Homelessness. This is being met from a combination of £1.4m funding held for inflation, which has now been allocated to support the areas of greatest pressure and additional council resources.

## **2.2 Universal Credit roll out**

Universal Credit (UC) 'live service' was introduced incrementally across Jobcentres in Manchester from 22 September 2014 with the roll out completed by December 2014. Single people, couples and families are all included but only for new claims.

The DWP planned to roll out UC digital 'full service' across Manchester between October 2017 and May 2018 but this was rescheduled and was substantially completed by late July 2018. UC full service applies to all new working age claims for most benefits.

Current working age HB claims are not affected by this and will be picked up in a later, and yet to be confirmed, migration process. This migration exercise is now expected to be substantially complete by 2023 (originally 2017). Housing Benefit for the elderly and for people in exempt accommodation will remain in place for the foreseeable future. Future developments will need to be carefully managed to ensure necessary levels of resources are kept during a lengthy transitional period.

## **2.3 Status of Universal Credit in Manchester**

### **2.3.1 Claim Volumes- people**

Based on data from November 2018 (latest data available), 24,325 people in Manchester are within the UC regime (currently the third highest number across local authorities nationally, behind Birmingham and Croydon). This represents 4.9% of working age residents. 8,348 (34.3%) of these are in employment, and 15,979 (65.7%) are not in employment.

The wards with the highest numbers of people on UC are shown in the table below.

<b>Ward</b>	<b>People on UC - November 2018</b>
Moss Side	1,550
Miles Platting & Newton Heath	1,546
Gorton & Abbey Hey	1,420
Clayton & Openshaw	1,345
Longsight	1,205

The wards with the highest proportion of people on UC are shown in the table below.

<b>Ward</b>	<b>People on UC (rate) - November 2018</b>
Miles Platting & Newton Heath	11.72%
Clayton & Openshaw	10.3%
Gorton & Abbey Hey	9.47%
Moss Side	9.33%
Whalley Range	7.79%

Full sets of up to date place based UC statistics and maps are available from the Council's online [Intelligence Hub](#).

### **2.3.2 Claim volumes - Households on UC in Manchester**

Household level statistics have a greater delay in release than person level statistics. Based on August 2018 data (latest data available, with next release due in February 2019) 17,346 households are within the UC regime (again, currently the third highest number across local authorities nationally, behind Birmingham and Croydon).

The wards with the highest numbers of households on UC are shown in the table below.

<b>Ward</b>	<b>Households on UC - August 2018</b>
Moss Side	1,186
Miles Platting & Newton Heath	1,181
Gorton & Abbey Hey	1,052
Clayton & Openshaw	1,037
Ardwick	837

### **2.3.3 Transition from Housing Benefit to UC Housing Element**

The UC Housing Element is gradually replacing Housing Benefit (HB) for working age tenants in both the social and private rented sectors. The majority of households' still receive legacy HB rather than the Housing Element of UC. However, as would be expected, the rate of increase of the proportion in receipt of the Housing Element of UC has grown in line with the accelerated UC roll out.

At August 2018, 10,284 households were in receipt of the Housing Element of UC across both the private rented (PRS) and social rented sectors combined. This

accounts for approximately 17% of all households receiving housing payment support via either UC or HB.

The private rented sector cohort is increasing at a faster rate than the social sector cohort is. There are a number of factors that may influence this trend including population increases and flows, the growth of the cheaper end of the PRS market, contrasted with a fairly stable amount of social sector home supply.

More detailed statistics are produced in the Council's quarterly Welfare Reform Monitoring Report.

### **3.0 Discretionary Housing Payments**

#### **3.1 Background**

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.

From April 2013, the government provided extra funding to ease the introduction of the household benefit cap but also to meet continuing and unavoidable needs resulting from the application of size criteria in the social rented sector rather than catering for these in the Housing Benefit scheme itself.

The government provides councils with a grant amount up to an agreed threshold and any money not spent in the year is returned to government. The Council is able to fund above this amount up to a further threshold, but this is from the Council's budget. Managing this budget has been increasingly challenging due to the cumulative impacts of welfare reform, housing benefit cuts, etc.

