



Impact of Welfare Reform in Torbay

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1.0 Background

- 1.1 As the series of major welfare reforms continue to be introduced over the next few years, Torbay Citizens Advice Bureau is well placed to see the human impact of these changes and provide help in mitigating against the problems that arise.
- 1.2 This report highlights in more detail some of the key issues facing Torbay residents in relation to welfare benefit issues 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 challenges they are facing. The report also predicts the impact of the changes still to come and provides early indications of the impact of the reforms introduced in April 2013.

2.0 Welfare Benefits Advice

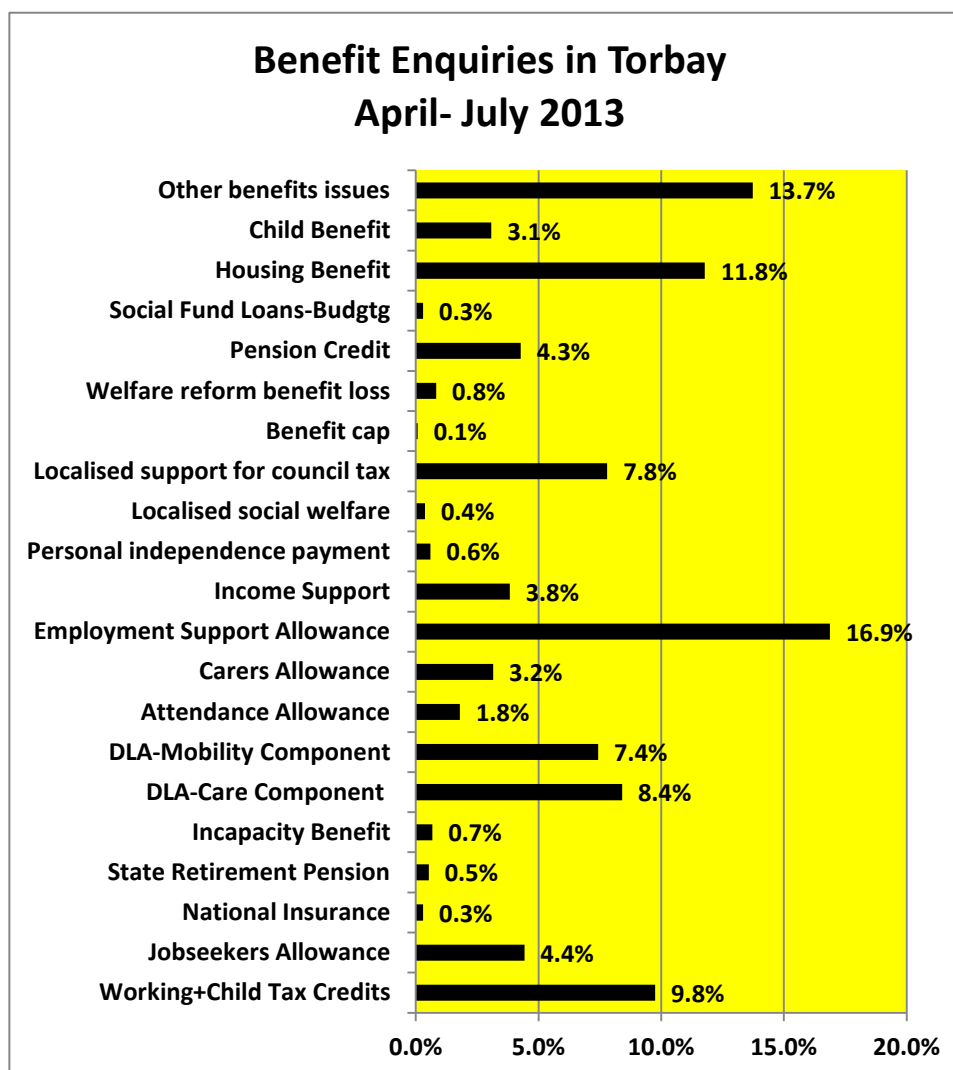
- 2.1 In 2012-13 Torbay CAB dealt with 28,114 enquiries, a 16% increase over the previous year. The top five issues facing residents were as follows:-

- Benefits 30.22%
- Debt 19.51%
- Housing 10.07%
- Employment 9.12%
- Relationships 8.23%

- 2.2 Benefits advice alone accounted for 30.22% of all new issues the service provided advice and advocacy on in 2012/13. Between April 2013 and July 2013 welfare benefit enquiries have now increased to 34.86% of all enquiries received compared to 31.87% for the same period last year.
- 2.3 The graph below illustrates the main areas of welfare benefit issues raised by people accessing our service between April and July 2013. It shows significant welfare benefit issues raised by clients involve Employment Support Allowance, Housing Benefit, Disability Living Allowance, Working and Child Tax Credit and the localised Council Tax reduction scheme.



