

From Tameside to Tatton - how national changes to welfare benefit rules have a differential impact on local communities

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The emergency budget announcements

The emergency budget announcements made on 22nd June 2010¹ contained a list of cuts to be made to entitlements to welfare benefits and tax credits totalling £10 billion a year by 2014/15. These are typically portrayed as ‘targeting help on those most in need’. However a geographical analysis of their differential impact on communities suggests that significant disinvestment in Britain’s most impecunious communities is underway. This article looks at the most significant cuts for claimants, apart from the changes to Housing Benefit, where more complex issues arise as recent media coverage has shown.

Disability Living Allowance

The government will introduce new rules, a new name (Personal Independence Payment) and a new way of assessing claims for Disability Living Allowance (DLA) from 2013/2014. DLA can be paid to people both in work and out of work. It consists of two components. The care component is paid at one of 3 levels depending on the level of care or supervision required by the claimant. The mobility component is paid at one of 2 levels depending on the level of impairment to a claimant’s walking ability. The government aims to reduce the caseload and expenditure in respect of working age claimants by 20%. It will do this by introducing new legislation which radically alters the assessment process. This will contribute £1,075 million to the deficit reduction strategy in 2014/15.

However DLA claimants are not evenly distributed around the country. The biggest concentration of working age DLA claimants in Great Britain is in Neath Port Talbot where they represent 11.68% of the working age population. The lowest concentration is in Hart in Hampshire, where they represent 1.99% of the working age population. As a result of this measure Hart residents will be contributing £11.06 per head of working age population to the deficit reduction strategy.

¹ http://www.hm-treasury.gov.uk/2010_june_budget.htm

The residents of Neath Port Talbot will be contributing £64.96 per head.

Local Authority	DLA claimant numbers aged 18-64 November 2009	No. of DLA claimants as ppn of working age population	Contribution to deficit reduction (million)	Contribution per head of working age population
Hart	1120	1.99%	£622,760	£11.06
Wokingham	2100	2.03%	£1,167,674	£11.31
Elmbridge	1630	2.04%	£906,338	£11.36
Surrey Heath	1120	2.19%	£622,760	£12.19
Kingston upon Thames	2510	2.21%	£1,395,649	£12.27
Windsor and Maidenhead	1970	2.23%	£1,095,390	£12.41
Richmond upon Thames	2840	2.28%	£1,579,141	£12.69
Cheshire East	8850	4.04%	£4,920,914	22.47
Tameside	9590	7.16%	£5,332,380	39.82
Glasgow City	37090	9.35%	£20,623,355	£51.99
Blackpool	7970	9.51%	£4,431,602	£52.88
Caerphilly	10570	10.01%	£5,877,295	£55.66
Knowsley	9460	10.29%	£5,260,095	£57.24
Blaenau Gwent	4400	10.55%	£2,446,556	£58.67
Merthyr Tydfil	3950	11.65%	£2,196,340	£64.79
Neath Port Talbot	9720	11.68%	£5,404,664	£64.96

Tax Credits

A whole host of changes to the tax credits regime were announced in the emergency budget, which are summarised in the table below

Tax Credit announcements in the emergency budget 22/06/10					
<i>Contribution to the government's deficit reduction strategy (£million)</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>
Reduce the tax credits second income threshold to £40,000 in 2011-12	0	140	145	155	145
Increase first and second withdrawal rate to 41 per cent in 2011-12	0	640	710	730	765
Taper the family element of the Child Tax Credit immediately after the child element	0	0	510	515	480
Remove the baby element in the Child Tax Credit	0	295	275	270	275
Remove the 50 plus element in the Working Tax Credit	0	0	35	40	40
Reverse the £4 supplement in the Child Tax Credit for children aged one and two from 2012-13	0	0	180	180	180
Reduce the income disregard from £25,000 to £10,000 for 2 years from 2011-12 then to £5,000 in 2013-14	0	105	140	340	420
Reduce backdating for new claims and changes of circumstances from 3 months to 1 month in 2012-13	0	0	315	320	330
Introduce an income disregard of £2,500 for falls in income from 2012-13	0	0	550	560	585
Increase the child element of the Child Tax Credit by £150 in 2011-12 and £60 in 2012-13 above indexation	0	-1,200	-1,845	-1,930	1,995
Total	0	-20	1015	1180	1225

Readers will note that overall payments to claimants will reduce by £1.2 billion a year by 2014/15, with most impact being felt by those in work on modest incomes. However Tax Credit claimants are not distributed evenly around the country. 92.1%% of children in the Kingston-upon-Hull live in families in receipt of Tax Credits. 36.76% of children in Richmond-upon-Thames live in families in receipt of Tax Credits. This is not a reflection of lack of take-up as HMRC research suggests that take-up of Child Tax Credit is in excess of 80%². Rather the numbers of claimants in any particular area are a strong indicator of the concentration of low to modest incomes in that place. Reductions in Tax Credit payments will be most keenly felt in many of Britain's most impecunious communities.