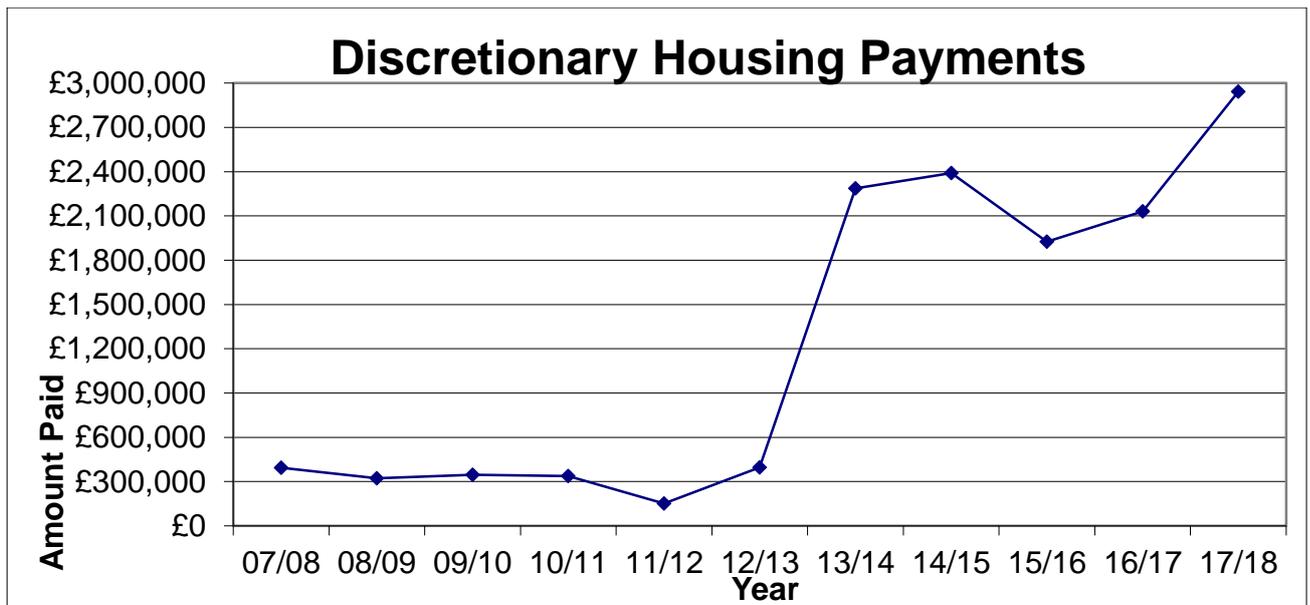
#### **3.2 DHP Spend against budget**

<b>Year</b>	<b>Government contribution</b>	<b>Amount spent</b>	<b>Cost to Council</b>
<b>2017/18</b>	£2,557,484	£2,941,208	£383,724
<b>2016/17</b>	£2,097,016	£2,131,683	£34,667
<b>2015/16</b>	£1,874,257	£1,901,789	£27,532
<b>2014/15</b>	£2,356,068	£2,390,249	£34,181
<b>2013/14</b>	£2,222,105	£2,287,046	£64,941

#### **3.3 Budget pressures**

In 2017/18, the Council provided for additional expenditure up to £500,000 and spent £383,724 above the government grant.

This graph illustrates the increase in Discretionary Housing Payments since April 2013.



### 3.4 2018/19 Activity and spend to date

Recognising this ongoing increased demand, a further £1m was provided within the 2018/19 Discretionary Housing Payment budget. This meant that the annual budget was as follows:

Budget and Council contribution via additional budget

- Budget (Government Contribution)      £2,432,920.
- Additional Council budget                £1,000,000.
- Total budget (including add. cont)      £3,432,920.

Spend to date (as at mid-January 2019)

- Net amount spent                            £2,755,928.
- Future payments allocated                £ 415,736.
- Total amount committed                 £3,171,664.
- Total budget                                 £3,432,920.
- Amount left to spend                      £ 261,255.

Including future payments, the Council has now spent 92.39% of the total annual budget (mid-January 2019), which includes the £1m additional contribution. This time last year, only 77.5% of the total budget had been spent. Based on the most recent weekly expenditure, around 53.83% of DHP paid out relates to homelessness cases and is mainly due to benefit cap and rent shortfall (HB or the housing element of UC being below the rent charged). At this point last year, there had been an increase in spend towards homelessness cases but this was only 37.85% of the total entitlement.

Even with the £1m additional funding, the service is forecasting an over-spend on this critical budget. This is due to the increasing pressures within the Council supporting financially vulnerable and homeless residents. The only way to reduce spend immediately would be to refuse a higher proportion of requests or to agree support for a shorter period. This would ultimately have knock on costs elsewhere in

the Council. It is worth noting that for some long-standing cases where a person may have disabilities or other significant issues that would prevent them moving, awards can span several years and cross over financial years.

