
**Manchester City Council
Report for Resolution**

Report to: Economy Scrutiny Committee - 20 July 2016

Subject: Cumulative Impact of Welfare Reforms

Report of: Head of Work and Skills
Head of Revenues, Benefits and Shared Services

Summary

This report provides an update on the implementation of welfare reform in Manchester since the paper presented to this Committee in October 2015. It analyses the impacts of welfare reforms on the city so far and what impact could be expected from the reforms still to be implemented. It summarises the City Council's response to the reforms and where the Council and partners may need to focus efforts in the future.

A separate section provides an overview of the current and future impacts of welfare reform specifically on young people.

A representative from the Department for Work & Pensions will be attending the meeting to provide a separate update on the implementation of Universal Credit.

Recommendations

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

Wards Affected: All

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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
- 28th October 2015 – Cumulative Impact of Welfare Reform

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. Central Government has continued this reform programme with the implementation of the Welfare Reform and Work Act 2016. The measures being introduced in the act 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 provide an update to the paper presented to this committee in October 2015 on the implementation of the individual welfare reforms nationally and in Manchester, and the impacts on residents, services and communities.
- 1.3 Section 5 analyses reforms which will specifically impact on young people and provides an overview of how the City Council and partners can ensure that young people are supported and access employment opportunities.
- 1.4 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 Council to make informed judgements about the consequences of welfare reforms, both intended and unintended.

2 Economic Context

- 2.1 As of November 2015 there were 49,306 people claiming out of work benefits in Manchester. The worklessness levels in Manchester have steadily fallen over the past three years, from 64,230 in February 2012. Out of work benefits include Jobseeker's Allowance (JSA), Employment Support Allowance (ESA), Income Support (IS) and Universal Credit (UC) (where the claimant does not work). This figure therefore includes some claimants who may not currently be actively seeking employment, for example those in the support group of Employment Support Allowance.
- 2.2 Jobseeker's 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 March 2016, there were 10,676 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. Not everybody who is out of work claims an out of

work benefit but the headline ILO unemployment rate has also improved considerably since the recession period of 2009-12.

- 2.4 It is important that as people move into work, the employment that they secure is sustainable and pays a wage that they can live on. A large proportion of Manchester residents rely on in-work benefits to top up their income. Data from HM Revenues and Customs shows that in 2014/15 there were an average of 32,400 families/ individuals who were in work and claiming Tax Credits in Manchester. Of these, 21,000 families claimed Working Tax (WTC) and Child Tax Credits (CTC); 5,400 families claim CTC only, and 6,100 claim WTC only. In addition, as of May 2016 there are 2,531 claimants of Universal Credit who are in employment (Universal Credit will gradually replace tax credits).

3 Universal Credit implementation

- 3.1 A representative of the Department for Work and Pensions will be attending this meeting to provide an update on Universal Credit roll-out nationally and in Manchester.
- 3.2 The City Council has a Delivery Partnership Agreement with DWP to provide Personal Budgeting Support to new and existing UC claimants, via referral from a Jobcentre Work Coach. In June 2016 the City Council contracted this service to Shelter, an existing provider of advice services in the city. Shelter will be working closely with Jobcentres to promote the service to UC claimants, and will ensure that people accessing their support are signposted/ referred to other support as needed.
- 3.3 The 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 organisation and at Jobcentre Plus offices. Registered Housing Providers are providing a range of advice and support for their tenants who are claiming UC.

4 Welfare Reforms

Benefit Cap

- 4.1 Implemented in Manchester during August and September 2013, the stated 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/ couples the cap was £26,000 per year and for single people £18,200. The policy only applies to working age people and if claimants receive certain benefits (for example Disability Living Allowance or Working Tax Credit) they will not be affected. The cap is implemented by the Council through a reduction in Housing Benefit, and for new claimants of Universal Credit the cap is applied to the UC award.
- 4.2 From autumn 2016, the cap will be reduced to £20,000 for families/ couples, and £13,400 for single people (outside of London). The cap will be implemented

as previously via a reduction in Housing Benefit. For Universal Credit claimants it will be applied to the UC award.