Welfare Benefit issues in Torbay:- April to July 2013/14



(Figures are rounded)

3.0 Impact so far

- 3.1 A series of welfare reforms have already impacted on a range of people within Torbay. This includes working families, sickness benefit claimants, jobseekers and Housing Benefit claimants. The Local Government Association (August 2013 report) suggest Torbay is one of the worse affected places in the country with 20% of households impacted by the combined effects of welfare reforms.
- 3.2 The combined impact of the welfare reforms has and will continue to result in significantly reduced income for many clients, narrow housing options and ultimately make it difficult for many to remain in their existing home. The benefit changes represent a major challenge for local authorities both in terms of their implementation and in relation to dealing with the increased risks of poverty, debt and homelessness. There is a clear need for access to good quality advice and assistance to maximise income, reduce expenditure and deal with debt and potential homelessness.

- 3.3 Torbay has been particularly hard hit due to the high levels of benefit dependency and a low wage economy. The Local Government Association suggests that 59% of those affected by the welfare reforms include households with at least one person in work. This is confirmed by our figures showing that 55% of people seeking debt advice from us are in work, with 25% working 30 hours or more and the vast majority receiving working and child tax credits due to the low wage levels they receive. The changes to the tax credit system has eroded the living standards and real spending power of many of these households, pushing many people to the brink with residents severely cutting back and in increasing cases, relying on credit for essentials such as food and energy
- 3.4 A survey carried out by Citizens Advice Bureaux across Devon found that people affected by the reforms are faced with stark choices with increasingly high risks of poverty, debt and homelessness. Many will be required to meet housing costs out of benefits which are not designed for this purpose e.g. Jobseekers Allowance, Income Support, Disability Living Allowance unless they can plug the gap with Discretionary Housing Payments which in any event are designed to represent only a short term measure.
- 3.5 While the reforms will reduce national government spending on welfare the increase in debt, poverty and homelessness particularly in low wage areas like Torbay will have financial implications for local budgets and workloads as local authorities, other statutory agencies and increasingly the voluntary sector attempt to support those affected. This will also have a detrimental effect on the local economy as households will have less money to spend in the local economy. Poverty, debt and homelessness often also result in depression and illness, making it more difficult for people to enter the labour market which negates the stated purpose of the reforms which is to 'Make Work Pay', and support people into work.

Case Study: Impact on income

Mary is a single person aged 36 in receipt of Jobseekers Allowance of £71.70 per week. She lives in a private sector one bedroom rented flat. Her Housing Benefit was cut by £10 per week as a result of the reduction in her eligible rent to that of the 30th percentile. Prior to the cut, her Housing Benefit fell short of her actual rent by £5 per week.

In April 2013, she became liable to pay 25% (£5 a week) of the council tax.

The net result is that she must find these amounts from her Jobseekers Allowance of £71.70 per week:

- £5 for the pre-Housing Benefit reduction shortfall
- £10 for the reduction to the 30th percentile
- £5 for the council tax.

After paying this £20 a week, Mary is left with Jobseekers Allowance of £51.70: 28% less than the amount the government sets as a minimum income threshold after housing costs.

3.6 Employment Support Allowance

Employment Support Allowance (ESA) remains a significant enquiry area. From April 2011, existing Incapacity Benefit claimants began to be reassessed for ESA, a process which will continue through until 2014 with many losing entitlement to health related benefits.

Between April 2013 and July 2013 we saw a 10% increase in ESA enquiries compared to the same period last year. In particular we have seen a 28% increase in the number of people needing help with appeals (nationally 40% of clients who appeal against their work capability assessment (many of whom are severely ill and/or disabled and have not had their medical evidence adequately assessed at their work capability assessments) have won their appeals - in Torbay we have been successful with 95% of the appeals we have undertaken). In the past month alone we have been successful with 7 ESA appeals for Torbay residents gaining them a combined total of £65,655 in entitlements.

3.7 Tax Credits

Working and Child Tax Credit client enquiries continue to be an important area of advice due to the changing rules in relation to eligibility for working tax credit: including reductions in the basic, 30-hour and childcare elements; increases in the child element; changes to working hours requirements, thresholds, disregards and withdrawal rates.

