



Challenges Facing Torbay Residents

John Cooper
District Manager
Torbay Citizens Advice Bureau

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1.0 Background

- 1.1 Torbay Citizens Advice Bureau has seen a significant increase in demand over the past couple of years. This increased demand for our advice services is undoubtedly the result of the ongoing financial crisis which has had a significant impact on households.
- 1.2 This report highlights in more detail some of the key issues facing Torbay residents from information extracted from our records, the experience of our caseworkers and highlights how access to advice services can help people overcome some of the issues they are facing

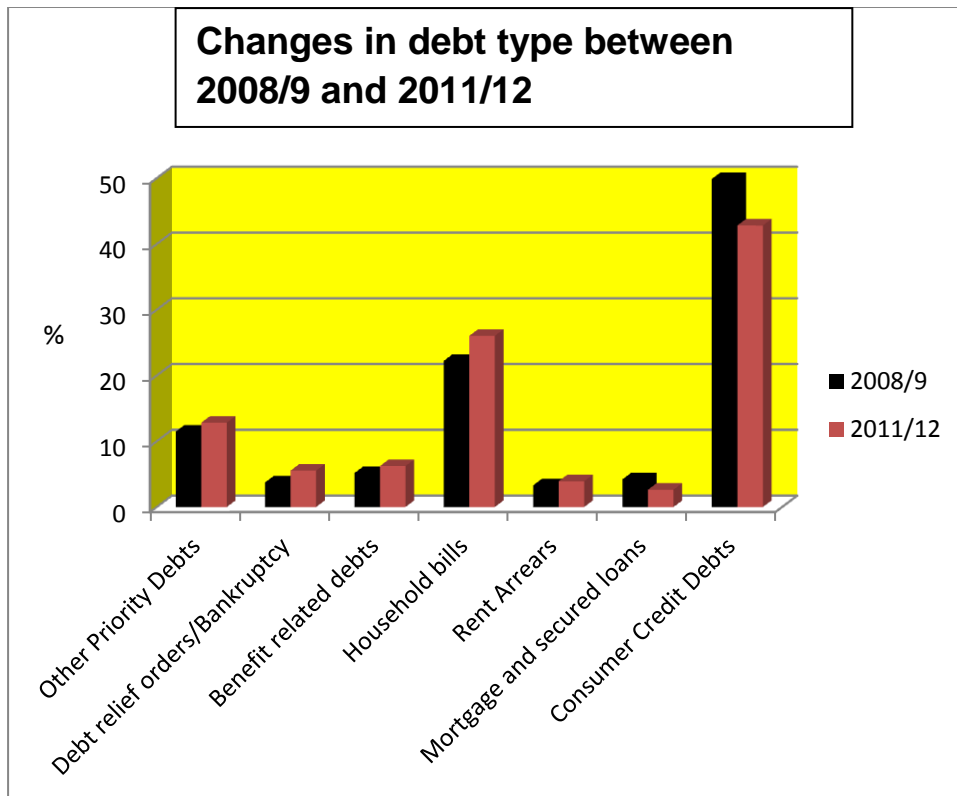
2.0 The main Issues Facing Residents

- 2.1 The top five issues facing residents during the first 6 months of 2011/12 were as follows:-
 - Debt 34.0%
 - Benefits 32.0%
 - Employment 8.4%
 - Housing 6.2%
 - Relationships 5.0%

3.0 Debt and financial problems

- 3.1 As indicated, financial difficulties and debt represent one of the main challenges facing Torbay residents. The combined impact of rising unemployment, little or no wage growth, higher inflation and lower benefit/ tax credit levels have eroded the real spending power of households, pushing many people to the brink with residents cutting back and in increasing cases relying on credit for essentials such as food and energy
- 3.2 These issues are compounded in Torbay as we are a low income area, illustrated by the fact that we have the 3rd lowest average gross wage in the country (Source: 2010 annual survey of hours/earnings). 73% of our clients have an income below £1000 a month with 28% on incomes of less than £400. Unsurprisingly therefore, Torbay is the debt capital of the country with the highest level of personal bankruptcies per head of population (Source: Experian)
- 3.3 Our data illustrates this situation with household debts (council tax arrears, fuel, water and telephone debts) rising as a proportion of the total amount of debt that we are now seeing. These particular debts have increased from 22% in 2008/9 to 26% in 2011/12. This represents an 18% increase over this period. Fuel and water debts have increased by 13% and 19% respectively. The very steep increases in fuel tariffs and the continuing problem of high water costs in the South West are likely to see the number of households struggling to pay these bills increase further.