- 4.3 Initial data from DWP shows that almost 1,500 households in receipt of Housing Benefit in Manchester are due to be affected by the revised benefit cap. Almost half of these are private rented tenants. These figures are based on early analysis of claimants' circumstances and may change. DWP are not currently able to share data on UC claimants who are due to be affected by the cap.
- 4.4 DWP have sent letters to households who, based on their current circumstances, are due to be affected by the cap. Claimants are being asked to meet with their Jobcentre Plus Work coaches to discuss their options.
- 4.5 DWP have shared individual household information with the City Council which can be shared with other services or partners in a targeted way where they will be assisting the household. The Council's Revenues and Benefits Unit will be sending further correspondence to households along with information on local support services. Data will be shared with Registered Housing Providers on their tenants due to be affected. The data will also be cross referenced with the Early Help Hubs to enable key workers to support the family and ensure that they understand the implications.
- 4.6 DWP has indicated that New Burdens funding will be provided to Local Authorities which will include provision for supporting residents who are to be affected by the cap with housing and financial advice. The City Council is awaiting further information on allocations and the expected date that we will receive this.
- 4.7 The Discretionary Housing Payment (DHP) scheme provides funding to deal with anomalies and hardship in situations where normal Housing Benefit does not cover all of a household's rent. 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. The government has recently increased local DHP allocations to account for the revised benefit cap in 2016/17. The Council will receive £2,097,016 in 2016/17 compared with £1,874,257 in 2015/16. At the time of the first benefit cap being implemented in September 2013, 157 households were in receipt of DHP (out of 343 households affected by the cap). The number of households in receipt of DHP has reduced over the last few years to reflect the time limited nature of some of the awards and the transience of some households.
- 4.8 Discussions have taken place with the City Council's commissioned advice service providers who will be carrying out targeted activity in the areas with highest numbers affected, and will provide a benefit cap triage line. Activities will be put in place to enable proactive engagement of private rented tenants since it is recognised that this group are likely to be more difficult to engage and support.

- 4.9 For those affected and who are able, the best way to mitigate the impact long term is to increase household income by moving from dependence on out-of-work benefits into employment. Other options such as moving to cheaper housing may be limited depending on family size and availability.

Disability Living Allowance

- 4.10 Disability Living Allowance (DLA) continues to be replaced by Personal Independence Payments (PIP) for working age people. Since June 2013 all new claims have been assessed as PIPs, and since October 2013 existing claimants have been invited for reassessment with Atos via a structured roll out. The care component of DLA has three 'bands' of payments based on need. The introduction of PIP has reduced the care 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.
- 4.11 As of April 2016, there were 9,598 people (all ages) receiving PIP in Manchester, of which 3,044 were reassessed from DLA. In November 2015 (the latest DLA statistics available) there were 16,910 DLA claimants of working age in Manchester.
- 4.12 As of April 2016, 73% of those being reassessed nationally under the normal rules (not terminally ill) have been awarded PIP. We could therefore expect 27% 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 would lose £1,133 per year.
- 4.13 There may 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 In March 2016 it was announced by the Government that some further proposed changes to PIP relating to aids and appliances, which would have meant a halving of the points received under the scoring system relating to the use of aids, were to be scrapped following criticism about the impact on disabled people.

Freezing of all working age benefits

- 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 from April 2016 up to and including 2019/20. This policy does not apply to benefits not linked to working age, including DLA and Carers Allowance.

Benefits & Children

- 4.16 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. The Government has indicated that there may be exceptions for specific circumstances such as multiple births but we do not yet have detail on this.
- 4.17 In addition, from May 2016 the family premium has been removed from Housing Benefit assessments and pension age Council Tax Support for new claims with dependants or where the first child born May onwards
- 4.18 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 not be available for new claims after April 2017. Child Benefit will continue to be paid at the same level for all children.
- 4.19 The above changes will adversely affect children growing up in poverty in the City, in particular those growing up in larger families dependent on benefits. This will impact children's health, education and life chances and will need to be considered as part of the refresh of the City's Family Poverty Strategy.

Council Tax Support

- 4.20 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 to apply 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 up to 100% support.
- 4.21 An assessment for this support is made based on income and family circumstances. Although the Council will still consider discretionary support towards Council Tax there will not be a specific budget set aside. Cases will be considered on their own merits in accordance with the Council's policy document and funded from the collection fund.