3.8 Housing Benefit

The changes to Housing Benefit have been complex and wide ranging and will continue to take effect on an on-going basis to 2014. In Torbay, Housing Benefit enquiries increased 20% between 2011/12 and 2012/13 and this trend is continuing into 2013/14. The Local Government Association suggest that reforms to housing benefit and particularly local housing allowance mean that Torbay is one of the worse affected places in the country with 19.5% of households impacted upon by the housing benefit reforms resulting in an annual average loss of £1039 per household by 2015/16. Some of these reforms include-

- April 2011:- Local Housing Allowance cap based on the size of a claimant's property and the scrapping of the five bedroom rate;
- October 2011:- setting Local Housing Allowance against the 30th percentile of local rents instead of the median rent for private sector housing tenants ;
- In January 2012 raising the age at which the Shared Accommodation Rate applies from age 25 to 35; In line with this change Torbay CAB

saw an 8% increase in client enquiries in relation to housing benefit from the 25-34 age groups between Q1 of 2011/12 and Q1 of 2012/13. This trend continues with a 38% increase in client enquiries between Q1 2012/13 and Q1 2013/14. People may be forced to find shared accommodation or face arrears and possible homelessness.

- Increases in non dependant deductions taken from Housing and Council Tax Benefit entitlements in respect of working age households for non dependant adults living at the property
- The introduction of a cap on the total value of benefits (including housing benefit) received for households where no adult is in work of £500 a week for families and £350 a week for single people
- April 2012:- increasing Housing Benefit rates by the Consumer Price Index rather than the Retail Price Index; It is unlikely the Consumer Price Index will keep pace with the rise in local rents. In addition from next year the uprating of Local Housing Allowance will be restricted to a maximum of 1%.
- April 2013:- Introduction of the 'bedroom tax' into the social housing rented sector for "working age" households deemed to have more bedrooms than they need. Those with one "extra" bedroom have seen their benefit reduced by 14 per cent, and those with two "extra" bedrooms see a reduction of 25 per cent. Claimants are facing the choice of making up the difference in rent from other income or trying to find smaller accommodation. Our experience is that people are willing to downsize to avoid the bedroom tax but suitable smaller accommodation is often unavailable. Teign Housing has offered tenants a cash incentive of around £2000 to downsize. As incomes are squeezed and affordable smaller accommodation becomes more limited many could face arrears and potential eviction. This impact will be kept under review in the coming months. However we expect advice on the 'bedroom tax', help to find smaller accommodation in the privately rented sector and the knock on need for money advice to place considerable additional pressures on advice services.

We have already seen a range of people who are affected by the changes, including those with specially adapted homes for their health conditions, separated parents who potentially face losing access to their children and tenants who are struggling to find alternative accommodation despite being willing to move.

- Continuing cuts to housing benefit and the impact of the 'bedroom tax' have increased reliance and demand for discretionary housing payments. This creates real concern as Discretionary Housing payments have only ever been suitable as a short term measure 'to plug the gap'. The Local Government Association (August 2013) estimate that Discretionary Housing Payments will only cover £1 in every £7 of the impact of housing reforms on benefits and then only for a limited period.



3.9 Localised Support for Council Tax

This is a new area of enquiry for 2013 and likely to be an area of growing demand. It currently represents 7.8% of benefit related enquiries but recent evidence suggests people are only just starting to raise concerns.

The main area of enquiry that has recently emerged is arising from people who previously received 100% Council Tax benefit and are now having to pay 25% of their bill. The real concern here is that the families concerned are having to pay significant amounts in council tax out of meagre incomes when they have previously received 100% Council Tax Benefit. This creates a real problem for these working age households who are struggling to make up the shortfall. It also adds additional work and costs to the Council both in terms of reduced income from those accounts they are unable to collect the money from and difficulties in pursuing what in overall terms are relatively small amounts of arrears. The importance of specialist debt and financial capability services to help people meet their obligations is likely to increase in importance.

3.10 Crisis Support

The abolition of the discretionary social fund (community care grants and crisis loans) from April 2013 and its replacement with 'local welfare assistance'. It is likely that there will be additional demand on these payments towards the end of October 2013 when the DWP amend their appeals process which may leave applicants without their benefit while they progress through the mandatory reconsideration process before they are entitled to lodge an appeal against a decision to withdraw or reduce entitlement.

