

Impact of Welfare Reform in Torbay

Initial Briefing Note

June 2012

1. Background

- 1.1 At the meeting of the Overview and Scrutiny Board in February 2012, consideration was given to a report by the Citizens Advice Bureau entitled "Challenges Facing Torbay Residents". Arising from that report, councillors asked that further information be provided to them about the impact of benefits changes in Torbay especially in relation to the under-35s.
- 1.2 Councillors raised a number of questions such as:
- What are the main changes to benefits? What's the timescale for implementation?
 - What are the likely impact of benefits changes in Torbay? How does the nature of our economy impact on people claiming benefits?
 - What is the availability of properties to meet the increased need for shared properties? What about smaller properties?
 - How does the Council monitor its Service Level Agreement with the Citizens Advice Bureau? Do we use the information from this monitoring to change or shape services?
- 1.3 This Interim Briefing Report has been collated using information from central Government and a range of teams within the Council. Some of the information has previously been presented at Policy Development Groups.
- 1.4 The Overview and Scrutiny Board is asked to determine what, if any, further information it would wish to receive on this issue over the course of the year.

2. Universal Credit

- 2.1 The Welfare Reform Act received Royal Assent in March 2012. It legislates for the biggest change to the welfare system for over 60 years. The wide range of reforms that will be introduced will, according the Department of Work and Pensions, make the benefits and tax credits systems fairer and simpler by:

- creating the right incentives to get more people into work by ensuring work always pays
- protecting the most vulnerable in our society
- delivering fairness to those claiming benefit and to the taxpayer.

2.2 The Universal Credit will replace the Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, Jobseeker's Allowance and Employment and Support Allowance.

2.3 The main elements of the Act are:

- the introduction of Universal Credit to provide a single streamlined benefit that will ensure work always pays
- a stronger approach to reducing fraud and error with tougher penalties for the most serious offences
- a new claimant commitment showing clearly what is expected of claimants while giving protection to those with the greatest needs
- reforms to Disability Living Allowance, through the introduction of the Personal Independence Payment to meet the needs of disabled people today
- creating a fairer approach to Housing Benefit to bring stability to the market and improve incentives to work
- driving out abuse of the Social Fund system by giving greater power to local authorities
- reforming Employment and Support Allowance to make the benefit fairer and to ensure that help goes to those with the greatest need
- changes to support a new system of child support which puts the interest of the child first.

2.4 Universal Credit will be introduced for new, non-working, customers from October 2013 which will also signal the beginning of natural migration following changes in circumstances for existing customers. From April 2014, working customers making new claims will receive Universal Credit. The majority of claims will be Universal Credit by March 2015 with migration to the system complete by 2017.

2.5 As well as the introduction of the Universal Credit, there are changes being made to the criteria used to calculate eligibility to Housing Benefit and Tax Credits which will also have an impact in Torbay.

3. Housing Benefit

The current situation

- 3.1 People on low income, whether they are working or not, and who need financial help to pay all or part of their rent, are eligible for Housing Benefit if their income and capital are below a certain level. Up until now, single people aged under-25 can only get Housing Benefit for bed-sit accommodation or one room in shared accommodation.
- 3.2 For rent payable to a private landlord, Housing Benefit is calculated using the Local Housing Allowance rules. Local Housing Allowance rates are set for different types of accommodation in each area. The rates range from a single room in a shared house up to larger properties with a number of bedrooms.
- 3.3 For rent payable to Registered Social Landlords, the maximum Housing Benefit payable would be the equivalent of the "eligible" rent which includes the rent for the accommodation and charges for services such as lifts, communal laundry facilities and/or play areas.

National Changes to Local Housing Allowance

- 3.4 In its Emergency Budget in June 2010, the Government announced changes to the Local Housing Allowance arrangements. The main changes were:
 - Setting rates at the 30th percentile in each area, a reduction from the 50th percentile previously used
 - Making the four bedroom property rate the maximum payable
 - No longer allowing customers to keep the difference between their rent and the Local Housing Allowance rate
 - Disabled customers who need overnight care may be able to claim for an extra room for a non-resident carer
 - Introducing a maximum weekly rate, set as:
 - £250 for a one bedroom property
 - £290 for a two bedroom property
 - £340 for a three bedroom property
 - £400 for a four bedroom property
- 3.5 The Shared Accommodation Rate previously applied to single people aged under 25 living in the private rented sector. These claimants were restricted to the rate for a single room in a shared house, rather than the rate for a self-

contained one bedroom property. The age limit for shared accommodation will now increase from 25 to 35.

