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***IMPACT ASSESSMENT OF WELFARE REFORMS AND LEGAL AID SCOPE CHANGE  
ON CITY OF MANCHESTER RESIDENTS AND THE LEGAL ADVICE SECTOR***

Final report prepared by

**CLES Consulting**

Presented to

**One Stop Advice Project Advisory Board and partners**

**EXECUTIVE SUMMARY**





## ***IMPACT ASSESSMENT OF WELFARE REFORMS AND LEGAL AID SCOPE CHANGE ON CITY OF MANCHESTER RESIDENTS AND THE LEGAL ADVICE SECTOR***

### **Executive Summary**

The community legal advice sector in Manchester, via the Big Lottery Funded AdvicePlus project (lead agency Manchester Citizens Advice Bureau) commissioned the Centre for Local Economic Strategies to assess the impact of ongoing and future policy and funding changes upon the sector. The study particularly focused upon the changes to welfare benefit payments and the scope of Legal Aid. The findings presented in the study are based on several phases of research including: an assessment of the current profile of advice service users in the City; data analysis to assess the scale and impact of changes to the welfare reform agenda; and the implications these changes will have upon the community legal advice sector. The findings from these stages of research demonstrate that:

The current financial resources available to the community legal advice sector in Manchester are not sufficient to meet demand. In addition, the impending change of scope to Legal Aid, at the same time as changes to welfare benefit payments, mean demand for services will increase while funding is significantly reduced, the impact of which will disproportionately affect deprived communities and Manchester's most vulnerable residents.

### **The scale of advice services in Manchester**

This study estimates that the community legal advice sector in Manchester supports over 18,600 advice cases and almost 86,000 enquiries every year. Immigration, welfare and debt issues account for the vast majority of both enquiries and cases. Advice related to welfare benefit payments accounts for almost two thirds of enquiries and a fifth of cases. Support related to welfare benefits is often complex in nature due to the complexity and interrelated nature of many welfare benefits. Demand for such services has also been increasing dramatically in recent years due to the move from Incapacity Benefit to Employment Support Allowance and the changes to the Tax Credit system. The unprecedented scale of future changes to the welfare benefits will only increase demand for advice and place additional pressure on an already under resourced sector. Consultation with advice users found that community legal advice providers were offering support to residents that generated the following impacts:

- exercising the legal rights of residents;
- providing a sense of clarity and direction with advice issues;
- alleviating and managing debt problems;
- ensuring residents receive the money they are entitled to.



## **The future demand for advice services**

This study has assessed the main changes to the welfare benefits system to assess the future scale and geography of demand for advice services. Many of the ongoing legislative changes will impact upon the same cohorts of residents, typically those residents living in the most deprived areas of Manchester and residents who rely on welfare benefits due to being unemployed, sick or disabled, or working in low paid occupations. In summary, the following claims will be affected, creating additional demand for Community Legal Advice Services.

### ***Universal Credit***

All claims for Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, Jobseekers Allowance and Employment Support Allowance will be transferred to Universal Credit by 2017; therefore a total of 61,440 claims for out of work benefits in Manchester will be affected, while 45,000 working families claiming tax credits will be moved onto the new system.

### ***Incapacity Benefit and Employment Support Allowance***

Claims for Incapacity Benefit are being transferred to Employment Support Allowance (ESA) on an ongoing basis. The move is continuing to generate huge demand for advice services. In Manchester, a total of:

- ❑ 18,000 residents are still claiming Incapacity Benefit and will be assessed for ESA;
- ❑ an estimated 4,720 new claims for ESA per year will result in an appeal;
- ❑ 11,255 Manchester residents currently claim ESA and will therefore be required to undertake a further medical reassessment within the next two years.

### ***The Introduction of the Personal Independence Payment***

Disability Living Allowance (DLA) will be replaced with a Personal Independence Payment (PIP) from April 2013 for working age claimants only. The process will create huge demand for advice following medical assessments, with **at least 22,160 claims for DLA in Manchester reassessed for PIP.**

### ***Housing Benefit Reforms***

The changes to Housing Benefit are complex and wide ranging, some of which have already been introduced while others will take effect on an ongoing basis to 2014. The reforms include:

- ❑ setting Local Housing Allowance against the 30<sup>th</sup> percentile of local rents instead of the median rent;
- ❑ a Local Housing Allowance cap based on the size of a claimant's property from April 2011 and scrapping the five bedroom rate;
- ❑ increasing Housing Benefit rates by the Consumer Price Index rather than the Retail Price Index;



- ❑ raising the age at which the Shared Accommodation Rate applies from 25 to 35;
- ❑ a reduction in Housing Benefit for residents living in under occupation.