Under-occupancy in Social Housing

- 4.22 Since April 2013 there has been a limit on the number of bedrooms that working age social housing tenants can claim for through Housing Benefit. Dependent on the number and age of children and other requirements such as carers required to stay overnight, claimants have seen a reduction in their Housing Benefit to a level which will cover the bedrooms they are deemed to require.
- 4.23 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. Since the introduction of the under-occupancy rules Registered Housing Providers have worked together via Manchester Move to

enable easier transfers for tenants needing to move to a smaller property by awarding them additional priority on the housing register.

- 4.24 It is now over three years since its implementation yet 8,527 households remain affected by the under-occupancy in social housing rules. 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 predominance of larger family housing.
- 4.25 From April 2013, the Government provided extra funding for Discretionary Housing Benefits (DHP) to meet continuing and unavoidable needs resulting from the application of the under occupancy rules in the social rented sector. A significant number of affected households have received DHP to cover the shortfall in their rent as a result of this policy - in Quarter 4, 2015/16, 1,321 of the 8,527 affected households had a claim for DHP. Reasons for a DHP claim to be considered include where a household has adaptations in their home or have a disability which would make it difficult for them to move, as well as a range of other long and short term considerations such as caring responsibilities or family commitments.

Housing Benefit reforms

- 4.26 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. Claimants who live in property which is above the LHA rate have to pay the difference or move to a cheaper property, or risk falling into rent arrears. 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.
- 4.27 Prior to April 2013 LHA was increased in line with housing costs. Since April 2013 LHA was increasing annually in line with the Consumer Price Index. However from April 2016 LHA rates are frozen unless housing values reduce, in which case LHA rates will be lowered.
- 4.28 Since January 2012, the LHA rate for those aged under 35 has been restricted to the Shared Accommodation rate. Previously, full LHA based on property type and household need was available to anyone over the age of 25.
- 4.29 In the summer 2015 budget it was announced that Housing Benefit for social housing would be brought in line with LHA rates, and the Shared Accommodation rate for under 35 year olds would also apply. This reform will be implemented for all new tenancies signed on or after 1st April 2016, with Housing Benefit entitlement changing from April 2018. Early analysis suggests that the LHA rates for Manchester will cover social housing rents in the majority of cases. However there is a risk to people under 35 who are only entitled to the shared accommodation rate and would previously have been able to claim Housing Benefit for a one bedroom flat in the social rented sector. How this is to

apply for supported housing is yet to be decided. Please see section 5 for further detail on the impacts for young people.

- 4.30 In the summer 2015 budget, the Government also announced that from April 2017 under-21 year olds will not be automatically eligible to make a new claim for Housing Benefit or the housing cost element of UC. Please see section 5.

Social Housing reforms

- 4.31 The Work and Welfare Act legislates a reduction in social housing rents of 1% per year for 4 years from April 2016. Ex-Local Authority stock and supported accommodation were exempted from this for at least the first year, and housing providers of ex-Local Authority stock were allowed a 0.9% increase. 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. A representative from the social housing sector will attend the meeting and can provide further commentary from their perspective.
- 4.32 Central Government also announced plans in the summer 2015 budget to require social housing tenants in council-owned housing and with an annual household income of over £30,000 per annum to pay market rent. The Government was hoping to bring forward draft regulations during the summer of 2016 with a view to implementing the new rules from as early as November 2016, but the recent result of EU referendum might slow down that timetable. Similarly, the Government proposes to extend the possibility of right-to-buy discounts to all social housing tenants. Unlike the mandatory position for council stock, this would be by voluntary agreement of the other Registered Housing Providers. If this happens, then many of those earning over £30,000 per annum may be given the option to purchase their property.