For the remainder of 2018/19, a further one-off virement of £400,000 has been recommended from the underspend across the wider Revenues and Benefits budget. It is forecast that the total DHP spend for the 2018/19 financial year will ultimately be circa £3.8 m, which is almost £1.5 m above what is provided by government.

### **3.5 2019/20 budget**

At this stage, the Council has not received confirmation from the Government on what the DHP allocation will be for 2019/20. Indications from the published national pot are that this will reduce slightly and will be around £2m. In addition to this, there is a further £1m set aside from Council resources to address the growing requirement for support.

Although this will give a total budget of circa £3 million, the budget position will need to be carefully monitored. The move to UC along with linked transitional support ending as circumstances change will mean there is likely to be a continued and increasing demand upon this budget

## **4.0 Welfare Provision Scheme**

### **4.1 Background**

The Council's Welfare Provision Scheme has been operational since 2 April 2013. The new scheme replaced the DWP's Community Care Grant scheme and Crisis Loan Schemes that were abolished by government at the end of March 2013.

The Council's scheme was set up and agreed with the intention that it would be reviewed as take up, impact and resident demand was monitored and evaluated and to take into account funding levels agreed by government (specific funding was only provided for two years, 2013/14 and 2014/15). From 2015/16, the government does not provide any specific grant to fund this activity and state that this is included as part of the Council's overall grant funding. Although not required by law to do so, the Council has continued to provide a scheme from Council resources.

### **4.2 Purpose and objectives of the Council's WPS Scheme**

The Council will provide 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 also provides 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.

#### 4.3 Scheme Budget and spend in previous years

The following table shows the budget and spend to date against this scheme. Money unspent in earlier years (2013/14 and 2014/15) was used to fund the ongoing scheme and admin costs.

<b>Funding / Year</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Scheme Budget	£2,721,885	£2,721,885	£500,000	£500,000	£500,000
Amount Spent	£1.300,000	£2,080,000	£392,232	£466,039 <sup>1</sup>	£448,597

The amount spent on grants and awards during 2017/18 increased by around £78,000 compared to 2016/17. For 2017/18 the under spend in terms of direct grants of £50,000 went towards the food poverty scheme and included direct grants to organisations providing support in the city.

#### 4.4 2018/19 activity and spend to date

As at the end of December 2018, there was 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.

The table below shows the number of applications, approval rate and awards made.

	<b>Number of Applications</b>	<b>Approved</b>	<b>Declined</b>	<b>% Approved</b>	<b>Amount spent</b>
Dec 2018	3,349	1,342	2,007	41%	£373,583
Dec 2017	2,823	1,133	1,690	40%	£324,758

A proportion of the increase relates to residents moving from homelessness accommodation or other supported housing into their own property and requiring furniture packages (benefits and white goods etc.).

As a result, it is expected that the budget will be overspent by the end of the financial year should the Council carry on receiving requests and approving payments based on the current demand. There are also concerns in terms of the budget, because there is also an expected increase in requests for fuel poverty grants during the

<sup>1</sup> Includes the £96k grant awarded to the 32 Manchester Wards as part of the Food Poverty Scheme

remaining months of the financial year. There is an expectation that this will increase this year due to delays in UC payments and sanctions.

For the remainder of the 2018/19, a further one off virement of £100,000 has been recommended from the underspend across the wider Revenues and Benefits budget to ensure that this critical budget can continue to provide support during the winter months and support the movement of people from homelessness accommodation and other supported housing into their own home.

#### **4.5 2019/20 budget**

The Council has a committed budget of £500,000. As with the DHP scheme, the spend to date has increased and it is expected that this budget will also be under pressure as there is nothing forecasted that would suggest any reduction in activity. Rather, it is expected that the move to UC along with movement of homeless families from dispersed accommodation and general rehousing will mean a continued and increasing demand upon this budget. A further contribution of £100k is included as part of the Council's budget proposals for 2019/20.

### **5.0 Council Tax Support Scheme**

#### **5.1 Background**

The localisation of Council Tax Support (CTS) was announced in the 2010 Spending Review and in April 2013 Government transferred administration and responsibility of the Council Tax Benefits (CTB) system from DWP to Local Authorities with the aim of giving councils stronger incentives to cut fraud and get people back into work.

The Council Tax Support scheme was funded with a 10% reduced budget in 2013/14, with each authority designing and implementing a localised scheme and holding responsibility for any shortfall or surplus in the CTS budget. To achieve savings Manchester designed a CTS scheme, which required 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).

