
**Manchester City Council
Report for Information**

Report to: Economy Scrutiny Committee - 28 October 2015

Subject: Cumulative Impact of Welfare Reforms

Report of: Head of Work and Skills
Head of Revenues and Benefits

Summary

This report provides an overview of the reforms to welfare since 2012 including an update on the implementation of Universal Credit and the further reforms announced in the budget of July 2015, which are due to be implemented as part of the Welfare Reform and Work Bill 2016. It analyses the impacts of welfare reforms on the city so far and what impact could be expected from the recently announced reforms. It summarises the City Council's proposed response to the reforms due to be implemented over the next two years.

Some scenarios are provided in the appendices which aim to highlight the real impact of welfare reform on families within varied circumstances.

Recommendations

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

Wards Affected: All

Contact Officers:

Name: Angela Harrington
Position: Head of Work & Skills, Growth & Neighbourhoods
Telephone: 0161 234 3030
E-mail: a.harrington@manchester.gov.uk

Name: Julie M Price
Position: Head of Revenues, Benefits and Shared Services
Telephone: 0161 953 8202
E-mail: j.price2@manchester.gov.uk

Name: Hannah Scriven
Position: Principal Regeneration Officer, Economic Development Unit
Telephone: 0161 234 1504
E-mail: h.scriven@manchester.gov.uk

Background documents (available for public inspection):

Reports to Economy Scrutiny Committee:

- 6th February 2013 – The Impact of Welfare Reform
- 4th September 2013 – Special meeting on Welfare Reform and impacts
- 24th September 2014 – Universal Credit

Reports to Communities Scrutiny Committee:

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

1 Introduction

1.1 The Welfare Reform Act 2012 saw the start of significant reform to welfare provision in Britain. The new Conservative government has continued this reform programme with the welfare announcements made in the summer budget of July 2015 and the introduction of the Welfare Reform and Work Bill due to become law in early 2016. The measures being introduced in the bill and via other regulations aim to make savings in the welfare bill of £12bn by 2019/20.

1.2 The purpose of this paper is to analyse the impacts for Manchester of the reforms implemented between 2012 – present, and outline potential impacts of the reforms announced in the July budget, on residents, services and communities. Where possible, specific impacts relating to each reform are highlighted. However many impacts have been, and will continue to be, a result of the cumulative nature of the reforms and therefore cannot necessarily be attributed to a specific benefit. These cumulative impacts are analysed in section 5.

1.3 It is important to note that the City Council does not have access to all the data necessary to fully understand the impacts. In addition, every individual or family will have very different circumstances and therefore impacts will be felt differently. This paper has used data and intelligence available to the City Council to make informed judgements about the consequences of welfare reforms, both intended and unintended.

2 Economic Context

2.1 As of February 2015 there were 51,859 people claiming out of work benefits in Manchester (including Universal Credit (UC) claimants not in work). The worklessness levels in Manchester have steadily fallen over the past three years, from 64,230 in February 2012.

2.2 Jobseekers Allowance and Universal Credit data is available more frequently than total out of work benefit figures. In Manchester, UC is currently only available to those who are immediately able to work, and therefore UC claimants (out of work) can be added to the JSA figure to arrive at the number of residents who are actively seeking employment. As at June 2015, there were 10,279 claimants in this category.

2.3 Macro economic conditions have a significant impact on levels of employment particularly amongst young people. Manchester has experienced significant economic growth over the past few years as the country moves out of recession. Manchester's GVA grew by 5% in 2013 and 4.8% in 2014. It is therefore a very 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.

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. Currently, a large proportion of Manchester residents rely on in-work benefits to top up their income. As of April 2015 there are 35,400 families/ individuals claiming Tax Credits in Manchester. Of these, 23,000 families claim Working Tax (WTC) and Child Tax Credits (CTC); 5,300 families claim CTC only, and 7,100 claim WTC only. In addition there are 1564

claimants of Universal Credit who are in employment (Universal Credit will gradually replace tax credits). The total expenditure on Tax Credits in Manchester during 2013/14 was £345.25 million, up £7.8 million from 2012/13 (HMRC).

3 Update on Universal Credit implementation

3.1 Universal Credit (UC) is the new Department for Work and Pensions benefit which replaces a range of existing benefits including out-of-work benefits, housing benefit and working tax credits. It was designed to simplify the welfare system, with the intention of ensuring that people are better off in work.

3.2 UC is being implemented across the country in varying stages. Roll out in Manchester began at the end of 2014. Initially UC was only available to single people without dependents; this has now been rolled out in Manchester to single people and couples with dependents. Eligibility is only for those who are immediately available for work and those who are making a new claim for benefits. Therefore UC has not yet affected those who would be making a claim for Employment Support Allowance or Lone Parent Income Support as they will not be considered immediately available for work; and existing benefit claimants have not yet been transferred to UC.

3.3 UC is paid to recipients in one monthly payment and includes housing costs. Unless an Alternative Payment Arrangement (APA) is in place, the claimant is responsible for paying their own rent. Registered Housing Providers are able to request that DWP apply an APA to claimants who are in rent arrears or have other complex issues, which allows for rent to be paid directly to the landlord. A claimant's first UC payment is paid around 5 weeks after first application. Advance payments are available at DWP's discretion if a claimant is likely to be in hardship as a result.

3.4 The City Council has a delivery partnership agreement with DWP until March 2016 to provide Personal Budgeting Support to new UC claimants, via referral from a Jobcentre Work Coach. The support is delivered by the City Council's retained in-house advice team and is available over the phone and face-to-face. The service is able to make a recommendation to DWP for an APA to be applied where there is a risk that the claimant will experience financial difficulties.

3.5 The delivery partnership agreement with DWP also provides for the City Council to offer assistance for claimants to make their online claim at the Customer Service Centre, as well as support at local libraries. Support is also available in the city via a range of community organisations. Registered Housing Providers are providing a range of advice and support for their tenants who are claiming UC.

3.6 DWP is not yet able to provide any information on the next stage of the roll out and possible timescales. The City Council does not yet have any further information on a possible partnership agreement beyond March 2016 or detail on how DWP's Universal Support Delivered Locally will be implemented. Regular meetings take place with the UC leads at DWP to review the City Council's agreement and address any issues relating to support for claimants and the administration of UC.