- 3.6 Those making new claims from 1 April 2011 would be affected straight away. Existing customers would normally be affected from the anniversary of their claim or sooner if there were changes in their circumstances.
- 3.7 Existing customers can get transitional protection for a further nine months from the date that the changes apply to them. This transitional protection means that many existing customers will not be affected until January 2012 and some will see no change until March 2012.

Implementation and Impact in Torbay

- 3.8 Since April 2011, the Revenue and Benefits Team have advised all customers whose Housing Benefit is calculated using Local Housing Allowance rules that their benefit entitlement will reduce. These customers represent approximately 70% of all rent allowance cases. Their benefit could be affected by anything from a few pounds per week to over £70 per week dependant on the circumstances. The majority of these changes take effect sometime between January 2012 – December 2012 dependant on the anniversary date of their benefit application.
- 3.9 Examples of the Benefit changes are:
- Reduction in Local Housing Allowance rates – reducing benefit by £5-£13 per week. This affects 7,482 customers.
 - Maximum Local Housing Allowance rates only cover up to four bedroom accommodation rather than five – reducing benefit by £70 per week. This affects 70 customers.
 - Shared accommodation rates for customers under 35 years old instead of 25 years old – reduction of approx. £30 per week. This affects 600 customers.
 - Excess payments of £15 per week paid above the eligible rent. This affects 811 customers.
 - Increases in non-dependant deductions – reducing benefit by up to £10 per week.
- 3.10 Torbay Council are reducing the impact of the Benefit changes by:
- Joint working with the Housing Options Team by providing combined information talks to customers and agreeing procedures for referring cases of potential vulnerability to Housing Options
 - Running a series of seminars for internal and external organisations

- Writing to all customers to inform them of how the changes will affect them individually
- Identifying those most affected and phoning and visiting customers to offer assistance
- Posters and leaflets have been distributed throughout the community
- Arrange customer appointments with Housing Options who are negotiating lower rents with landlords
- Assisting customers facing difficulty meeting the shortfall in their rent with awards of Discretionary Housing Payments. These are awards based on individual circumstances. The DHP awards can range from £1 per week to £60 per week and are generally for 12-26 weeks. We have considered just under 1000 applications so far this year with funding of £118,503. (In 2012 funding has increased to £268,000.)
- Keeping in close contact with outside agencies such as Citizens Advice Bureau and JobcentrePlus
- We have recently commenced joint working with Children Services to identify 'troubled families' and early intervention
- Welfare Benefits Reform Group – Includes CAB, Revenue and Benefits, JobCentrePlus, Pension Service, NHS (Disabilities), Registered Landlord Associations, Age UK, Housing Options, Probation Service, Youth Intervention
- Benefit Changes Working Party – Information covering areas of work being done and what more is needed. Group includes Housing Options, housing associations, private landlords, councillors, Safer Communities, Supporting People.

3.11 In addition a Strategic Welfare Group has recently been formed by the Director of Adult Services and Resources who will receive information from the above Benefits Reform Group, Benefit Changes Working Party, Devon Managers Group (Local council tax scheme) and Working Together Board (oversight of Peninsular approach to various matters including Welfare Reform).

4. Tax Credits

4.1 Changes to tax credits were made from 6 April 2012. These included a lower income limit for Child Tax Credit. Before April 2012, parents could usually get some Child Tax Credit, as long as their income was not over the limit of £41,300. From 6 April 2012 this limit is lower for most people although it depends on individual circumstances. As a very rough guide, parents might not get Child Tax Credit if:

- For those with one child, annual income is more than around £26,000
 - For those with two children, annual income is more than around £32,200
- 4.2 For couples (but not single people) with children, there are new working hours rules for Working Tax Credit. Before April 2012, couples responsible for children, with one partner working at least 16 hours a week could get Working Tax Credit. From 6 April 2012, the rules for couples with children have changed. Single people who are responsible for children (for example single parents) are not affected by the new rules. The joint working hours for couples with children now usually need to be at least 24 a week to qualify. This means if both people work the joint weekly hours must be at least 24, with one person working at least 16 hours a week or if only one person works, that person must be working at least 24 hours a week.