In April 2014, CTS funding was rolled into the Revenue Support Grant (RSG), where it has been assumed that CTS has reduced year on year in line with the cuts to Manchester's Settlement Funding Assessments (SFA).

In 2018/19, notional CTS funding from Government is estimated at £23.5m, while the cost of the scheme is £38.6m, giving rise to a funding gap of £15.1m. The table below has been produced by the Council and models the loss in funding from 2012/13 to 2018/19 due to CTS.

<b>Manchester CTS Scheme - SFA</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>						
CTB / CTS Scheme Funding	(42,310)	(37,390)	(33,983)	(28,753)	(26,530)	(24,591)	(23,501)
CTS Transition Grant	-	(997)	-	-	-	-	-
<b>Total funding</b>	<b>(42,310)</b>	<b>(38,387)</b>	<b>(33,983)</b>	<b>(28,753)</b>	<b>(26,530)</b>	<b>(24,591)</b>	<b>(23,501)</b>
<i>SFA reduction %</i>			-9.1%	-15.4%	-7.7%	-7.3%	-4.4%
<b>Claimant Council Tax foregone</b>	42,310	39,849	38,763	40,301	40,048	38,750	38,623
<b>Net Loss</b>	<b>0</b>	<b>1,462</b>	<b>4,780</b>	<b>11,548</b>	<b>13,518</b>	<b>14,159</b>	<b>15,122</b>

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

The Council has consulted on introducing a banded CTS scheme for working age residents in receipt of Universal Credit for 2019/20. The outcome of the consultation process and final recommendations are to be considered by the Executive on 13 February 2019.

The changes are proposed so that the scheme remains fit for purpose, as working age residents in receipt of welfare benefits are moved onto Universal Credit. The changes under discussion are not motivated by a requirement to reduce the cost of the scheme, but are intended to make the scheme easier and more cost effective to administer and less onerous and complex for claimants.

The changes are particularly difficult to cost because it is not possible to say with any certainty when and what will happen to people moving on to Universal Credit or the changes that government will make to other benefits that have an impact on the amount of Council Tax Support a household would qualify for.

Within the proposals some households will gain higher levels of Council Tax Support, a small number of household will lose. We expect the cost of the Manchester scheme including the proposed changes to be broadly neutral, particularly given the context of falling caseloads.

To support this activity it is proposed that £150,000 is set aside to support the Council's Discretionary Council Tax Payment Scheme during the transitional period. The scheme would cover the current anomalous and exceptional circumstances as well as supporting those households disproportionately impacted by Universal Credit transfer, including families with children.

## 6.0 Discretionary Council Tax Payment Scheme

It is proposed that the Council's Discretionary Council Tax Payment Scheme (DCTP) will be used to mitigate the impact of the banded scheme and the two-child limit on those hardest hit by:

- Ensuring that those residents on Universal Credit who lose CTS as a result of moving onto the banded scheme in April 2019 are considered for support from the DCPT budget 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 Council Tax Support who are impacted and provide support from the DCTP.

The DCTP scheme will also be used to address individual cases where residents make an application for support. This will include considering requests from owners affected by the Council's proposed changes to Council Tax charges for empty and unoccupied properties.

It is proposed that the increased costs of these awards is funded from the increased revenue that will be available should the changes to the Council Tax empty property charges be agreed by the Executive in February 2019.

The DCTP is funded through the Council's collection fund and therefore ultimately affects the resources available to the Council.

## **7.0 Collection issues**

### **7.1 Impact on Council Tax recovery**

The move to Universal Credit affects Council Tax recovery. 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. If a household fails to claim the CTS that they would have been entitled to, a full bill is issued and recovery action takes place. This adds to the costs of recovery and administration. The proposed changes to the Council Tax scheme from 2019 mitigate this by no longer requiring new UC claimants to make a separate CTS claim.. The banded approach of the proposed scheme would also mean that small changes in income, within a specific band, do not result in changes to the amount to be paid or instalment arrangements. This helps budgeting and supports regular payments.

Collection when households have less money is difficult. The new approach of providing UC in arrears makes budgeting and paying bills challenging for some households and the initial gap between claim and payment, means that many households struggle to maintain payments of core household bills including Council Tax and rent.

A further issue going forward will be the ability to deduct from benefit payments and UC with concerns about delays and the level of debt that a household has and the number of deductions taken from a household's core UC payment. This will need to be monitored in the months and years ahead.