3.7 Key Data

June 2015 – 2,788 claimants of UC not in work

June 2015 – 1,443 claimants of UC in work

4 Welfare Reforms 2012 onwards

Benefit Cap

4.1 Implemented in September 2013, the aim of this reform was to cap the annual income of workless households so that they do not receive more than the average earnings of a working household. For families the cap is currently £26,000, for single people it is £18,200. The policy only applies to working age people and if claimants receive certain benefits (for example Disability Living Allowance and Working Tax Credit) they will not be affected. To date, the cap has been implemented by the City Council through a reduction in Housing Benefit, although for new claimants of Universal Credit the cap is automatically applied. The number of those affected in September 2013 was lower than initial numbers provided by DWP, as following further analysis some claimants had additional circumstances which meant they were not within scope of the cap, for example they received Disability Living Allowance.

4.2 Almost all of the families affected so far have at least 3 children and there has been a disproportionate impact on BME families, for example 75 of the households initially affected were Somali. The wards with the highest number affected at the time of the cap being implemented were Moss Side with 65 families, followed by Cheetham with 53 families and Harpurhey with 32 families.

4.3 For those affected and who are able, the only way to mitigate the impact long term is to increase household income by moving from dependence on out-of-work benefits into employment. Those affected may also choose to reduce outgoings but this is unlikely to be a realistic option to mitigate the full impact. There has been a clear reliance on Discretionary Housing Payments for those affected; in 2014/15 there were 847 claims for DHP relating specifically to the Benefit Cap. The number of DHP claims is higher than the number of families affected, partly because people move in and out of the cap (for example they move into temporary employment) and make a new claim to DHP each time. Also some DHP awards are for less than one year therefore requiring a repeat claim.

4.4 Key data

September 2013: 571 families affected

June 2015: 267 families affected

Revised Benefit Cap (April 2016)

4.5 From April 2016, the cap will be reduced to £20,000 for families and £13,400 for single people. This will be implemented in the same way as previously – via Housing Benefit, or automatically through Universal Credit where appropriate.

4.6 The City Council has no way of knowing yet how many claimants will be affected as this depends on DWP and HMRC information relating to unemployment benefits and tax credits. The Government has suggested that five times as many households will be capped this time compared to the initial introduction of the cap. It is expected that the new cap will affect families with fewer children.

4.7 It is not yet possible to estimate the impact on claimants newly affected by the revised benefit cap. Were this reform to be applied today to those currently affected by the first benefit cap, those households would lose up to an additional £115 per week with an average loss of £71.12.

4.8 Additional impact will be felt as Universal Credit (UC) is rolled out. For those households not in receipt of UC, the cap is only implemented via Housing Benefit and in reality total benefits have often not been reduced to the limit. Since UC includes housing costs, when UC is rolled out to existing benefit claimants, the cap will be implemented in full

4.9 Key data

Estimated numbers affected will be known once data is sent from DWP, likely to be late 2015

Disability Living Allowance

4.10 Disability Living Allowance (DLA) is being replaced by Personal Independence Payments (PIP) for working age people. Since June 2013 all new claims have been assessed as PIPs, and starting in October 2013 existing claimants are being invited for reassessment via a structured roll out. There are currently 5,360 PIP claimants in Manchester (Sept 2015).

4.11 DLA consists of a care component and a mobility component. The mobility component of PIP has the same two levels of financial support as it does within DLA. The care component of DLA has three 'bands' of payments based on need. The introduction of PIP has reduced this component to the top two bands only, and it was expected that following re-assessment for PIP, a proportion of claimants with the lowest level of need would lose their entitlement altogether. The value of this lowest band is currently £21.80 per week.

4.12 As of February 2015, there were 19,310 DLA claimants of working age in Manchester. Data is not available on the outcomes of DLA reassessments by Local Authority area. Nationally, 77% of those being reassessed under the normal rules (not terminally ill) have been awarded PIP. If this figure is applied to Manchester we could expect 23% of the current DLA caseload under normal rules (not terminally ill) to lose their entitlement to DLA. Assuming that these people are on the lowest level of DLA (£21.80) per week, they are set to lose £1,133 per year.

4.13 There may also be additional losses for those no longer eligible for DLA, including Income Support Premiums and eligibility for Carers Allowance. DLA is also considered in Housing Benefit assessments when assessing for non-dependent deductions. Recipients of DLA are exempt from the Benefit Cap and therefore it can be assumed that those losing DLA entitlement and in receipt of out-of-work benefits could be subject to the cap (depending on their wider circumstances).

4.14 Key data

No Local Authority level data is available on DLA reassessments. Currently there are 19,310 DLA claimants and 5,360 PIP claimants in Manchester

Freezing of all working age benefits (April 2016)

4.15 Working age benefits (all out of work benefits such as Jobseekers Allowance; Housing Benefit; and tax credits) will see no cost of living rise for 4 years. This policy does not apply to benefits not linked to working age, including DLA and Carers Allowance.

4.16 The impact of this will be a reduction in the real income of claimants, when accounting for inflation and cost of living increases. The loss per individual or family will depend on the benefits they receive and their personal circumstances. The Institute for Fiscal Studies has estimated an average £260 loss per annum for families.

4.17 Key data

An estimate of impact is difficult since families/ individuals will be claiming various combinations of benefits and therefore affected differently

Benefits & Children (April 2017)

4.18 Any third and subsequent children born after April 2017 will not be considered in assessments for Tax Credits and Universal Credit. There is also due to be a restriction on Housing Benefit so that assessment is only based on two children, this is currently described as affecting new claims only but we await further detail. As this relates to new claims only, it is not possible to estimate how many people may be affected by this. The Government has indicated that there may be exceptions for specific circumstances but we do not yet have any detail on this.

4.19 Those starting a family after April 2017 will also no longer be eligible for the Family Element in tax credits. The equivalent in Universal Credit, known as the first child premium, will also not be available for new claims after April 2017. Child Benefit will continue to be paid at the same level for all children.

4.20 Calculation of Child Tax Credits (CTC) is complex and depends on family circumstances and income. To give an idea of potential reduction in CTC as a result of the reforms, the maximum amount payable for each child is currently £2,750 per year and the Family Element of CTC is worth £545. The impact of this reform on new claimants who have more than 2 children is a loss of income.

4.21 In addition, from April 2016, the family premium will be removed from Housing Benefit assessments for new claims and new births. The financial impact for families will be up to £589 per year.

4.22 Key data

It is not possible to estimate impact as this will affect new claims only. There may be a disproportionate impact on certain groups in the city.