Stoke-on-Trent Local Authority	49,500 Children benefitting from Tax Credit payments	90.50% of children benefitting from TC payments	£6.04 Contribution to deficit reduction (million)	£40.59 Contribution per head of working age population
Sandwell	67,240	91.59%	£7.82	£44.54
Kingston-upon-Hull	52,010	92.10%	£6.35	£37.40
Richmond-upon-Thames	13,910	36.76%	£1.77	£14.21
Elmbridge	10,860	38.17%	£1.34	£16.75
Chiltern	8,750	41.41%	£1.03	£19.53
South Bucks	6,050	43.18%	£0.73	£18.45
St. Albans	14,270	43.98%	£1.70	£20.23
Waverley	11,390	44.45%	£1.36	£19.85
Wokingham	15,870	46.23%	£1.92	£18.59
Cheshire East	50390	65.78	£6.29	£28.72
Tameside	42550	85.37%	£5.33	£39.79
Leicester	68,480	90.03%	£7.66	£38.48
Tower Hamlets	48,550	90.08%	£4.76	£28.29
Blaenau Gwent	13,550	90.12%	£1.73	£41.58
Nottingham	53,680	90.32%	£6.35	£30.23

² <http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-take-up.htm>

The Spending Review

The spending review announcements made on 20th October 2010³ contained a further list of cuts to be made to the social security budget totalling £7 billion a year by 2014/15. The most high profile announcement was the decision to remove child benefit from families with a higher rate taxpayer from January 2013. This is expected to contribute £2.5 billion to the £7 billion total. The remainder of the cuts will come from changes to Employment and Support Allowance (the replacement for Incapacity Benefit) [£2 billion] and from further changes to tax credit entitlements (largely due to a freeze in Working Tax Credit elements for 3 years) and a 10% reduction in council tax expenditure.

Employment and Support Allowance

By far the most important announcement in this tranche of cuts was the decision to instigate a major curtailment of the contributory principle. Payment of contributory Employment and Support Allowance (ESA) will in over 90% of cases be limited to one year. At the end of this period payment will only continue if the claimant is one of the less than 10% deemed to have no prospect of ever working again, or if the claimant is eligible for the means tested version of ESA. Means testing has the effect that any claimant with a partner in full time work will lose all independent income.

ESA was introduced in October 2008, and it is already clear that there are large geographical variations in claimant numbers. Once again the least prosperous communities in Britain will suffer most from this cut. All current Incapacity Benefit claimants will be transferred to ESA over the next 3 years.

Local Authority	No. of ESA claimants (Feb 10)	No. of contribution based only ESA claimants (Feb 10)	2014/15 Contribution to deficit reduction (million)	Contribution per head of working age population
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³ http://cdn.hm-treasury.gov.uk/sr2010_complereport.pdf

Westminster	1660	260	£3.187	£16.95
Richmond Upon Thames	730	220	£2.697	£21.68
Kensington and Chelsea	960	210	£2.574	£22.15
Cheshire East	2820	920	£11.277	£51.49
Tameside	2520	930	£11.400	£85.14
Bridgend / Pen-y-bont ar Ogwr	1740	760	£9.316	£114.17
Blaenau Gwent / Blaenau Gwent	980	390	£4.781	£114.64
Rhondda, Cynon, Taff / Rhondda, Cynon, Taf	3310	1350	£16.548	£114.68

Conclusion

Local Authority	Contribution to deficit reduction in 2014/15 per head of working age population			
	DLA changes	Tax Credit changes	ESA changes	TOTAL
Richmond-	£12.69	£14.21	£21.68	£48.58

upon-Thames				
Cheshire East	22.47	£28.72	£51.49	£102.68
Tameside	39.82	£39.79	£85.14	£164.75
Neath Port Talbot	£64.96	£38.94	£111.97	£215.87

Protestations from the Coalition government that their deficit reduction strategy is fair or equitable are likely to ring hollow in Neath Port Talbot. It looks likely that the economy of that area will be hit by an unprecedented level of disinvestment, with no obvious accompanying strategy for jobs and growth. Without such a strategy fuel poverty will grow and health will suffer as incomes decline in Neath Port Talbot and its statistical neighbours over the term of this parliament.