3.4 By contrast consumer credit debt shows a 14 % reduction in the last 3 years. The tightening of the availability of consumer credit over the last two years is reflected by a reduction in the share of debt advice related to consumer credit – cards, unsecured loans, overdrafts, mail order, and hire purchase debts. Consumer credit debts now make up 43% of our clients' debts, compared to 50% in 2008/9. This shift in debt type also reflects the squeeze on household incomes and the greater proportion of households struggling with household bills



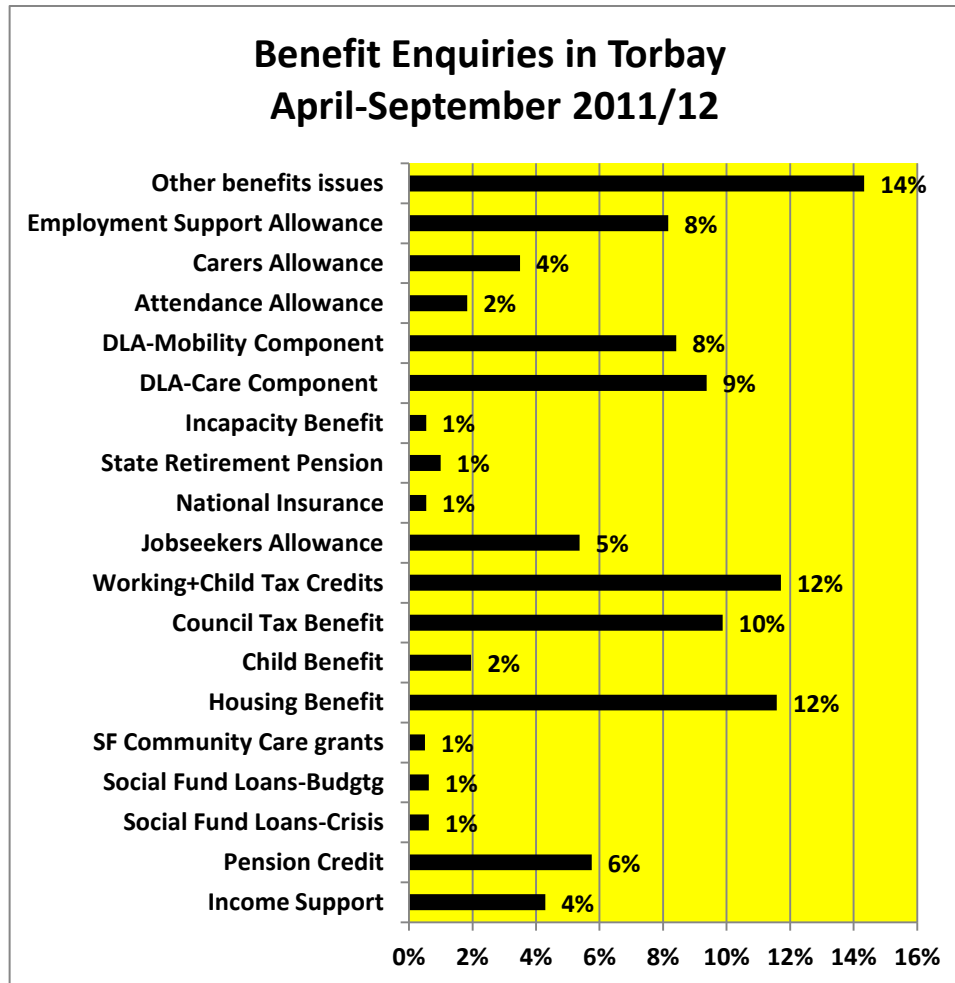
3.5 When income declines so does spending power, compounding the effects of the recession on local businesses. The impact of debt is manifold and complex and can have considerable cost to the community. For example if local residents miss rent payments they may go through the trauma of losing their home, family break up and child poverty increasing. This has substantial administrative costs to the council and social costs to the family concerned and society in general. As deprivation increases progress on efforts to promote social inclusion are damaged. The stress of living with problems can also have dramatic effects on physical and mental health, adding to the strain on public services.