5. Council Tax Benefit

- 5.1 As part of the Comprehensive Spending Review in 2010, the Government announced that it would localise support to help meet the costs Council Tax from 2013-14 and reduce Government expenditure by 10 per cent through a reduction in the grant paid to Councils.
- 5.2 The Welfare Reform Act contains provisions to abolish the existing Council Tax Benefit scheme and the Local Government Finance Bill contains provisions for the establishment of a localised Council Tax Support Scheme.
- 5.3 From 1 April 2013 the provision of the Council Tax Support Scheme and the associated funding will be transferred to local authorities via the Department for Communities and Local government (DCLG) rather than the Department for Work and Pensions (DWP) as now.

The Current Council Tax Benefit System

- 5.4 Council Tax Benefit (CTB) is designed to provide help to those with low income and with few savings to either fully cover or effectively reduce a household's council tax liability.
- 5.5 Torbay Council's Housing Benefit Service currently administers CTB in accordance with national criteria set by the DWP. The Council are reimbursed in full by the DWP for CTB awarded, therefore the risk of increasing claim numbers is met in full by Central Government.
- 5.6 The DWP currently provide local authorities with a specific grant to meet the cost of administering both the Housing and Council Tax Benefit schemes. As at April 2012, there were in excess of 18,250 recipients of CTB in Torbay and the net expenditure for 2012/13 is expected to be circa £16 million.

The Government proposals for the new scheme

- 5.7 Localising support for Council Tax is part of the Government's wider policy of decentralisation – giving councils increased financial autonomy and a greater stake in the economic future of their local area.
- 5.8 The main principles of the new scheme are that local authorities will have a duty to run a scheme to provide support for council tax in their area which meets the following principles:
- Pensioners should see no change in the current level of awards as a result of this reform
 - Local authorities should also consider ensuring support for other vulnerable groups
 - Local schemes should support work incentives, and in particular avoid disincentives to move into work

Support for Pensioners and Vulnerable groups

- 5.9 As the Government propose to prescribe its own criteria to guarantee protection for low income pensioners this will need to be taken into account within the local scheme.
- 5.10 Local authorities already have clearly defined responsibilities in relation to vulnerable groups other than pensioners under the following:
- Child Poverty Act 2010 – imposes a duty on local authorities and their partners to reduce and mitigate the effects of child poverty
 - Disabled Persons (Services Consultation and Representation) Act 1986 and Chronically Sick and Disabled Persons Act 1970 – which include a range of duties relating to welfare needs of disabled people
 - Housing Act 1996 - which gives local authorities a duty to prevent homelessness with special regard to vulnerable groups.
- 5.11 When designing the local scheme it will need to comply with the public sector duty in Section 149 of the Equality Act 2010 and will need to be assessed against our standard Equality Impact Needs Assessment (EINA).
- 5.12 These various "protections" will result in a disproportionate impact on those that are not protected such as those in low paid employment.

Work Incentives

- 5.13 Localism of support for council tax is part of the wider set of changes to reform the welfare system. The Government principles are:

- People should get more overall income in work than out of work
- People should get more overall income from working more and earning more
- People should be confident that support will be provided whether they are in work or out of work and will be timely and correct

5.14 The 10 per cent cut in funding is likely to result in a cut to support for single people and couples of working age who are low paid. This would be seen as supporting the government's work incentives contained in the Universal Credit.

Timetable and work so far

5.15 The local scheme must be in operation by 1 April 2013. Where a billing authority fails to adopt a scheme before 31 January 2013 a default scheme, to be provided for in the Regulations, will take effect. DCLG have warned there will be strong incentives for authorities to avoid the imposition of a default scheme (i.e. it is unlikely the Government grant will meet the scheme costs, financially penalising the Authority).

5.16 Torbay Council has formed a group with Plymouth City Council, Devon County Council and the Devon district councils. Information will also feed into the Fire and Police Authorities, being the main precepting authorities.

5.17 The group will aim to agree a Devon wide framework, with local schemes within, but not a whole Devon scheme. Each Council will need to design, consult and agree its own policies.

5.18 Members in each authority will be required to agree a Council Tax Reduction Scheme prescribing persons to be included in the Scheme and the reductions which must be applied to them.

5.19 A working group within Torbay Council will review and revise our policies and procedures with consideration to various services that will be affected e.g. Benefits, Council Tax, Customer First, Housing, Homelessness, Finance and Communications.

