

Public Document Pack

Scrutiny Panel A

Thursday, 22nd November,
2012
at 4.00 pm

PLEASE NOTE TIME OF MEETING

Council Chamber - Civic Centre

This meeting is open to the public

Members

Councillor Claisse
Councillor Daunt
Councillor Kaur (Chair)
Councillor McEwing (Vice-Chair)
Councillor Mintoff
Councillor Vinson
Councillor Whitbread

Contacts

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PUBLIC INFORMATION

Role of Scrutiny Panel A

The Overview and Scrutiny Management Committee have instructed Scrutiny Panel A to undertake an inquiry into Welfare Reforms Review.

Purpose:

Understand the timetable of welfare reforms and how the local impact can be assessed as part of Council Decision making.

Consider duties and responsibilities under the new legislation and identify opportunities for the co-ordination of current and future service delivery

Identify opportunities for policy development, with a particular focus on helping people into employment and tackling family breakdown:-

Southampton City Council's Six Priorities

- Providing good value, high quality services
- Getting the City working
- Investing in education and training
- Keeping people safe
- Keeping the City clean and green
- Looking after people

Public Representations

At the discretion of the Chair, members of the public may address the meeting about any report on the agenda for the meeting in which they have a relevant interest.

Smoking policy – the Council operates a no-smoking policy in all civic buildings.

Mobile Telephones – please turn off your mobile telephone whilst in the meeting.

Fire Procedure – in the event of a fire or other emergency a continuous alarm will sound and you will be advised by Council officers what action to take.

Access – access is available for the disabled. Please contact the Democratic Support Officer who will help to make any necessary arrangements.

Dates of Meetings: Municipal Year

2012	2013
25 October	10 January
22 November	7 February
6 December	7 March

CONDUCT OF MEETING

TERMS OF REFERENCE

The general role and terms of reference of the Overview and Scrutiny Management Committee, together with those for all Scrutiny Panels, are set out in Part 2 (Article 6) of the Council's Constitution, and their particular roles are set out in Part 4 (Overview and Scrutiny Procedure Rules – paragraph 5) of the Constitution.

BUSINESS TO BE DISCUSSED

Only those items listed on the attached agenda may be considered at this meeting.

RULES OF PROCEDURE

The meeting is governed by the Council Procedure Rules and the Overview and Scrutiny Procedure Rules as set out in Part 4 of the Constitution.

QUORUM

The minimum number of appointed Members required to be in attendance to hold the meeting is 3.

DISCLOSURE OF INTEREST

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Personal Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

DISCLOSABLE PERSONAL INTERESTS

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

(i) Any employment, office, trade, profession or vocation carried on for profit or gain.

(ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

a) the total nominal value of the securities exceeds £25,000 or one hundredth of

- the total issued share capital of that body, or
- b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

Other Interests

A Member must regard himself or herself as having a, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

Principles of Decision Making

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

AGENDA

Agendas and papers are now available via the City Council's website

1 APOLOGIES AND CHANGES IN PANEL MEMBERSHIP (IF ANY)

To note any changes in membership of the Panel made in accordance with Council Procedure Rule 4.3.

2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

NOTE: Members are reminded that, where applicable, they must complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer.

3 DECLARATIONS OF SCRUTINY INTEREST

Members are invited to declare any prior participation in any decision taken by a Committee, Sub-Committee, or Panel of the Council on the agenda and being scrutinised at this meeting.

4 DECLARATION OF PARTY POLITICAL WHIP

Members are invited to declare the application of any party political whip on any matter on the agenda and being scrutinised at this meeting.

5 STATEMENT FROM THE CHAIR

6 MINUTES OF THE PREVIOUS MEETING (INCLUDING MATTERS ARISING)

To approve and sign as a correct record the Minutes of the meeting on 25th October, 2012 and to deal with any matters arising, attached.

7 WELFARE REFORMS INQUIRY MEETING 2: SETTING THE SCENE

To consider the report of the Senior Manager, Customer and Business Improvement giving details of the presentations that will be given at the second meeting of the Inquiry, attached.

Wednesday, 14 November 2012

HEAD OF LEGAL, HR AND DEMOCRATIC
SERVICES

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SCRUTINY PANEL A

MINUTES OF THE MEETING HELD ON 25 October 2012

Present: Councillors Kaur, McEwing, Mintoff, Vinson, Whitbread and Parnell

Apologies: Councillors Claisse and Daunt

1. **APOLOGIES AND CHANGES IN PANEL MEMBERSHIP (IF ANY)**

The Panel noted that Councillor Kaur had been appointed as a new Member of the Panel to replace Councillor Thomas and that Councillor Parnell was in attendance as a nominated substitute for Councillor Claisse in accordance with Council Procedure Rule 4.3.

2. **ELECTION OF CHAIR AND VICE-CHAIR**

RESOLVED that Councillor Kaur be elected as Chair and Councillor McEwing as Vice-Chair for the Municipal Year 2012/2013.

3. **WELFARE REFORMS INQUIRY MEETING 1: KEY NATIONAL AND LOCAL CHANGES**

The Panel considered the report of the Senior Manager, Customer and Business Improvement, which examined the impacts of the Welfare Reforms and outlined the national and local changes.

Cllr Letts, Cabinet Member for Resources was in attendance and outlined the key issues that the Panel needed to be aware of. They were:-

- Council Tax Benefit – there would be a reduction in the capital grant given to Councils as people of working age would no longer be entitled to 100% benefit. They would be expected to pay at least 25%. The impact on the Authority would be reduced income if people do not pay.
- Housing Benefit and Under- Occupancy – rules would be introduced that would mean Housing Benefit would be reduced if the property lived in was under occupied. Rules on the under-occupancy were not as simple as just having a spare room. This change will come in April 2013 and affects those in the social rented sector.
- Universal Credit will change a very complex scheme. Recipients of benefits would only receive one payment, which would include all of the elements that they were entitled to. This would be paid monthly in arrears. It would not be possible for housing benefits to be paid direct to landlords. For Council tenants, Housing Benefit would no longer be able transferred direct within the Council.
- The age of being able to claim for Local Housing Allowance (private rented) as a single person, for more than a room within a HMO has been raised from 25 years to 35 years.
- The Social Fund will be abolished from April 2013. Local authorities will receive funding for two years to develop local provision.

It was agreed that members of the Panel would be provided with more details relating to the rules regarding under-occupancy and how many Housing Benefit claimants would be affected.

The importance of ensuring that people were made aware of the changes was discussed. It was noted that Gateway to a Better Future, a Southampton Connect project led by Job Centre Plus, had been raising awareness and that more would be done in the winter. It was reported that other ways to publicise the changes was being looked at.

Concerns were raised about the impact on disabled people, which were of working age that would be affected under the proposed scheme to replace Council Tax Benefit In April 2013. The Panel asked to be made aware of any legal challenges against this and whether it was contrary to the Disability Discrimination Act.

The Panel then received a presentation from Bernadette Hagen from Jobcentre Plus. She stated that there would be 16 changes to the national welfare benefits.

The hope was that the changes would mean that the entitlement to benefits would be easier to understand, which would prevent fraud and errors. It would also support those people wanting to take up part time or temporary work but in the past were too concerned about their loss of benefit.

A major concern was the payment being monthly in arrears. As currently many benefits were paid fortnightly. People would then be expected to manage their finances and pay all the necessary bills, such as their rent. This aim of this is to mirror the job market and therefore prepare claimants for employment. Although there was concern that many of the people receiving benefits were not able to manage in this way.

It was noted that the families within Southampton who were receiving more than the benefit cap limit, that was being introduced, were already being engaged in discussions.

It was agreed that the statistics relating to benefit claimants in Southampton would be provided to Panel members.

The need to support people into employment was discussed, particularly young people with disabilities coming out of education. Many of the jobs available were not in the areas of work that people were seeking; such as care workers. It was noted that a lot of joint work was undertaken within the City to support the young people, by City Limits, Wheatsheaf Trust and Barnado's. The team also work closely with City College.

Paul Medland, Council Tax Benefits Project Manager then presented the main changes relating to Council Tax Benefits and the consultation that was taking place concerning the scheme that would be introduced in Southampton. (A copy of the presentation attached to these minutes).

Panel members discussed the possibility of there being some form of appeals system for residents. It was agreed that any possible system would probably be complex and costly, however it should still be considered and advice sought to check if it would be feasible to operate a process to support those who would find it difficult to pay.

The consultation of the Council's proposed scheme would end on the 16th December, ready for a report to be submitted to full Council in January. It was stated that the Panel would be able to make comments to feed into this process.

Denise Edghill, Senior Manager Skills and Economy and Sara Crawford presented the changes to the Social Fund and its transition to local provision. (A copy of the handout attached to these minutes). They would be looking for recommendations from the Panel, which have to be approved by Cabinet, on how the fund was administered and used.

It was stated that funding would only be guaranteed for 2 years.

Examples of different schemes were discussed. Including food banks, particularly, one scheme that would provide fresh foods and waste food from supermarkets, which they currently pay to dispose of.

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Council Tax Support

The replacement for Council Tax Benefit



Background

- Council Tax Benefit (CTB) is ending from April 2013.
- Replaced by Local Council Tax Support (CTS).
- Part of Government’s “localism agenda” .
- Primary legislation still not passed – expected end-October.
- Secondary legislation expected mid-November.
- For people of pensionable age there is no real change
 - the regulations prescribe the “local” scheme which is much the same as CTB.

Background

- For people of working age each council largely sets their own scheme (some elements are prescribed (e.g people from abroad)).
- Guidance given: Local authorities should ensure that local schemes lift the poorest off benefits and support them into work. Delivering the positive incentives to work that will reduce poverty and reliance on council tax support in the long term.”
- Local authorities have also been reminded of their duties under: the Equality Act 2010; the Child Poverty Act 2010; the Armed Forces covenant and the Housing Act 1996

Financial consequences - SCC

- CTB is fully funded through Government subsidy.
- For CTS the Government will give a grant equivalent to 90% of projected CTB expenditure.
- This is a reduction of about £1.9 million in Southampton.
- But – as pensioners are protected all the impact is on people of working age.
- And – grant takes no account of any council tax increase, increase in take-up or reduction in collection rate.
- True impact in Southampton is about £2.5 million (although final grant figures won't be known until December)

Designing a scheme for Southampton

- The council's financial position means we can't make up the £2.5 million loss without cutting other services further.
- So we needed to find a scheme that reduces the benefit paid to working age people by this amount.
- This equates to a 25% reduction in benefit paid to people of working age.
- We are limited in what can be achieved, both by time and by capabilities of our computer system.

Designing a scheme for Southampton

The process

- Model options May/June
- Management Board of Directors – July
- Cabinet Member Briefing - June
- Cabinet – agree draft scheme - August
- Consultation with Major Preceptors - August
- Public consultation – through to 16th December
- Full Council decision – 16th January
- Annual billing - February
- Implementation - April

Designing a scheme for Southampton

Options considered

- Percentage top slice – i.e. reduce everyone's benefit by same percentage.
- Liability top slice – reduce CTax used by a percentage.
- Restricting the council tax band.
- Change the taper.
- Introduce a minimum benefit (don't pay less than (say) £3).
- Change capital allowances.
- Change income disregards.
- Stop second adult rebate.
- Increase non-dependant deductions.

Designing a scheme for Southampton

The draft scheme

- Cabinet agreed to go for a 25% top slice
 - i.e calculate the benefit as now but then reduce by a quarter.
- But protect war pensioners – to comply with Armed Forces Covenant.
- Keeps all of the features of the current scheme, such as premiums, non-dependant deductions and disregards.
 - So takes account of needs of vulnerable groups.
- Work incentives improved
 - Effect of the taper reduced to 15%

Designing a scheme for Southampton Consultation

- Written to all CTB recipients and sent a leaflet.
- Information online together with a survey form.
- Leaflet in Council offices.
- Message on call centre.
- We would like to know:
 - Is what we are proposing as fair as it can be?
 - Are there any unforeseen consequences?
 - Are we disproportionately affecting particular groups?
 - Are there better alternatives?

Transitional Grant

Announced last week

- £100 million for councils whose scheme:
 - Restricts any cut for people on full benefit to 8.5%
 - Limits the taper to 25% or less
 - Avoids a sharp reduction in benefit for those entering work.
- Our share is £379,000, but accepting it means we could only save up to £1.3 million of benefit cost.
- Restrictions mean it is essentially a defined scheme with little opportunity for localism

Risks

General

- Late change
- Short timescale
- Modelling incorrect
- Challenge (to consultation, equalities impact or drafting)

Financial

- Claimant numbers
- Collection rate
- Amount of grant

Impact on claimants

- Average loss of benefit £191 a year.
- Many will be paying for the first time and will find it hard to afford this.
- Council Tax collection will follow the standard (statutory) process.
- Non-payment could result in a summons, charges added to the bill, attachment of benefit, bailiffs, etc.

Agenda Item 6

Appendix 2

Social Fund: An overview of the changes:

- The Welfare Reform Act (2012) abolishes the discretionary elements of the Social Fund. From April 2013, Crisis Loans and Community Care Grants will no longer be available.
- In future, the Government will be signposting local residents who need emergency financial assistance to local authorities – for *Local Welfare Assistance*.

Current Local Use:

Crisis Loans: Provide financial support to meet immediate short-term need in an emergency or as a consequence of a disaster: for example, providing daily living expenses, rent in advance, board and lodgings, pre-paid meter fuel debts, and furniture and clothing in a disaster.

Community Care Grants: Provide support for vulnerable people to return to, or remain in the community, or to ease exceptional pressures on families.

Southampton Statistics:

CCG	Applications	Number of Awards	Total Spend
2009/10	2040	960	£343,900
2010/11	2120	1020	£349,100
2011/12	1820	820	£333,800
Crisis Loans	Applications	Number of Awards	Total Spend
2009/10	9300	6990	£366,300
2010/11	6760	5420	£297,600
2011/12	5600	4430	£227,500

Funding transfer details: Funding for Social Fund ‘successor’ schemes will be provided to local authorities (at least until 2014/15). Southampton will receive around £650k each year – as an un-ringfenced grant - the final figure will be based on discretionary Social Fund spend in Southampton area for the 2012 – 2013 year.

Potential Impacts: The cumulative impacts are difficult to predict and need to link with the wider agenda of welfare reforms but some of the direct impacts of the changes to Social Fund may include; more households with no electricity/food/furniture, increased pressure on Adult/Children’s Social Care and homelessness services, increased demands for support from other discretionary pots of money, and not achieving move on from expensive residential/supported accommodation.

Options: It will be important to develop a holistic and sustainable way forward, bearing in mind the potential impacts of Welfare Reforms and reduction in public services. A mixed model would provide a flexible and sustainable approach:

- investing in building local anti-poverty capacity
- aligning funding within key services (i.e Homelessness/ benefit Services)
- commissioning elements to local/national providers.

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Agenda Item 7

DECISION-MAKER:	SCRUTINY PANEL A
SUBJECT:	WELFARE REFORMS INQUIRY MEETING 2: SETTING THE SCENE
DATE OF DECISION:	22 NOVEMBER 2012
REPORT OF:	SENIOR MANAGER, CUSTOMER AND BUSINESS IMPROVEMENT
STATEMENT OF CONFIDENTIALITY	
None	

BRIEF SUMMARY

This report provides details for the second meeting of the Scrutiny Panel A's Welfare Reforms Inquiry.

There will be two presentations, followed by questions from the Panel.

The first presentation on the policy drivers for change will be given by the Director, Policy in Practice and Lead on Welfare, Employment and Public Spending for the Centre for Social Justice.

The second presentation sets the scene locally using a range of poverty and deprivation data. This will be given by the Directorate Business Manager, Environment and Economy.

The chair of the panel will also provide an update on actions from the last meeting.

RECOMMENDATIONS:

- (i) The Panel is recommended to consider the information provided by these presentations and use this, alongside the appendices, as evidence in the inquiry.

REASONS FOR REPORT RECOMMENDATIONS

1. To enable the Panel to analyse the evidence in order to formulate findings and recommendations at the end of the inquiry process.

DETAIL (Including consultation carried out)

2. The second meeting of the Inquiry will set the scene for the Welfare Reforms by providing an overview of the national policy drivers for change and the local socio-economic context in which the reforms will be implemented.
3. The first presentation to the Panel will be given by the Director, Policy in Practice and Lead on Welfare, Employment and Public Spending for the Centre for Social Justice (CSJ).
4. The presentation will outline:
Changes to local welfare support and the local role including
 - Council Tax Support
 - Housing changes
 - Vulnerable peopleThe national policy drivers in relation to:
 - The need for reform
 - The challenge for Southampton
 - The local role in tackling these challenges

5. Recent press releases from the CSJ relating to the Welfare Reforms debate on matters such as poverty and income, child poverty, child benefit and making work pay are attached at Appendix 1 to 4.
A policy paper by the Centre for Social Justice, *Rethinking Child Poverty*, is attached at Appendix 5.
6. The Director has written extensively on welfare policy, Government spending and employment. His publications include *'Outcome-based Government'*, a guide to maximising returns from public spending and *'Creating Opportunity, Rewarding Ambition'*, an analysis of entry level employment, with recommendations to improve employment opportunities for long term job seekers. He led the work on the implementation of Universal Credit prior to the general election.
He was a consultant at KPMG prior to taking strategy-focused roles at a venture capital backed start-up and leading law firm before conducting independent research on welfare policy that led to his role at the CSJ. He has also worked on voluntary initiatives in the UK, Japan and East Africa.
7. The second presentation will be given by the Directorate Business Manager Environment and Economy. It will provide an overview of local socio-economic context in which the reforms will be implemented.
8. The presentation will consider local issues in relation to the impacts of the Welfare Reforms, using the latest statistics and information, including:
 - Indices of Multiple Deprivation (IMD) 2010
 - Mosaic groups in Southampton
 - Welfare benefit data
9. A summary of the emerging issues for Southampton from the IMD2010 is provided in Appendix 6.
10. Consultation on the proposals for the Local Council Tax Scheme closes on the 16th December. An interim report on the feedback received to date will be submitted at the meeting.
11. The respondents were asked if they have any issues, concerns or comments about the general changes to Welfare Reforms. Appendix 7 provides a summary of the feedback for this question received up to 30th October.
12. An update on actions from the first meeting will be given by the chair. The schedule of actions from Inquiry meetings is attached in Appendix 8.
13. Evidence circulated within this report or to be tabled at the meeting include:
 - Labour market statistics
 - Interim feedback on the Local Council Tax Scheme consultation
 - Proposals for the development of discretionary support
 - Draft Scrutiny Panel A Interim response and recommendations to the Local Council Tax Scheme
14. Finally, recent publications that may be of interest to the Panel are submitted as evidence to Scrutiny Panel A's Welfare Reforms Inquiry.
Appendix 9: *Between a Rock and a Hard Place: Early Impacts of the Welfare Reforms on London*. November 2012, Child Poverty Action Group
Appendix 10: Executive Summary, *Managing the impact of Housing Benefit reform*, National Audit Office. A copy of the full report can be found at http://www.nao.org.uk/publications/1213/housing_benefit_reform.aspx

15. The Panel is invited to have a discussion on the changes to the national and local Welfare Reforms and their potential impact in the city to formulate their findings and develop a final report and recommendations.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

16. None

RESOURCE IMPLICATIONS

Capital/Revenue

17. Not applicable

Property/Other

18. Not applicable

LEGAL IMPLICATIONS

Statutory Power to undertake the proposals in the report:

19. The duty to undertake overview and scrutiny is set out in Section 21 of the Local Government Act 2000 and the Local Government and Public Involvement in Health Act 2007.