Universal Credit and Tax Credit changes

- 4.33 In April 2016, the Government made amendments to Universal Credit Work Allowances (the amount a claimant can earn without their benefit being affected) which were outside of the Welfare Reform and Work Act 2016. This reform has a similar impact on UC claimants as the proposed changes to the Tax Credit system which were due to be implemented in April 2016 but have since been reversed by Government.
- 4.34 UC Work Allowances have been removed altogether for single people or couples with no children (previously was £1,332 per year). For couples and lone parents with children the Work Allowance has reduced significantly depending on housing costs; for single people/ couples with no children and where one person has limited capability for work there has been a reduction for those who do not have housing costs included in their UC benefit.
- 4.35 Understanding the impact of this reform on families is difficult as it depends on individual circumstances. However a House of Commons research paper has shown that the impact will be greatest for lone parents who do not have housing

costs within their UC claim. It is argued that this reform will weaken the work incentives for some claimants, which undermines the original principles of Universal Credit to make work pay. This reform needs to be considered within the context of an increase in the personal tax allowance and the National Living Wage, although it is highly unlikely that these will counteract the impact of Work Allowance reductions in full. The paper advises that analysis by the Resolution Foundation suggests that in the context of other reforms, working households are set to lose £1,000 in 2020, rising to £1,030 for those with children.

- 4.36 From April 2017 a Youth Obligation for 18-21 year olds in receipt of Universal Credit will be introduced, please see section 5.

Living Wage

- 4.37 The National Living Wage of £7.20 an hour was implemented in April 2016, which is now compulsory for workers aged over 25. In effect, it creates a new age band for workers over 25 as previously the adult rate of the NMW only applied to workers aged over 21. Please see section 5 for further analysis of the impact on young people.
- 4.38 The National Living Wage falls short of the living wage calculated by the Living Wage Foundation (£8.25 per hour or £9.40 in London) which is seen as being the minimum hourly wage for an average worker to live on. For this reason, the new rate could be viewed as a NMW premium for over 25s. While there was a Conservative party manifesto pledge to reduce the amount of income tax paid by someone working 30 hours per week at NMW to zero, it was announced in the 2015 budget that this would not be implemented during the life of the current parliament, until the personal tax allowance reaches £12,500.
- 4.39 The City Council introduced the Manchester Minimum Wage for its employees in October 2012 and this has been reviewed and increased annually, taking into account annual budgets and the Living Wage Foundation's recommended rate. All Council employees now receive at least £8.25 per hour (with the exception of some new starters, during a six month probationary period, for whom the 'New Starter Induction and Training Rate of £7.46 may apply).
- 4.40 Previous reports to this Committee have outlined other initiatives that the City Council is working on to influence its suppliers and contractors, as well as local schools, private companies and partners, to follow its lead and pay the Manchester Minimum Wage to their employees.
- 4.41 The Government has also asked the Low Pay Commission (LPC) to recommend, by October 2016, the annual increments required to enable the new 25+ rate to rise to 60% of median earnings by 2020 with the Government aiming at a target of just over £9 an hour by 2020. Altering the remit of the LPC, the Government wants the body to set the rate in relation to median earnings rather than what the economy can sustain.

Incapacity Benefit and Employment Support Allowance reform

4.42 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 Jobseeker's 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.

4.43 The Work and Welfare Act 2016 will remove the Work Related Activity (WRAG) component of ESA and the corresponding Limited Capability for Work element in Universal Credit for all new claimants from April 2017. This will mean ESA claimants receive the same amount of benefit as Jobseeker's Allowance claimants. This reform has received criticism that it will negatively impact on disabled people and cause hardship, however the Government believes it will remove the financial incentive to remain on ESA and further incentivise claimants to find work, supported by additional employment support for this group.

Lone Parents & Childcare

4.44 From April 2017, changes to Universal Credit will mean that lone parents in receipt of UC 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.

4.45 Currently, families can receive 15 hours per week free childcare for 3 and 4 year olds, and families who are in receipt of certain benefits can also claim 15 hours free childcare for 2 year olds. From September 2017, working parents will be able to access 30 hours per week of free childcare for 3 and 4 year olds.

5 Impacts on Young People

Youth Obligation

5.1 The Youth Obligation, announced by George Osborne in the summer 2015 budget statement, will provide more intensive support for unemployed Universal Credit claimants aged 18 to 21 years old to find work with the additional expectation that these claimants will apply for an apprenticeship, traineeship or work experience placements. If after 6 months the claimant has been unable to find work then they will be mandated to go on a work placement.