3.6 In an effort to combat some of these problems Torbay CAB currently provides a specialist debt advice service and financial literacy service. Our specialist debt management service has a key role to play in making a meaningful contribution to the well-being of individuals, helping them to face up to and

deal with debt at an early stage so helping to alleviate the social costs both to the person/ family concerned and to the community resulting from debt. The preventative financial literacy service, introduced earlier this year, aims to assist residents manage their finances, maximise their incomes i.e. how to reduce energy and water costs and avoid the pitfalls of debt.

4.0 Welfare Benefit and Working Tax Credit Issues

4.1 Benefit/ tax credit advice remains the second largest area of advice



4.2 As detailed previously, the squeeze on household incomes has increased the importance of ensuring Torbay residents maximise their incomes during this difficult time with particular emphasis on the sick and disabled. As a direct consequence of our work, between April and September 2011 our advisers have increased the incomes of Torbay residents by £766,759 helping to reduce poverty and inequality within the Bay. This represents not only an increase in income and an enhancement to the quality of life for the recipients and their families but also provides an inflow of resources into the Torbay economy. The biggest area of impact has been for health and disability entitlements, particularly for carers and families with special needs children. This reflects our emphasis on providing advice within the community through

GP surgeries, home visits for the disabled/long term sick and for families with special needs children

- 4.3 A major challenge for Torbay residents has been the on-going transfer of people from Incapability Benefit to Employment and Support Allowance. Advice levels continue to increase significantly year on year. Particular issues for Torbay residents have related to the entitlement process and the work capability assessment. Nationally 40% of clients who appeal against their work capability assessment, many of whom are severely ill and/or disabled have won their appeals.
- 4.4 Current and future changes to benefits paid to the sick and disabled is a major challenge to some of the most vulnerable Torbay residents. The proportion of the Torbay population who experience limiting long term illness is significantly higher at 23.03% than the national average of 17.93 % (Source: 2001 Census). This places Torbay in the top 25% of local authorities in the country in terms of long term limiting illness. In addition 8 areas in Torbay are in the top 10% most deprived areas for health and disability deprivation with 14 in the top 20% (Source 2010 deprivation indices). There is a strong correlation between health deprivation and wider inequalities .Torbay also has an above average proportion of the population providing unpaid care in the home
- 4.5 Some of the main challenges that will affect Torbay residents are still to have an impact. Changes being introduced to the benefit system will impact both on working and non-working families. These families will need assistance in understanding these changes and coping with the potential impacts such as a further reduction in household incomes. Some of the main changes relate to:-

General

- **Changes in the basis for up-rating benefits and tax credits by using the consumer price index (CPI) from 2011-12** instead of the retail prices index and the Rossi index - likely to mean a 1.5 per cent real terms reduction in the value of benefits and tax credits each year.
- **Overall cap on household benefit payments** paid to households of working age from **2013**
- **Introduction of a new universal credit for working age households**

Child Benefit

- **Freezing of child benefit for 3 years from 2011-12.** This means a reduction in real terms for two children from £33.70/week in 2010, to £29.26 by 2013/14. (Budget)
- **Child benefit** will be withdrawn from families with a higher rate taxpayer from **January 2013.** (CSR)

Local Housing Allowance

- **Spending on Council Tax Benefit will be reduced by 10 per cent with decisions about who gets support localised from April 2013**
Pensioners will not be affected by the changes and therefore the impact of the 10% reduction in grant will fall disproportionately on low income working and non working individuals and families. There will be a fixed pot

of money given to local authorities which will not vary by demand and which will not be ring fenced This will create a postcode lottery and for areas with a large proportion of low income pensioners who currently qualify for Council Tax Benefit (as in Torbay) the impact of the 10% cut in overall expenditure will fall on low income working and non-working families. It is estimated these families could see a 19%-22% cut in their Council Tax Benefit with a major impact on their household incomes