Other Legal Implications:

20. None

POLICY FRAMEWORK IMPLICATIONS

21. None

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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1 – 4.	Recent press releases from the CSJ relating to the Welfare Reforms debate
5.	A policy paper by the Centre for Social Justice, <i>Rethinking Child Poverty</i>
6.	A summary of the emerging issues for Southampton from the IMD2010
7.	A summary of feedback from Local Council Tax Scheme on general concerns around the Welfare Reforms (Question 20)
8.	Schedule of actions from previous Inquiry meeting
9.	<i>Between a Rock and a Hard Place: Early Impacts of the Welfare Reforms on London.</i> November 2012, Child Poverty Action Group
10.	Executive Summary, <i>Managing the impact of Housing Benefit reform</i> , National Audit Office.

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11 September 2012

Centre for Social Justice responds to debate on welfare reform

Christian Guy, Managing Director at the Centre for Social Justice (CSJ), said: “The British welfare system is broken and millions of people are languishing on the benefits scrapheap as a result.

“If we are serious about changing peoples’ lives and tackling poverty, the need for these radical changes could not be greater. Overhauling a system of this magnitude was never going to be easy, but this must not detract from the fact change is essential – doing nothing is not an option.”

Mr Guy added: “Universal Credit is designed to tackle entrenched unemployment and dependency by giving people the tools to get into work. It will also ensure people keep more of their earnings from work.

“We need a system that shifts the focus towards progression in work – this will benefit both claimants and taxpayers.

“The current tax credit set-up is in a mess with arbitrary rules of 16, 24 and 30 hours. Claimants can lose 90p of every extra £1 they earn as their benefits are tapered off.

“Under the Universal Credit this will fall to 65p in every £1. Although it could go further, this will represent major progress.”

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10th September 2012

Reforms will ensure work pays

Christian Guy, Managing Director at the Centre for Social Justice, today said the introduction of Universal Credit will tackle "decades of welfare failure".

He said: "Britain's welfare system is broken and the need for radical reform could not be clearer. The current system acts as one of the biggest barriers into work and has left millions of people wasting their talents on the benefits scrapheap.

"Whilst a debate around the implementation of Universal Credit is important, many of the concerns raised by this collation of responses are out of date or already being addressed by ministers.

"Nothing should detract from the fact welfare reform and the broad proposals set out are essential if we are serious about changing lives. The launch of Universal Credit will ensure that work pays and that people in employment keep more of their money. It will drive right to the heart of decades of welfare failure.

"A number of pilots will be run in the coming months to work through precisely some of the legitimate implementation points raised - we have all the evidence we need to get this right. The process and partnership of planning effective delivery is well advanced."

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5th September 2012

Poverty about more than income

The Centre for Social Justice responds to today's child poverty report from Save the Children:

Christian Guy, Managing Director of the CSJ, said: "Save the Children is right to highlight the difficulties facing many families across the UK. Many are experiencing significant financial hardship and need help. Child poverty is a tragic injustice and tackling it should be an urgent political priority.

"But we need a step change in our approach to fighting child poverty. Income matters, but having spent years working with families in the poorest parts of the country, the CSJ has seen that a lack of money can often be symptomatic of wider social problems and inadequate support.

"The current definition of child poverty is arbitrary, narrow and has often derailed efforts to give children the help they need.

"For too long politicians have tried to deal with child poverty by throwing a few extra pounds at families living below a 'so-called' poverty line – but in most cases this has done little to give them the tools to escape the poverty trap.

"We must recognise work is the route out of poverty, and what we need is a system that supports people into these opportunities – whether that be flexible working hours or effective childcare."

Mr Guy added: "The CSJ has travelled the length and breadth of the country working with charities that are on the frontline of tackling Britain's most acute social problems. When we ask these inspiring organisations we are always told that poverty is not just about money – it is about family breakdown, poor educational attainment, addiction, debt and many other factors."

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CHILD BENEFIT REFORM: DEALING WITH THE DEFICITS TO PUT STABLE FAMILIES FIRST

March 2012

This short paper supports the principle of ending Child Benefit payments to wealthier families, but it criticises the details of the Government's muddled and faulty reform proposal. As the current proposal stands, the Government would undermine stable families by hitting couple formation and marriage, and thereby also jeopardising its own positive commitment about shared parenting. We offer clearer and more credible options for targeting Child Benefit on lower-earning households, including the replacement of universal Child Benefit with a new Child Benefit element of Child Tax Credit.

CHILD BENEFIT REFORM: AN END TO UNIVERSAL PAYMENTS

Universal Child Benefit payments are coming to an end. As part of its deficit reduction programme, in 2013 the Government will cease paying the benefit to families with one higher rate taxpayer, which will equate to households in which an individual(s) earns more than £42,735 a year. According to the latest data, 1.5 million families (of a total of 17.9 million families) will lose their Child Benefit as a result of the changes and £2.4 billion of public expenditure savings will be realised, reducing the annual Child Benefit bill of £12 billion.ⁱ

Table 1: Breakdown of impact of Child Benefit reforms by family size ⁱⁱ

Family size	Number of families affected	Annual financial loss per family
One-child family	600,000	£1,056
Two-child family	700,000	£1,752
Three or more children	200,000	£2,449

The Centre for Social Justice (CSJ) has long argued that regardless of national economic conditions, some benefits are unnecessarily paid on a universal basis. We have also warned against a creeping culture of entitlement and dependency which the benefit system can cultivate. Most recently the CSJ challenged the political fear of reforming such benefits like Winter Fuel Payments and bus passes for older people, which could be targeted much more effectively for those who need such direct financial support.ⁱⁱⁱ

In view of our belief in the need to re-think universal entitlement to certain benefits, we believe that the Government is right *in principle* to stop paying Child Benefit to higher earning families – many of whom welcome but do not depend on its financial support. In a healthy economic climate there would be a strong case for reform, but in the midst of Britain's current economic storm, and the need to deal with the deficit, such a move is realistic and necessary.

A FLAWED GOVERNMENT PROPOSAL

Although the CSJ supports the principle of ending the payment of Child Benefit to wealthier families, there are several fundamental flaws in the approach the Government has outlined to achieve this aim. These include the problem that a number of wealthier families will retain their child benefit while others on much lower incomes will lose it, and within this, there is a risk of further erosion of the stable foundation two-parent families provide within society. And whilst the CSJ engages less with policy debates about issues affecting middle- or high-income families, we are doing so on the basis of this risk and the inherent injustice of the proposal.

A new penalty for marriage, couple formation and fathers

It is well established that the withdrawal mechanism proposed by the Coalition to enact its reform of Child Benefit is unfair. Given that the new system will be based on individual income and taxation, rather than household income, it will create a sharp cliff edge by removing Child Benefit from couples with a single earner income of £43,000 per year (just above the higher rate tax threshold) but retain it for dual earner couples where two individuals earn £42,000 each (just below the higher rate tax threshold), or £84,000 per year.

Beyond the obvious and inherent unfairness of this, such an unthinking system will further undermine stable family formation:

- **It penalises a decision to get married:** in visibility terms married couples with at least one higher rate taxpayer will be unable to avoid losing their child benefit, while those who are cohabiting will face a choice between being financially worse off if formally declaring their relationship (or marrying), or deciding to commit fraud by denying their relationship status.
- **There is a broader couple penalty:** Flowing from the point made above, as there is far less clarity about when cohabitation begins, this measure discourages putting relationships on a more formal footing. There is often ambiguity about whether couples are cohabiting or 'living apart together' and this will create a strong disincentive to raising children together. A higher rate taxpayer's income will be hit by explicitly forming a new household (as he will have to notify HMRC that the household is in receipt of child benefit). His significantly higher tax bill thereby penalises him for forming a co-residential relationship with a lone parent (usually a mother). As he will often be the children's father, this fundamentally damages the Coalition's stated commitment to 'encourage shared parenting'^{iv} because of the beneficial outcomes including greater stability for children who grow up living in two parent families.^v It also flies in the face of evidence that demonstrates the impact of an existing couple penalty in the tax and benefit system, which renders lower-earning couples financially and materially better off if they choose to live separately rather than together.^{vi} Furthermore, such a penalty encourages fraud: the Institute for Fiscal Studies (IFS) has found that 200,000 more lone parents claim tax credits than appear to exist in the UK.^{vii}

The cliff edge

Another problem with the Government's reform is that it will create a sharp cliff edge, over which many people will fear to tread. It will clearly introduce a situation where families with one earner earning a little below the higher income tax threshold would actually be made worse off after a pay rise. This also means that those who have only just crossed the higher rate tax threshold will be better off if they were paid less.

Increasing complexity

Based on the nature of the Government's proposed reforms to Child Benefit, a new system will be required to administer the means-testing of higher rate taxpayers. This mechanism will inevitably insert another layer of complexity to an already mystifyingly complicated system. This sits uncomfortably with its wider reforms to simplify the benefit and tax systems.

DEALING WITH THE DEFICITS

Action to deal with the Britain's national budget deficit must be urgent, but it must also be pursued fairly and thoughtfully. The current reform package for Child Benefit fails to offer a credible and rational solution for public expenditure savings – it is full of its own deficits.

A fairer system

The CSJ suggests that the Government considers one of the following two options for its reform of Child Benefit, using the Child Tax Credit mechanism (and later Universal Credit) to gradually taper, what we recommend would be referred to as the Child Benefit element, away on the basis of **joint** income from better off households. This would recognise the high regard the British public has for supporting children with a specific benefit, eliminate the cliff edge, end the unfairness for single earner households (including lone parents) and remove the couple penalty. Crucially, it would also achieve equivalent or greater public expenditure savings depending on its implementation, which could then be reinvested in other support for families.

Option one:

- As the IFS has proposed, the simplest option for withdrawal is to taper Child Benefit immediately after Child Tax Credit, using the same taper rate (41 per cent). This would affect more families than current proposals to use the tax system as a cut-off point, but it would save the government an additional £2.7 billion compared with the Government's current proposal, keep support focused on lower income households and maintain the simplicity of the benefit system under Universal Credit.^{viii}

Option two:

- Alternatively, and the CSJ's preferred option, the Government could use the Child Tax Credit mechanism, but withdraw what we refer to as the Child Benefit element of Child Tax Credit away at a higher income threshold. For example beginning to taper the Child Benefit element at annual household incomes of £40,000 in order to end Child Benefit entitlement at approximately the higher rate tax threshold, could save an additional £1 billion.^{ix} It should be noted, however, that this new taper would add another layer to the tax and benefit system if it were retained under Universal Credit.

Both options, depending on the threshold adopted in option two, would deliver increased public expenditure savings which could be used to invest in additional support for families and children as highlighted above and below.

CONCLUSION

As it stands, the current proposal for reform of Child Benefit is faulty, even though the principle targeting it on lower-income families is bold and sensible. The Government should move quickly to redesign its proposal – in order to present a mechanism which promotes family stability and progress, rather than weakens them as the present model would. In using the Child Tax Credit system to distribute Child Benefit payments – with different options of flexibility and taper rates – the flaws of the proposal will be redressed and additional public expenditure savings could be reinvested in alternative forms of support for families, such as a transferable tax for married couples with young children to send a signal about stability,^x an expansion of effective early intervention programmes^{xi} or improving the quality of childcare.

ⁱ See Institute for Fiscal Studies, *Green Budget 2012*, London: Institute for Fiscal Studies, 2012 and ONS, *Families and Households in the UK 2001 – 2010*, London: ONS, 2011

ⁱⁱ Institute for Fiscal Studies, *Green Budget 2012*, London: Institute for Fiscal Studies, 2012

ⁱⁱⁱ Centre for Social Justice, *Age of Opportunity*, London: Centre for Social Justice, 2011

^{iv} HM Government, *The Coalition: our programme for government*, London: HM Government, 2010, p20

^v The Millennium Cohort Study found that 60 per cent of ‘closely involved’ but not cohabiting parents had split up by the time a child is 5, compared with 26 per cent of cohabitees

^{vi} Centre for Social Justice, *Dynamic Benefits*, London: Centre for Social Justice, 2009, Chapter Four

^{vii} Institute for Fiscal Studies, *Poverty and Inequality in the UK: 2009*, London: Institute for Fiscal Studies, 2009

^{viii} For example, withdrawal of Child Benefit would begin at earnings of £32,554 for a family with two children, and be fully withdrawn at earnings of £36,840. See Institute for Fiscal Studies, *Green Budget 2012*, London: Institute for Fiscal Studies February 2012, pp227-231

^{ix} Based on CSJ calculations

^x See for example: Centre for Social Justice, *It is time to back marriage*, London: Centre for Social Justice, 2012

^{xi} See for example: Centre for Social Justice, *Making Sense of Early Intervention*, London: Centre for Social Justice, 2011

Rethinking Child Poverty

A policy paper by the Centre for Social Justice
May 2012



Introduction

This short paper argues that the current measure of child poverty is inadequate. It fails to acknowledge that poverty is about much more than a lack of income. The Centre for Social Justice (CSJ) is clear that in order to construct a measure of poverty that is both accurate and useful, it is vital that the main drivers of poverty – family breakdown, educational failure, economic dependency and worklessness, addiction and serious personal debt – are made the priority for measurement. A faulty conceptualisation of the nature of poverty has resulted in an overarching income inequality target which drives short-term, narrow and expensive policy responses. This paper outlines our serious concerns with this measure, most notably that the exclusive use of an arbitrary line to measure child poverty tells us almost nothing about the suffocating nature of child deprivation. It also fails to assess the opportunities a child has to break free from their present circumstances. We draw on a wide range of evidence and case studies from our Alliance in order to propose a new approach to measurement which focuses on these key drivers. The CSJ strongly believes that any strategy to tackle poverty should focus on the causes of deprivation, not the symptoms. We therefore urge the Government to adopt a measure of child poverty which promotes policies that transform lives, and not merely maintains people on marginally higher incomes.

A summary of proposed indicators

Income-related indicators

1. Source of income
2. Income vs. consumption
3. Ability to save

Non-income-related measures

1. Poor parenting
2. Unstable family structures
3. Workless households
4. Poor educational attainment
5. Addiction or substance abuse in the household
6. Severe personal debt in the household
7. Poor mental health
8. Local factors
9. Well-being measure

Poverty is not just about income

The Government says that poverty is not just about income; it is about a lack of opportunity, aspiration and stability.¹ Yet its own measure of child poverty, which was inherited from the previous Government, fails to capture this. The narrow income-related targets set out in the Child Poverty Act incentivise the Government to throw ever-increasing sums of money at the problem. However, on the basis of overwhelming evidence from the UK's most deprived communities, the CSJ is clear that poverty is a multifaceted phenomenon which cannot be eradicated without an acknowledgement of its key drivers: family breakdown, educational failure, economic dependency and worklessness, addiction and serious personal debt. These drivers diminish the future opportunities of a child and so must also be at the heart of any serious attempt to measure poverty.

¹ HM Government, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives*. London: HM Government, 2010

The failure of the current approach

The traditional approach to defining poverty, most notably articulated by Charles Booth and Seebohm Rowntree, has dominated poverty studies for over a century.² More recently, the Labour Government under Tony Blair took steps to push the issue of poverty and its measurement up the political agenda by introducing, for the first time, a Child Poverty Act, which sets out a definition and means of measuring poverty in the UK. The Act comprises four income-related targets, which are summarised below.

1. **Relative low income** (whether the incomes of the poorest families are keeping pace with the growth of incomes in the economy as a whole) – target is less than ten per cent
2. **Combined low income and material deprivation** (a wider measure of people's living standards) – target is less than five per cent
3. **Absolute low income** (whether the poorest families are seeing their income rise in real terms) – target is less than five per cent
4. **Persistent poverty** (length of time in poverty) – target is to be set in regulations by 2015.³

The first target is the most commonly referred to, stating that a child is considered to be in poverty if they live in a household with an income that is below 60 per cent of the median.⁴ The objective of this measure is to calculate the number of families who have an insufficient level of cash income to meet what is considered to be their needs relative to those of the country as a whole.

On the basis of this measure, Figure one shows that 2.6 million children were judged to be in poverty in 2009/10. This equates to more than one in five children.

However, it is clear that during Labour's 13 years in office, there was only a six percentage point reduction in the number of children deemed to be in poverty, on the basis of this measure. This is despite astonishingly high levels of income redistribution. For instance, between 2004 and 2010, £150 billion was spent on Tax Credits as a means of marginally increasing the income of individuals.⁵ It is patently obvious that this approach has failed.

We agree with Labour MP Frank Field that one consequence of the Act has been to 'straightjacket our understanding of poverty to one particular financial manifestation'.⁶ We have serious concerns about the way poverty is currently understood and measured by the Government.

2 Frank Field, *The report of the Independent Review on Poverty and Life Chances*, London, HM Government, 2010

3 Department for Education, *The Child Poverty Act* [accessed via: <http://www.education.gov.uk/childrenandyoungpeople/families/childpoverty/a0066302/the-child-poverty-act> (25.05.12)]

4 Child Poverty Act 2010

5 HM Government, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives*, London: HM Government, 2010

6 Frank Field, *The report of the Independent Review on Poverty and Life Chances*, London, HM Government, 2010

Figure 1: Percentage and number of children who fall below the 60% of median income threshold⁷

Year	% of children	Number of children (millions)
1997/98	27	3.4
1998/99	27	3.4
1999/00	26	3.4
2000/01	23	3.1
2001/02	23	3.0
2002/03	23	2.9
2003/04	22	2.9
2004/05	21	2.7
2005/06	22	2.8
2006/07	22	2.9
2007/08	23	2.9
2008/09	22	2.8
2009/10	21	2.6

Problems with the current measure

The first methodological flaw of the Government's central measure of poverty is that it is defined in relative terms. The result of this is that the poor will always exist statistically, as it is inevitable that some in society will have less than others. However, simply having less money than others does not necessarily render an individual to be in poverty. The measure therefore confuses poverty with income inequality. The commitment to eradicating child poverty by 2020 is thus almost impossible to achieve on the basis of a relative measure.

What's more, under this measure, a household can be moved into or out of poverty without any change in their circumstances. For example, in a recession, as median incomes fall, so does the poverty line. This means that many households who were previously in poverty are now out of poverty (above the new, lower poverty line).

Similarly, and somewhat bizarrely, an increase in the size of state pensions will lift the median income and thereby push more children below this arbitrary poverty line.

Measuring poverty in this way also fails to distinguish between those furthest away from the poverty line and those just below. As a result, the depth of poverty is not fully realised and improvements in living standards which raise children from far below the poverty line to just below are not captured.

⁷ Department for Work and Pensions, *Households Below Average Income (HBAI) 1994/95–2009/10*, [accessed via: <http://research.dwp.gov.uk/asd/hbai/hbai2010/index.php?page=chapters> (25.05.12)]

However, our main concern is that the exclusive use of an arbitrary line to measure child poverty tells us almost nothing about how the disadvantaged live their lives. This spreadsheet-driven approach is relatively simple to calculate and provides figures which are convenient for politicians and the media to use. Yet we know from our own extensive research as well as the research of others that the key drivers of poverty are family breakdown, educational failure, economic dependency and worklessness, addiction and serious personal debt. It is these drivers which any serious attempt to tackle poverty must address, and so in turn any effort to accurately measure levels of poverty must assess the prevalence of these drivers.

A faulty conceptualisation of the nature of poverty has led to the creation of an overarching income inequality target which drives short-term, narrow and expensive policy responses. As mentioned earlier, the previous Government attempted to meet this income target with astoundingly high levels of income redistribution, but has very little to show for it. Between 2004 and 2010, £150 billion was spent on Tax Credits as a means of lifting individuals marginally above the arbitrarily defined poverty line.⁸ Despite this, child poverty levels have remained relatively high. This approach, aside from being totally misguided, is extremely expensive. The Institute for Fiscal Studies (IFS) estimates that reducing relative child poverty rates to 10 per cent in 2020 solely through the tax and benefit system would cost £19 billion.⁹ This is not a sustainable option given the current economic climate.