5.2 Although the youth obligation is expected to be introduced in April 2017 there have been no further announcements regarding the detail of the policy or its implementation. There are currently a range of youth employment support initiatives across the city, including the Nu Traxx (Youth Contract Extension for 18-24 year old claimants) which provide an intensive support model for young people at risk of becoming long-term unemployed. Manchester also has a proactive approach to supporting apprenticeships and there are a good range of opportunities available, many of which are in Manchester's growth sectors. The

forthcoming apprenticeship levy is anticipated to further increase the opportunities available and potentially result in a greater supply of higher-level apprenticeships. During the most recent academic year there were 2,242 apprenticeship starts by young people aged 16 – 23 in the City.¹

- 5.3 Another example of provision tailored to the needs of young people impacted by welfare reform is the Council's My Future programme. This offers support for NEET young people aged 16-24 to gain paid work experience. The programme has been designed to make sure that young people are able to get the skills and experience they need to put them in a stronger position to apply for an apprenticeship or full time work through offering 4 weeks of pre-employment training followed by 13 weeks of employment with a host employer. My Future has supported 76 people over the last 12 months

Housing Benefit

- 5.4 From April 2017 the automatic entitlement to Housing Benefit, or the housing element of Universal Credit for UC claimants, will be withdrawn for young people aged 18 to 21. Some exemptions will apply, at present these are for vulnerable young people, young people who cannot return home to live with their parents, are parents themselves and young people who have been in work 6 months prior to making a claim. The term 'vulnerable' in this context has not yet been defined. In Manchester there are currently 1,062 households where the main Housing Benefit applicant is 18 to 21 years old. 438 of these households have at least one dependent child. The wards most affected are Hulme (82 households), Harpurhey (80), Bradford (71) and Sharston (67)².
- 5.5 Relating to the further Housing Benefit reforms discussed in paragraph 4.28 where Housing Benefit for social housing will be brought in line with private sector LHA rates, it is expected that there will be disproportionate impacts on young people under 35 since some, dependent on their circumstances, will only be entitled to the shared accommodation rate. The shared accommodation LHA rate for most of Manchester is currently £67.20 per week or £268.80 for 4 weeks. In the Wythenshawe area it is £57.84 per week or £231.36 for 4 weeks.
- 5.6 Recent analysis carried out by the Council shows that there are a number of areas in the city where there will be no affordable one bedroom accommodation for young people, with affordable accommodation increasingly being concentrated in a small number of areas or outside the city within neighbouring authorities. Average rents are set out in the tables below which show that social housing rents are very close to or exceed the LHA rate and the private rents far exceed the LHA rate.

¹ Data Source: New Economy. Analysis by Corporate Core Performance and Intelligence.

² Data source: Revenues and Benefits Service. Analysis by Corporate Core Performance and Intelligence. Snapshot data as at June 2016.

Average social housing rents for one bed accommodation

Area	Registered Housing Provider	General needs - One bedroom - Average weekly rent (£s)
North	Northwards	63.49
Central	Eastlands Homes Partnership Limited	64.99
South / Wythenshawe	Willow Park Housing Trust Limited	68.56

Data sources: Private Registered Provider Social Housing Stock in England: Statistical Data Return dataset, 2015. Homes and Communities Agency. Local Authority Housing Statistics return, 2015. Analysis by Corporate Performance and Intelligence.

Average PRS rents for one bed accommodation

Area	Average rent per calendar month (£s)
North	500
Central	503
South / Wythenshawe	565
Manchester	540

*Notes: average over 12 months to the end of May 2016
Data source: Zoopla
Analysis by Corporate Performance and Intelligence.*

- 5.7 There a number of potential risks and impacts on young people due to the changes to Housing Benefit and the LHA rate:
- Young people being forced to return to accommodation which is inappropriate or to a family where relationships have broken down and in some severe circumstances where they have experienced abuse;
 - The reduced mobility of young people to access opportunities in the labour market as they will be unable to move to accommodation close to where there is job growth;
 - An increase in the number of young people living in temporary accommodation (such as 'sofa surfing')
 - An increase in the number of young people presenting as homeless.