Council Tax Support

4.23 Local Authorities were handed control of Council Tax Support in April 2013 and were required to develop a local scheme. Due to funding reductions it was

necessary for Councils to make decisions about where claimants should accept a reduction in the level of support. In Manchester, the scheme now places a limit on the maximum level of support available to working age claimants of 85% of their Council Tax bill. Residents of pension age remain entitled to 100% support.

4.24 An assessment for this support is made based on income and family circumstances. The result of this reform has been an increase in living costs for those previously eligible for full Council Tax Support. As an example, the lowest band of Council Tax in Manchester is currently £921.47 and the additional annual expenditure for those affected by this reform living in a Band A property is therefore £138.22. Discretionary Council Tax Payments are available for those who have particular difficulty making payments and who require some short term support.

4.25 Key data

The number of CTS live claims has fallen in the past year:

Q1 2013/14: 70,136

Q1 2015/16: 64, 253

There is a complex picture behind this reduction. However, data shows that there has been a steady fall in claims from those on out of work benefits and pensioners; whilst there has actually been an increase in claims from those in work who are on low pay or part time hours.

	CT collection rate at end of year	
	2013/14	2014/15
In receipt of CTS	85%	84.6%
All residents	91.5%	91.6%

Table 1: Difference in Council Tax collection rates for CTS and non-CTS claimants

Under-occupancy in Social Housing

4.26 Since April 2013 there has been a limit on the number of bedrooms social housing tenants can claim for through Housing Benefit. Dependent on the number and age of children and other requirements such as live-in carers, claimants have seen a reduction in their Housing Benefit to a level which will cover the bedrooms they are deemed to require.

4.27 Those affected by under-occupancy rules have seen a reduction in income which may be offset by moving from out-of-work benefits into employment, increasing wages so that Housing Benefit is no longer required, or moving to a smaller property. Registered Housing Providers have worked together via Manchester Move to enable easier transfers for tenants needing to move to a smaller property.

4.28 Considering that the policy has been in place for 3 years, there has been a relatively small reduction in the numbers affected. Evidence from Registered Housing Providers suggests that suitable housing stock is not available for people to move to,

most notably in places such as Wythenshawe where there is a pre-dominance of larger family housing. It is not clear how claimants have responded to this reform as some find a way to remain in their property and cover the shortfall by other means.

4.29 Key Data

September 2012 - 12,374 households affected

March 2015 - 9,544 households affected

Housing Benefit reforms

4.30 Since April 2011 Local Housing Allowance (LHA) rates for private rented properties have been based on the 30th percentile of market rental value for the local area. Previously the rates were set at the 50th percentile. Since LHA claims are linked to the rent of the property being claimed for, this reform has impacted all claimants where their property rental value is higher than the 30th percentile of the local market rental value. Affected claimants will have had to pay the difference, fall into rent arrears or move to a cheaper property. Rents in the south and central areas of the city are now well above the 30th percentile which makes them unaffordable for LHA claimants, whereas areas to the north and east have seen rents track the LHA rate.

4.31 In addition to the above, since January 2012, the LHA rate for those aged under 35 has only been available for shared housing. Previously, full LHA was available to anyone over the age of 25.

4.32 For existing claimants, Housing Benefit reform has caused a reduction in income. This impact can be mitigated by claimants moving into a shared property; moving to a lower value property; or increasing income by moving into work or increasing wages. For new claimants, the reforms have limited the scope of properties that are within LHA limits and the neighbourhoods where they can afford to live.

4.33 The Summer Budget 2015 announced that from April 2017 under-21 year olds will not be eligible for housing support within Universal Credit (UC). Exemptions will apply for those with children; Looked After Children leaving care; and other vulnerable groups (although we do not yet have detail on what is defined as vulnerable). Since this only applies to UC claimants, the City Council will not be responsible for implementing this policy, and numbers affected will depend on how widely UC has been rolled out by this point.

4.34 Key Data

2 bed properties advertised within LHA rate as a proportion of all properties:
12% in 2010/11; 8% 2014/15.

3 bed properties advertised within LHA rate as a proportion of all properties: 6%
in 2010/11; 4% 2014/15

Social Housing reforms (April 2016)

4.35 The Summer Budget 2015 announced a reduction in social housing rents of 1% per year for 4 years from April 2016. Working families who pay their rent will benefit financially from this reduction, whereas Housing Benefit claimants will see no

change as their landlord will need to make up the difference. Social housing providers are expected to absorb this reduction in income through improving efficiency, reducing non-essential services and merging with other providers where this makes business sense.

4.36 The government also announced plans to require social housing tenants with an annual household income of over £30,000 per annum to pay market rent. There is no timetable for the implementation of this reform, but there are clear links to government proposals to extend right-to-buy discounts to social housing tenants. If this happens, then many of those earning over £30,000 per annum may wish to purchase their property, thus reducing the volume of social housing.

4.37 Key Data

There are 67,000 social housing properties in the city.

As at September 2014, 19,700 households are not claiming any Housing Benefit and will therefore benefit from the 1% rent reduction. An unknown number of these households may have a household income above £30,000.

As at September 2014, a total of 47,300 social housing households claiming Housing Benefit (19,700 in work, 34,200 out of work) will see Housing Benefit reduced by 1% resulting in a loss of income to their social housing provider

Universal Credit and Tax Credit changes (2016/17)

4.38 Despite Universal Credit being rolled out as way of helping to make work pay, the government used the Summer Budget 2015 to announce that 'work allowances' will withdraw at a faster rate from April 2016. Work allowances will be reduced to £4,764 for those without housing costs, £2,304 for those with housing costs and removed altogether for non-disabled claimants without children. This will weaken the incentives for someone who is unemployed to move into work which undermines the original principles of Universal Credit.

4.39 Reforms to the Tax Credit system will also be implemented from April 2016. The Government will reduce the level of earnings at which a household's Tax Credits start to be withdrawn for every extra pound earned. Therefore for tax credits, the income threshold will be reduced from £6,420 to £3,850. The Government will also increase the rate at which a person's or household's tax credit award is reduced as they progress in work, by increasing the taper rate in tax credits from 41% to 48%. This will impact on many low income working households.

4.40 From April 2017, a Youth Obligation for 18-21 year olds in receipt of Universal Credit will be introduced. Young people must participate in an intensive regime of support from day one of their benefit claim, and after 6 months they will be expected to apply for an apprenticeship or traineeship, gain work based skills, or go on a mandatory work placement to give them the skills they need to move into sustainable employment. Failure to do so will result in benefits not being paid.