Yet even if the economic conditions were conducive to high levels of government spending, the CSJ is clear that tackling poverty must be about transforming lives, not just maintaining people on marginally higher incomes. This binary distinction, whereby someone is deemed either to be in poverty or not, based on whether their income is either a few pounds below or above the poverty line, despite similar circumstances, is too simplistic. The incomes of many families will persistently fluctuate around this line, and measuring poverty in this way does not properly assess the opportunities a child has to break free from a cycle of deprivation.

The previous Government's obsession with raising families' incomes as both the means and ends of tackling disadvantage has been at the expense of understanding what the root causes of people's disadvantage actually are. For example, giving an addict an extra £10 a week does not, in our view, lift them out of poverty – their situation remains broadly unchanged. Similarly, a few extra pounds, often termed the 'poverty plus a pound' approach, will make little difference to an individual who is highly indebted to a loan shark, or is an illiterate parent. The goal of any poverty strategy (and by extension its measurement) therefore cannot be simply to redistribute income. Rather it is only by tackling the root causes of an individual's disadvantage that their life chances and opportunities can be transformed.

8 HM Government, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives*, London: HM Government, 2010

9 Institute for Fiscal Studies press release, *Cost of cutting child poverty rises as families fall further below poverty line*, 18 February 2009

Understanding what drives poverty is key to its measurement

Despite the dominance of the income measure of poverty, there is an increasingly rich body of evidence which challenges the conceptual basis for the current measure of poverty and serves to refocus the debate.

The CSJ's Alliance of over 300 grassroots poverty-fighting charities and social enterprises were consulted in November 2010 as part of a submission to the Frank Field Review on Poverty and Life Chances.¹⁰ These organisations are working on the front line to change the lives of people living in every kind of social and financial disadvantage, and are invited to join the CSJ Alliance for their excellence, effectiveness and innovation. They represent a vast wealth of knowledge and insight from those who fight poverty on the ground on a daily basis. We continuously draw on this wisdom in order to inform all of our policy work. It ensures that our proposals are firmly rooted in what we are being told by those best placed to understand the challenges faced by those in our most disadvantaged communities. We believe that this approach sets us apart from other research organisations.

When asked what single aspect of early childhood has the greatest influence on children's life chances, the top responses were love and affection in a committed family setting, good parenting and the home environment. Respondents were clear that fractured, unstable or unloving families – regardless of material wealth – have a serious impact on a child's life chances, since such an environment can damage self-esteem, trust, confidence, and a child's ability to form positive relationships later in life.

On the issue of family earnings, many responded that while higher family income is beneficial to children and necessary to the point that it meets their essential needs, it is not the money that has the greatest influence on outcomes for the child. Rather, income is related to outcomes for children because of its relational and developmental repercussions. For example, a family is often better off because the parents are in work, which means they have higher aspirations, better self-esteem, and set a good example to their children. Financial stability and financial capability was cited as more important than the actual level of income. It was also widely observed that family stability and values have a greater impact on a child than material prosperity.

Case studies: what real poverty looks like

Our Alliance members tell us numerous stories about homes in which there is an acute poverty of family life. They tell us about 17 year olds who battle with the effects of their mother's alcoholism of ten years, and about young people of 14 who are highly involved in alcohol, drugs, sexual activity, self-harm, anorexia and violence. One service told us the story of a six-year-old boy who had an asthma attack. After taking him home, they found that his parents were out at Bingo – his usual routine was to just wait till they returned at 10.30 in order to deal with the problem. Recently two of the girls that attend one club, aged three and eight, found their mother

¹⁰ Centre for Social Justice, *Summary of submissions from members of the Centre for Social Justice Alliance to The Independent Review of Poverty and Life Chances*, 2010 [unpublished document]

dead in her bed. An alcoholic, and only 35 years of age, she had bled to death after a routine dental procedure. These girls now live with their auntie on the estate. It is far from unusual to find households in which children come a long distant second to parents' social lives, alcohol and drugs. This poverty of family life cannot be solved by the addition of a few pounds. These children lack the support and love they need to progress in life. We believe that this is real poverty.

The case studies below clearly illustrate how only focusing on a lack of income as an indicator of poverty is inadequate. It fails to accurately capture how individuals and families experience poverty in reality. A range of other factors which have a greater bearing on the life chances of a child are drawn attention to. All names have been changed.

Kids Company

When Kids Company first visited the family home, we had to clean faecal matter, blood, urine and graffiti saying 'I hate my life' from the walls. The children had to be given new sheets to replace the soiled and sodden ones they slept on. The mother had severe learning difficulties and mental health issues and was unable to care for the family properly. Her 18-year-old daughter, who also suffered severe learning difficulties, had been raped and had no concept of personal hygiene or how to dress herself. The eldest son, 14, was so desperate for affection he stole money from his mother to buy two dogs, who were, like the children, also neglected. The 14-year-old and his bright, engaging 11-year-old brother kept themselves as clean and presentable as they could in the chaotic home. While they were helping the mother and daughter social services were unable to provide services for the boys.

Kids Company
Kids Company provides practical, emotional and educational support to vulnerable inner-city children. Its services reach 17,000 children across London, including the most deprived and at risk whose parents are unable to care for them due to their own practical and emotional challenges.

Chance UK

James has ADHD and gets involved in fights at school. He does not live with his father, and so does not have a positive male role model. He has aspirations to be a gangster:

James' mother was brought up in 39 different foster homes (from birth until she was 16). She had an unsettled childhood and smoked crack for over three years. The school informed Chance UK that James' mother once dropped him off at nursery and never picked him up again, as she had been arrested for importation. She did not see James during this time and James was adversely affected by this.

James soils himself from time to time and teachers believe this may be the result of his mother not being around during his early years. James' mother's perception of him is that he is a bad boy and she wants him to be the man of the house now that his father is not around.

Chance UK
The mission of Chance UK is to improve the lives of primary school children with behavioural difficulties who are at risk of developing anti-social or criminal behaviour in the future. It does this by providing tailored one-to-one mentoring with a carefully screened, trained and supervised volunteer mentor. It works in a solution-focused way, so that its mentors and staff focus on the child's strengths and what they do well, rather than their negative behaviour.

Place2Be

Chris was referred for Place2Be counselling in Year Five due to concerns about his behaviour and conduct at school. Perceived as highly intelligent, he presented issues including poor concentration, frequent absences and detentions to poor concentration, low self esteem and inability to take responsibility for his actions. He was also at risk of fixed term or permanent exclusion due to his aggression. Before Place2Be intervention, Chris scored level two in Maths and Literacy.

Chris was the eldest of eight children; his mother was separated from his natural father. Social care was involved due to domestic violence and abuse. All the children were subject to a Child Protection Plan; other issues were substance and alcohol misuse by the adults in the family and overcrowding. Chris was the main carer. His absence from school stemmed from the lack of clean clothes and his mother's need for him to do the shopping, cooking, changing and putting his younger siblings to bed

The Place2Be

The Place2Be is a charity working inside schools to improve the emotional well-being of children, their families and the whole school community. Its mission is to enhance the wellbeing and prospects of children and their families by providing access to therapeutic and emotional support in schools, using a proven model backed up by research. It is currently working with 172 schools across the UK, often in areas of great deprivation. Its services are available to 58,000 children coping with problems such as bereavement, family breakdown, domestic violence, trauma and bullying.

The Frank Field Review itself makes clear that 'something more fundamental than the scarcity of money is adversely dominating the lives of these children'.¹¹ The Review finds family background, parental education, good parenting and the opportunities for learning and development in the early years as the key factors which ensure a child has the opportunity to succeed, even in the absence of money. In addition, a poll commissioned by the Review judged income to be only the third most important factor for early years development. The Review outlines a set of Life Chances Indicators, such as the home learning environment, positive parenting, maternal mental health, the mother's age at the birth of her first child and the mother's educational qualifications. These are intended to measure annual progress on a range of factors that are predictive of children's future outcomes.

A recent report by the University of York investigating child poverty on Peabody estates found that parents on the estates were more concerned about the life chances of their children than their material deprivation.¹² In particular there were anxieties around high rates of crime and anti-social behaviour, a lack of options and employment for teenagers leaving school, and a lack of engaging activities for young people. There was also a sense that child poverty was less about a lack of income and more to do with a poverty of ambition.

Demos commissioned original representative polling in order to gauge the attitude of the UK public towards poverty. The polling results revealed that more people disagreed (48 per cent) than agreed (30 per cent) that it is adequate to measure poverty solely by assessing household income.¹³

¹¹ Frank Field, *The report of the Independent Review on Poverty and Life Chances*, London, HM Government, 2010

¹² Peabody, *Understanding and tackling child poverty on Peabody estates*, London: Peabody, 2012

¹³ Demos, *3D Poverty*, London: Demos, 2010

A new approach to measuring child poverty

The Child Poverty Act requires the Government to develop a Child Poverty Strategy which will be revised every three years. We broadly welcome the Coalition's first Strategy, *Tackling the Causes of Disadvantage and Transforming Families' Lives*, as it signals a shift away from the narrow income-based poverty targets.¹⁴ The inclusion of family circumstances, children's life chances and family structure as indicators are positive additions. However, as it stands, only the family resources section of the strategy (i.e. income poverty) is legislated for under the Child Poverty Act.

The CSJ is clear that whilst this strategy goes well beyond the Child Poverty Act in recognising a whole range of factors that influence poverty besides income, these non-income indicators must be prioritised. We also have concerns over some of the details of both the income and non-income indicators.

We set out below a new approach which centres on tackling the core drivers that keep the most disadvantaged entrenched in poverty, on the basis of the evidence in the previous section and elsewhere. It is important to underline that this paper focuses on the measurement of child, or more accurately in our view, family poverty. However the Government should also take into consideration new metrics for the different ways that poverty can be experienced by those who, for example, do not have children, and older people.

At the heart of this approach is a move away from a crude quantitative measure of what it means to experience poverty towards a recognition of the importance of the quality of people's lives and relationships. This multidimensional approach will allow the Government to track its progress more effectively and identify which areas of its poverty reduction strategy require greatest attention.

Re-defining income-related indicators

1. Source of income

An individual's level of income matters, but so does the source of that income. It is important to make a distinction between different sources of income – notably between that which has been earned through gainful employment and that which has been obtained through welfare payments. The former is a sign of an individual's self-reliance and is a more sustainable option as it offers them an opportunity to lift themselves out of poverty. The latter indicates that, despite income transfers from the state, the person is not self-reliant as they are most likely out of work. Economic dependency is a key driver of poverty which must be tackled, and welfare payments which are too high can actually undermine incentives to work or for individuals to lift themselves out of poverty. By treating all sources of income as of equal value, the Government is failing to differentiate between those who are being sustained on welfare payments and those who are in paid employment. This is counter-productive and must be reformed.

¹⁴ HM Government, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives*, London: HM Government, 2010

2. *Income vs. consumption*

A family may experience a temporary drop in earnings which sees their income fall below the poverty line, signifying that they are officially 'in poverty'. However a high level of resources or assets may mean that they are able to smooth their consumption and maintain similar living standards in the short-term. There is a risk therefore that the current measure, which takes a 'snapshot' of individuals' incomes at a fixed point in time, will make temporarily low income families appear to be in poverty. It does not account for the fact that incomes often fluctuate. For instance, a family may earn a moderate income for the first nine months of the year, but due to the nature of their employment earn very little or nothing for the remaining three months. However if a 'snapshot' of their income is taken during these last three months, their spending potential will be judged to be far lower than what it would be in reality, as it does not take into consideration the income they earned in the preceding months. Equally, it would be far higher if the 'snapshot' were taken during the first nine months.

By contrast, as consumption decisions are normally based on permanent income as opposed to transitory income, temporarily income-poor households may not be classed as poor if consumption was made a proxy for living standards. It should be noted, however, that the academic literature is far from united in terms of whether using consumption as an indicator is appropriate.¹⁵ For instance, an individual may have a relatively high level of consumption but simultaneously be accumulating a large amount of debt. We therefore suggest the Government explores the possibility of using consumption levels, either as a complement or alternative to the current household income measure.

3. *Ability to save*

An individual's ability to save is a good predictor of being able or unable to afford particular goods and services. It also implies that they have developed strong financial capabilities. This financial security has positive consequences for children in the household. A household's ability to save is not included in the current measure of poverty. We suggest the Government uses data from the *Family Resources Survey* and *Wealth and Assets Survey* in order to explore this as an indicator.

Beyond income: a broader understanding of child poverty

Below are a number of 'risk factors', which evidence shows increase the likelihood that a child is living in poverty. Whilst the prevalence of just one of these factors reflects a deficit in their well-being, we argue that the more of these 'risk factors' that are present, the lower the probability that a child is able to escape poverty. We therefore suggest the Government develops a graded measure.

1. *Poor parenting*

The importance of a positive upbringing cannot be underestimated. Children's outcomes are directly and unavoidably linked to their family experience and any serious measure of poverty must reflect this.¹⁶

¹⁵ For example, see Institute for Fiscal Studies, *Household spending in Britain: What can it teach us about poverty?*, London, Institute for Fiscal Studies, 2006

¹⁶ Action for Children, *Deprivation and risk: the case for early intervention*, Action for Children: London, 2010

Central to good parenting is ensuring that children are 'school ready', enabling them to take full advantage of their 11 years of schooling to develop, rather than be in permanent and unsuccessful 'catch-up'.¹⁷ We welcome the inclusion of low birth weight as a proxy for 'school readiness' in the Government's Child Poverty Strategy, and suggest the Government explores additional proxies such as a child's ability to dress themselves, be toilet trained and respond to their name.

2. *Unstable family structures*

Our evidence shows that children who grow up in stable, two-parent and, in particular, married couple families have better mental and physical health outcomes than those who do not. They do better in school and are less likely to be involved in crime or substance abuse.¹⁸ Children from 'broken homes' are twice as likely as those from 'intact' families to have behavioural problems.¹⁹ Fewer than one in ten married parents have split by the time a child is five compared with more than one in three who were not married.²⁰ We therefore suggest the Government explores indicators such as the percentage of households comprising two-parent families and the percentage of these that are married.

3. *Workless households*

It is widely accepted that work is the best and most sustainable route out of poverty. Research shows that poverty and entrenched or persistent worklessness are often intergenerational.²¹ For instance, if a child grows up in a workless household, they are more likely to be out of work in later life themselves. A son with a workless father is likely to experience between 8–11 per cent more time out of work themselves between the ages of 16 and 23.²² The nature and quality of the home environment is therefore a significant predictor of future life chances and opportunities. Earning money through gainful employment has many life changing advantages – people in work have better health; they develop strong social networks; and they become living proof to themselves and others around them of a link between effort and reward.²³ The number of households where no one has ever worked has doubled since 1997, and two million children are now growing up in workless households.²⁴ We suggest the Government explore indicators which show the proportion and number of children living in households where one or more member does not work.

However it is also the case that the rise of the number of lone parents working part-time has increased the prevalence of in-work poverty.²⁵ It would therefore be wise for the Government to also explore indicators which show the proportion and number of children living in households that rely on benefits for a certain proportion of their income.

17 Centre for Social Justice, *Early Intervention: Good Parents, Great Kids, Better Citizens*, Centre for Social Justice: London, 2010

18 Centre for Social Justice, *Breakthrough Britain: Family breakdown*, Centre for Social Justice: London, 2010

19 Meltzer H et al, *Mental Health of Children and Adolescents in Great Britain*, The Stationery Office: London, 2000

20 Analysis of Millennium Cohort Study corroborated by Goodman and Greaves, IFS Briefing Note BNI07, 2010

21 Centre for Social Justice, *Breakthrough Britain: Economic Dependency and Worklessness*, Centre for Social Justice: London, 2007

22 The Centre for Market and Public Organisation, *Measuring the intergenerational correlation of worklessness*, The Centre for Market and Public Organisation: Bristol, 2011

23 Centre for Social Justice, *Dynamic Benefits: Towards welfare that works*, Centre for Social Justice: London, 2009

24 Centre for Social Justice, *Breakthrough Britain: Economic Dependency and Worklessness*, Centre for Social Justice: London, 2007

25 Joseph Rowntree Foundation, *Addressing in-work poverty*, Joseph Rowntree Foundation: London, 2008

4. Poor educational attainment

Our education system should help transfer opportunity and wealth across our society, and between generations. Yet it is less likely today that a child with parents in a low income bracket will rise to the top income bracket than it was in 1970.²⁶ Too many young people leave school without the skills and qualifications to secure a sustainable job and lead a fulfilling life. The existence of a quality school in a local area can offer hope and opportunity for young people to break free from their disadvantage. We suggest the Government explores indicators such as truancy rates and levels of academic attainment as proxies for attendance at a failing school.

5. Addiction or substance abuse in the household

Around one and a half million children have a substance-abusing parent.²⁷ Parental addiction or substance abuse often leaves children neglected, un-nurtured, and exposed to abuse inside and out of the home. The reality is that children are likely to repeat the chaotic and unpredictable behaviour of their parents. There is a pattern of one or both parents drinking or taking drugs and being abusive or neglectful to their children. In turn, those children are propelled into substance abuse which is likely to trigger truancy. Truancy then triggers educational failure, educational failure triggers unemployment, and unemployment in turn is a very high risk factor for increasing substance abuse. Substance abuse appears to be as much of a catalyst for family disruption and dysfunction as it is an outcome.²⁸ We suggest the Government explores indicators such as the frequency and severity of alcohol/illegal drug consumption.

6. Severe personal debt in the household

Unmanageable debt is a particular problem for low income families. Our research and polling shows that those in debt are more likely to be out of work, to have left school early, to have a history of alcohol or drug addiction, depression or a record of trouble with the police.²⁹ The future opportunities of individuals in such circumstances are therefore greatly reduced.

With few savings to fall back on, poor financial literacy and little or no access to mainstream banking facilities, many individuals find themselves financially excluded and more vulnerable to unexpected changes. The number of pay-day lenders operating in disadvantaged areas is also on the rise, and the extremely high rates of interest charged for such lending can propel individuals further into debt and make their situation far worse.

Furthermore, the level of income a family accumulates should be understood in the context of the income requirements of that family. For instance, whilst two families might have similar levels of income, the composition of those two families may be very different; the number of children, the expense of health requirements etc may vary, resulting in very different household budgeting needs. The expenditure requirements of one family may greatly exceed the requirements of the other, and this equalisation is not fully accounted for in the current measure.

26 Centre for Social Justice, *Breakthrough Britain: Educational Failure*, Centre for Social Justice: London, 2007

27 Centre for Social Justice, *The state of the nation report: Addicted Britain*, Centre for Social Justice: London, 2006

28 Ibid

29 Centre for Social Justice, *The state of the nation report: Indebtedness*, Centre for Social Justice: London, 2006

We suggest the Government explores indicators such as levels of spending compared with income as a proxy for financial capability, and what the money accumulated by a household is actually spent on. It would also be useful to explore the proximity of pay-day lenders to disadvantaged families.

7. Poor mental health

Children from the lowest quintile (20 per cent) of household income are three times more likely than those in the richest quintile to have common mental health problems.³⁰ Children's future relationships, their ability to fulfil their potential both educationally and in the workplace as well as their basic enjoyment of life are all threatened by mental illness and unmet emotional needs. We suggest the Government develops indicators which shed light on the mental and emotional well-being of children; this could be measured using well-established tools such as the *Strengths and Difficulties Questionnaire*.

8. Measuring local factors

Factors which are unique to a specific geographical area often have a particular bearing on the life chances and opportunities of young people. Examples include access to a good school and the employment prospects in an area. We suggest the Government explores the possibility of allowing local areas to decide on a set of indicators relevant to child poverty at a local level.

9. Well-being measure

The Office for National Statistics (ONS) is developing new measures of national well-being which will investigate the quality of life of people in the UK. The measure will examine different areas of well-being such as health, relationships, job satisfaction, economic security, education and environmental condition.³¹ Such an indicator will provide a wider subjective measure of social and economic progress. We suggest that the Government explores means of integrating this measure in a way which is relevant to child poverty.

