

Council – 16 November 2015

Notice of motion – Child poverty

A notice of motion has been received on from Councillors Robertson, S. Coughlan and Phillips:

Council notes that there has been a continued net rise in the numbers of children living in poverty and in extreme poverty over the past 10 years with levels in some areas such as Blakenall reaching 42%. A survey of 3500 young people in 2014 found that 9% are always or often hungry because there is not enough food at home (equivalent to 2450 young people in Walsall).

This has had indirect consequences of driving more families into debt, forcing a rise in levels of inequality, contributing to adoption of a poor diet and subsequently a rise in numbers with unhealthy weight and worsened education attainments.

Council further notes that future cuts in funds from Central Government of around £24M in the next financial year alone will , combined with the introduction of universal credit, the continuation of the imposition of the bedroom tax and cuts to working tax credits, further increase these numbers especially in the less well off parts of Walsall.

Council has adopted in 2013 a children and young people's plan for 2013 to 2016 that includes a priority of, 'Reducing the impact of child poverty' and notes that the Children and Young People's Partnership Board has also been tasked to produce a report on this area of concern. The Council's Health and Wellbeing Strategy also includes a priority to: 'Reducing child poverty and the impact on families of workless parents'.

However we feel this area is now so serious and imminent to need an urgent updated review and to establish a task and finish group hosted by the Children and Young People Scrutiny Panel to formulate an action plan that could mitigate the effects of this rise in child poverty levels bringing all relevant partners round the table.

Background

1. Within Walsall, over 16,000 children (under 16) live in poverty (Public Health England, 2014). Child poverty carries with it significant implications for educational attainment, health, malnourishment and success in later life (Duncan and Brooks-Gunn, 2000).
2. The cause of child poverty used to be mainly unemployment, but changes in the structure of the economy and increase in low pay and part time work means that most children living in poverty are in households where at least one parent works.
3. The implications of the Welfare Reform changes in Walsall will increase Child Poverty according to independent reports. The changes will push an estimated 40,000 children into poverty nationally (Butler and Malik, 2015) and with over 45% of Walsall's population being among the 20% most deprived in the country, it is safe to conclude that there will be a rise in child poverty within the Borough. Services

including those provided by schools, Sure Start programmes and Children's Services will see a further increase in demand for support as families struggle to manage financially. While some families will benefit from the proposed Welfare Reform changes they are not those where child poverty exists (eg a two adult, two child household where both adults are working will find themselves better off after the 'National Living Wage' is introduced in 2016, and significantly better off by 2020, despite losing all entitlement to tax credits). These changes are complex and more information is provided in **Appendix 1**.

4. There is likely to be an increase in demand for advice and support from the following services as a result of increased financial hardship, increased crime, increases in arrears and people at risk of homelessness and a general decrease in the health of affected populations;
 - Housing and homelessness
 - Welfare Rights
 - Benefits (this demand will evolve as more people move to Universal Credit)
 - Crisis support
 - Foodbanks
 - Citizens Advice Bureau and Ablewell Advice
 - Housing Associations
 - Health Providers
 - Schools
 - Children's Services
5. The impact on Children's service is likely to be particularly severe because there is a well established link between child poverty and demand for children's services – reflected in the growing number of looked after children – up from 450 in 2008 (before the financial crisis) to 620 now, an extra cost of around £6 million a year (current prices). This increase is repeated across the Country, with the total Looked After Children in England up from 59,630 to 69,540 over the same period.
6. Despite the national economic challenges Walsall has worked hard to encourage investment from developers resulting in major employers locating into the Borough; a new flagship Primark store, a new Cinema and restaurants at Crown Wharf, a new College campus and public / private led investments at the main Ring Road. This coupled with £4m of new investment to small and medium sized businesses creating 152 new jobs and safeguarding a further 92 jobs demonstrates the level of economic development taking place.
7. The Walsall Works programme continues to offer assistance to our most vulnerable adults resulting in 520 new apprenticeship starts, 500 young people participating in Level 1 qualifications through traineeships across a number of sector based areas. A further 420 young people were supported into local employment and 200 into full or part time courses of study. We have targeted resources from public health and the Department of Work and Pension (DWP) for additional resource to our care leavers through a dedicated work club which is aimed at improving employability and pathways to work.