The Council will continue to provide support to households to engage with the Council to pay any money owed, to ensure that any CTS and discretionary support is awarded promptly and to take a proportionate and holistic approach to recovery of money owed including the use of bailiffs.

## 7.2 Impact on rent collection

The following paragraphs provide data on the impact on rent collection where the housing provider is a partner, linked to the Council's budget position.

If the housing element of UC does not cover the full rent liability, the claimant can be referred to the Council for help via the DHP budget. The DWP do not provide any further discretionary support towards rent costs.

As well as general statistical data provided by the Council's Performance, Research and Intelligence team, contact has also been made with providers to obtain their perspective on the current status within their organisation for inclusion in this report.

### 7.2.1 Universal Credit - financial impact on rent collection in the city

Five of Manchester's main social 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 with 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.

One of the main current areas of concern highlighted by the Welfare Reform Monitoring Report is the disparity shown in the figures between the levels of arrears for tenants on UC and those tenants on HB, with the arrears for those on UC much higher than for those on HB. . As the UC caseload is currently rising rapidly, this has led to a corresponding increase in the arrears caseload and the overall amount owed in arrears.

The table below shows arrears data at Q2 2018/19 for:

- All tenants compared to UC tenants
- Northwards alone, compared to totals for the five key providers surveyed (Adactus, Northwards, One Manchester, Southway, Wythenshawe Community Housing Group).

	Arrears Cases	Total Amount of Arrears	Av. Arrears per Tenant
All tenants - six key providers	24,749	£12.21m	£493.25
UC tenants - six key providers	4,266	£3.35m	£785.92
All tenants - Northwards	4,775	£2.84m	£594.73
UC tenants - Northwards	1,062	£781,181	£735.58

This shows that the average UC arrears for the providers, of £785.92, is £292.67 higher than social tenants overall. The gap for Northwards alone is less, at £140.85, primarily because the arrears level for all tenants, at £594.73 is higher than the equivalent average (£493.25) for all the providers.

The switch to UC Full Service has also meant a change to the way that payments are received from DWP for accounts in arrears - e.g. via Alternative Payment Arrangements (APS); which are paid in arrears. Providers have raised concerns as this affects their accounting cycle, and details are awaited of improvements which government intends to make to this process.

### **7.2.2 Detailed area analysis**

The Council has recently worked with housing provider partner Northwards to look at impacts at a detailed place level.

To investigate the detailed area picture behind the overall housing provider totals and citywide average arrears figures, 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

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. This was sometimes by a considerable margin.
- The high proportion of UC arrears cases with over £500 owed represents 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.

Extracts from two of the maps are as appendix two as an example to illustrate that very high levels of arrears are occurring in some areas. The map extracts shows 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% of 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.

Important points to note are as follows:

- Clearly - as the figures are averages - some tenants in the area will have both higher and 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 that for tenants overall across many areas.

The following statements (in italics) were provided by the registered providers and are provided as stated in their update.

### **7.2.3 Impact on Northwards- feedback from Northwards**

*There are now 1,440 Universal Credit (UC) cases amongst Northwards' tenants (about 11%) and of these cases, 364 are on managed payments otherwise known as alternative payment arrangements (APAs) where the housing costs are paid directly to Northwards.*

*Money Advice surgeries and appointments continue to be busy and rent case workers are offering advice and support on Universal Credit, assisting Northwards tenants to navigate the system. Additional training has been arranged for mid-January 2019 to look at some of the more complex Universal Credit claims especially around variable wages and this will help us better support tenants.*

*We continue to verify rent and other charges through the DWP landlord portal to allow us to quickly apply for APAs.*

*Managed payments are paid through a four weekly third party deduction schedule. This continues to cause several challenges in terms of the way in which this is paid. The December schedule contained over £165,000 of payments which have to be cross referenced with rent account details and then downloaded onto our housing management system.*

*This system is cumbersome and overly bureaucratic. It leads to rent accounts not being up to date until the payments are loaded. Again, this is an issue taken up by most housing providers to which the DWP have not yet provided any solutions.*

*I think the key points to note are still the waiting times for arrears payments to come through if the tenant is on managed payments. The tenant can request an advance of universal credit but this is then treated like a loan and has to be paid back causing hardship over the repayment period.*

*The way we receive direct housing costs is also an administrative nightmare. However since this last briefing note the DWP has announced they are changing the way they pay managed payments. There's no detail other than it will be paid monthly. Currently housing costs are deducted from the claimant monthly but paid to us four weekly.*