Funding and Set-up Costs

5.20 There are still some major issues to be confirmed by Government that the Council needs in order to attempt to structure a new "cost neutral Localized Council Tax Benefit scheme, these include:

- Administration Grant – Not determined at this stage. The Government are consulting with the Local Government Association.

- New Burdens – The Government have accepted there needs to be funding for implementation (new software, leaflets, stationery, staff training etc.). This is available in year one only.

6. Economic Impact

Benefit claimant levels

- 6.1 The rationale behind the reforms is that people should be better off in work than on benefits, but given current Jobseeker's Allowance (JSA) and Employment and Support Allowance (ESA) claimant rates are significantly higher in Torbay than the national average there is real concern that welfare reforms could have a detrimental impact on the economy as reduced benefit levels will likely result in reduced discretionary spending on non essential items.

Benefit Type	Torbay	South West	England
Jobseeker's Allowance	4.0%	2.5%	3.7%
Employment Support Allowance	9.3%	5.8%	6.2%
Lone Parents	1.7%	1.1%	1.5%
Others on income related benefits	0.8%	0.4%	0.5%
Total	15.7%	9.9%	12%

Source: Nomis - August 2011

- 6.2 JSA claimant rates in February 2012 were 5% (3,999 people), compared to 4.1% across England and 3% in the South West. However if all key out of work claimants are included nearly 16% (12,580 people) of Torbay's working age population are in receipt of benefits.
- 6.3 ESA claimant levels are a real concern in Torbay, and should benefits be withdrawn from a proportion of those currently receiving them this could have a negative impact on disposable income. In particular Torbay has a higher than average number of long term claimants, the group who are most likely to be negatively affected by the reforms.

Period claiming	England	Torbay
Up to 6 months	9.27%	7.81%
6 months up to 1 year	5.20%	4.44%
1 year and up to 2 years	6.89%	5.79%
2 years and up to 5 years	16.98%	17.36%
5 years and over	61.65%	64.60%

6.4 It is also worth highlighting that, while the aim of the reforms is to create an incentive to work, the job density (the ratio of jobs to people) in Torbay is below the national average (0.71 compared to 0.78), indicating there are less jobs for people to move into and not enough jobs to go round. This would get worse if more people are seeking more hours at work.

Area	2006	2007	2008	2009	2010
Bristol	0.89	0.88	0.88	0.87	0.85
Devon	0.83	0.81	0.80	0.84	0.83
Plymouth	0.75	0.75	0.74	0.72	0.72
Torbay	0.73	0.73	0.71	0.71	0.69
Heart of the South West LEP	0.80	0.79	0.78	0.80	0.79
England	0.80	0.80	0.79	0.78	0.78

6.5 There are also a higher number of part time employees in the Bay than the national average (42% in Torbay v 31% in England), again suggesting there aren't enough jobs to go round.

6.6 The reliance of the economy on public sector employment (36% of employees work in the public sector) also means there is a less active private sector with the ability to create new jobs for those coming off benefits. This reinforces the need for the local authority to use its powers appropriately to stimulate growth for instance accelerating the adoption of local development orders and bringing forward employment space as identified in the adopted economic strategy.

Economic Impact

6.7 Given the proportion of the population who will potentially be affected by welfare reforms there are likely to be linked impacts on the local economy. A reduction in benefit levels through welfare reforms could impact on the Bay in a number of ways:

- Reduction in gross domestic household income
- Reduction in footfall and discretionary spend in the town centres
- Increase in unemployment due to service sector dependency

6.8 This may manifest itself into other issues including truancy, increased petty crime, increased deprivation and an acceleration of the gap between the best and worst off areas in Torbay.

Gross Domestic Household Income

6.9 Gross Value Added (GVA) is the indicator most widely used to demonstrate economic productivity and figures released at the end of 2011 highlight the

challenges faced by the Torbay economy. GVA per head levels in the Bay are the lowest in the South West and the 8th lowest in England.