8. The Council is most likely to have impact by mitigating the effects of child poverty and one priority area is addressing hunger – particularly as around 2500 teenage young people report they are always or often hungry. It is important to acknowledge the dedicated work on securing food supply to food banks in Walsall and also that many schools provide breakfast clubs to support attainment in low income families.
9. Our work in the delivery of funded early learning for 2 year olds children from the most disadvantaged backgrounds is a key strand in mitigating the impact of child poverty – as at June this year 71% (1448) of our most vulnerable 2 year olds in Walsall were accessing early education – well above the national average of 63.
10. Both the Children and Young People’s Plan and Health and Well Being Strategy include child poverty as a priority because of the substantial negative impact of child poverty on children’s life outcomes and because it is a major contribution to the 10.1 years for males and 7.5 years for females difference in life expectancy between the best and worse parts of Walsall. The Partnership has engaged with DWP service managers to understand the impact of financial sanctions on low income families and how the impact can be mitigated on children and young people.
11. The Children and Young People’s Partnership Board is running an ‘enquiry and planning’ session on its priority to Mitigate Child Poverty and reduce hunger where the priority actions will be agreed and a delivery plan implemented across the Partnership to address the key issues.

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6 November 2015

Detail on Welfare Reform Changes

On 8 July 2015, George Osborne announced a raft of measures, in addition to those announced in the Coalition Government's March 2015 budget, signalling the intended direction of government spending over the next five years.

A number of the changes will have significant implications for families in Walsall

To help mitigate the impact of these changes the government will provide £800m of funding for Local Authorities for discretionary housing payments (DHPs) over the next 5 years

The measures introduced in the July 2015 budget will be introduced in two waves, the first in April 2016 and the second in April 2017. A final change which will see support for mortgages changed to a repayable loan will be introduced in 2018.

From April 2016

1. Freezing working-age benefits and tax credits for four years

• Who will be affected

- Some 13m UK families will lose an average of £260 a year due to budget's freeze on working-age benefits, says the Institute for Fiscal Studies (IFS).
- Families earning between £14,000 and £25,000 will get no benefit from national living wage and will face losses on tax credits.
- A lone parent working 16 hours per week with two children will gain over £400 from Chancellor Osborne's 'living wage', but will correspondingly lose £860 via tax credit changes in 2016/17

• Impact on our customers

- Walsall currently has 11,727 households with active Housing Benefit (HB) claims and tax credits.(1/3 of claimants)

2. Household Benefits Cap reduced from £26,000 nationally to £23,000 in London and £20,000 in the rest of the country (£15,140 in London and £13,400 for single person households elsewhere);

At this stage decisions over the precise details of implementation (for example, roll out schedule and level of pre-implementation employment support available) haven't been finalised

• Who will be affected

- Department for Work and Pensions estimates indicate that in the region of 92,000 households will be affected by the new cap in addition to those affected by the original cap (DWP, 2015).

- Households already impacted by the £26,000 benefits cap will face a reduction in benefits of at least £64 per household (Ibid: 9).
- The DWP estimates indicate that around half of applicants will lose at least £50 per week
- Of the households which are going to be affected, 64% are anticipated to be headed by females with 59% estimated to be lone female parents.
- **Impact on our customers**
 - There is no clear information but early estimates suggest that between 700 and 950 minimum will be impacted.
 - Walsall currently has 139 active HB claims with benefit cap therefore this is the **minimum** number that will be affected. The actual number is expected to be significantly more
 - Early discussions with WHG indicate that they believe that at least 950 of their customers will be affected after the cap is reduced. Their early estimates do not include other Registered Social Landlords or households renting in the private rented sector.
 - If we profile the impact on GB as a whole against the number of customers subject to the last benefit cap in Walsall we expect the number impacted would be in the region of 700.
 - Currently 70% of households affected by the benefit cap in Walsall have 5 or more children and 26% have 4. Ethnic minority families which tend to be larger may be particularly affected in Walsall.
 - At the moment we have no single households without children impacted but this could change with the introduction of the £13,400 cap

3. The Tax Credits earnings threshold will be reduced from £6420 to £3850. Earnings taper increased from 41% to 48%, whilst the annual income increase disregard has been lowered from 5,000 to 2,500;

Thresholds are an important part of the tax credits calculation because if a claimant's income is above the relevant threshold their tax credits will start to be reduced (referred to as 'tapering').