- **Local Housing Allowance (LHA) caps**
- **Reduction in Local Housing Allowance (LHA) rates from April 2011, from 50th to 30th percentile of local rents. (Budget)**
- **The extension from April 2012 of the shared room rate (SRR) to single claimants under 35 years of age (up from 25). (CSR)**
- **From 2013, the Local Housing Allowance (LHA) - which is used to decide the maximum housing benefit that can be paid - is also to be up-rated in line with CPI not local rents. (Budget)**

Working Tax Credits (WTC)

- **The rate at which tax credits are reduced will rise from 39% to 41% from 2011-12. (Budget)**
- **£2,500 of any drop in income will be disregarded for tax credit purposes from 2012-13.** This means that anyone whose income drops by £2,500 or more, will **receive £1,025 less in tax credits** than they would before the change. (Budget)
- **Tax credits childcare costs were reduced from 80% to 70% from April 2011. (CSR)**
- **Freezing of both basic and 30 hour elements of working tax credit (WTC) from April 2011 (CSR)**
- **To receive WTC, couples with children will have to work 24 hours (instead of the current 16) between them, and one must work at least 16 hours, from April 2012. (CSR)**
- **Reducing entitlement to the flat rate £10.50 a week family element of child tax credit. (Budget)**

Disability/Sickness Benefits

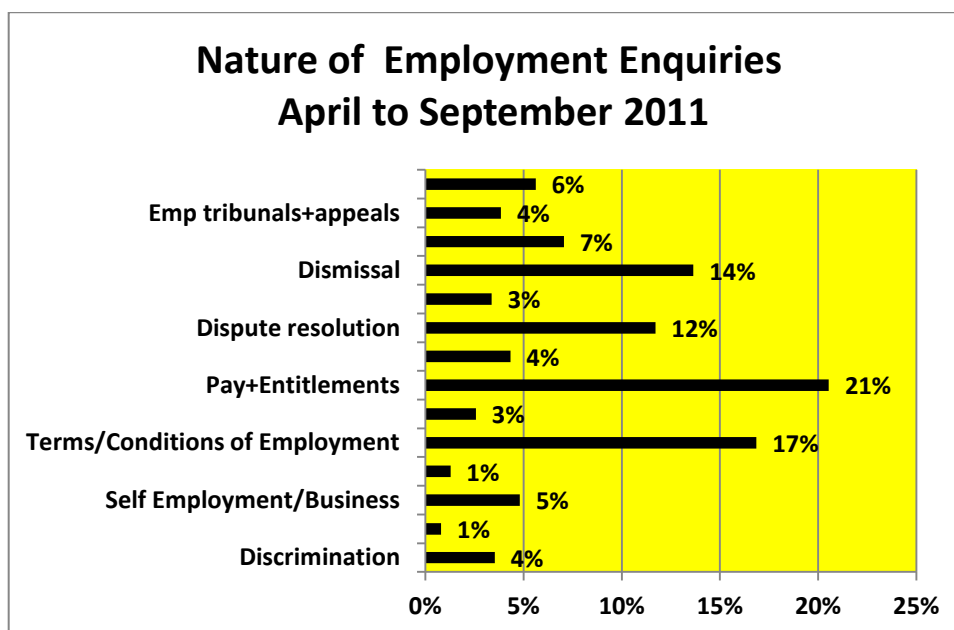
- **Employment Support Allowance(contribution based) – introducing a time limit of one year for entitlement to ESA (CB) for those in work-related activity group, from April 2012. (CSR)** . These are people who have been working, paid National Insurance contributions and have fallen ill and can no longer work. Evidence has shown that 94 per cent of people in the work-related activity group who get contributory ESA are unlikely to return to work within a year so would risk losing their ESA if they have savings or a partner who works. For example, a couple where one earns £150 and the other is sick would lose their ESA of £94.25 – an income drop of almost 40 per cent.

This is a particular issue for people with severe illnesses like cancer whose conditions may last longer than a year.