- 6.10 While GVA is used to measure economic productivity Gross Domestic Household Income (GDHI) is a residence based indicator (representing the amount of money available to households after taxes, National Insurance and property costs including interest payments have been deducted) and regarded as a better gauge of economic wellbeing.
- 6.11 In 2009 Torbay's GDHI was 87% of the English average, compared to GVA of 62%. This suggests that the Bay is relatively better off on measures of disposable income than measures of gross output or income. This is likely to be because households locally benefit from the redistributive effects of pensions, taxes and benefits not reflected in the GVA productivity measures. Nationally GVA per head is 32% higher than GDHI, whereas in Torbay is 5% lower, highlighting the impact any reduction in pensions and benefits will have on spending power within the local economy.

Footfall and spend in town centres

- 6.12 Our town centres are struggling and have suffered from the effects of the recession. The closure of a number of large retailers such as Woolworths and Monsoon has had an impact with reduced brand presence and the visual impact of empty units. If disposable income is reduced as a result of welfare reforms this will have a knock on effect on the town centres foot fall and income.
- 6.13 Research for Torbay Town Centres Company demonstrated that in 2008 there were three dominant socio-economic groups within a 20 minute drive time of Torquay town centre; affluent greys, prudent pensioners and blue collar workers. The last group are particularly susceptible to unemployment and traditionally have a higher benefit claimant rate, suggesting if welfare support is reduced there will be less income coming into the town centre.
- 6.14 Torbay also has a high proportion of employees within the retail sector (13% compared to 10% nationally), partly due to the tourism driven economy, and should spend in the town centre reduce this could pose a real threat of job losses, increased voids on the high street adding to the weakness of the local economy.

Service Sector

- 6.15 The Torbay economy has below average employment in the non-service sectors of manufacturing, construction and utilities and a reliance on the service sectors meaning a reduction in disposable income will have a bigger impact on the economy.

Sector	England	Torbay
Mining, quarrying & utilities	1.1%	0.3%
Manufacturing	8.8%	4.2%
Construction	4.3%	2.4%
Non-service sector total	14.2%	6.9%
Motor trades	1.7%	1.4%
Wholesale	4.3%	3.4%
Retail	10.3%	13.4%
Transport & storage (inc postal)	4.7%	2.4%
Accommodation & food services	6.6%	15.8%
Information & communication	3.9%	1.0%
Financial & insurance	4.0%	2.4%
Property	1.4%	1.1%
Professional, scientific & technical	7.2%	4.2%
Business administration & support services	8.2%	5.7%
Arts, entertainment, recreation & other services	4.7%	5.8%
Service sector total	57%	56.6%
Public administration & defence	5.6%	5.1%
Education	9.7%	9.5%
Health	12.9%	21.7%
Service sector including public sector total	85.2%	92.9%

Source: BRES 2010

7. Housing Implications

- 7.1 Torbay Council has not undertaken an exercise to identify the availability of properties to meet the increased demand for shared properties as the Council does not have details on levels of demand at this stage. However, it is anticipated that houses in multiple occupation will be the affordable option for many people when the changes to Housing Benefit are in place.
- 7.2 The Council is not aware of older people struggling to find accommodation as we still have a good supply of one bed homes (in social housing stock) and extra care units are being provided. However we do find it difficult to acquire suitable adapted property, and for this reason within the housing register assessment, a higher priority is given to those with health and well being needs, properties that already have adaptations are matched to a recognised individual/ household need to ensure best use of the existing stock, and a higher priority is also given as an incentive to those downsizing.

8. Citizens' Advice Bureau

- 8.1 Torbay Council has a three year Service Level Agreement with the Citizens Advice Bureau which is managed through the Strategic Housing Team. Quarterly monitoring meetings look at trends etc and changes to referrals/ pathways are used to inform our Housing Options/Revenue/Benefits services. A wider review of services is planned in the next 12 months to identify future provision and procurement for money and debt advice range of services.

Glossary

Council Tax Benefit is financial help to pay Council Tax which is available to those on a low income, whether working or not.

Employment and Support Allowance provides financial help to people who are unable to work because of illness or disability. It also provides personalised support to those who are able to work. Find out more about Employment and Support Allowance.

Housing Benefit is financial help to pay all or part of rent for people on a low income, whether they work or not.

Income Support is extra money to help people on a low income. It's for people who don't have to sign on as unemployed.

Jobseeker's Allowance is a benefit paid to eligible people who are currently unemployed and looking for work.

Tax credits are payments from the government. Those responsible for at least one child or young person may qualify for Child Tax Credit. Those who work, but are on a low income, may qualify for Working Tax Credit. People are often eligible for both types of tax credits. They aren't taxable.