Collecting data and measuring outcomes

It is unfortunate that the Department for Work and Pensions (DWP) has discontinued its annual *Opportunity for All* reports, which tracked the progress of a range of social indicators that affect children. This would have provided a valuable source of data to draw on. However the Government still collates and publishes a significant amount of other data, such as the *Family Resources Survey*, which is under-utilised at present. We also refer the Government to our recent publication, *Outcome-based Government: How to improve spending decisions across Government*, which offers clear guidance on how to design indicators with measurable fiscal, social and economic value.³²

30 Centre for Social Justice, *Completing the Revolution: Transforming mental health and tackling poverty*, Centre for Social Justice: London, 2011

31 Office for National Statistics, *Measuring National Well-being* [accessed via: <http://www.ons.gov.uk/ons/guide-method/user-guidance/well-being/index.html> (09.05.12)]

32 Centre for Social Justice, *Outcome-based Government: How to improve spending decisions across Government*, Centre for Social Justice: London, 2011

Conclusion

The CSJ strongly believes that any strategy to tackle poverty should focus on the root causes of deprivation and the social breakdown which fuels it, not the symptoms. Yet the way the previous Government conceptualised and sought to measure poverty is deeply flawed. The legacy of this is a narrow and one-dimensional Child Poverty Act which focuses solely on income and material deprivation. This is despite huge swathes of evidence to demonstrate that poverty is about far more than this.

The case studies from our Alliance clearly illustrate that poverty is not just about income, it is about family breakdown, educational failure, intergenerational worklessness, addiction, serious personal debt and poor mental health. It is absolutely vital that any serious measure of poverty reflects this. It is wholly unacceptable for such high and deep-seated levels of poverty to exist in the UK today. Such poverty devastates our communities and destroys the life chances of our children. We therefore call on the Government to make a bold commitment to confronting this problem head-on. Transforming the way poverty is measured would be a crucial first step. We urge the Government to review its Child Poverty Act in order to construct a measure of poverty which is fit for the 21st Century – it would be one of the most radical and commendable accomplishments of its period in office.

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Index of Multiple Deprivation 2010 Summary

May 2011

Introduction

1. The DCLG published the Indices of Deprivation (ID) in March 2010 and this is an early analysis of the information - further detailed analysis is being undertaken. This is mainly based on 2008 data and provides a relative ranking of areas across England according to their level of deprivation. The ID enables comparison between areas in England and to identify the most deprived areas at different cut off points e.g. 10% most deprived. However, the ID does not show how deprived an area is, it can tell you if one area is more deprived than another but not by how much.
2. The ID is made up of 7 domains which measure deprivation, which is a general lack of resources and opportunities and more than just poverty. These domains are used to calculate the Index of Multiple Deprivation 2010 (IMD 2010), which is based on geographical areas smaller than Wards (also known as Lower Super Output Areas – LSOAs), with c. 1,500 residents. The IMD brings together 38 different indicators which cover specific aspects or dimensions of deprivation and aggregated into domains which are Income, Employment, Health and Disability, Education, Skills and Training, Barriers to Housing and Services, Living Environment and Crime.

Key Changes from 2007

3. The main points to highlight are:
 - Southampton is ranked **81st** on the overall IMD 2010 out of the 326 local authorities (where 1 equals the most deprived) - a drop of 10 places since 2007
 - **23%** of Southampton's population live in the most deprived LSOAs in England
 - Southampton performs worst in the Crime domain with **51** LSOAs in the worst 10% in England - an increase of 25 LSOAs since 2007.
 - There are **no** Southampton LSOAs in the worst 10% for Barriers to Housing & Services Domain, compared to 5 in 2007)
 - **Sholing** is the only Ward with no LSOAs in the worst 10% of any domain
 - Additional domains: One area in Thornhill (Bitterne ward) has 65% of children living in

income deprivation. This is the same area as in 2007 (64%). Southampton has two of the worst areas in the top five LSOAs in the South East for income deprivation affecting older people and both are in Bevois ward.

4. The table below identifies the areas affected by changes in the LSOAs in each domain which fall into 10% most deprived in England:

Domain	Weighting	No. of Southampton's Lower Super Output Areas in the 10% Most Deprived in England		
		ID 2007	ID 2010	change
Education, Skills and Training		27	29	↑
Living Environment		9	16	↑
Health & Disability		8	5	↓
Income		8	8	↔
Crime		26	51	↑
Barriers to Housing and Services		5	0	↓
Employment		3	5	↑

5. Mosaic Group Segment 4 is predominant in the areas of highest need within the city: Childless people, young people and high rise council tenants with issues of social isolation. Key features for this group include: lone parents, young singles, benefit claimants, living in Council flats, low mental well-being, heavy smokers, alcohol attributable admissions and high A&E admissions.

Domain	Weighting	No. of Southampton's Lower Super Output Areas in the 10% Most Deprived in England			No. of Southampton's Lower Super Output Areas in the 10% Most Deprived in England				
		ID 2007	ID 2010	change	Bevois	Bitterne	Millbrook	Redbridge	Woolston
Income	22.5%	8	8	↔	1	2	1	2	1
Employment	22.5%	3	5	↑	1	1	0	0	2
Health & Disability	13.5%	8	5	↓	2	0	0	0	1
Education, Skills and Training	13.5%	27	29	↑	1	7	3	7	3
Barriers to Housing and Services	9.3%	5	0	↓	0	0	0	0	0
Crime	9.3%	26	51	↑	5	6	5	5	2
Living Environment	9.3%	9	16	↑	3	0	2	0	1

Index of Multiple Deprivation 2010

Highest priority LSOA

Northam
 Thornhill : Lydgate Road & Marston Road
 Millbrook: Redbridge Hill, Paignton Road and Cumbrian Way
 Redbridge: Mansel Park and Windrush Road
 Weston: International Way

as both Bristol (15 places) and Nottingham (7 places) have improved their ranking.

	IMD 2007 Rank	IMD 2010 Rank	Change (where 1 is most deprived)
Liverpool District	1	1	↔
Manchester District	4	4	↔
Birmingham District	10	9	↓
Nottingham	13	20	↑
Newcastle	37	40	↑
Sheffield District	63	56	↓
Leeds District	85	68	↓
Portsmouth	93	76	↓
Bristol	64	79	↑
Southampton	91	81	↓

How does Southampton compare?

6. The following table shows a comparison between the overall ranking Southampton and the Core Cities. Both Leeds and Portsmouth have moved 17 places indicating that they are relatively more deprived than in 2007 where

Number of LSOAs in most deprived 10% in England by Ward

Ward	Domain															
	IMD		Income		Employment		Health		Education and Skills		Barriers to housing etc.		Crime		Living Environment	
	2007	2010	2007	2010	2007	2010	2007	2010	2007	2010	2007	2010	2007	2010	2007	2010
Bargate							2	2			1	0	2	5		
Bassett									1	1	3	0	2	2	1	1
Bevois	1	1	1	1	1	1	5	2	1	1			3	5	2	5
Bitterne	3	2	2	2	1	1			4	7			3	6		
Bitterne Park														3		
Coxford									5	4			3	2		
Freemantle														2	2	2
Harefield			1	1					1	1				4		
Millbrook	2	2	2	1					3	3			3	5		2
Peartree													1	3	1	3
Portswood													3	1	2	1
Redbridge	1	3	1	2		1			6	7				5	1	
Shirley									1	0			1	3		
Sholing											1	0				
Swaythling									2	2			3	3		1
Woolston	2	1	1	1	1	2	1	1	3	3			2	2		1
Southampton Total	9	9	8	8	3	5	8	5	27	29	5	0	26	51	9	16

Brief details for the 5 top areas in the City:

Ranking in Southampton and some performance information	Thornhill : Lydgate Road (LR) and Marston Road (MR)		Weston: International Way	Northam	Millbrook: Redbridge Hill (RH), Paignton Road (PR) and Cumbrian Way (CW)			Redbridge: Mansel Park and Windrush Road	
	LR	MR			RH	PR	CW	MP	WR
Overall ranking	1	5	3	2	4	14	7	9	6
Income	2	5	1	3	4	19	10	6	7
Employment	2	6	1	3	7	24	16	13	10
Health & Disability	7	22	1	3	12	29	43	13	27
Education, Skills and Training	1	5	17	22	6	16	2	14	3
Barriers to Housing and Services	65	86	92	10	13	71	131	56	94
Crime	1	13	79	6	4	17	3	15	11
Living Environment	79	76	107	14	72	30	63	74	60
Income deprivation affecting children	1	8	2	5	3	21	20	10	4
Income deprivation affecting older people	42	40	7	6	37	44	21	26	32

APPENDIX 4

SUMMARY OF FEEDBACK FROM LOCAL COUNCIL TAX SCHEME CONSULTATION: GENERAL CONCERNS AROUND THE WELFARE REFORMS (UP TO 30TH OCTOBER 2012).

Q 20: Do you have any issues/concerns/comments about more general changes to welfare benefits?

Awareness and Information about the changes:

- Particular concerns around the impact on vulnerable people and families.
- The ability to target and support those most affected by the changes.
- Lack of awareness amongst those who are going to be affected.
- Lack of information on the changes should be addressed.

Concern about reductions in household income:

- Managing household budgets and being worse off/ pushed into poverty – children going without food, increased debt, use of loan sharks, losing their homes, DV, suicides, crime.
- The amount people will have to find out of benefits to cover CT ('£6 is a huge amount for me').
- Some tenants could run into difficulties where they now have to pay rent direct to landlord.
- The 'freeze' on benefits but the expectation on households to pay out more (CT/ underoccupancy).

Concern about direct and indirect impacts:

- Under-occupancy impacts on disabled people/carers and those separated but with children who stay over.
- Fairness of exemptions for pensioners, exceptions and discretion?
- Impact on disabled people – and their carers (alongside all the changes that are happening to disability benefits) and those who can't work.
- Impact on health (including mental health) and health services.
- Increased evictions, summons and unrest.

Local Economy:

- The 'war' on benefit claimants and unfair on those who are looking for work but can't get a job – lack of employment opportunities generally.
- Money devoted to helping people find a suitable career path is now being paid to agencies of variable quality.
- More attention should be given to the contribution people on low income make to the local economy, as any welfare benefits generally get spent in the local area.

Other comments:

- Local changes to Council Tax might reduce profits to landlords.
- People should work for their benefits.

- Council Tax changes make it fairer for people who pay full council tax. Benefit recipients should share the costs of the services they use.
- The reforms might cost the government more money in the long run.
- The council should stand up to national government about the cuts.
- The costs of the economic crisis are being passed on (back-handed cuts) – and ‘stop attacking the poorer people and start taking it from the very top level.
- The council should show more empathy and be more joined up - i.e. if your (benefit) payments don’t come through, so you can’t pay -you shouldn’t be penalised.
- The consultation won’t influence decision and there should have been more opportunity to comment
- Politicians are out of touch with the daily realities of those living on benefits.

Plus You Limited: Resident Survey October 2012

Survey of 50 Residents:

Do you currently receive any of the following benefits? Housing/Council Tax, Job Seekers Allowance, Incapacity Benefit, Income Support, Income based or Child Tax Credits, Disability Benefit, Other benefit

1. Are you aware of the proposed changes to the benefits system and how they will affect you?
2. Do you know how these changes will affect you and the amount of benefit you will receive?
3. Do you have concerns about the changes to the benefits system and the amount of money you will receive after the changes are made?
4. Plus You Limited will be arranging a Benefit Changes Information day, where you can find out the information regarding the changes would you like to attend?

The response was

1. 50 received benefit one or more of the benefit,
2. 2 were aware of the changes, but didn't understand them
3. 48 said they were unaware until now, when explained HB and CTB would be change in April all 49 had concerns about the changes and how much benefit they will receive, 1 said she didn't care.
4. 49 would attend information here at Hightown.
5. 1 person would not attend the information day

During the consultation, residents were asked if they had received the City View.

- 21 said yes
- 10 they didn't know
- 19 said no
- Almost all said they never read it

Other comments received were:

Parent 1: I no longer get Income support and have been forced onto JSA, I would work but being a lone parent it's difficult to find affordable childcare and job that allows me to work around school hours.

Parent 2: The Government are tarring everyone with the same brush, I am on Incapacity which I will lose I can't work but will be forced to.

Parent 3: What's happening to my DLA?

All respondents asked questions regarding Welfare Reform, I obviously couldn't answer those individual questions as I'm not a benefit advisor, apart from informing that things like HB and CTB are changes from April and we are hoping to get DWP JSP SCC and 3rd sector organisation along to a benefit changes awareness day (as previously mentioned)

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SCHEDULE OF ACTIONS

REQUEST FOR FURTHER INFORMATION	ACTION TO BE TAKEN	PERSON RESPONSIBLE	ACTION COMPLETED	DATE
From Meeting 1: 25 October 2012				
Welfare reforms communications plan	To present to panel at a future meeting TBC	Sara Crawford		
Legal equalities challenges	Undertake research and feedback to panel	Sara Crawford / Dottie Goble		
Universal Credit pilot in North East	To feedback at future meeting TBC	Bernadette Hagan		
JCP Sufficiency Plan – bid for gaps in advice services	To circulate plan to panel.	Bernadette Hagan		
JCP key statistics	To circulate to panel	Bernadette Hagan		
Labour market statistics	To circulate to panel	Sara Crawford	Labour market stats	22/11/12
Green Paper on SEN pathfinders translating skills	To circulate to panel	Denise Edghill		
Best practice examples <ul style="list-style-type: none"> • City Limits Employment • Wheadsheef Trust • Barnados 18-24 	To attend / circulate to December meeting	Dottie Goble		
Emerging comments and recommendations to Local Council Tax Support consultation: <ul style="list-style-type: none"> • To establish an appeal/support system for people who cannot afford or may find it more difficult to pay. • Review current policy to pursue debt 	To be tabled at panel meeting 22/11/12	Chair of Panel		
Development of discretionary support	To be tabled at panel meeting 22/11/12	Paul Medland		
Local Council Tax consultation – interim feedback	To be tabled at panel meeting 22/11/12	Paul Medland	Summary feedback on welfare reforms in report	22/11/12

Student Council Tax Exemption - How much council tax revenue is being missed?	Circulate to panel	Steve Olney		
Details of financial support best practice examples <ul style="list-style-type: none"> • Credit Union – jam jar accounts • Crisis fair share – supermarkets • Basics Banks 	Circulate to panel	Sara Crawford		
Impact of Welfare Reforms - Outline of potential indirect impacts to organisations	To be presented to future meeting January	Sara Crawford / Dottie Goble Relevant Services		
Matrix of impact of welfare reforms	To be presented to December meeting	Sara Crawford		



REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

HC 681
SESSION 2012-13

1 NOVEMBER 2012

Department for Work and Pensions

Managing the impact of Housing Benefit reform

Key facts

£23.4bn

Housing Benefit spending
in real terms in 2011-12

5.0m

households receiving
Housing Benefit

£2.3bn

forecast saving from
reforms in 2014-15

54 per cent increase in real expenditure on Housing Benefit between 2001-02 and 2011-12

£23.9 billion projected Housing Benefit spending in real terms in 2014-15 without reforms

£21.6 billion projected Housing Benefit spending in real terms in 2014-15 after reforms

1.4 million households who could be affected by changes to Local Housing Allowance rules by 2014-15

56,000 households affected by the overall benefit cap by 2014-15

£390 million central government funding for Discretionary Housing Payments between 2011-12 and 2014-15

Summary

1 Housing Benefit helps those on a low income in Great Britain to pay all or part of their rent. It supported 5.0 million households in May 2012. Around 3.4 million of these households were in the social rented sector, mostly as tenants of local authorities and housing associations. The remaining 1.6 million rented from private landlords.

2 In 2011-12 real expenditure on Housing Benefit totalled £23.4 billion, 14 per cent of total benefit expenditure by the Department for Work and Pensions (the Department). Expenditure on Housing Benefit increased by 54 per cent in real terms between 2001-02 and 2011-12.

3 The amount of Housing Benefit a household receives depends on their personal circumstances and where they live. Claimants in receipt of certain other benefits such as income-based Jobseeker's Allowance have an automatic entitlement. Other claimants must undergo a separate means test. Claimants in the social rented sector usually have their rent paid in full. Those living in private rented accommodation receive support determined by Local Housing Allowance rates that reflect local rent levels. In March 2012 households received an average weekly payment of £77 per week in the social sector and £107 per week in the private sector.

4 The Department is responsible for Housing Benefit policy, setting of entitlement rules and informing local authorities of these rules. It also makes available personal data for other benefits, funds Housing Benefit, and provides guidance and advice. Local authorities undertake the day to day administration of Housing Benefit. In 2011-12 the Department provided combined funding of £546 million to local authorities to administer Housing Benefit and Council Tax Benefit.

5 Housing Benefit for social sector tenants is generally paid directly to housing providers. Claimants in the private rented sector receive Housing Benefit payments directly unless there are specific circumstances, such as where the local authority considers that the tenant is likely to have difficulty managing their affairs, or if it is improbable that they will pay their rent. Around 29 per cent of private sector claimants have payments made directly to their landlords.

6 As part of the measures announced in the emergency budget in June 2010 and the Spending Review of October 2010, the Government announced changes to Housing Benefit which aimed to reduce annual expenditure by around £2.3 billion. These include reductions to Local Housing Allowance rates for private rented sector claimants and deductions in payments to social sector tenants in under-occupied homes. From April 2013 the Government is also introducing a cap on the total amount of benefit that working age people can receive. The cap will be administered through reductions in Housing Benefit payments until the introduction of Universal Credit.

7 **Figure 1** summarises the reforms discussed in this report. A more detailed explanation of the changes to Housing Benefit can be found in Appendix Three.

8 Housing Benefit reforms are taking place in a context of major spending reductions and welfare reforms. From October 2013 the Department will introduce Universal Credit to replace several mainly working age benefits. The Department will administer the housing component of Universal Credit, and local authorities will phase out their role in the administration of Housing Benefit. The Department is proposing to increase direct payments of housing support to tenants rather than landlords.

Figure 1
Summary of Housing Benefit reforms

Change	Description	From	Private tenants	Social tenants
LHA – Caps	National cap on LHA rates for each size of dwelling to remove very high rates in high rent areas.	April 2011	✓	✗
LHA – Excess	Removal of rule allowing claimants to keep up to £15 of benefits if rent is below LHA rate.	April 2011	✓	✗
LHA – Benchmark	Rates to be set at 30th percentile of local rents rather than 50th percentile (superseded by uprating changes).	April 2011	✓	✗
LHA – Shared accommodation	Shared accommodation rate to apply to single people between ages of 25 and 34 years.	January 2012	✓	✗
LHA – Uprating	Annual uprating of rates by the Consumer Price Index or the 30th percentile of local market rents if this is lower.	April 2013	✓	✗
Social sector size criteria	Households assessed to be under-occupying their accommodation will have their entitlement reduced by 14 per cent or 25 per cent depending on whether the under-occupation is by one-bedroom or two bedrooms or more.	April 2013	✗	✓
Non-dependant deductions	Freeze since April 2001 removed for non-dependant deductions from Housing Benefit and Council Tax Benefit.	April 2011	✓	✓
Overall benefit cap	Total household benefit payments to be capped at £500 per week for a family and £350 per week for a single person and applied through reductions in Housing Benefit until Universal Credit is introduced.	April 2013	✓	✓

NOTE

1 Abbreviation: LHA - Local Housing Allowance

Source: National Audit Office summary of departmental publications

The scope of this report

9 Achieving savings in Housing Benefit will mean that households receive less in benefits, creating hard choices about how to reduce expenditure. Although these choices are largely set by Government policy, the Department has a crucial role in anticipating and managing the impact of reforms on claimants and the administration.