4.41 Key Data

23,000 families claiming Working Tax Credit and Child Tax Credit
7,100 households claim only Working Tax Credit (April 2015)

Living Wage (April 2016)

4.42 The centre-piece announcement of the Summer Budget 2015 was a new 'National Living Wage' of £7.20 an hour from April 2016, which will be compulsory for workers aged over 25. The Chancellor described the rate as a 'new premium' on top of the National Minimum Wage (NMW). In effect, it creates a new age band for workers over 25 as previously the adult rate of the NMW applied to workers aged over 21.

4.43 The Chancellor's 'National Living Wage' falls short of the living wage calculated by the Living Wage Foundation (£7.85 an hour and £9.15 in London) which is seen as being the minimum hourly wage for an average worker to live on. For this reason, the Chancellor's rate could be viewed as a NMW premium for over 25's.

4.44 The Government has also asked the Low Pay Commission (LPC) how the new 25+ rate can rise to 60% of median earnings by 2020 with the Government aiming at a target of £9 an hour by 2020. Altering the remit of the LPC, the Government wants the body to set the rate in relation to the median rather than what the economy can sustain.

4.45 Key Data

New Economy estimate that by 2020 up to 20% of all jobs in GM could benefit from the new 'National Living Wage' for over 25's.

The economic benefits to residents in terms of additional spending power will be significantly less than the amount lost through changes to Tax Credits.

Incapacity Benefit and Employment Support Allowance reform (April 2017)

4.46 Incapacity Benefit (IB) reassessment started in 2010 and for existing claimants was completed by 2014. All existing IB claimants were required to undertake a Work Capability Assessment (WCA) which would determine whether they were moved onto Jobseekers Allowance, Employment Support Allowance (ESA) Work Related Activity Group (WRAG) or the ESA Support Group. Many claimants decided to challenge the outcome of their WCA.

4.47 ESA WRAG payments are currently higher than JSA payments but the Summer Budget 2015 announced that from April 2017 new claimants would receive the standard JSA rate. This will remove any financial incentive to remain on ESA, which the Government believes will further incentivise claimants to find work. The poor performance of the DWP Work Programme for IB/ESA claimants has resulted in low numbers of sustainable job outcomes. Nationally and locally there has been a recent spike in ESA numbers mainly due to new claimants and WCA appeals that were upheld.

4.48 Key Data

May 2010 – 34,060 IB/ESA claimants.

August 2013 - 31,650 IB/ESA claimants.

November 2014 - 33,300 IB/ESA claimants.

Lone Parents & Childcare

4.49 From April 2017, proposed changes to Universal Credit will mean that lone parents will be required to undertake work preparation activity when their youngest child is aged 2 and be ready to enter employment when their child is aged 3.

Currently, lone parents in receipt of Income Support are expected to move onto Jobseekers Allowance and start work when their youngest child reaches 5 years.

4.50 From September 2017 there will be provision of 30 hours of free childcare for 3 and 4 year olds – an increase from the 15 hours currently offered.

4.51 Key Data

There are currently 6,620 lone parents in receipt of Income Support in Manchester (Feb 2015). It is not possible to estimate numbers affected by this reform as we do not know how many parents will have a youngest child aged 2 or 3 at the time of implementation.

5 Cumulative Impacts

5.1 It is clear from the analysis undertaken that welfare reforms are creating significant challenges for Manchester's residents and for specific neighbourhoods within the city. Whilst we do not yet know the full extent or impacts of the reforms announced in July 2015, we can make some assumptions based on the impacts of previous reforms.

Movement of Local Housing Allowance Claimants

5.2 Local Housing Allowance is the allowance of Housing Benefit available to tenants of private sector housing. There has been a movement of Local Housing Allowance claimants around the city to areas with more affordable private rented housing which has occurred as a result of a variety of reforms, and is ultimately the result of a reduction in income for benefit claimants. Residents cannot afford the same level of housing as a direct result of LHA reforms but also because of a fall in income due to the Benefit Cap and the requirement for all working age residents to pay 15% of their Council Tax bill.

5.3 It was predicted that certain areas of Manchester would see an influx of LHA claimants, and other areas a reduction as claimants are priced out of the market and this movement has happened as predicted. As incomes drop further as a result of the new Benefit Cap levels and other reforms, it is likely that there will be a greater concentration of LHA claimants in neighbourhoods with poorer quality private rented accommodation with some potential for movement to other areas of the region.

5.4 Key Data

See Appendix A for graph of LHA movement by ward

Homelessness

5.5 Homelessness is a complex issue and can be attributed to a number of factors not necessarily as a direct result of welfare reform. However, it is clear that some reforms will push people into crisis situations where they can no longer afford their rent or are forced to move out of their property. For some particularly those with complex needs, homelessness is a possible outcome.

5.6 Key Data

Homelessness figures have fluctuated over the past few years but the trend has been a gradual increase in the numbers in temporary accommodation, and presentations who are owed a full duty. See Appendix B for graph.

Arrears

5.7 The number of rent arrears cases amongst social housing tenants has decreased since 2013, whilst the total value of rent arrears has increased in the same period. This suggests that those who are in arrears are experiencing worsening levels of debt, which can possibly be attributed to a combination of the under-occupancy rules, the Benefit Cap and the introduction of Universal Credit.

5.8 Council Tax arrears can be attributed to a cumulative impact of the loss of income through various reforms, but also specifically the requirement for all working age residents to pay a minimum of 15% of their Council Tax bill. There has been a trend of increasing arrears for the City Council over the past few years, with the starkest increase after May 2013 after the new Council Tax Support scheme was introduced. The number of attachments to DWP benefits for collection of Council Tax has also increased markedly over the past two years which is likely to be due to the introduction of the minimum payment for all residents. The increase in direct debits also indicates an increase in people who have made proactive arrangements to pay their bill.

5.9 Key Data

	Social Housing rent arrears	
Quarter	Number of cases	Value of arrears
Q1 2012/13	28,300	£10.93m
Q4 2014/15	26,334	£12.58m

Table 2: Social Housing Rent Arrears

	2011/12	2012/13	2013/14	2014/15	2015/16
Total Council Tax arrears at 1 April	£51.03m	£54.56m	£55.45m	£60.95m	£65.4m
Number of live benefit attachments collected in April	5,219	5,646	5,917	12,359	12,516
Number of live direct debits at 1 April	76,501	77,594	82,946	89,046	94,096
Council Tax collection rate (in year)	91.70%	92.90%	91.50%	91.60%	n/a

Table 3: Council Tax Arrears

Demand for Discretionary Housing Payments

5.10 There has been a large increase in demand for Discretionary Housing Payments as a direct result of the Benefit Cap and Under-Occupancy rules. Local Authorities have been granted funds for DHP from government to help those affected, and claims have been encouraged. However this underlines a reliance on temporary financial support for those affected and suggests that longer term issues may not yet be fully realised. For some of those affected by under-occupancy, long term DHP awards have been granted due to disability or existing adaptations in their home which will make it difficult for them to move. For others, short term awards have been granted on the basis that they will look for long term solutions to their situation.