*Total UC arrears are £825,547 compared to quarter 2 when they were £781,181.*

*We carried out 8 evictions in Quarter 3 and 3 of these were UC cases.*

## **7.2.4 Impact on Grove Village – feedback from Grove Village**

*At present 69 households on Grove Village, receive Universal Credit. This equates to 14% of the social rented households on Grove Village. Over the past three years, the percentage of arrears has doubled and so has the debt of our tenants. We have found that our customers who are in rent arrears are also in serious debt with other agencies that include, Council Tax, utility companies and other credit agencies.*

*Budgeting has been problematic, for example over the festive period households received their payments early, in some cases only by a day but in other cases payments were received almost a week early. This meant that there will be a longer gap between payments in January. Compounded by the expense of Christmas and the onset of colder weather we referred a number of households to local food banks.*

*Extra resources have been brought in to support residents, this includes extra training for staff on welfare reform and the UC online portal, a Money Advice Worker and new technology to help Housing Officers carry out their duties.*

## **7.2.5 Impact on S4B (Brunswick PFI) –feedback from S4B**

*At S4B we are typically experiencing increasing rent arrears within the first month of tenants claiming Universal Credit and this theme continues three months into a UC claim before finally rent arrears begin to reduce at the six-month interval.*

*Our current figures are as follows:*

- No of UC claimants: 73*
- Annual rent-roll for UC claimants: £283,076*
- Total current UC claimant debt: £35,612*
- % of debt to rent roll: 12.6%*

*This 12.6% arrears compares with an overall arrears figure for Brunswick of 2.49%. The overall impact to date is low, because the overall number of cases is currently low.*

*We have put in place a range of proactive measures to help claimants. We have in place a high level of resources within S4B to manage rent arrears and the roll out of welfare reform (higher than the rest of Onward), however all the points above are putting extra strain on our resources and there are no quick wins with UC. Everything is very slow and time consuming for both our staff and customers. Things are made even more difficult when tenants have no internet access.*

Further detail in terms of the economic impact on residents, partners and communities will be included in the report that is scheduled for Economy Scrutiny in March.

## **8.0 Financial Support to the Council to provide support to UC**

### **8.1 New burdens to Revenues and Benefits**

For several years, the Council's Benefits Service has received some new burdens funding from the DWP within to support the administration of the welfare reform agenda. This is directly attributable to additional work that the Council has been directed to do, including providing support via DHP and other changes including the benefit cap, and under-occupation in the social sector.

### **8.2 Universal Support**

As part of the roll out of Universal Credit, the DWP entered into a Delivery Partnership Agreement with councils to provide support services on their behalf. This has included personal budgeting support and assisted digital support.

From 2019/20, the model for support provided via councils is changing. The DWP have entered into a national 12-month grant agreement with the Citizens Advice Bureaux. This provides for £12m to set up and then £39m to deliver a national solution. They aim to review this after 6 months and have a more formal decision for 2020/21.

The earlier arrangements with the DWP via the Partnership agreement meant that the Council was able to fund Council staff to provide Personal Budgeting Support for UC claimants, which could be used flexibly. It also enabled the Council to fund CAB and Shelter to provide advice targeted to residents in the city where the Council was aware there was greatest need/demand e.g. private rented tenants in the North of the City who do not benefit from the services provided by social landlords. The approach also ensured that it complemented other advice services that were commissioned by the Council. The centralising of this service to CAB via a national contract means that The Council loses the flexibility.

At this stage, it is difficult to quantify the impact of this change and the Council would work to have good working relationships with CAB on the ground. However, there are concerns that Council services may end up picking up some of this demand as the Council is often the first point of contact without specific funding to support. This could affect libraries, customer services and ward and housing based staff.

CAB have been running three Universal Support pilots nationally and is expected to report findings in January /February. This will be covered in further detail in the report to Economy Scrutiny Committee in March 2019.

## **9.0 Conclusions**

The cumulative impact of the government's welfare reform agenda and the implementation of Universal Credit is significant, both on the Council's financial position, and on the residents of the city. This is expected to continue in future years.

The Council has tried to use discretionary budgets and local schemes to best support and mitigate the worst impacts on residents during this period. This has included

providing additional funding to support essential discretionary budgets, as well as maintaining the budget for the Council Tax Support Scheme during wider government cuts to revenue.

Further pressures are expected to budgets during 2019/20 and beyond and additional funding has been requested as detailed in the report.

## **10.0 Recommendations**

The recommendations appear at the front of the report.