10 The Department is still in the process of implementing reforms. At this early stage the Department has undertaken impact assessments for reforms and put in place support to smooth the transition for claimants. The Department also has plans to evaluate impacts further over time.

11 The Department faces significant possible complications from household behaviour change and impacts on broader housing markets. This report therefore considers how the Department is positioned to tackle the challenges for implementation and in particular how it has:

- Assessed the impacts of Housing Benefit reforms on claimants and public spending and taken steps to improve its understanding of impacts over time (Part One).
- Put in place support for claimants to mitigate uncertain adverse consequences (Part Two).
- Planned for future risks arising from reforms, particularly as a result of interactions between Housing Benefit and the wider system of housing support (Part Three).

12 The report does not evaluate the merit of the reforms themselves. Our findings are based on a review of existing assessments by the Department supported by interviews and additional analysis where required. A more detailed explanation of our methodology can be found in Appendices One and Two.

Key findings

Assessing the impact of reforms

13 The Department expects Housing Benefit reforms to save £2.3 billion a year by 2014-15. In the absence of reforms the Department forecasts Housing Benefit spending to rise to £23.9 billion in real terms by 2014-15. The Department expects that as a result of reforms real expenditure on Housing Benefit will fall to around £21.6 billion by 2014-15, saving around £2.3 billion per year (paragraphs 1.3 to 1.6).

14 The Department has estimated the direct impacts of reforms on households' existing entitlements. The Department has used benefit data and family resources survey data to produce and publish estimates of how benefit entitlements would change for different households as a result of the reforms. For the most part the Department's impact assessments have adjusted for the cumulative effect of the reforms and avoided double counting (paragraphs 1.10 to 1.14).

15 Reforms will result in around two million households receiving lower benefits, with a smaller number of households receiving substantially less. The Department's impact assessments estimate that 1.4 million claimants in the private rented sector will be affected by changes to Local Housing Allowance. Around 85 per cent of households will lose £15 or less. Claimants with large numbers of children and those living in high rent areas such as London will be most affected. In the social rented sector, 660,000 claimants with one or more extra bedrooms could lose between 14 and 25 per cent of their Housing Benefit (an average loss of £14 a week). The overall benefit cap will affect 56,000 households losing on average £91 per week (paragraphs 1.7 to 1.9).

16 The Department's impact assessments are necessarily narrowly focused at this stage and do not reflect the full scale of potential impacts from the reforms. The Department's impact assessments openly recognise the limitations of estimating the direct impact of reforms on entitlements. The full impact of reforms will depend on the responses of households and the broader housing market. These behavioural responses are highly uncertain and could be both positive, for example if employment increases, or negative, for example if homelessness increases. Given the uncertainty around responses the Department has commissioned independent research to evaluate the impact of reforms after implementation. Initial survey findings were published in summer 2012, an interim report is due in early 2013 and the final report is due in early 2014 (Figure 5 on page 17 and paragraphs 1.21 to 1.22 and 1.26).

17 Reforms are placing additional administrative burdens on local authorities and could lead to risks for effective implementation. Local authorities currently receive notifications from the Department of changes to claimant circumstances via the Automated Transfers to Local Authority Systems (ATLAS). The system has helped to reduce overpayments but volumes of notifications are very high as even small changes in circumstances trigger notifications. Volumes are likely to increase further under the reforms, placing a large administrative burden on local authorities. The Department is still developing estimates of the administrative cost of reforms (paragraphs 1.17 to 1.19).

Supporting claimants

18 The Department is phasing in some reforms to give existing claimants time to prepare. Most reforms to Local Housing Allowance are being phased in to give existing claimants time to adjust to their new entitlement. In some cases claimants may have up to 21 months after introduction of the reform before changes take effect (paragraph 2.3).

19 Many people know very little about the changes to housing support and communication of changes to claimants has been variable. The Department has sent letters to inform affected households about the financial implications of entitlement changes under the benefit cap. Communicating other changes to Housing Benefit is currently the responsibility of local authorities. The Department has worked with them to publicise the nature of benefit reforms by providing guidance, standard letters, factsheets and responses to frequently asked questions which local authorities are free to use or amend. It also provides supporting tools, such as online calculators for the overall benefit cap and Local Housing Allowance. Communications to claimants vary depending

on where they live and changes could be confusing for claimants affected by multiple reforms. Awareness remains low; surveys of private rented sector respondents carried out between September 2011 and November 2011 found that 87 per cent knew not very much or nothing at all about the changes that will affect them (paragraphs 2.4 to 2.6).

20 The Department has anticipated the need to put in place additional funding to support claimants. Over the Spending Review period the Department has set aside up to £390 million of funding for Discretionary Housing Payments for local authorities to tackle transitional consequences of reforms. Funding can also be topped up by local authorities. It is not clear how the overall level of funding has been determined or whether it is likely to be sufficient to tackle the effects of reforms. The total amount represents six per cent of the total savings expected from the Housing Benefit reforms over the Spending Review period, or around £200 per household affected (paragraphs 2.11 and 2.14 to 2.18).

Planning for future challenges

21 Reforms will put pressure on the supply of affordable local housing. From April 2013 Local Housing Allowance limits will be updated to the new 30th percentile of local rent levels or if lower by the Consumer Price Index (CPI). The introduction of the CPI into the calculation could lead to shortages in many local authority areas of private rented accommodation with rents at or below Local Housing Allowance rates. Downward pressure on rents or increased employment would mitigate the impact, but on current trends 48 per cent of local authority areas in England could face shortfalls by 2017 (paragraphs 3.3 and 3.4).

22 Housing market effects present a major challenge for local authorities and other stakeholders. Shortfalls in housing supply could lead to migration between areas, administrative complexity and higher demand for Discretionary Housing Payments and other services provided by the Department and other stakeholders. Changes to rules on social sector under-occupation may simultaneously exacerbate shortages of smaller social housing. While predicting impacts with any certainty may not be possible, simple leading indicators could be monitored to gauge the level of pressure on households. The Department has no process to review the level of funding and support it gives to local authorities as a result of housing market impacts. The Department plans to monitor divergences between the rates and rents in each area so it can intervene in the setting of Housing Benefit limits if local rents become seriously out of reach of most benefit claimants (paragraphs 3.7 to 3.10 and 3.14 to 3.15).

Conclusion

23 The Department has adopted an active approach in preparing for the implementation of Housing Benefit reform. It has used available data to assess the impact of reforms on current entitlements and has been open about the need to evaluate the impacts that might arise from household behaviour and administrative reform. The Department has also put in place a range of support for claimants through the implementation of reforms.

24 The Department has plans in place to improve its understanding of impacts and is working with local authorities to identify administrative costs and funding requirements. It clearly has further ground to cover in: helping to raise awareness of the effect of the reforms on claimants; improving systems of delivering information to local authorities; and developing a set of leading indicators. We see the main ‘unplanned’, and perhaps ‘un-plannable’, challenges facing the Department as being those areas where the interaction of local authority funding capacity constraints, social housing stock, rental market conditions and the local economy may produce extreme impacts. The Department’s response will need to be flexible and coordinated well with other sources of support.

Recommendations

25 We recognise that housing support is a complex area and that the Department is undertaking additional research into the impacts of reforms. To support the Department in introducing reforms effectively and with minimal adverse consequences for claimants we recommend that the Department should:

a **Improve the information available to claimants on likely entitlement changes in order to raise awareness.**

- Early awareness of the extent of changes to benefits would help households to prepare for reforms and smooth the demand for advice and support.
- The Department has worked with local authorities, housing associations, and claimant groups to communicate changes. It considers that local targeting and face-to-face initiatives such as drop-in sessions are likely to be more effective than simply relying on websites and national campaigns. Even so they have so far struggled to raise awareness.
- Some local authorities publicise all reforms on their websites while others do not. The Department should work with local authority stakeholders to identify the most appropriate mode and timing of communication materials and activity, and identify and utilise synergies and good practice.

- A letter highlighting the scale of monetary change from all reforms would help convey the personal impact of the reforms to claimants, and reduce the need for separate correspondence for each reform. The Department does not have the systems to provide a clear statement of the total monetary change in benefits. It also has concerns that providing claimants with an assessment of possible benefit entitlement may simply mislead or confuse because a statement may be out of date by the time change happens.
- The Department provides online tools for households to estimate the impact of some but not all of the reforms. It concluded that it would be difficult to build a calculator for the social size criteria because the calculation is not straightforward. Nonetheless, including social sector size criteria and non-dependent deductions in online calculators could better help customers to plan their finances and identify potential errors and complex cases.

b Review the burdens and risks of implementing reforms using current administrative systems.

- The volume of changes to claims could place a high administrative burden on local authorities. The Department has allowed more time than usual for preparatory work and worked with housing associations to provide local authorities with information about tenants who will be affected.
- Readiness testing of some local authorities could help identify problems before social sector changes take place.

c Establish a clear process for reviewing the level, allocation and monitoring of Discretionary Housing Payment funding.

- The Department has increased funding for Discretionary Housing Payments as a flexible short-term measure to support implementation of reforms.
- Accurately predicting the level of funding needed is difficult because it is highly challenging to determine levels of need before the introduction of reforms. The Department is reviewing its arrangements for Discretionary Housing Payments. A robust and transparent process is needed for reviewing whether the level of funding allocated to local authorities should be increased or decreased to reflect actual levels of need.

- d Work with the Department for Communities and Local Government and local authorities to monitor the effect of reforms and develop the capacity for responding flexibly to impacts resulting from housing market interactions.**
- The Departments have a joint programme of evaluation in place to assess the impacts of reforms.
 - In the meantime reforms could create significant pressures on local authorities in managing the supply and demand for affordable housing. The Departments have compared supply and demand of different property sizes to identify imbalances at the national level but not at regional levels.
 - Leading indicators of pressures on housing affordability (such as rent levels and homelessness data) should complement periodic evaluation; analysis of housing shortfalls across local authorities could help to identify local risks. The Department should consider how best to work with other stakeholders to tackle issues as they emerge, including where responsibilities lie.

Between a rock and a hard place: the early impacts of welfare reform on London

**CHILD
POVERTY
ACTION
GROUP**

lasa

for a stronger third sector

October 2012

Between a rock and a hard place: the early impacts of welfare reform on London

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CPAG promotes action for the prevention and relief of poverty among children and families with children. To achieve this, CPAG aims to raise awareness of the causes, extent, nature and impact of poverty, and strategies for its eradication and prevention; bring about positive policy changes for families with children in poverty; and enable those eligible for income maintenance to have access to their full entitlement. If you are not already supporting us, please consider making a donation, or ask for details of our membership schemes, training courses and publications.

Lasa provides strategic and innovative services to support the provision of expert independent advice to all. Lasa aims to see good advice available to all who need it and works to secure this by providing high quality support services to legal advice and information providers; promoting access to advice; promoting and developing new approaches to the use of technology in third sector organisations; and being a source of good practice and innovation.

The report was written by Kate Bell, London Campaign Co-ordinator at CPAG, and Paul Treloar, Head of Policy and Communications at Lasa. Thanks are due to all who took part in interviews, and to those who provided very helpful comments on the report. Particular thanks are due to Zacchaeus 2000 who helped the families described in Chapter Six, and enabled their stories to be shared. The report, of course, expresses the views of CPAG and Lasa alone.

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Key points

- ◆ Child Poverty Action Group (CPAG) and Lasa share a commitment to tackling poverty and disadvantage in London. This report assesses the current and forthcoming impact of three cuts to social security on families in London: the caps placed on local housing allowance (from April 2011); the benefit cap (from April 2013); and under-occupation penalties for families in social housing (from April 2013).
- ◆ Government impact assessments predict that 124,480 households will be affected by these changes. Research by London Councils suggests that 63,000 households with children could be left unable to pay their rent.
- ◆ The changes are intended to reduce expenditure on housing benefit, in part by driving down rent levels. There is no sign that rent levels in London are falling, and local authorities predict that as housing benefit expenditure falls, their costs will rise, as they struggle to prevent or deal with increased levels of homelessness.
- ◆ Many local authorities are actively considering procuring accommodation outside London. However, they fear that placing families outside of London will leave them subject to legal challenge. The alternative, to make up families' rent shortfalls, is likely to leave local authorities with holes in their own budget; holes which the additional money invested in discretionary housing payments by the government are inadequate to fill.
- ◆ Local authorities predict increases in overcrowding. Many families are reluctant to lose local networks and may move into inadequately sized or poor quality accommodation to be able to pay their rent.
- ◆ Local authorities are working actively to help families into employment, and can help families by investing in intensive case management. However, the high cost of childcare in London means that employment may not be a realistic option for some families.
- ◆ One impact of the changes will be to increase the level of discretion exercised by local authorities.
- ◆ Advice agencies will be vital to help residents understand and deal with the impact of the policies. However, funding pressures, cuts to legal aid, and the scale of current demand caused by changes to disability benefits mean that preparing for the changes is difficult.
- ◆ The report captures best practice from local authorities and advice agencies in dealing with the changes.
- ◆ The benefit cap, the change expected to have the biggest impact on families, has been passed into law by Parliament. However, regulations on how it will operate will not be debated until December 2012. One change which could help to mitigate the impact of the policy would be to exempt families in temporary accommodation from the cap.

Child Poverty Action Group (CPAG) and Lasa share a commitment to tackling poverty and disadvantage in London. 592,000, or 37 per cent of all children in London live below the poverty line,¹ and London has the highest rate of child poverty of any English region with as many poor children in London as in all of Scotland and Wales.²

Because of London's high level of disadvantage we were particularly concerned to see how the widespread cuts to social security will affect families here, and how the agencies tasked with implementing and responding to these cuts will deal with them. This report focuses on three key changes to financial support for families.

- ◆ **Caps to local housing allowance (LHA)** restrict the level of support that families can receive with their rents to the 30th percentile of rents within a local area. These began to take effect in April 2011, although many families will not see their level of support reduced until later this year. 17,400 households in London will be affected by this change.
- ◆ The **benefit cap** will restrict the total amount of support received by a household to £500 a week for families with children and £350 for single people. 27,440 households in London are expected to be affected by the cap.
- ◆ **Under-occupation penalties** will reduce the level of support for families in social rented housing if they are deemed to have an extra bedroom. This will affect 80,000 households in London.

To examine the current and future impact of these changes we spoke to 11 local authorities (seven in inner London and four in outer), 10 local advice agencies and two advice networks.

The report assesses the potential impact against what we see as four key government aims underlying the reforms: reducing expenditure on housing benefit (as part of the overall plan for deficit reduction); improving work incentives; tackling overcrowding; and increasing 'fairness'. We also examine other potential impacts of the reforms.

Reducing housing benefit expenditure

Housing benefit (HB) expenditure has fallen as a share of GDP since the mid-1990s, but rose following the recession. The government cites curbing this expenditure as a key motivation for the reforms we discuss here. However, it is important to note that the rise in expenditure has been driven by factors outside the levels at which the benefit has been set. Drivers of the increase include an increase in unemployment, increases in the proportion of households living in the private rented sector, and an increase in rents. These factors are particularly prevalent in London, raising questions about the extent to which curbs on the level of HB can, on their own, exert downward pressure on rents. To

date rents are rising rather than falling: private rents in London increased by an average rate of 7 per cent in 2011. There is little evidence that rents will fall this year.

Central government can, of course, simply restrict the level of HB it pays out. But our discussions with local authorities suggest that this will involve a large transfer of costs to the local level, as authorities struggle to deal with the increased homelessness that the policies are likely to create.

Research by London Councils suggests that 63,000 households in London will be unable to afford their rent as a result of the LHA cap. Few of these families are likely to be able to find cheaper private rented accommodation within London, with outer London authorities stressing that housing demand in their areas was also high, and rents rising. Local authorities are finding that families are very reluctant to leave their local area, and are more likely to move into overcrowded or poor quality accommodation to reduce their rents.

Most authorities predict a rise in the number homeless families as a result of this policy, but their options for dealing with this homelessness are constrained. Waiting lists for the social rented sector in London are exceptionally long, with 11.3 per cent of all households on local authority waiting lists in London, compared to an average of 8.3 per cent in England. Rising private sector rents mean that procuring private sector accommodation within London is not a sustainable solution for local authorities. In addition, the fact that the benefit cap will apply to temporary accommodation means that not only families made homeless by the cap, but those already in temporary accommodation, will be unlikely to be able to meet their rents, creating a situation in which local authorities will need to make up the difference to avoid making homeless families homeless again.

We found that local authorities were therefore investigating procuring both private and temporary accommodation outside London in cheaper areas of the North and the Midlands. However, strengthened guidance around the 'suitability' of the accommodation used to house homeless families means that placements of this kind may be subject to legal challenge.

Discretionary housing payments have been suggested as the solution for many of these problems, but their scale is highly unlikely to meet the level of need. One authority is anticipating a pot of around £600–£700,000, balanced against a loss of benefits within the borough of £3.2 million. Local authorities are unclear how they will meet the funding shortfall created by the policy change.

Tackling overcrowding

260,000 households in London live in overcrowded accommodation, and the government has suggested that penalties for 'under-occupation' in the social rented sector will help to address this. However, there is a significant mismatch between underoccupying and overoccupying

households in London; as the figures above suggest, a maximum of 80,000 households in London will be hit by under-occupation penalties, and not all of these will be able to move.

Moreover, early signs are that the combined impact of policy changes will be to lead to an increase in overcrowding, as families seek smaller accommodation in order to be able to meet their rents. The DWP's own research suggests that families in London have strong local ties and are likely to make efforts to stay close to local networks within their local area.

Improving work incentives

Many local authorities in London are working intensively with families to help them move into work and avoid the benefit cap. Until universal credit is introduced, families who are eligible for working tax credit will be exempt from the cap. But the change in eligibility criteria for working tax credit in April 2012, requiring couple families to work 24 rather than 16 hours a week, means that many already working families are struggling to find the additional work to protect them from cuts in support.

For families not in work, London's high childcare costs make a move into employment particularly hard. Childcare is on average 24 per cent more expensive in London and, since April 2011, families have seen the level of support for childcare within working tax credit cut from 80 to 70 per cent.

Increasing fairness

The government argues that these changes will increase fairness between working and non-working families. CPAG and Lasa believe that the disproportionate impact of the cuts on children and on London, make it hard to see the impact of these changes as fair. 49 per cent of families affected by the benefit cap are in London, and the cap is nine times more likely to affect children than adults. Families already affected by the LHA caps are facing significant disruption to their children's lives.

The impact of the changes also increases the potential for discretion at a local level, both about how any additional support is provided, and about how local authorities chose to recoup the costs imposed by the policy from residents. The extent to which the changes are viewed as 'fair' is likely to vary widely across different local authorities.

In addition to the impact of this funding shortfall, authorities already see conflicts between the impact of the changes and other government priorities, including the 'troubled families' agenda, which requires authorities to stabilise families' lives. Several local authorities had identified a cross over between families caught by the benefit cap and those meeting the criteria the government identifies families as requiring significant intervention and support. Authorities face a dilemma between prioritising these families for help and therefore being seen to offer

housing stability as a reward for potential anti-social behaviour, or of seeing these families' lives destabilised by disruptions to their housing.

The response from advice agencies

The actions of local advice agencies will be critical in the experience of claimants, many of whom are likely to turn to them for support in dealing with the cuts. We spoke to 10 advice agencies and two local advice networks (representing around 20 frontline agencies) in the course of this research.

Advice agencies currently face a range of challenges in responding to the changes. These include: funding pressures; the removal of legal aid from welfare benefits cases; the scale of current demand, particularly arising from employment and support allowance assessments; and the scale and scope of the changes, allied to the lack of information about the detail of implementation.

However, we also found examples of good practice in responding to the changes, including collaboration between advice partnerships and local authorities, a more holistic approach to clients' problems including considering employment, and consideration of how to help residents deal with the 'digital by default' nature of the universal credit.