5.11 The expansion of the Benefit Cap in April 2016 is very likely to lead to a large increase in DHP claims. The Government has allocated a national funding pot for DHP over the next five years, split £150m in 2016/17, then £185m, £170m, £155, and £140m in the following four years. Based on previous allocations Manchester could expect to receive slightly higher DHP allocations over the next five years, which should go some way to cushioning the impact for those affected by reforms. However it will not be possible to estimate demand until the number affected by the new Benefit Cap in Manchester is known.

5.12 Key data:

	Benefit Cap DHP claims	Under-occupancy DHP claims
2013/14	314	3823
2014/15	847	11,915

Table 4: Discretionary Housing Payment Claims

Demand for Crisis Support Services

5.13 It is not possible to quantify an increase in demand for crisis support services, however, anecdotal evidence suggests that residents are increasingly needing to turn to food banks and other emergency help. There is likely to be a link to welfare reforms, particularly the Benefit Cap, but also benefit sanctions applied to out of work benefit claimants.

5.14 The DWP's Crisis Loans and Community Care Grants were abolished in April 2013 and Local Authorities were required to devise an alternative scheme to support those in crisis. The Local Welfare Provision (LWP) scheme has since provided those in extreme crisis with access to household goods and emergency loans. A proportion of the funding in 2013/14 and 2014/15 was also granted to food banks to increase their capacity to support those in need with food parcels.

5.15 Demand for LWP has been lower than the previous DWP schemes, which may be because the City Council's scheme out of necessity is more restrictive in terms of not providing cash based grants and loans, and is tightly managed.

5.16 Key data

Applications to LWP:

2013/14: 5784 applications, 1864 approved

2014/15: 5564 applications, 2561 approved

It is worth highlighting here that the majority of applicants to LWP are from people without children (60% of applicants in 2014/15).

Demand for Advice Services

5.17 There has been an increased demand for advice services from those who need advice about benefit changes and those wishing to make an appeal against a decision. The City Council currently commissions the CAB, partnered with Shelter and Cheetham Hill Advice Centre, to deliver advice across the city. There has been a significant reduction in the size of the contract, as a result of City Council budget cuts and in order to maintain capacity to deal with the volume of enquiries, there has been a move towards greater online and telephone support with only more complex cases receiving face to face advice.

5.18 The City Council also retains an in-house advice team to support specific groups including claimants with severe & enduring mental health problems, cancer, HIV, as well as offering to represent any resident whose appeal against a DWP decision is assessed to have merit' including DLA claimants with mental health problems or cancer. Many Registered Housing Providers provide financial and welfare advice to their tenants and offer 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.

5.19 Due to the wide variety of support available it is difficult to measure demand for services delivered outside of the City Council's commissioned service. The CAB reports to the City Council on advice provided to Manchester residents and through this it is possible to track trends, in addition to qualitative evidence such as case studies. It is clear that more residents will be in need of advice and support once the new round of reforms are implemented over the next two years.

5.20 Key Data

Quarter one statistics from CAB show 4833 enquiries from April – June 2015, of which 37% related to benefits/ tax credits, 17% related to debt and 14% related to Housing.

Quarter one statistics from Shelter show 158 cases opened in the same period, of which 72% related to benefits, 17% related to housing and 11% related to debt.

Increase in Working Claimants

5.21 There is evidence from Housing Benefit and Council Tax Support (CTS) figures that more residents may be moving into work but they are increasingly in need of additional in-work financial support due to working part time hours or earning a low wage. Whilst the overall number of claimants of both LHA and CTS has fallen over the past three years, the number of in-work claimants for both has risen.

5.22 Key Data

Housing Benefit claimants in-work

June 2014: 12,852

June 2015: 14,025

Between July 2013 and July 2015, CTS claims for those in work increased by 1,370 or 14.3%, whilst those on out of work benefits fell by 5,816 or 11.4%

Personal Impacts

5.23 The personal impacts of welfare reform cannot be quantified but there will be detrimental impacts on individuals and families affected by reforms. These will include impacts on mental and physical health, particularly for those who are already in receipt of benefits such as DLA or ESA and are at risk of losing their entitlement; and those being forced to move house and leave established communities and family and social networks. There may also be negative impacts as a result of wider reforms which could cause an increase in food poverty and fuel poverty. The City Council and its partners will explore how to monitor both mental and physical health impacts for residents as a result of welfare reform.

5.24 Welfare reform may also have a positive impact where it encourages people to take steps into employment or training, thus improving their long term quality of life and that of their family. However, the reasons that people are out of work are complex and varied with changes to welfare benefits on its own not likely to trigger a return to work. It is therefore ever more important that Working Well and other reform programmes commissioned at a Greater Manchester level comprehensively tackle the underlying issues that are barriers to residents securing work. The quality of work that people move into is important as quality work is a health outcome as well as an economic one.

6 City Council 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. The City Council's response to welfare reforms since 2012 can be found in the previous Economy Scrutiny Committee reports listed in the introduction to this report.

6.2 The intention is to respond to the latest round of reforms announced in the Summer Budget 2015 by continuing to support residents into work wherever possible, including embedding work as an outcome in reform programmes and identifying and providing the right package of support for vulnerable residents who are affected. The cross-departmental Welfare Reform Board will continue to coordinate the City Council's response and review impacts on the city via the Welfare Reform Dashboard and other data and intelligence.