Living Wage

- 5.8 The National Living Wage was also announced as part of the summer 2015 budget and introduces a minimum hourly rate of £7.20 for workers over 25, excluding apprentices. For young people under the age of 25 the national minimum wage will still apply and from April 2016 is set at:

21-24	£6.70ph	
18-20	£5.30ph	
Under 18	£3.87ph	
Apprentice	£3.30ph	(If under 19 in first year of apprenticeship, otherwise minimum wage applies)

96,780 young people aged 16-24 will not benefit from the National Living Wage and will remain at the national minimum wage.

- 5.9 The justification for excluding young people from the living wage has been explained as making them more attractive to employers, however an impact assessment carried out by the Department for Business, Innovation and Skills also identified the risk that higher pay floors reduce the likelihood of older workers leaving their positions, therefore reducing the opportunities available to young people.
- 5.10 However, many employers do not differentiate pay based on age. Several high-profile employers (e.g. Starbucks) have committed to paying all employees the NLW, and it is likely that many other employers will do the same. It is therefore very difficult to produce meaningful estimates of the number of young people who will be affected by missing out on the NLW.

Summary of impact on young people

- 5.11 Over recent months the employment rate nationally has reached its highest point since 2005 and in Manchester the proportion of young people claiming out of work benefits (JSA and UC) is lower than the Greater Manchester, North West and Core Cities average and equal to the U.K average at 2.6%. Despite this success, the changes to the welfare system will have a significant impact on those young people who have not been able to take advantage of the growing city and regional economy, especially the most vulnerable. The increasing cost of housing in the private rented sector and the lack of affordable housing in the city means that many young people claiming benefits will be unable to find suitable accommodation. For many this could mean finding cheaper accommodation outside the city and for some this will create an increased risk of homelessness. In addition, there continues to be anecdotal evidence that some young people are not claiming benefits at all and are therefore not included within the official data.

6 Cumulative Impacts

- 6.1 It is clear 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 within the Work and Welfare Act 2016, we can make some assumptions based on the impacts of previous reforms.

Movement of Local Housing Allowance Claimants

- 6.2 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.
- 6.3 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. 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.
- 6.4 Due to the implementation of Universal Credit, it is no longer possible to analyse longitudinal trends of Housing Benefit claims. UC incorporates housing costs, however data at a Local Authority level has not yet been made available.

Homelessness

- 6.5 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.
- 6.6 Homelessness presentations owed a full duty have increased by 25% within the last two years. Numbers accommodated in temporary accommodation has risen sharply, including those in Bed and Breakfast which is only used when all other options have been exhausted. The numbers in B& B have risen from 716 households in 2013/14, to 1491 households in 2015/6. The revised benefit cap causes particular concern that families will be forced to leave their homes due to loss of Housing Benefit or Universal Credit, and risk not being able to find alternative housing. One of the aims of the engagement activity with those due to be affected will be prevention of homelessness as a priority.
- 6.7 There has been an sharp increase in the number of rough sleepers in the City in recent years, with the statutory headcount rising from 7 in 2010 to 70 in 2015. The Council has worked closely with a range of partners to develop new and remodel existing services to provide more targeted outreach and additional accommodation for rough sleepers. Supporting rough sleepers and homeless people into work, education, training and volunteering remains a priority as this can offer the best long term route out of homelessness for many people.
- 6.8 The Council has supported the formation of the Manchester Homelessness Partnership and the development of a Manchester Homelessness Charter which was launched in May 2016. The Charter aims to bring the city together behind a set of common principles to address the challenge of homelessness

and steer action over 2016 – 18. It asks all residents, workers and organisations in the city to play their part by making specific pledges to support action to end homelessness. It follows an asset-based model, involving people with experience in co-production, and as such is very much in alignment with the approach in 'Our Manchester'.

- 6.9 The Government is considering proposals to introduce a homelessness prevention duty on local authorities, similar to that currently in place in Wales, as part of the review of the statutory framework reform. A Private Members' Bill to introduce a Homelessness Prevention Duty has also been introduced by Bob Blackman MP.

Demand for Discretionary Housing Payments

- 6.10 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, typically by downsizing, moving into work, or finding more work.
- 6.11 The expansion of the benefit cap in autumn 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.

Demand for Crisis Support Services

- 6.12 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.
- 6.13 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 Government stopped providing ring fenced grants from 2015/16 and stated that provision of any Local Welfare Provision (LWP) scheme should be part of a Local Authority's overall grant funding. Manchester City Council is continuing to provide a scheme.