A total of 66,000 households claim Housing Benefit in Manchester and face uncertainty as the benefit is reformed. An estimated 14,000 of these households live in under occupation while over 8,300 will be affected by setting rates at the 30<sup>th</sup> percentile. The changes will result in a huge uplift in demand for advice related to debt, eviction and support to secure affordable housing.

### The current and future supply of advice services

The demand for advice services in the future is clearly going to increase as changes to the welfare reform system continue. However, the sector is also currently facing the following challenges:

- ❑ existing resources do not meet demand – providers are currently turning residents away as resources do not meet demand, particularly at drop-in sessions. A reported 50% additional demand for face-to-face advice is currently being unmet, while the sector is only able to answer 31% of telephone calls for advice. This situation will worsen as demand increases;
- ❑ the impact of closing Manchester Advice – providers are still feeling the impact of Manchester Advice closing as it has placed increased demand on other advice services in the City. It has also led to the loss of expertise and bespoke training related to the welfare reform agenda, and the ability to provide advice in up to sixteen community languages;
- ❑ the changing scope of Legal Aid – the scope of Legal Aid is being significantly reduced as part of the Government's deficit reduction programme. Cases will only be funded where an individual's life is at risk; they face physical harm; or homelessness. As a result, funding for all but the most complex cases supported by the community legal advice sector will be removed. This includes funding to support complex welfare benefit cases at a time when the welfare system is undergoing unprecedented reform. As a result, between 85%-99% of LSC funded cases are anticipated to no longer be eligible for funding, leaving the most complex cases unsupported;
- ❑ the impact of Legal Aid reform – the impact of reform on the community legal advice sector will be huge, particularly given the Legal Services Commission's decision to re-tender housing, debt and family law services in CLAS areas alongside the remaining face-to-face advice services. This means the CLAS contract and the sustainability of the delivery model in its current form is facing uncertainty.



## The future shape of advice services

The increase in demand for advice services at a time when the most complex cases will no longer be supported by the Legal Services Commission means advice services will need to be realigned in the future. A number of responses are likely:

- ❑ **a more standardised way of providing advice** – support will be restricted for form filling, as there is a move to using self help packs and form checking. However, this will affect the most vulnerable in society and those with poor English skills, leaving them unable to claim the benefits they are entitled to;
- ❑ **an increase in telephone and web based support** – the sector is currently unable to meet demand for telephone based advice, which is five times cheaper than delivering face-to-face advice. Offering more telephone and web based advice will help to reduce cost; however this form of advice is not suitable for all complex or vulnerable cases, or residents that have poor English skills;
- ❑ **charging for services** – some community legal advice providers are considering charging for their services in the future. However, advice service users reported they are typically unable to pay due to being in debt or reliant on welfare benefit payments which are being reduced in many cases.

## Conclusion

This study has found that the community legal advice sector provides a highly valued service, which helps residents at crisis points in their lives. Resources provided to the advice sector are currently not meeting the demand for services. Demand will increase dramatically in the future as welfare benefits are reformed (e.g. 63,200 claims for ESA and PIP in Manchester will be subject to a medical review between now and 2014, while 34,000 claims for Housing Benefit will be affected by a reduction in payments). At the same time, the scope of Legal Aid is being changed to reduce eligibility for funding to the most extreme civil law cases. An estimated 85-99% of cases will no longer be supported, leaving the most vulnerable residents in Manchester without access to free legal advice and an ability to challenge decisions that threaten their home, income, welfare or safety.

The withdrawal of services at a time of increased demand will have a number of consequences. Residents that cannot afford to pay for legal advice will no longer be supported to resolve debt, housing or welfare issues. This will result in these issues deteriorating further with housing repossession, debt and vulnerability increasing, while benefit payment levels are falling for many claimants. Demand and an increase in cost on other services, such as Manchester City Council's Homelessness Service, Adult Social Services or their local councillor will increase. This has been demonstrated by past research<sup>1</sup> and how these increases are mitigated by effective advice provision. Using data from the Civil and Social Justice Survey, and the Legal Services

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<sup>1</sup> Source: Towards a new business case for Legal Aid, CAB (July 2010)



Commission's outcomes data from legal aid work, it is estimated that for every £1 of legal aid expenditure on debt and benefits advice, the state saved an average of £5.89 in 2010, a figure that would have increased within the past two years. The consequence of changes to welfare benefits, combined with a reduction in Legal Aid, is therefore that poverty and vulnerability within Manchester's deprived communities will increase unless further funding can be found while the cost of delivering mainstream services will increase significantly.



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