6.3 Specific areas of focus include:

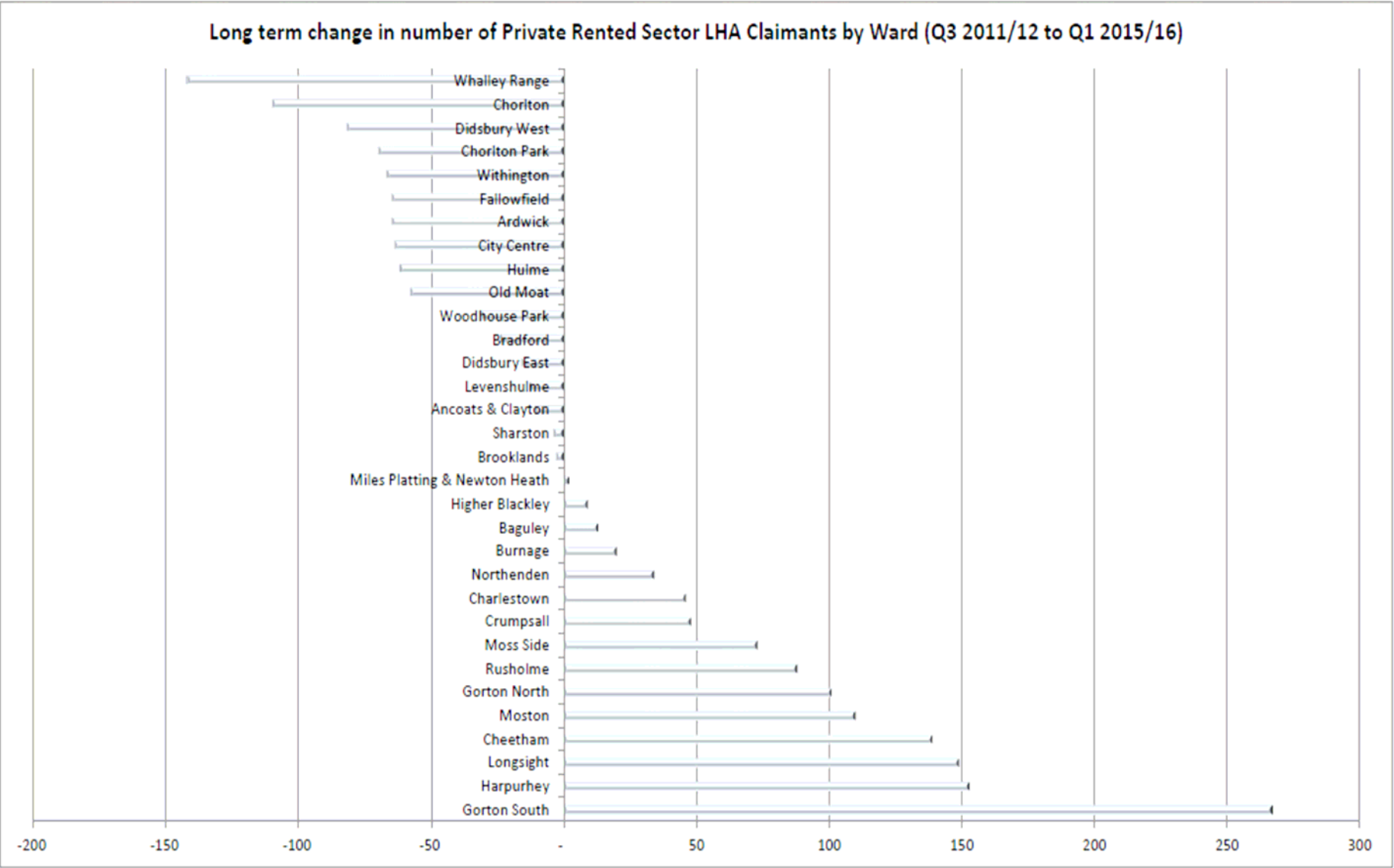
- Those affected by the new £20,000 per annum benefit cap will be identified by DWP in late 2015 or early 2016. The City Council will provide information and work with partner organisations to engage with those affected and provide

appropriate advice and support. This will include a greater targeting of mainstream services where needed.