- **DLA mobility for people in residential care will no longer be paid from 2012/13. (CSR)**

5.0 Employment Issues

- 5.1 Employment issues are one of the main areas for people seeking advice and currently represent a real challenge for Torbay residents with the rising levels of unemployment.
- 5.2 Torbay suffers from the highest rate of unemployment in the South West with a rate of 4.3%. This compares with 3.9% in the United Kingdom and 2.6% in the South West (September 2011). This problem is particularly acute for the younger age groups
- 5.2 Torbay also shows the lowest economic performance for the whole of the South West region and the second lowest of any area in England and Wales (measured from gross value added figures). The economy is particularly vulnerable in the current economic climate given that the proportion of jobs in public administration, education and health equates to 36.7% and in tourism 16.7%. Torbay is in the top 10% of authorities in Great Britain in terms of employment in public administration, education and health and within the top 5% of local authorities for employment in tourism (Source: ONS annual business inquiry employee analysis 2008)
- 5.3 These characteristics create a particular challenge to Torbay residents when endeavouring to attain employment. Becoming unemployed is often the trigger for debt problems and increasing levels of unemployment will undoubtedly bring greater financial hardship to our communities. Torbay CAB has worked closely with Working Links to provide a service for unemployed people to assist them overcome their barriers to work and to assist clients to manage their reduced finances and avoid the pitfalls of debt.



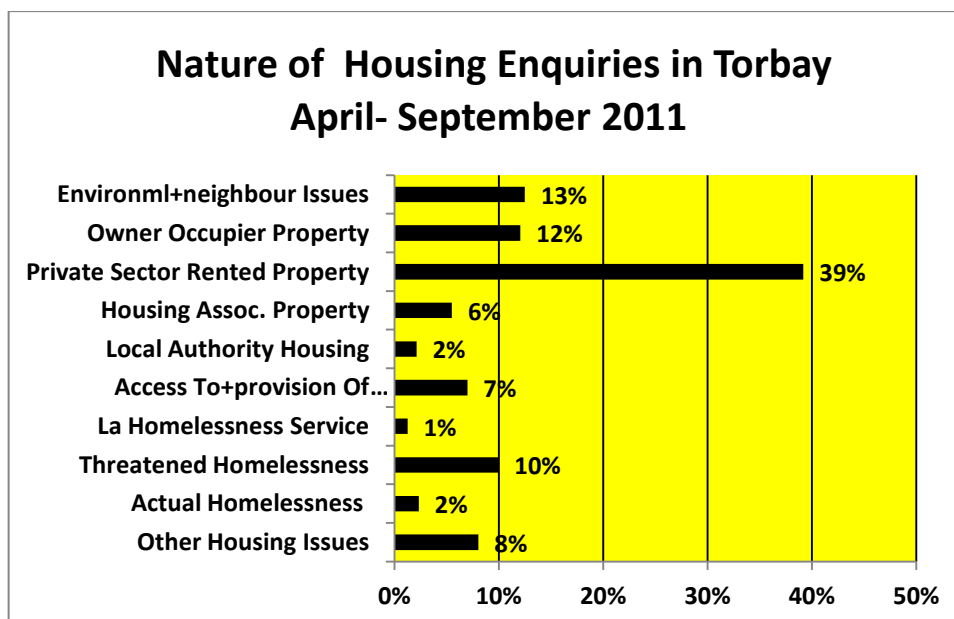
6.0 Housing

6.1 Housing issues represent the fourth highest area of advice.

6.2 A substantial proportion of advice concerns privately rented property. 42% of our clients live in privately rented property and Torbay has a high level of privately rented property at 15.1% compared to 8.0% for England (Source:2011 census). The key issues for Torbay residents are:-

- Problems around rents and charges (18%)
- The quality of accommodation and getting landlords to undertake repairs (17%)
- The cost of deposits, tenancy deposit protection and problems with the return of deposits at the end of the tenancy (19%)

Another common issue relates to security of tenure. The **assured shorthold tenancy**, widely used within the private sector provides tenants with little security. As a result, many tenants are reluctant to complain about disrepair and damp, for fear of eviction.