6.14 The Council's LWP scheme provides support for vulnerable residents who are experiencing extreme hardship to live an independent life, and residents who have experienced a crisis or are at risk of homelessness. The scheme also helps people to return to work and can provide financial support for travel costs. Support to those in hardship consists of essential household goods and/ or small cash grants.

6.15 In 2015/16, 4,021 applications were received for LWP of which 1,736 were approved. Of these, 990 related to rehousing or resettlement support. Being mindful of a finite budget, applications need to be carefully appraised and consideration taken of possible alternative sources of support, for example DWP for benefit sanctions related issues.

Demand for Advice Services

6.16 The City Council commissions Citizens Advice Manchester, partnered with Shelter and Cheetham Hill Advice Centre, to deliver advice across the city. The advice providers report significant increases in demand across a range of issues. Statistics from Q3 2015/16 compared with Q3 2014/15 show there has been a 44% increase in demand for advice about benefits and 53% increase in advice around housing. Once the revised benefit cap is introduced in autumn 2016 alongside other forthcoming reforms we could expect this to increase further.

6.17 The City Council also retains an in-house advice team to support specific groups. The Retained Advice Services continue to be much in demand as much of the service offer is not duplicated by other advice providers in the city:

- Supporting residents to gather evidence and represent at DWP appeals, where the team consider there is merit in the appeal. This includes ESA and PIP assessment outcomes, and sanction decisions.
- Bespoke condition-specific advice services for those with a cancer diagnosis (funded by Macmillan) and for those with a severe & enduring mental health issue in partnership with Manchester Mental Health and Social Care Trust.
- The Homelessness Prevention Team based at the Civil Justice Centre defend households against possession proceedings for rent or mortgage arrears. Two officers based at Manchester Town Hall take referrals from the Homelessness Team. A landlord advisor works with private sector landlords who are seeking to protect a tenancy where a problem arises, for example the benefit cap reduces housing benefit.

6.18 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.

Personal Impacts

- 6.19 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 Council and its partners will explore how to monitor both mental and physical health impacts for residents as a result of welfare reform.
- 6.20 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.

7 MCC and Partner Response

- 7.1 Given the number of residents affected, the Government's programme of welfare reform presents significant challenges for a city like Manchester. The City Council will continue to focus support on 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.
- 7.2 The cross-departmental Welfare Reform Board continues to meet bi-monthly to coordinate the Council's response, reviewing policy changes and impacts on the city via the Welfare Reform Dashboard and other data and intelligence.
- 7.3 Some specific areas of focus include:
- A small task group of Council services and DWP representatives has been set up to coordinate the approach to the benefit cap. Targeted activity will take place with those due to be affected via letters and direct contact, in partnership with advice providers. Partner organisations will be central to this approach where they have relationships with local residents and are able to offer advice and support.
 - The three Early Help Hubs now 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 Hubs will be a key source of support for families affected by welfare reform, particularly the benefit cap

- Making links between the City Council's discretionary funds such as the Local Welfare Provision Scheme and DHP, and employment support and skills offers at a city and Greater Manchester level will continue to be important. Whilst discretionary funds offer much needed crisis support for those affected by reforms, the long term solution for households who are able to work is to move into employment. Where they are not able to work, we need to ensure that residents can access appropriate advice and support to live as securely and healthily as possible.
- The City Council is working with the nine other Greater Manchester Local Authorities on a 'Universal Support Greater Manchester' approach to working in partnership with DWP. The aim of this approach is to explore and implement new ways of working to best support claimants via service integration and sharing of information.
- Residents will continue to be supported into sustainable work via the expansion of Working Well and future co-commissioning of the Work and Health Programme with DWP. These programmes will provide a holistic and integrated package of support to improve work, family and health outcomes for those who participate.
- The new programme of European Social Fund for Greater Manchester, where contracted 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. Some programmes, such as the Skills for Employment Service, are now up and running and the City Council is promoting to residents and partners. Following Brexit, ESF will no longer be a funding option for skills for employment.
- Devolution of the Adult Education Budget provides the opportunity to target programmes to meet need and invest in skills that are better aligned to the employment opportunities in Greater Manchester.