Recommendations

Local authorities and advice agencies face a tough task in responding to these challenges, but we found examples of good practice, and of positive steps that could help claimants to deal with the impacts of the reforms. For **local authorities** these include:

- ◆ Ensuring that the cumulative impact on families of all benefit changes is understood to avoid multiple and confusing communications with claimants.
- ◆ Bringing local authority departments to work together on understanding the impacts on families and the knock on impacts on services, as well as how they can work strategically across departments to minimise the impacts. Authorities will face tough choices between investing to prevent problems occurring in the first place (eg, in high quality employment support, and preventative services in both adult and children's social care) and investing resources in dealing with the 'hardest cases' and most vulnerable families.
- ◆ Ensuring that decisions about allocating discretionary and other funding are in line with the Public Sector Equality Duty.
- ◆ Proactively contacting claimants affected by the changes; several authorities are investing in either telephoning or visiting claimants as letters are likely to be ignored.

- ◆ Investing in case workers who can intensively work with families. When we asked officials where additional internal resources might help, the most common response was that individual case workers who could work across housing and employment services had the best chance of helping families to understand their options and, where possible, move into employment.
- ◆ Protecting funding streams for local advice services.
- ◆ Coordinating information with the voluntary and advice sector to ensure consistent messages about the changes. Consideration should also be given to including local credit unions within this approach.

Steps that **advice agencies** can take to ensure that they best meet the needs of claimants include:

- ◆ Being proactive in approaching local authorities to build dialogue and work on joint solutions to deal with interlocking welfare reforms.
- ◆ Developing local advice partnerships to share information, and build common referral networks to manage demand.
- ◆ Establishing links with other local community organisations, to offer support and training where possible, and basic information at the very least.
- ◆ Training for frontline advisers on the nature of the reforms, so that they can begin to weave this into their work with clients now.
- ◆ Drafting clear and concise information for clients about what is changing and when, as well as signposting to relevant services – eg, housing advice, debt advice, employment and skills, etc.
- ◆ Taking a checklist approach to help clients understand their options if benefits are cut/capped.
- ◆ Using a mix of media to communicate changes – ie, leaflets with client care letters, waiting room posters, websites, social media, etc.
- ◆ Sharing information to avoid duplication, both within borough and also across other boroughs.
- ◆ Pushing the advice networks to be supportive and productive in supporting frontline services, as well as analysing impacts and outcomes of reforms over a longer period.

We also believe that a more coordinated approach to these issues at a regional level could help to improve the response. We strongly urge London Councils, the Mayor of London and the London Assembly to create and coordinate a strategic level of engagement between themselves and key partners, including the London Advice Forum, London Child Poverty Alliance, advice networks, health services, and pan-London homelessness services.

Ultimately, however, it is at central government level that many of the levers exist to minimise the impact of these policies. Local authorities believe that to address the rising expenditure on housing benefits within London requires a significant increase in housing supply and efforts to

break down the barriers to work for parents, and that these should be the focus of both national and regional policy.

CPAG and Lasa fundamentally oppose the principle of the benefit cap, which separates entitlement to benefits from assessed levels of need. However, we recognise that the policy has now been passed by Parliament. As regulations are debated in December 2012, one change that could make a significant difference to local authorities' ability to manage the changes would be to exempt families in temporary accommodation from the cap.

The government is to be commended for commissioning large-scale research into the combined impact of the changes to HB. If it shows, as we predict, that the policies are holding the government back from its commitment to ending child poverty by 2020, we hope that they will be reconsidered.

Chapter Two of the report describes the changes to benefits, the aims of the policy, and the context in which these changes are taking place.

Chapter Three brings together available data on the predicted impacts of the changes, and any indicative evidence of what is happening so far.

Chapter Four is based on interviews with 11 local authorities, and describes their responses to the changes.

Chapter Five is based on interviews with 10 advice agencies and two advice networks, and discusses their responses.

Chapter Six presents three case studies of families who have already been affected by the LHA cap.

Chapter Seven concludes and makes recommendations for central, regional and local government, and for advice agencies.

Notes

- 1 Figures for 2010/11. Defined as living below 60 per cent of equivalised median income after housing costs. The figures before housing costs are 304,000 children or 19 per cent.
- 2 *Households Below Average Income* statistics for 2009/10

What is happening to benefits and why?

Summary

This chapter sets out the main changes to benefits discussed in the report. It outlines the policy intentions and discusses the context in which the changes are being made. We focus on three major changes: the reductions in local housing allowance (LHA) paid to claimants in private rented sector; the benefit cap; and penalties for ‘under-occupation’ within the social rented sector. Four broad aims can be seen within the government’s justification for these changes: driving down rents; improving work incentives; tackling overcrowding; and increasing ‘fairness’ between those claiming benefits and those in paid work. Overall, the reforms are part of the government’s aim to reduce public expenditure.

Examining the context in which these changes are operating, we believe that these aims may be difficult to achieve.

Drivers of the rise in housing benefit (HB) expenditure include an increase in unemployment, a higher proportion of households living in the private rented sector, and an increase in rents. All of these factors are particularly prevalent in London, raising questions about the extent to which curbs on the level of HB can, on their own, exert downward pressure on rents.

Cuts to benefits increase work incentives as the gains of paid work, compared to those of benefits, increase. However, employment levels are significantly lower in London than elsewhere, particularly for mothers. Low maternal employment rates are driven in part by the high cost of childcare in the capital.

Overcrowding is a problem in London, and a reduction in under-occupation may be part of the solution. However, there are insufficient properties available for all those currently underoccupying to be able to move.

Judgements on whether the changes are ‘fair’ depend largely on political views. However, the disproportionate impact of these changes on families with children, and in particular on families in London, leaves CPAG and Lasa to question if these changes are fair to London’s children.

What changes are happening to the benefit system?

Table 1

Changes to the benefit system between 2011 and 2013

Change	Who will it affect	Who will implement this change	Date of implementation
Migration from incapacity benefit to employment and support allowance	Incapacity benefit claimants	Jobcentre Plus	From 2010 to April 2014
National caps on LHA depending on property size	All LHA claimants	Local authorities administering HB, until the introduction of universal credit	From April 2011 for new claimants. For existing claimants, on the anniversary of their claim. Nine months transitional protection is available to most claimants.
Increases in non-dependant deductions	All LHA claimants with non-dependants living with them	Local authorities administering HB, until the introduction of universal credit	In April 2011, and again in April 2012 and 2013
Removing the £15 excess that LHA claimants could keep if their rent was below LHA rates	All LHA claimants	Local authorities administering HB, until the introduction of universal credit	April 2011
Setting LHA rates at the 30th percentile of rents in each broad rental market area rather than the median	All LHA claimants	Local authorities administering HB, until the introduction of universal credit	From April 2011
Shared accommodation rate applies to single tenants without dependent children up to 35 years old (rather than as previously those up to 25 years)	All LHA claimants	Local authorities administering HB, until the introduction of universal credit	From January 2012
Increasing the number of hours to be worked for couples claiming working tax credit from 16 to 24 hours a week	Couples claiming working tax credit	HMRC	From April 2012
Uprating LHA by the Consumer Price Index rather than by increases in rents	All LHA claimants	Local authorities administering HB, until the introduction of universal credit	From April 2013 (rents frozen from April 2012 in preparation)
Introduction of 'under-occupation' penalties in the social rented sector ('bedroom tax')	HB claimants in the social rented sector	Local authorities administering HB, until the introduction of universal credit	From April 2013
Localisation of the discretionary social fund	All local residents	Local authorities	April 2013
Localisation of council tax benefit (CTB)	All local residents	Local authorities	April 2013
The benefit cap	Benefit claimants receiving over £350 (single people) or £500 (lone parents and couples) a week	Local authorities administering HB, until the introduction of universal credit	April 2013
Introduction of personal independence payment (replacing disability living allowance)	Working age disabled people receiving disability living allowance	Jobcentre Plus	April 2013 until 2016
Introduction of universal credit (replacing means-tested benefits)	Benefit and tax credit claimants	DWP, working with local authorities	October 2013 until 2017

This report concentrates on three of the main changes affecting families that local authorities will have a responsibility to implement: the caps placed on LHA, the benefit cap, and under-occupation penalties in the social rented sector.

Localisation of the discretionary social fund and of CTB also present major challenges for local authorities. CPAG published a report on localising the social fund in London in June 2012.¹ Several reports have been published on the localisation of CTB, including by the Institute for Fiscal Studies,² and the New Policy Institute, with the latter finding that nearly half of all local authorities are proposing that all working age adults should pay a minimum of 20 per cent of their council tax, regardless of income.³

Changes to local housing allowance

'Local housing allowance' (LHA) is the name given to HB paid to people living in private tenancies, whose incomes are too low to be able to meet the costs of their rent. A wide range of cuts to LHA were introduced in the June 2010 Budget, including removing a five bedroom rate, removing the £15 excess that claimants whose rents fell below local rates could previously keep, limiting LHA rates to the 30th percentile of rents rather than the median, announcing that in future these rates would be uprated in line with the Consumer Price Index rather than in line with local rents, and placing maximum caps on the level of LHA payable (irrespective of other changes).

From January 2012, people aged between 25 and 34 have been subject to the 'shared accommodation' rate, which means that single claimants (without dependent children) may only receive a LHA rate equal to someone renting a room in a shared house, a rate that previously only applied to people up to the age of 25. From April 2011, new LHA claimants have had absolute caps on their LHA, which will apply to existing tenants on the anniversary of their claim, with up to nine months transitional protection in most cases. The caps depend on the size of accommodation assessed as necessary for the household and are set at:

- ◆ £250 for a one bedroom property;
- ◆ £290 for a two bedroom property;
- ◆ £340 for a three bedroom property;
- ◆ £400 for a four bedroom property.

In making the case for the changes, the government argues that:⁴

- ◆ *'The 2011 changes to the [LHA] arrangements will both significantly reduce the levels of rent met by [HB] in expensive areas and **apply downward pressure on expenditure more generally**'*
- ◆ *'**will mean that people on benefit cannot choose to live in properties that would be out of the reach of most people in work and will result in a fairer and more sustainable benefit scheme**'*
- ◆ *'will also begin to **address disincentives to work in the current system** created by high rates of benefit'*
- ◆ *'will achieve cash terms **benefit savings of around £1 billion by 2014/15**'*

The benefit cap

From April 2013, the total weekly benefits that a household can receive will be limited to £350 a week for single people or £500 a week for single parents and couples. This overall limit incorporates all payments of:

- ◆ bereavement benefits;
- ◆ carer's allowance;
- ◆ child benefit;
- ◆ child tax credit;
- ◆ employment and support allowance (ESA) (contribution-based and income-related) except where the support component has been awarded;
- ◆ guardian's allowance;
- ◆ housing benefit;
- ◆ incapacity benefit;
- ◆ income support;
- ◆ jobseeker's allowance (contribution-based and income-based);
- ◆ maternity allowance;
- ◆ severe disablement allowance;
- ◆ widow's pension.

If a claimant or their partner is entitled to working tax credit, they are exempt from the cap. This exemption also applies if someone in the household is on certain disability-related benefits such as disability living allowance or war pensions.

Initially the cap will be applied by reducing HB to the level set by the cap, although a 50p entitlement will always be maintained. Local authorities will be responsible for implementing this reduction. Once universal credit has been introduced, the cap will be applied through reduction of this payment for those on working-age benefits. Some families who may have continued to receive over £500 in April, due to their benefits being worth over this amount even after HB has been reduced, may thus see a further reduction in their income after October. Official DWP guidance says that other benefit income should be used to make up shortfalls in rent from reductions in HB. If people think they cannot pay their rent, they are advised to approach their local authority for assistance.⁵

The government argues that the policy will:⁶

- ◆ *'improve **working incentives** for those on benefits'*
- ◆ *'**deliver fiscal savings**'*
- ◆ *'sit alongside the other measures announced in the Spending Review to **make the system fair and affordable** as workless households'*

will no longer receive more in benefits than the average working household receive in pay'

Under-occupation penalties

From April 2013, there will be new size criteria for HB claims for working-age tenants living in social housing. The size criteria will restrict HB to one bedroom for each person living as part of a household, with the following exceptions:

- ◆ children aged under 16 of same gender must share a bedroom;
- ◆ children aged under 10 must share, regardless of gender;
- ◆ disabled tenants who have a non-resident overnight carer can have an extra bedroom.

Anyone deemed to have at least one spare bedroom will be affected, including the following:

- ◆ separated parents sharing care of their children and who may have been allocated an extra bedroom to reflect this;
- ◆ parents whose children visit but are not part of the household;
- ◆ foster carers, as foster children are not part of the household for benefit purposes;
- ◆ some families with disabled children;
- ◆ disabled people living in adapted or specially designed properties.

The reduction will be a fixed percentage of the eligible rent for HB. Currently, this will be 14 per cent for one extra bedroom and 25 per cent for two or more extra bedrooms. The government's impact assessment estimates a loss on an average of £14 a week, although housing association tenants may lose £16 a week on average.

The government argues that the changes will:⁷

- ◆ **'contain expenditure in the social rented sector'**
- ◆ **'where claimants are currently living in accommodation which is considered too large for their needs ... provide an incentive to move to more suitably sized accommodation'**
- ◆ **'free up accommodation for households living in overcrowded accommodation, or enable accommodation to be offered to other people on the waiting list for social housing'**
- ◆ **'create improved work incentives for working age claimants'**

The context for the changes

Four broad aims can be seen across the government's justification for the changes.

- ◆ To reduce expenditure on HB, in part by driving down rents.
- ◆ To improve work incentives.
- ◆ To reduce overcrowding.
- ◆ To achieve 'fairness' between working and non-working claimants.

The changes form part of the government's overall aim to reduce public expenditure, in order to reduce the government's deficit. In Chapter Three we discuss the extent to which the expenditure will be transferred from central to local government.

Reducing housing benefit expenditure

The government has frequently cited rises in HB expenditure as a key motivation for its reforms. In its impact assessment for the LHA changes, it states that expenditure on HB '*in cash terms has increased significantly from £11 billion in 1999/2000 (£14bn in today's prices) to £22 billion this year*'.⁸ Understanding the causes of this increase is important in assessing the extent to which the policy changes can achieve the aim of reducing HB expenditure by reducing rents (the government can, of course, reduce expenditure simply by limiting it, regardless of the impact of this limitation on other trends).

Shelter points out that HB expenditure today forms a smaller proportion of GDP than it did throughout the 1990s. However, following the recession there was a steep rise in expenditure. This was due to increases in caseloads and in rents, with analysis showing the drivers of increases in HB expenditure between 2008 and 2010 as:

- ◆ increased caseloads in the private rented sector (53 per cent);
- ◆ increases in average payments (that is, increases driven by rent rises) in the private rented sector (13 per cent);
- ◆ increases in average caseloads in the social rented sector (16 per cent);
- ◆ increases in average payments (rent raises) in the social rented sector (18 per cent).⁹

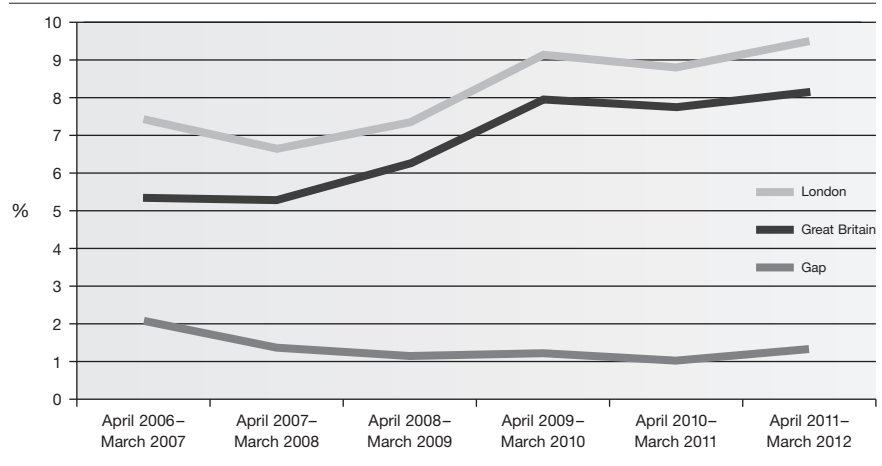
Increased caseloads

A clear driver of increased caseloads is when more people become eligible for HB because their income falls. Chart 1 shows the unemployment rate within London since 2006, showing the sharp rise in unemployment since the recession (although it is notable that London

was less badly affected than the rest of the country, and the gap between London and the national unemployment rate during this period fell).

Chart 1

Unemployment rate among 16–64 year olds in London and Great Britain



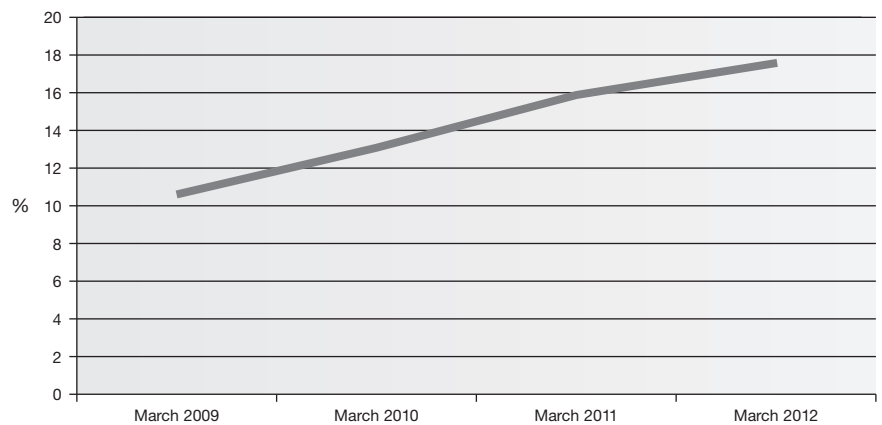
Source: annual population survey figures, accessed via NOMIS

Increases in unemployment are likely to have led to increases in the caseload (although not everybody who experiences unemployment is eligible for, or claims, HB). Analysis of the HB caseload overall suggests the increasing eligibility of employed people for HB has been a significant driver of caseload increases, with the proportion of HB claimants who are employed rising from 10.6 per cent in March 2009 to 17.6 per cent in March 2012.

This rise could be driven by falling in-work incomes, by rising rents or by both; the way that HB is calculated means that as rents have risen (and previously been reflected in rises in eligible housing costs for HB) the eligibility of working people has grown.

Chart 2

The percentage of employed housing benefit claimants



Source: Housing Benefit and Council Tax Benefit caseload statistics, May 2012

However, increases in eligibility are not the only potential driver of increased caseloads. If a greater number of people rent rather than buy homes, either voluntarily or, for example, due to the inability to get a mortgage, then the potential caseload also becomes greater (HB does not cover the cost of a mortgage). Shelter says: *'the increased reliance on the private rented sector to house families on low incomes has been a significant driver of increased overall expenditure. This has been caused by rising house prices pricing people out of owner occupation, and a decline in public housing alternatives, with 1.8 million households now on council waiting lists.'*

These factors are again particularly prevalent in London, where house prices are too high for many people on low and median incomes to be able to afford to buy a home.

- ◆ The average cost of buying a house in London in June 2012 was £392,000; 63 per cent higher than the England average of £240,000.¹⁰
- ◆ The Institute for Public Policy Research (IPPR) shows that between 1969 and 2010 UK house prices rose by over 150 per cent, but London was the only region in which they rose by over 200 per cent.¹¹
- ◆ According to data from the Greater London Authority, by 2010 the ratio of lower quartile house prices to lower quartile earnings had risen to 9:1 in London.¹²
- ◆ In 2011 there were 366,610 households on local authority housing waiting lists in London, 11.3 per cent of all households (compared to an average of 8.3 per cent of all households in England).¹³

Moves into the private rented sector will not necessarily directly increase the HB caseload, but they may help drive up rents within this sector and increase the pool of potential HB claimants.