6.3 Many private tenants, such as pensioners, the disabled and working households on low incomes depend on housing benefit to help them pay their rent. However, the gap between market rents and housing benefit levels across large areas of the country make it extremely difficult for tenants to find a suitable home which they can afford. New proposals by the Government to reduce the amount of housing benefit that private tenants can claim are likely to exacerbate this problem even further. Particularly relevant changes are:-

- **The extension from April 2012 of the shared room rate (SRR) to single claimants under 35 (up from 25).** (CSR) Recent Citizen

statistics already show young people under 25 have particularly problems with privately rented properties, actual and threatened homelessness

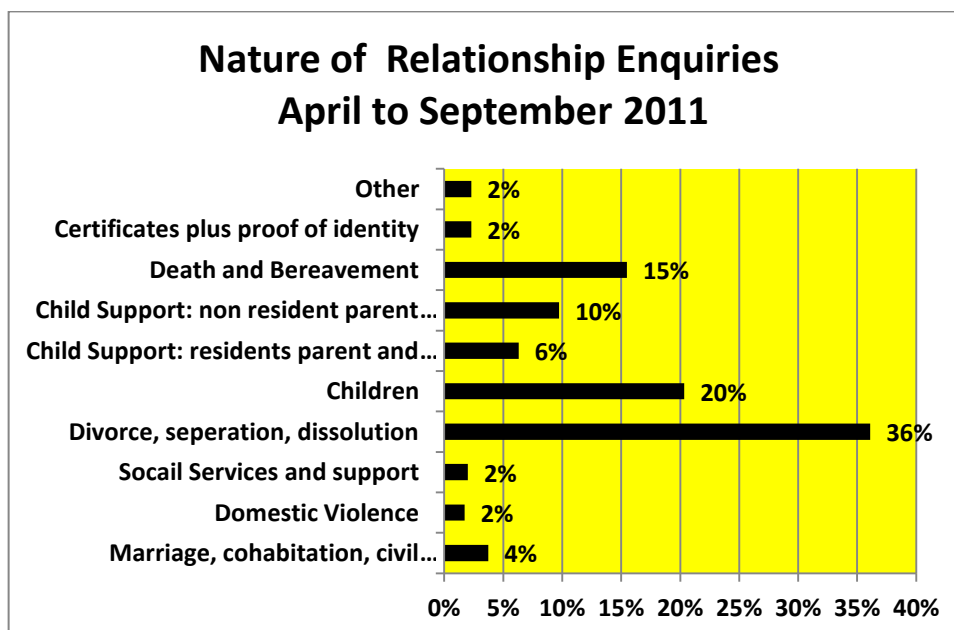
- **Proposals that tenants will have their benefit cut to reflect the size of the household with smaller households potentially seeking accommodation of a size not available on the necessary scale in the local community i.e. 1 bed properties for single people and couples**

6.4 Actual and threatened homelessness in Torbay represent the next biggest advice area at 13%. Advice on actual homelessness increased 24% compared with 2008/9, while advice on threatened homelessness increased 22%. This is a particular issue for younger age groups.

Actual and threatened homelessness is often caused by relationship breakdown and a reduction in income (due to ill health or unemployment) so that people are unable to keep up rent or mortgage repayments. Other causes include the end of a private tenancy which frequently last for only six months or a year and lenders re-possessing due to arrears on the property or the tenancy coming to an end. Tenants can then become homelessness due to the lack of affordable options.

7.0 Relationships

7.1 This is another major area of advice with divorce/separation, children and death and bereavement enquiries the main areas for advice. Early help and intervention for families facing complex problems such as unemployment, ill health, debt and money worries is often vital to ensure tensions that can contribute to family breakup and social and administrative costs to the Council do not increase in the current economic climate.



8.0 Conclusion

- 8.1 The economic and social problems prevalent within Torbay are already all too evident. These include the highest levels of deprivation for any local authority in the South West, the highest unemployment rate in the region, a low wage economy with the 3rd lowest gross average wages in the country and the highest level of personal debt per head of population. These characteristics are only likely to be exacerbated by the prevailing economic and financial climate.

- 8.2 Research from the Money Advice Trust has shown that the earlier that people identified a problem and adjusted to a change in circumstances the better able they were to manage financially and emotionally in the long term. They state “Greater public awareness of what “unmanageable debt” means and how seeking free, effective and independent advice can help resolve or alleviate the situation and is essential to prevent more families reaching crisis point.”