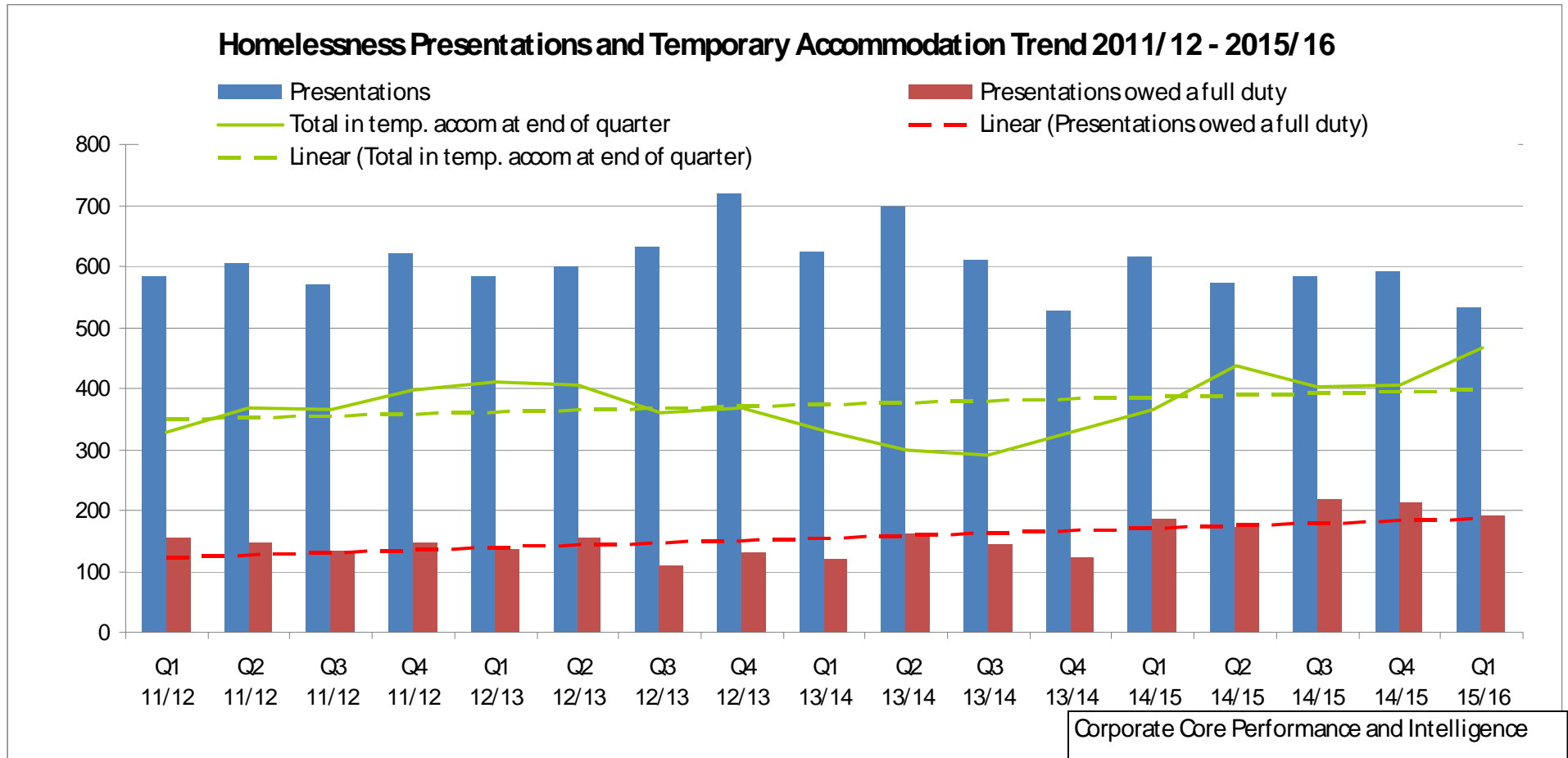
- The three Early Help Hubs being established in the north, central and south localities of the city will deliver an effective integrated offer of support for vulnerable or complex residents affected by welfare reforms, and will provide a gateway to more intensive interventions for those who need them. The Welfare Reform Board will explore how we pro-actively link those affected by reforms to the hubs, where appropriate.
- Explore how our commissioned advice providers can focus support so that appropriate advice is available, especially within the neighbourhoods which have been most severely affected. There are many other organisations (including the VCS) that provide local and responsive services to those affected by welfare reform and the City Council will continue to work collaboratively with them around a response to welfare reforms.
- A review of the City Council's discretionary funds such as the Local Welfare Provision Scheme and DHP will take place to ensure that they continue to target those in greatest need of support. It is clear that whilst discretionary funds offer much needed crisis support for those affected by reforms, they are not a long term solution. The City Council will ensure that through access to discretionary funds, residents are linked in with, and encouraged, into training and employment support. Where they are not able to work, ensure that residents can access appropriate advice and support to live as securely and healthily as possible.
- Residents will continue to be supported into sustainable work via the expansion of Working Well and future co-commissioning of the Work Programme with DWP. A particular focus will be residents claiming ESA or on long term JSA who have not benefitted from existing Work Programme interventions and those with underlying mental health conditions. An integrated package of support services will improve work, family and health outcomes for those who participate.
- The new programme of European Social Fund for GM will offer a range of training and support for residents to acquire the skills needed to move into and sustain work and improve career progression and earnings. It is important that these programmes effectively reach those residents and neighbourhoods most adversely affected. The programme is due to be in place in early 2016.
- A clear communications plan will be developed by the City Council outlining the impact of reforms and the support available. Communications activity will be targeted at residents and partner services to raise awareness of future reforms and to try and encourage residents to take positive steps towards finding work and reducing their reliance on benefits.

Appendix A: Movement of LHA claimants by ward

Ward	Q3 2011/12	Q1 2015/16	Change
Gorton South	1084	1,351	267
Harpurhey	1295	1,448	153
Longsight	757	906	149
Cheetham	866	1,005	139
Moston	536	646	110
Gorton North	1074	1,175	101
Rusholme	428	516	88
Moss Side	850	923	73
Crumpsall	1198	1,246	48
Charlestown	425	471	46
Northenden	299	333	34
Burnage	309	329	20
Baguley	292	305	13
Higher Blackley	521	530	9
Miles Platting & Newton Heath	643	645	2
Brooklands	273	270	- 3
Sharston	283	279	- 4
Ancoats & Clayton	613	602	- 11
Levenshulme	723	710	- 13
Didsbury East	195	179	- 16
Bradford	642	618	- 24
Woodhouse Park	325	294	- 31
Old Moat	351	293	- 58
Hulme	273	211	- 62
City Centre	127	63	- 64
Ardwick	500	435	- 65
Fallowfield	363	298	- 65
Withington	381	314	- 67
Chorlton Park	279	209	- 70
Didsbury West	289	207	- 82
Chorlton	337	227	- 110
Whalley Range	804	662	- 142
Total	17335	17700	365



Appendix B: Homelessness Trends



Appendix C: Scenarios

In order to help quantify the impact of welfare reforms on households in Manchester, a number of different scenarios have been modelled. The scenarios assume that each household's employment circumstances remain static over a 5 year timeframe. They reveal how income from wages and benefits, and total expenditure on rent and Council Tax, could fluctuate as various Government welfare reforms are phased in. These scenarios are based on information currently available, and may change if reforms are revised.

The first 3 scenarios are based on a typical Manchester family with two young children who are living in a 3 bedroom social housing property and are under-occupying. The disposable income of the working families in scenarios 2 and 3 are considerably higher than the non-working family in scenario 1. Despite working an additional 21 hours per week, the family in scenario 3 are initially only marginally better off than the family in scenario 2 who are in receipt of Working Tax Credit payments. This gap increases to approximately 10% by 2016-17 as both families see their income from wages increase in line with the National Living Wage for over 25's, but the family in scenario 2 see their income from Working Tax Credits halved.

Scenarios 4 and 5 are based on an example of a lone parent household affected by the benefit cap. Although this type of household is relatively uncommon, it does show how the £20,000 per annum benefit cap will result in a major reduction in Housing Benefit and therefore disposable income unless the lone parent is able to find work.

Information on acronyms:

JSA – Jobseekers Allowance

CB – Child Benefit

CTC – Child Tax Credit

WTC – Working Tax Credit

HB – Housing Benefit

CTB/ CTS – Council Tax Benefit/ Council Tax Support

Scenario 1

A couple with two children aged 3 and 5 living in social housing in a three bed semi with a rent of £125 per week, Band A Council Tax, neither working and in receipt of JSA.