Increased rents

One of the government's main arguments for reducing expenditure on HB (or LHA) is that it will help curtail increases in rents seen in recent years. The impact assessment for the LHA changes states that: *'Reducing all rates to the 30th percentile rather than the median will bear down generally on the rental values being met through Housing Benefit.'*¹⁴ In January, David Cameron claimed that the reforms were already having this effect, stating that: *'What we have seen so far, as housing benefit has been reformed and reduced, is that rent levels have come down, so we have stopped ripping off the taxpayer.'*¹⁵

Renting in London is significantly more expensive than elsewhere. Median social rents are 17 per cent higher than the national average, and private rents are 36 per cent higher in the capital.¹⁶ Research by Shelter shows that 22 London boroughs have median rents that cost more than 50 per cent of median full time earnings. All London boroughs have a median private rent for a two bedroom home which

costs more than 35 per cent of median take home pay in that area (a commonly used measure of affordability).¹⁷

Nationally, the cost of renting has risen significantly. Shelter found that *'rents in the private sector rose by 70 per cent between 1997-98 and 2007-08, compared to CPI inflation of 20 per cent'*¹⁸ and, as seen above, this has contributed to increased HB expenditure. But these rent increases are unlikely to have been driven by the potential for HB to meet these costs alone. As the IPPR put it, the impact of high property prices *'reaches into the rental sector in two key ways'*.

'First, high property purchase prices have a knock-on effect in increasing rent levels. It is inevitable, particularly in a market which is dominated by small portfolio landlords, that properties which are expensive to buy will be expensive to rent, as landlords seek yields which cover their own borrowing and ensure an income.'

*Second, high purchase prices combined with wider demographic pressures (and resulting demand) ensure that there is always likely to be a large number of people who would otherwise wish to get onto the property ladder, but cannot afford to do so. This means that demand outstrips supply and competition for available properties in particular areas drives up rents within the [private rented sector].'*¹⁹

Improving work incentives

The government argues that these changes, by reducing the incomes of out-of-work claimants, will improve the incentive to find work, increasing the amount by which claimants are 'better off' when in paid employment than while claiming out-of-work benefits.

The introduction of universal credit, in stages from 2013, is also intended to improve work incentives for most households. The Institute for Fiscal Studies (IFS) has concluded that: *'In general, those facing the weakest incentive to work at all, or the weakest incentive to increase earnings, see their incentives strengthened, including those with very low earnings and hours worked per week and those who at present experience simultaneous withdrawal of multiple means-tested benefits and tax credits.'*²⁰

However, it places an important caveat on this conclusion, referring to the localisation of council tax benefit, from April 2013, finding that: *'a Council Tax Benefit that operates separately from Universal Credit, and that has rules that vary across English local authorities, could easily undermine many of the supposed advantages of Universal Credit.'*²¹

Moreover, the IFS analysis does not fully take account of childcare costs in assessing work incentives. According to the Daycare Trust's London childcare survey, the average cost of a nursery place in London is £5.07 per hour, 24 per cent higher than the average cost for Britain.²² The cost of childcare is a major factor underlying London's high rate of child poverty. As the London Child Poverty Commission put it in 2008: *'The*

*underlying causes of this entrenched child poverty are surprisingly simple – the employment rate among parents, in particular mothers, is much lower than elsewhere in the country, driven in part by a lack of part time jobs and flexible childcare, as well as higher housing, childcare, and living costs.*²³ In 2010, 53 per cent of women in London who had children were employed, compared to 65 per cent across the UK.²⁴

Changes to the childcare elements in working tax credit in April 2011 reduced the ability of parents to meet these costs, with the proportion of childcare costs reduced from 80 to 70 per cent. While the introduction of universal credit will see additional childcare support for those working less than 16 hours, for many parents, its introduction will see childcare support further reduced. Currently, those who qualify for HB or CTB have their childcare costs disregarded in the calculation of their income, meaning that for some families up to 96 per cent of their childcare costs are met prior to the changes. Under universal credit these disregards will no longer exist. The Children's Society has calculated that this could mean losses in childcare support of up to £2,320 a year for families with one child, and up to £3,980 a year for families with two children.²⁵

Addressing the barriers to work will be the subject of a forthcoming CPAG report in November 2012.

Reducing overcrowding

The London Assembly's Housing and Planning Committee examined overcrowding in London in 2011. It found that: *'Overcrowding affects larger households disproportionately and the problem has a negative impact on children, especially their health and educational attainment. About 331,000 London children live in crowded conditions and one in three children in social rented housing are overcrowded.'*²⁶

The latest figures from the Department for Communities and Local Government show that there were 260,000 overcrowded households in London on average between 2008/09 and 2010/11, 2.9 per cent of owner occupiers, 16.7 per cent of social rented tenants and 12.1 per cent of private tenants.²⁷

The London Assembly report concluded that addressing under-occupation should be a key part of any strategy to tackle overcrowding. However, it is important to note, as does the DWP's own impact assessment for these changes, that: *'If all existing social sector tenants wished to move to accommodation of an appropriate size, there would be a mismatch between available accommodation and the needs of tenants.'*²⁸ In other words, there are simply not enough available properties to house the families who could potentially downsize. Statistics for London show that within the social rented sector, there are 126,000 overcrowded households, compared to 50,000 who are under-occupying.²⁹ The under-occupation penalties do not apply to pensioners, further reducing the potential for under-occupation to address overcrowding within the social rented sector. The London Assembly

report therefore emphasises the need to build more family-sized homes (alongside smaller homes), as the key to tackling overcrowding.

As we discuss later in the report, we fear that although the planned under-occupation penalties may help to tackle overcrowding, the impact of the other changes will be to increase it. One positive sign is that a London Overcrowding Board has been established to tackle overcrowding in the social rented sector, chaired jointly by the Greater London Authority and London Councils.³⁰

Increasing fairness

The government argues that the changes increase fairness, by ensuring that out-of-work families cannot receive more in benefits than the average family in work receives in wages. Assessments of the degree of 'fairness' involved in the policy will to some extent depend on political judgements.

However, CPAG believes that the policy does not treat families fairly. While the benefit cap includes child benefit as income for out-of-work families, it is not included as income for families in work.³¹ Research by the Children's Society found that over 70 per cent of individuals who will see their household income fall as a result of the cap are children, who are nine times as likely to be affected as adults.³²

The cuts will also have a disproportionate impact on families in London, compared to families elsewhere. Research published in 2010 by the Institute for Fiscal Studies and the New Policy Institute for BBC Radio London on the impact of all the cuts to benefits found that '*Higher housing costs mean the low income Londoners are hit harder, on average by the cuts to benefits and tax credits than low income households across the UK as a whole*' and that '*Households with children are harder hit, on average, than other household types.*'³³ Of the families affected by the benefit cap 49 per cent will be in London.³⁴

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What we know so far from the data

Summary

This chapter brings together available data on the predicted impacts of the changes, and any indicative evidence of what is happening so far. Of the changes that we focus on, only the restrictions to local housing allowance (LHA) have been implemented to date. As many claimants are yet to see this hit their pockets; the numbers presented in this section are indicative only.

DWP impact assessments suggest that 17,400 households in London will be affected by the LHA caps, 27,440 by the benefit cap and 80,000 by the under-occupation penalties.

Modelling by London Councils suggests that 133,000 workless households in London, including 63,000 households with children, will be unable to afford their current rent as a result of either the benefit or LHA cap.

Early evidence from a DWP study suggests that claimants will respond to the cuts by cutting back, borrowing money from family and friends or looking for paid work. At this stage, few claimants were thinking of leaving their property or local neighbourhood. However, a significant proportion of landlords are likely to withdraw from renting to housing benefit (HB) claimants; 30 per cent of landlords were already not renewing some tenancies, and 40 per cent were considering not renting to those on HB or LHA. Few landlords either had or were considering negotiating rents with tenants, and there is no sign that rents in London are falling.

The latest figures show a 39 per cent increase in the numbers of people accepted as homeless in London. We cannot say if this is as a result of benefit changes, but it will have a significant impact on how local authorities are able to respond.

How many people will be affected?

The DWP's own impact assessments give indicative numbers of people who will be affected by each of the changes.

- ◆ 56,000 households overall will have their benefits reduced by the **benefit cap**, losing on average £93 a week. Of these, 49 per cent or **27,440** households will be in London.¹

- ◆ **Under-occupation penalties** are expected to affect **80,000** claimants in London, 22 per cent of all working age social sector HB claimants in the region. Nationally, 20 per cent of those affected are expected to be couples with children and 21 per cent lone parents. The average loss is expected to be £14 a week.²
- ◆ **17,400** households in London could be affected by the **caps on LHA**, the majority currently living in central or inner London boroughs.³
- ◆ **103,570** households in London are expected to be losers as a result of the **full package of LHA changes**, with average losses of £23 a week.⁴

Zacchaeus 2000 has requested data from all London local authorities under the Freedom of Information Act about the number of families they expect to see affected by the benefit cap. The results it has received to date are set out in the table below. Note that these results are likely to give indicative figures only, as the initial data received from the DWP to identify households affected by the cap is generally seen as of poor quality.

Table 2

Number of families local authorities expect to be affected by the benefit cap

London borough	Numbers expected to be affected by benefit cap	London borough	Numbers expected to be affected by benefit cap
Barking and Dagenham	No information	Hounslow	761
Barnet	1,242	Islington	822
Bexley	339	Kensington and Chelsea	1,100
Brent	2,981	Lambeth	899
Bromley	461	Lewisham	880
Camden	1,300 approx	Merton	290 estimated
City of London	13	Newham	1,511
Croydon	993	Redbridge	1,032
Ealing	No information	Richmond upon Thames	No info
Enfield	2,604	Kingston upon Thames	260
Greenwich	551	Southwark	No info
Hackney	1,087	Sutton	285
Hammersmith and Fulham	No information	Tower Hamlets	Approx 2,800
Haringey	No information	Waltham Forest	1,135
Harrow	No information	Wandsworth	1,076
Havering	514	Westminster	At least 93 within City West homes
Hillingdon	790		

The best evidence on the impact of these changes on family incomes in London comes from research commissioned by London Councils on the combined impact of the LHA and overall benefit caps, published in November 2011.⁵ They estimated that:

- ◆ 133,000 workless households in London, including 63,000 households with children, will be unable to afford their current rent as a result of either the household or LHA cap. This represents 20 per cent of all out-of-work households.

- ◆ Almost two-thirds of these households will face a shortfall equivalent to more than 10 per cent of their living cost benefits. Over a third will face a shortfall above 20 per cent and one in six, of over 30 per cent.
- ◆ 56,000 lone parent families will face a rent shortfall, as will 39,000 couples with children.

The DWP is carrying out large scale research into the impact of these changes. As part of this, it commissioned a survey of HB claimants, undertaken between September and November 2011. It is important to note that at this stage, most claimants would not have experienced a cut in their HB as a result of the changes. Nevertheless, the survey found that 56 per cent of claimants in London already faced a shortfall of HB against their rent (interestingly, a smaller proportion than the rest of Great Britain, where this figure was 71 per cent). 45 per cent of claimants in London found it either fairly or very difficult to pay their rent (compared to 22 per cent in the rest of Britain; we suggest that any shortfalls in rent are likely to be harder to make up in London, due to the higher cost of rents). In London, 9 per cent of claimants were in arrears (compared to 11 per cent elsewhere).⁶

Predicted responses

Claimants

The DWP research report looked at claimants' existing behaviour in response to a rent shortfall. It found that in London:

- ◆ 38 per cent of claimants had spent less on household essentials;
- ◆ 34 per cent had borrowed money from friends or family;
- ◆ 34 per cent had spent less on non-essentials;
- ◆ 21 per cent had used income from other benefits;
- ◆ 34 per cent had looked for a job;
- ◆ 13 per cent had used up savings;
- ◆ 14 per cent had increased the hours of work at their current job;
- ◆ 20 per cent had looked for a better paid job;
- ◆ 10 per cent had borrowed money via a loan or credit card;
- ◆ 7 per cent had looked for an additional job;
- ◆ 2 per cent had moved home;
- ◆ 1 per cent had undertaken other actions;
- ◆ 12 per cent had undertaken none of these actions.

Note: these claimants are likely to have seen rent shortfalls considerably less than those that will be experienced as the full impact of the changes are felt. Some have predicted that a far larger proportion of claimants than seen in this initial report will have to leave their homes.

The London Councils report, for example, suggested that: *'Families and in particular larger families are most affected, and this could result in significant movements of children across London and this will have implications for support to children in need and at risk, and for the provision of school places with the danger of disruption to the education of some... The pressures on affordable accommodation generally will be considerable and for larger families even social rented accommodation may be unaffordable as a result of the UC [total benefit] cap. Homelessness applications may rise and the difficulties of securing temporary accommodation for such households may intensify.'*¹⁷

We will not have good data on the extent to which households are moving for some time. Moreover, we are reliant on the DWP to provide the linked data which can show the movement of HB claimants – and have not yet had confirmation that this data will be made publicly available. However, this initial take suggests that families may be more likely to cut back on essentials, or to look for work where possible, than they are to move.

Landlords, and the impact on rents

The DWP research also looked at landlord behaviour in response to the LHA changes. Again, it is worth noting that this was conducted at a relatively early stage of the reforms, before most of the changes had been implemented. The research asked about changes in landlord behaviour now, and changes they were considering in the future.

Table 3

Responses of landlords in London to local housing allowance changes

Change	Change already made to rental business (% of landlords surveyed in London)	Changes planned or under consideration in the next year
Not renewing tenancies for some HB/LHA tenants	30	Not asked
Reducing lettings in this local authority*	18	26
Expand lettings in other local authorities*	Not asked	27
Reduce lettings in other local authorities*	Not asked	11
Increase lettings in cheaper parts of the area	Not asked	18
No longer letting to HB/LHA claimants	17	40
Negotiated a lower rent with a current tenant	17	40
No longer let five bedroom properties	13	19
Negotiated a lower rent with a prospective tenant	5	9
Not/don't know/not sure if changed letting strategy	53	Not asked

*The report focuses on particular local authorities.

Source: adapted from Tables 12.7 and 13.1 in C Beatty, I Cole, P Kemp, B Marshall, R Powell and I Wilson, *Monitoring the Impact of Changes to the Local Housing Allowance System of Housing Benefit: Summary of early findings*, DWP, 2012

The table suggests that the availability of rented accommodation to HB claimants is likely to significantly decrease. 30 per cent of landlords in London were already not renewing tenancies for HB or LHA claimants, and 40 per cent were considering doing so in the next year. The potential for tenants to negotiate with their landlords to reduce rents also seems

weak; only 5 per cent of landlords had done this for current tenants, and only 6 per cent were considering it; although, encouragingly, 9 per cent of landlords were considering negotiating rents with prospective tenants.

A key aim of the reforms is to decrease rents in the private rented sector, as a means of reducing HB expenditure. The findings from Shelter's *London Rent Watch* published in March 2012 suggest that the reforms are not yet having this effect in London. Using data from the Valuations Office Agency, it found that:⁸

- ◆ *'Private rents in London rose at an average annual equivalent rate of 7% across all boroughs and bedroom sizes in 2011.'*
- ◆ *'London rents rose by 7% for both one and two bedroom homes, with an 8% annual equivalent for 2011 rise in the rents agreed on three bedroom homes. The increase in shared accommodation is lower, at 1.4%.'*
- ◆ *'The rate of rental inflation was slightly higher in Inner London at 7.4%, than in Outer London at 5.5%.'*
- ◆ *'The rate of inflation on London private rents is 1.8 times the rate of inflation on the average London wage, for the closest comparable time period. In outer London it is three times higher than wage inflation.'*

Homelessness

A predicted impact of the reforms is an increase in homelessness. The latest available data on homelessness, from March 2012 shows that:⁹

- ◆ During the 2011/12 financial year, homelessness acceptances increased by 39 per cent in London.
- ◆ London has by far the highest rate of households in temporary accommodation at 11.3 per 1,000 households. This has risen slightly from 11 per 1,000 households at the same date last year.
- ◆ Households in temporary accommodation in London are also significantly more likely to stay there for long periods. In London between January and March 2012, 32 per cent of households that left temporary accommodation had previously spent two or more years there. This is a decrease from 41 per cent in the same quarter last year, but compares with figures for the other eight regions ranging from less than 1 per cent (North East, North West and the East Midlands) to 7 per cent (South East).
- ◆ Across England, of those households in temporary accommodation, 8 per cent were in bed and breakfast style accommodation, an increase from 2,750 to 3,960 (44 per cent) compared to the same date last year.

We cannot make clear links between the changes to benefits and the increase in homelessness, particularly as the majority of impacts have not yet been seen. However, it is notable that the proportion of people

accepted as homeless across England due to the ending of assured short-hold tenancies rose from 15 per cent in the first quarter of 2011 to 19 per cent in the first quarter of 2012. As discussed above, a large proportion of landlords are considering ceasing renting to HB claimants, and, as we discuss in the next chapter, many local authorities expect the numbers of tenants experiencing homelessness for this reason to rise.

Notes

- 1 DWP, *Benefit Cap (Housing Benefit) Regulations 2012: Impact assessment for the benefit cap*, DWP, 2012
- 2 DWP, *Under occupation of social housing – Impact Assessment*, DWP, 2011
- 3 DWP, *Impact Assessment: Housing Benefit: Changes to the Local Housing Allowance Arrangement*, DWP, 2010
- 4 See note 3
- 5 Navigant Consulting, *Does the cap fit? An analysis of the impact of welfare reform, commissioned by London Councils* London Councils, 2011
- 6 C Beatty, I Cole, P Kemp, B Marshall, R Powell and I Wilson, *Monitoring the impact of changes to the Local Housing Allowance system of housing benefit: Summary of early findings*, DWP, 2012
- 7 See note 5
- 8 Shelter, *London Rent Watch: Rent inflation and Affordability in London's private rental market*, Shelter, 2012
- 9 Communities and Local Government, *Statutory Homelessness: January to March 2012 and 2011/12, England*, Communities and Local Government, 2012

Summary

This chapter examines local authorities' responses to the changes. It is based on interviews with 10 local authorities and information provided by email by another. Seven authorities are in inner London and four in outer London.

The combined impact of the changes will be to reduce families' incomes, to the extent that some will be unable to afford their rent. Authorities felt that the benefit cap is most likely to result in this situation, with many predicting a £100 a week loss to a significant number of families.

Local authorities have a duty to house families made homeless as a result of being unable to pay their rent, if this is as a result of changes to policy. Following reforms in the Localism Act, this duty can be discharged with an offer of suitable accommodation in the private or social rented sector. Authorities are required to provide temporary accommodation until suitable accommodation is found to discharge their duties under homelessness legislation.

The fact that the benefit cap will apply to temporary accommodation means that not only families made homeless by the cap, but those already in temporary accommodation, are highly unlikely to be able to meet their rents, creating a situation in which local authorities will need to make up the difference to avoid making homeless families homeless once more.

Procurement of private and temporary accommodation outside London is being actively investigated by local authorities. However, guidance about the 'suitability' of the accommodation used to house homeless families means that placements of this kind may be subject to legal challenge.

Authorities, therefore, face a significant funding shortfall. They emphasise that the discretionary housing payment (DHP) pot is entirely inadequate to meet the shortfall. This shortfall may undermine other authority priorities, such as the 'troubled families' agenda.

How are local authorities managing the changes internally?

Many of the local authorities had set up cross-departmental welfare reform groups, pulling in staff from revenue and benefits sections, housing needs, and in some cases, adult and children's services. One

local authority had also invited the local Jobcentre Plus and primary care trust to participate, and at least two authorities were engaging actively with the voluntary sector to help communicate the changes.

Several authorities were spending time to understanding the cumulative impact of changes on their residents, and trying to establish which residents will be affected by one or more of the changes set out in Chapter One. This 'data matching' exercise was to some extent hindered by what local authorities saw as the generally poor quality data provided by the DWP. Some authorities started this planning over a year ago and some have only started recently.