There is a concern that cash payments are still required to help vulnerable people facing an emergency situation (i.e. women fleeing domestic violence, those made redundant etc.), often waiting for benefit payments, and who would not be able to take out a loan with a bank could be forced to use loan sharks, payday loans or begging from friends. The importance of a scheme that continues to offer emergency cash support and advice services that can assist with debt/money problems and assist in accessing charitable and other grants will increase in importance for this group of people

3.11 Therefore the vast majority of the welfare benefit reforms have led to significant reductions in the amount of entitlement available. This has necessitated guiding people through the process to help them understand the changes, challenge decisions when they appear wrong and supporting individuals and families with money management issues as they struggle to adjust to often significantly reduced incomes.

3.12 These changes have increased the value of ensuring Torbay residents maximise their incomes during this difficult time, with an emphasis on helping those suffering ill health and disability who are being hit particularly hard by the changes. As a direct consequence of our work, during the first three months of 2013/14 our advisers increased the incomes of Torbay residents by £619,095 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 in health and disability entitlements, particularly for carers and families with special needs children. This reinforces our emphasis on providing advice within the community through GP surgeries, home visits for the disabled/long term sick, carers and families with children with special needs.

3.13 Many of the changes within the welfare reforms and therefore the resulting 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 help, advice and support to understand these changes and cope with the consequences including further reductions in household incomes, increased child poverty, homelessness etc. Some of the changes and challenges which will take place between now and 2017 are detailed below:-

- Continuing cuts to housing benefit and the growing reliance and demand for discretionary housing payments. A meeting between representatives from our bureau and officers from Torbay Council highlighted the need to extend the allocation of discretionary housing payments to other applicants in need i.e. deposits for private rented accommodation outside those for whom the Council had a statutory obligation to assist.

- Introduction of Universal Credit. A joint report by the Children's Society and Disability Rights UK based on the findings of an inquiry led by Baroness Tanni Grey-Thompson recently found that while some people will be better off under universal credit several key groups would lose out financially under the new system. These include up to half a million disabled people including:-
 - 230,000 severely disabled people who live alone, or with only a young carer – usually lone parents with school age children – will receive between £28 and £58 less in benefits every week.
 - 100,000 disabled children stand to lose up to £28 a week
 - up to 116,000 disabled people who work will be at risk of losing around £40 a week.

Universal Credit represents one of the biggest set of changes to the welfare system since its creation. Its nationwide implementation, which has recently been delayed, will be a huge challenge not only for the Department for Work and Pensions and HMRC but also for the frontline advice services that will support claimants to navigate the new system. All applications for Universal Credit, with few exceptions, will be online. The 'digital by default' approach to making a claim will not be suitable for a significant number of claimants who will undoubtedly struggle to make a claim. This raises issues of digital exclusion from groups not 'online' and the risk of losing benefit entitlements. There is a real need to address

groups of people who are not 'on-line' for reasons of financial exclusion, cultural reasons and vulnerable groups such as those with mental health support needs or those with complex needs or chaotic lifestyles

In addition with universal credit payments being made monthly and a Citizens Advice survey showing 9 out of 10 people are not prepared for this change people will need help to budget effectively and the option of fortnightly payments.

- Introduction of Personal Independent Payments (replacing Disability Living Allowance for working age households) on a rolling programme between 2013 and 2017 with ESA type medical assessments. This represents a major change to benefits paid to the sick and disabled and is a significant issue for many of the most vulnerable residents within Torbay. 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: 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 fall within 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. It is therefore inevitable that we will see a significant increase in the advice needs from this section of the community.
- Older couples are currently able to claim pension credit if one of them is over the state pension age for women. Under the welfare reform bill 'mixed age' couples (i.e. one person of working age and one over state retirement age) will be unable to claim pension credit. Under current plans these couples will receive £100 a week less than a couple entitled to pension credit and £30 a week less than the older partner would get if they lived alone. Citizens Advice is currently campaigning to help older people falling within these categories to receive increased payments

4.0 Torbay Citizens Advice Bureau, resources available and mitigating actions

- 4.1 In the last few months the resources available to help clients with the welfare reforms have been reduced with the loss of legal aid for welfare benefit and debt issues. We are receiving a significant number of people being referred to us by solicitors who are no longer offering their services in areas which were previously covered by legal aid. This has resulted in an increased demand for our services but no extra resources to cope with the demand.
- 4.2 The Local Government Association (August 2013) suggest the available response to mitigating the effect of the welfare reforms is limited to:-