	JSA	CB	CTC	HB	CTB/CTS	Total income	Rent	Council Tax	Income after rent and Council Tax
2012-13	111.45	33.70	113.94	125.00	16.97	401.06	125.00	16.97	259.09
2013-14	112.55	33.70	115.09	107.50	16.14	384.98	125.00	17.63	242.35
2014-15	113.70	34.05	116.25	107.50	15.02	386.52	125.00	17.63	243.89
2015-16	114.85	34.40	117.40	107.50	14.98	389.13	125.00	17.63	246.50
2016-17	114.85	34.40	117.40	107.50	14.98	389.13	125.00	17.63	246.50

Commentary: The reduction in weekly net income from 2013-14 onwards is due to the introduction of the under-occupancy charge which reduces Housing Benefit by 14% as there is deemed to be one spare bedroom; and the requirement to pay 8.5% Council Tax in 2013/14, then 15% of Council Tax in subsequent years. The Council Tax charge has not yet been set for 2016-17 so in all 4 scenarios the assumption is made that it remains the same as this year

Scenario 2

A couple with two children aged 3 and 5 living in social housing in a three bed semi with a rent of £125 per week, Band A Council Tax. One parent works 35 hours, paid the minimum wage at the over-25 amount.

	Wages (net)	CB	CTC	WTC	HB	CTB/CTS	Total income	Rent	Council Tax	Income after rent and Council Tax
2012-13	193.39	33.70	113.94	54.06	75.95	1.92	472.96	125.00	16.97	330.99
2013-14	202.94	33.70	115.10	52.58	53.99	0.00	458.31	125.00	17.63	315.68
2014-15	209.26	34.05	116.25	51.89	51.28	0.00	462.73	125.00	17.63	320.10
2015-16	216.45	34.40	117.40	50.63	48.17	0.00	467.05	125.00	17.63	324.42
2016-17	232.68	34.40	117.40	27.59	52.59	0.00	464.66	125.00	17.63	322.03

Commentary: The family is still affected by the under occupancy charge and maximum Council Tax support reduced by 8.5% from 2013/14 and 15% from 2014/15 onwards.

When calculating net weekly income, an average over the year has been used, as the minimum wage increase usually increases on 1st October each year, though increases from 1st April in 2016.

The family in this scenario are approximately 30% better off than the family in scenario 1 who are not working.

Scenario 3

A couple with two children aged 3 and 5 living in social housing in a three bed semi with a rent of £125 per week, Band A Council Tax. One parent works 40 hours, the other parent works 16 hours, both are paid the national minimum wage at the over 25 amount. No childcare costs

	Wages (net)	CB	CTC	WTC	HB	CTB/CTS	Total Income	Rent	Council Tax	Income after rent and Council Tax
2012-13	313.72	33.70	101.12	2.36	25.01	0.00	475.91	125.00	16.97	333.94
2013-14	324.19	33.70	102.66	2.74	15.65	0.00	478.94	125.00	17.63	336.31
2014-15	333.52	34.05	98.98	0.00	15.47	0.00	482.02	125.00	17.63	339.39
2015-16	344.49	34.40	97.33	0.00	10.90	0.00	487.12	125.00	17.63	344.49
2016-17	371.30	34.40	92.85	0.00	0.00	0.00	498.55	125.00	17.63	355.92

Commentary: The family is still affected by the under-occupancy charge and maximum Council Tax Support reduced by 8.5% from 2013/14 and 15% from 2014/15 onwards.

When calculating net weekly income, an average over the year has been used, as the minimum wage increase usually increases on 1st October each year, though increases from 1st April in 2016.

The family in this scenario are approximately 30% better off than the family in scenario 1 in 2012-13, and by 2016-17 they are approximately 45% better off.

Scenario 4

Single parent, six children - 4 girls 7,8,9,11 and 2 boys 13 and 14, living in private rented 4 bedroom property in Rusholme £800pcm rent (£184.61 pw) and Band C Council Tax, not working.

	JSA	CB	CTC	HB	CTB/CTS	Total Income	Rent	Council Tax	Income after rent and Council Tax
2012-13	71.00	87.30	320.86	183.46	16.96	679.58	184.61	22.62	472.35
2013-14	71.70	87.30	324.32	16.68	16.18	516.18	184.61	23.51	308.06
2014-15	72.40	88.25	327.79	11.56	15.01	515.01	184.61	23.51	306.89
2015-16	73.10	89.20	331.25	6.45	15.01	515.01	184.61	23.51	306.89
2016-17	73.10	89.20	331.25	0.50	15.01	509.06	184.61	23.51	300.94

Commentary:

The benefit cap, first introduced in April 2013, states that £500 per week is the total amount that families can receive from the main out-of-work and children's benefits. Where total income is above the cap, HB is reduced accordingly, although claimants will always be left with at least 50p of HB to permit eligibility to claim Discretionary Housing Benefit. Council Tax Support is excluded from the benefit cap, therefore the total benefit income is slightly higher than £500. From April 2013 this family is over £160 per week worse off.

The benefit cap reduces to £385 per week from April 2016 (outside London) therefore the HB is reduced further as required. Although rental liability stays the same, the cap and then the freeze on working age benefits from April 2016 mean that each year they are successively worse off financially.

Scenario 4b

Where a household does not claim Universal Credit, only the Housing Benefit is currently reduced and therefore the full impact of the benefit cap is sometimes not felt. It should be noted that a new claim for Universal Credit from a household with the above circumstances from April 2016 would result in a significantly lower income. Since Universal Credit brings together a range of out-of-work benefits, housing benefit and tax credits, the total income would be reduced to £400.01 per week (assuming that Council Tax Support sits outside of Universal Credit) or £191.89 after rent and Council Tax.

Scenario 5

Single parent, six children - 4 girls 7,8,9,11 and 2 boys 13 and 14, living in private rented 4 bedroom property in Rusholme £800pcm rent and Band C Council Tax, working 24 hours per week national minimum wage at the over 25 amount.

	Wages (net)	CB	CTC	WTC	HB	CTB/CTS	Total Income	Rent	Council Tax	Income after rent and Council Tax
2012-13	147.05	87.30	320.86	65.95	163.62	10.91	795.69	184.61	22.62	588.46
2013-14	149.72	87.30	324.33	63.64	166.49	10.61	802.09	184.61	23.51	593.97
2014-15	153.64	88.25	327.79	64.77	162.92	8.39	805.76	184.61	23.51	597.64
2015-16	157.99	89.20	331.25	63.94	161.06	7.81	811.25	184.61	23.51	603.13
2016-17	172.80	89.20	331.25	41.76	165.85	9.29	810.15	184.61	23.51	602.03

Commentary: A big reduction occurs in Working Tax Credit from 2016/17. This is based on preliminary estimates given, but may be lower if the rate at which tax credits is withdrawn is increased and may be slightly offset by increased HB/CTS award. Due to working and entitlement to WTC, the lone parent in this scenario is exempt from the benefit cap and is considerably better off than the lone parent in scenario 4.