Anyone earning over £3850 will have tapers applied up to 48% on the balance of their income exceeding £3850 dependent upon their actual earnings. The greater the earnings the higher the taper.

- **Who will be affected**
 - An estimated 13m UK families
- **Impact on our customers**
 - Walsall currently has 11,727 households with active Housing Benefit (HB) claims and tax credits.

4. Housing Benefit family premium abolished

Everyone has a maximum amount of weekly income they can receive before their income starts to affect their housing benefit and council tax reduction.

This figure is called the applicable amount, and is compared against a claimant's income and capital to work out how much housing benefit and council tax reduction they receive.

The applicable amount varies depending on the age, size of a family, and any special needs they have (for example whether if disabled).

The applicable amount has three main parts, these are:

1. An amount for claimant and partner - **personal allowance**.
2. An amount for any dependent children - **children's personal allowance**.
3. A **premium** - an element which a claimant may qualify for to cover any special needs which you have. **Family premium is awarded to all families with dependent children.**

Once personal allowances and allowances for children have been worked out, if the claimant meets the qualifying conditions premiums can be added to make up the applicable amount.

Removing the family premium will mean that more families income exceeds the applicable amount and they will lose an element of benefit entitlement

- **Who will be affected**
 - All HB claimants with family premium
- **Impact on our customers**
 - Walsall currently has 4516 active HB Claims with family premium. These families have £17.45 of their income disregarded when benefit is calculated.

7. Cutting social housing rents by one per cent a year for four years

Social rented sector landlords will be required to reduce their rents for existing tenants by 1% per year for the four years. All tenants of Social Rented sector landlords will be affected

- **Impact on our customers**
 - Walsall currently has 24,170 active HB claims with the larger RSLs.

8. National Living Wage' of £7.20 per hour will be introduced, rising to £9 per hour in 2020 for over-25's

The National Living Wage, starting at £7.20 and rising to £9 an hour by 2020, replaces the £6.50 minimum wage.

- **Who will be affected**

- Stephen McKay, professor of social research at the University of Lincoln says that increasing the pay rate to £9 an hour would affect the earnings of about 250,000 people – almost three in every 10 of the third sector workforce. But that the figure could be higher because employers might have to raise the pay of workers earning just above the new wage level, he says.

9. Personal Tax Allowance increase

The tax-free Personal Allowance – the amount people earn before they have to start paying Income Tax –

The personal allowance will be increased to £10,800 for 2016-17 and £11,000 for 2017-18.

This measure will reduce income tax for 29.1 million income tax payers in 2016-17 and 29.6 million in 2017-18

It will have a positive impact on middle earners who will see a marginal rise in their income of around £150 per annum (Richards, 2015).

The government has an ambition to increase the Personal Allowance to £12,500 by 2020, and a law will be introduced so that once it reaches this level, people working 30 hours a week on the National Minimum Wage won't pay Income Tax at all.

From April 2017

- Child Tax Credit limited to 2 children and family element abolished for new claims or new births;
- Universal Credit limited to 2 children and 'first child premium' abolished for new claims or new births;
- Parents claiming Universal Credit to prepare for work when the youngest child turns 2 and actively seek work when youngest child turns 3;
- Employment and Support Allowance Work Related Activity component abolished and people in the Work Related Activity Group will receive the same level of benefits as someone on Job Seeker's Allowance (currently £71.40 for over 25's);
- Universal Credit Limited Capability for Work component abolished;
- Free childcare increased from 15 to 30 hours per week for 3 and 4 year olds;
- Social tenants earning over £30,000 (£40,000 in London) to pay market rate rents.

From April 2018

- Support for mortgage interest to become a loan to be repaid when you return to work or sell property

Walsall Council Changes

In addition to welfare reform changes the council is considering the following which may impact on child poverty

Changing the council tax reduction scheme to reduce the maximum amount of benefit available to claimants

Increasing council tax charges above the 2%

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