- increasing income by finding work, new jobs or increasing hours(evidence suggesting around a third would seek work to make up lost income although few are being successful)
- increasing income through benefit checks
- reducing expenditure by spending less on non-essential expenditure, trying to re-negotiate rents with landlords(less than 6% of the impact on claimants has been offset by negotiating lower rents) and moving house to lower the rent(there is little evidence this happened although around third in the survey said they wanted to before the reforms)

An interesting idea is the concept of “jam jar” accounts which a credit union can offer whereby rent and utility payments can be held in subdivided accounts to ensure these are untouched and used to clear these bills. Some housing providers are now beginning to pay financial institutions such as credit unions to set up these accounts for their tenants as a way of guaranteeing consistent rent payments and assisting individuals with budgeting.

4.3 The continuation of our core grant from Torbay Council at its current levels for 2013/14 has meant we have been able to continue to provide an advice service including specialist welfare benefit advice from our Paignton and Brixham offices. It is vital that this funding is retained to enable us to continue to help clients during this difficult period. We are able to provide help and assistance to ensure that :-

- **The legal rights and entitlements of residents, particularly those who are vulnerable and disadvantaged, are protected**
- **A sense of clarity and direction is provided** which with the fundamental reform of the welfare benefit system will mean more people will need help and support to understand the changes and adapt to their new situation
- **Residents receive the money they are entitled to.** Benefit related work resulted in a £1,539,003 increase in incomes for some of the lowest income households within Torbay in 2012/13 which not only increased incomes and enhanced the quality of life for recipients (many of whom are on low incomes) but also provides an inflow of resources into Torbay with consequent benefits to the local economy.
- **Debt and money problems can be effectively managed** and where possible alleviated which as the welfare reforms take hold, combined with the current economic situation will result in more people needing help and advice to manage on significantly reduced incomes i.e. financial capability /debt/ benefit/income maximisation advice

4.4 Due to the high level of demand we have developed our service in an effort to overcome the loss of legal aid funding and mitigate against the impact of the welfare reforms and economic problems of Torbay further:-

- We are one of only 16 bureau throughout England and Wales that have been chosen following a tender process to participate in a Martin Lewis Pilot Project from 4th November 2013 to March 2014 to integrate

financial capability into the debt advice process. This project will run alongside our financial capability project which helps people manage their debts (i.e. debt relief orders, negotiate with creditors, repayment plans etc), reduce expenditure on essential bills such as energy and water bills while providing life skills for the future, building confidence and enabling families to manage problems and their household budgets better. Our financial capability project also helps clients manage their personal finances with bespoke training provided across all age groups (with a particular emphasis on young people and vulnerable adults) to increase financial confidence and capability

- Our F2F specialist debt caseworker is funded until March 2014 providing specialist debt advice which from 4th November 2013 will link into the Martin Lewis Pilot Project. This service provides a key role in making a meaningful contribution to the well-being of individuals, supporting them to face up to and deal with debt at an early stage, helping to alleviate the social costs both to the person/ family concerned and to the wider community resulting from the misery of debt. The service also works to help people who are often desperate and in many cases vulnerable to avoid falling prey to loan sharks or expensive debt management companies whose fees exacerbate the problems they are facing.
- We are also seeking to develop an on-line advice portal to increase self help and advice to help clients through the impacts of welfare reforms, assist with debt and employment issues and offer preventative assistance through income maximisation etc. This will be combined with preventative advice packages to help clients through this particularly difficult time. This project is due to start early next year.

The grant provided by Torbay Council to support our core service remains vital in enabling us to reach the large number of residents who need our help and support during these difficult times.

5.0 Conclusion

- 5.1 Welfare Reform has already had a significant impact on the people of Torbay. Our service is on the frontline of welfare advice and every day we see people affected by these changes. Combined with the economic and social problems prevalent within Torbay and the prevailing economic/ financial climate the impact of the welfare reforms in Torbay is likely to be intensified further as the reductions in income for many of our working age households continues.
- 5.2 The challenges Torbay residents face and the increased demand for advice due to the economic situation, welfare reforms and reductions in household incomes comes at a time of cuts to the funding streams available to not for profit advice agencies. This presents a risk that people will be unable to access the advice they need in order to mitigate and prevent problems spiralling out of control with inevitable consequences for the person/family concerned, local communities and the public purse.