Some authorities are using this work to think about taking a strategic approach, and deciding which groups to prioritise for support within this – eg, focusing on disabled people and families with children, or as one official put it '*redrawing the boundaries between deserving and undeserving at a local level*'. However, this is not always seen as easy, with competing priorities from different parts of the council, including the need to protect revenues, to protect children at risk of care, to fit in with the 'troubled families' agenda, and to maintain the social mix of the area.

Our interviews took place at officer level, and there were some doubts among officers that elected officials had yet realised the full implications of the changes. While several officers had received a strong steer from elected members that they did not want to see families moved out of the borough, officers are struggling to see how they could achieve this.

Responding to specific changes

Caps to local housing allowance

Two of the outer London boroughs we spoke to had rents low enough not to have been affected by the LHA caps, and one inner London borough had been affected mostly by the five bedroom rate, as its rents were also low. Those authorities in which the caps apply (from April 2011 onwards) had written to residents describing the changes and encouraging them to contact the council for advice. Most authorities had been surprised by the low level of response to these letters, and the fact that the change was taking longer to impact families than they had predicted. One authority predicted a 25–30 per cent fall in its LHA caseload as people moved out of the borough, but to date had only seen a fall of 11 per cent.

Authorities offered several reasons for the slower than expected impacts. Most commonly, families are receiving transitional protection, and will not be affected by the caps until October or November 2012, when several local authorities are anticipating seeing increased numbers of claimants affected. One authority estimated that of 2,000 claimants it expects to be hit by the changes, 1,300 are still covered by transitional protection. Several councils suggested also that residents in their areas are particularly 'unwilling to engage' with local services, with some citing English language as a barrier. One council has begun knocking on

the doors of families it believes will be affected by the cap, an approach that had been tried with some success by another local authority to engage with residents affected by the single room rate changes (that is, single 25–35 year olds in rented accommodation).

One inner London local authority had conducted a survey of claimants, to find out their intentions if they could no longer pay their rents.

- ◆ 25 per cent said they would only move within the borough.
- ◆ 24 per cent said they would come to the council for housing support.
- ◆ 16–20 per cent said they would try to negotiate the rent with their landlord.
- ◆ 16–20 per cent said they would try and make up the difference – albeit the authority estimated that this was very unlikely to be possible for most claimants.

This authority had already seen some clients moving out, including what it described as some ‘tough cases’. It cited the case of a woman working part time in a school in central London who was claiming tax credits. Her landlord had moved out of the market as a result of the LHA changes. She was able to find a property in outer London but lost her working tax credit, because, after the rules changed to require 24 hours a week rather than 16, she was working insufficient hours. At this point it was no longer financially viable for her to work, particularly given the long commute she now faced. The authority emphasised that many of those affected by the LHA changes are working households: a third of its LHA caseload is in employment.

Some other boroughs have started to see people move out of the borough. One authority has seen around 90 families leave (although it had not been able to track where they had moved to). Another authority had seen people whose benefits had been cut but who were managing to remain in their properties, and were commissioning work to understand this better. In line with the national research cited above, most authorities felt that claimants are extremely reluctant to move out of the borough – but are unclear as how this will be possible without significantly increased overcrowding.

The benefit cap

From April 2013, authorities are expecting the benefit cap to have a more dramatic and more instant impact than LHA changes, as there will be no transitional protection. Families with a total benefit entitlement greater than £500 before LHA may see their benefits capped twice; once in April when HB is reduced, and then again after October when universal credit is introduced, and their income will be reduced again to below £500. This, of course, depends on which families are transferred to universal credit first.

Possible local authority responses to families hit by the benefit cap are discussed below. Of the seven local authorities who gave us figures, the smallest number of households they expected to be caught by the cap

was 700, and the largest 2,300, with most authorities expecting to see between 800 and 1,000 affected. As mentioned earlier, there are some doubts about the quality of the data provided by DWP to assess these changes.

Most authorities expect larger families to be hit first – a natural consequence of the cap, which takes no account of family size. But several authorities are also seeing a disproportionate impact of the cut on lone parents – in one borough 80 per cent of those affected were one parent families. Many authorities predict that a substantial number of families will lose over £100 a week, with one authority putting this estimate at 300 of the 1,000 families they expected to see affected, and one at 700 of the 2,000 who will be hit by the cap in their area.

Under-occupation penalties

The extent to which local authorities see the imposition of under-occupation penalties in the social rented sector as a problem depends, naturally, on the size of the social housing sector within their area. However, even authorities with a large proportion of residents living within social housing have not yet been able to work out how many families will be affected by the penalties. Although local authorities that manage their own housing stock may know about the property size of the houses, most authorities rely significantly on registered social landlords to manage their social rented sector, many of whom do not have this information. Most authorities we spoke to were just beginning the process of identifying claimants who will be affected. This was seen as a significant additional workload on local authorities and the providers.

Combined impacts of the changes

The impact of each of these changes is to reduce families' incomes, to an extent where some may be unable to pay their rent. Local authorities anticipate that families affected by the benefit cap are most likely to face this situation in London. At the point they are unable to pay their rent families are faced with essentially three options. Firstly, they can look for cheaper accommodation, either within or outside of their local area. Secondly, they can look for work over 24 hours a week, to increase their income and become exempt from the cap. Thirdly, they can present as homeless to the local authority. If they are seen as vulnerable, and not intentionally homeless, the homelessness duty places a responsibility on local authorities to find them suitable accommodation, and to provide temporary accommodation where permanent housing cannot immediately be secured. Local authorities also have the potential to use DHPs to help residents meet rent shortfalls.

The homelessness duty

‘Under the legislation, certain categories of household, such as families with children and households that include someone who is vulnerable, for example because of pregnancy, old age, or physical or mental disability, have a priority need for accommodation. Housing authorities must ensure that suitable accommodation is available for people who have priority need, if they are eligible for assistance and unintentionally homeless (certain categories of persons from abroad are ineligible.) This is known as the main homelessness duty. The housing authority can provide accommodation in their own stock or arrange for it to be provided by another landlord, for example, a housing association or a landlord in the private rented sector.

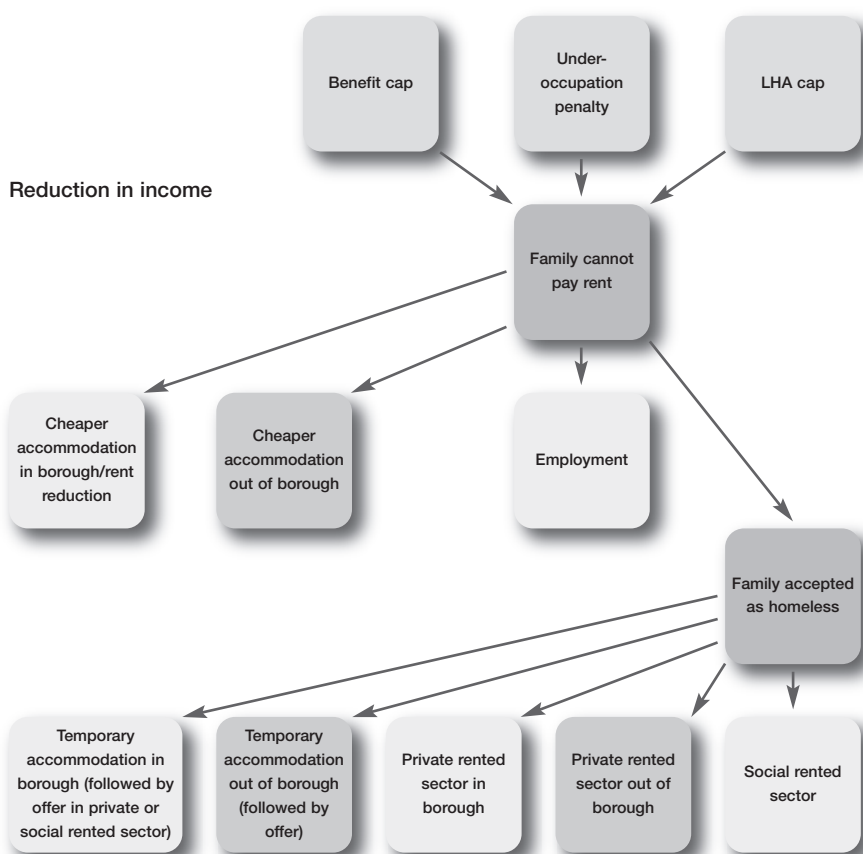
‘If settled accommodation is not immediately available, accommodation must be made available in the short term until the applicant can find a settled home, or until some other circumstance brings the duty to an end, for example, where the household voluntarily leaves the temporary accommodation provided by the housing authority. A settled home to bring the homelessness duty to an end could include the offer of a suitable secure or introductory tenancy in a local authority’s housing stock (or nomination for a housing association assured tenancy) allocated under Part 6 of the 1996 Act or the offer of a suitable tenancy from a private landlord made by arrangement with the local authority.’¹

The Localism Act 2011 adds to this, by enabling local authorities to end the main homelessness duty by arranging an offer of suitable accommodation in the private rented sector, without requiring the applicant’s agreement.²

Chart 3 sets out the options for individuals and local authorities. Below we discuss how possible local authorities believe each option to be.

Chart 3

How reductions in housing support affect families and local authorities



Cheaper accommodation

An intention of the reforms is to drive down the level of rents covered by housing benefit (HB). A potential response for families to a shortfall of HB is to negotiate rents with their landlords, or to move into cheaper accommodation, either within the local area or elsewhere.

One outer London authority believed that some tenants have been successful in negotiating rents down, and one inner London authority had seen some claimants who were affected by the shared accommodation rate moving to a cheaper part of the borough. However, in line with data showing that rents in general in London have been rising, most authorities believe that moves within the private rented sector are not possible for the majority of claimants, and that levels of demand for housing in London are high enough to mean that most landlords are not willing to accept lower rents. Those who had spoken to landlords found that, on average, the most that landlords are willing to accept is a reduction of £20 a week. One inner London authority found that 80–90 per cent of landlords will be unwilling to rent to people claiming HB.

Some authorities are using DHPs to pay deposits on new private sector tenancies for residents, often in outer London boroughs. Authorities also

use other incentives to encourage landlords to rent to claimants, including grants for improving the quality of accommodation. However, authorities emphasised that tenancies secured in this way can offer only a short-term solution, as once the initial tenancy (often for six months only) has been exhausted, there is no further incentive for the landlord to maintain it.

A predicted impact of these changes is a movement of claimants from inner to outer London. One outer London borough had seen more claimants moving into the borough, but in general, outer London authorities emphasised that rents are also rising within their areas, and that they have no significant capacity to absorb large numbers of people seeking cheaper accommodation. Most authorities stressed that many residents have strong local ties and are reluctant to move, backing up DWP research which found that residents in London are twice as likely as those elsewhere to say that they had always lived in their current locality as a reason they were reluctant to move.³ Although one authority had seen several claimants leave their tenancies, it was unable to track where they had gone; data from the DWP, which can link HB claims, should enable this type of tracking but it has not yet been made publicly available. Many authorities felt that claimants are more likely to move into accommodation that is too small for their needs or into poor quality housing. Several authorities said that they are now housing people in what they considered to be unacceptably poor quality accommodation.

Moves into employment

Local authorities are most concerned about the impact of the benefit cap on families' ability to pay their rent. The cap only applies to 'out-of-work' families; until universal credit is introduced, this will mean families who are not eligible for working tax credit. The eligibility rules for working tax credit changed in April 2012, requiring couples with children to work 24 hours a week, rather than 16 hours (lone parents can still only work 16 hours a week).

Several authorities are therefore working actively with residents to help them move into work, or to increase their hours if they had been hit by the working tax credit changes. Some had set up intensive casework teams involving staff from both housing and employment services to work with families. Attempts to encourage employment include: looking for opportunities for jobs within the local authority; joint work with Jobcentre Plus; and, in one case, authority workers asking employers to increase the number of hours offered to residents who will be hit by the cap.

Authorities engaged in these initiatives emphasised that they have seen new and positive forms of joint working across the authority and with other partners. However, few see this as an approach able to solve the problems of more than a small proportion of families hit by the cap. One authority estimates that there are at least 500 families who would not be able to be supported into employment due to disability, caring or parental issues.

The authority engaging with employers to ask for greater hours had yet to see any successes from this approach. This echoes research from the shopworkers' union USDAW, which found that 78 per cent of its members could not find the extra hours they needed to qualify for tax credits after the rules changed in April 2012.⁴ Many authorities emphasised the high costs of childcare as a significant barrier to employment. Support with childcare has also been reduced, from 80 to 70 per cent of eligible costs (see Chapter One).

Discretionary housing payments

Additional resources were put into DHPs during the course of the Welfare Reform Bill, and the government has often presented them as a potential solution to 'hard cases' where families will be hit by the cap. Speaking during the debate on the benefit cap within the Welfare Reform Bill in the House of Lords, the Minister responsible, Lord Freud, stated that:

*'We will ensure that there is transitional support to help manage families into more appropriate accommodation. This will include additional money to enable local authorities to make discretionary housing payments to help hard cases. This mirrors the steps that we took last year to provide safeguards following the introduction of the housing benefit cap. We will ensure that resources are provided to the areas where they are most needed and are available to help families deal in the short term with a variety of challenges they might face.'*⁵

Local authorities emphasised that the scale of additional support with DHPs is unlikely to match the level of need, and that DHPs will, at best, provide a short-term solution to housing problems. One inner London authority had calculated that around £3.2 million a year was being removed from families in the area hit by the benefit cap; the total amount of additional support it was receiving with DHPs was between £600,000 and £700,000.

Overall, the additional money put into DHPs totals £165 million in 2013/14, compared to reductions in expenditure due to the benefit cap, LHA changes and under-occupation penalties of £1,760 million. At best, therefore, DHPs will make up 9.4 per cent of the shortfall in housing income caused by the changes.

Moreover, DHPs have been earmarked to solve a range of potential issues. During the passage of the Welfare Reform Bill, the DWP announced two additional injections of funding into the DHP pot, to deal with the issues raised by the under-occupation penalties. Firstly for disabled people who live in significantly adapted accommodation and, secondly, for foster carers who need an additional room when in between foster placements.⁶ DHPs are also currently being proposed as a solution for the fact that HB will no longer be able to cover two homes – eg, when a person has moved into a refuge because of domestic violence but may wish to return to their original home. There is, however, no obligation for local authorities to spend DHPs on these particular cases.

Some authorities have started to think about prioritising DHPs to protect certain groups from the risk of eviction; these included children at key stages of school, children at the risk of entering care, families with a disabled member, and families who were engaged with the local authority as part of the ‘troubled families’ agenda. However, authorities must make sure that their use of DHPs is genuinely ‘discretionary’; the current guidance states that although they may develop a policy, they must be clear that each case is decided on its individual merits, rather than a set of pre-defined criteria, to avoid the risk of judicial review if discretion has not been properly exercised.⁷ Moreover, some authorities are concerned about being seen to prioritise ‘troubled families’, fearing that securing housing stability for these families may send out a signal that ‘problematic’ behaviour is being rewarded.

Families accepted as homeless

Authorities are therefore expecting to see a significant increase in families they have a duty to house under the homelessness legislation. Following the 2011 Localism Act, this duty can be met by securing accommodation within the private rented sector. Temporary accommodation will often be required while families wait for a permanent solution.

Moves into social housing

Waiting lists for social housing in London are long. In 2011, there were 366,610 households on local authority housing waiting lists in London, 11.3 per cent of all households (compared to an average of 8.3 per cent of all households in England).⁸ Statistics show that 44 per cent of homeless households who were allocated social housing in London in the second quarter of 2012 had been in temporary accommodation for over a year beforehand, compared to 20 per cent in England as a whole.⁹ Few local authorities see the social rented sector as providing a solution to the problems of families affected by the cuts, although one authority suggested that had the under-occupation penalties been implemented prior to the benefit cap and LHA cuts, this might have created some spare capacity. Moves from the social rented sector into the private rented sector, however, go directly against the intention of the policies to reduce HB expenditure, as accommodation is significantly more expensive in the private than the social rented sector.

Discharging the homelessness duty within the private rented sector

The Localism Act 2011 gave local authorities the option of discharging the homelessness duty – in effect finding families a place to live – by offering them a tenancy within the private rented sector, which families can only refuse if it is ‘unsuitable’. Given the pressures on private rents, most authorities felt that it would not be possible to do this to any large scale within London, particularly for families whose benefits are capped at £500 a week. This led to discussions about procurement of private sector properties elsewhere – locations cited included Nottingham, Derby, ‘the Midlands’ and Wales.

In April 2012, Newham Council gained widespread publicity when it announced that it was seeking to procure property in Stoke on Trent (for use as temporary accommodation).¹⁰ The then Housing Minister, responded strongly: ‘*Not only do I think it’s unfair and wrong, I have also made the legislation and guidance very clear that they are not to do this.*’¹¹ In May 2012, the government issued a consultation on the definition of ‘suitable’ accommodation that is to be used within the regulations that specify how local authorities are to operate the ability to use the private rented sector to discharge their homelessness duty. This states that:

‘Homeless households may not always be able to stay in their previous neighbourhoods. However the Government considers that it is not acceptable for local authorities to make compulsory placements automatically hundreds of miles away, without having proper regard for the disruption this may cause to those households. Section 208(1) of the Housing Act 1996 provides that local authorities must in discharging their housing functions in relation to homelessness secure accommodation within their own district so far as reasonably practicable.’

And that:

‘The Government is considering whether the existing provisions should be strengthened to ensure that homeless households are granted further protection. The provisions identified as part of this consultation process will need to apply to temporary accommodation, private rented sector offers and also social housing.’¹²

The government’s response to this consultation has not yet been published. However, many local authorities believe that it leaves them in an impossible position, whereby they cannot afford to house tenants within their local area, but could face a legal challenge (not to mention the disruption to families’ lives) if they seek to house them elsewhere. Officials are therefore continuing discussions about procuring accommodation out of London as they can see no other solution, despite the fact that elected members are often extremely uncomfortable with this approach.

Temporary accommodation

If a local authority cannot house a family within the social or private rented sector immediately, its final option is to use temporary accommodation while the family waits for a permanent solution. This may be in bed and breakfast or in a self-contained unit. Guidance states that bed and breakfast accommodation is not considered suitable for families, and should be used for a maximum of six weeks.¹³ Many local authorities therefore participate in large scale leasing schemes to procure accommodation in the private sector, with many inner London authorities using accommodation in outer London boroughs, which has, to date, been cheaper. Authorities mentioned that competition between authorities to procure such accommodation is intensifying, with previous agreements that an authority would notify the authority in which a property was located before attempting to procure it now being regularly broken. As one official put it to us *'it's a free for all'*.

Local authorities meet the costs of temporary accommodation – often significantly higher than those in the private rented sector – through a mixture of subsidy from the Department for Communities and Local Government and the HB of the family placed in the accommodation. The current subsidy arrangements for temporary accommodation are due to end in April 2013.

The existence of the benefit cap for families placed in temporary accommodation makes it difficult for local authorities to envisage how to meet the costs of this accommodation for either families currently housed temporarily, or those who might require this type of accommodation as a result of the benefit changes. As households are placed in temporary accommodation by local authorities, they have little scope to move to reduce their housing costs and, under the *Homelessness Code of Guidance*, local authorities cannot ask households to make up the shortfall through other benefits if this would deprive them of *'basic essentials such as food, clothing, heating, transport and other essentials.'* As a guide to the level of income required after housing costs have been met, the *Homelessness Code of Guidance* recommends that local authorities refer to the 'applicable amounts' used in HB legislation, on the principle that this is the minimum considered necessary for subsistence. One local authority was, however, considering how much of their remaining benefit income it would be 'reasonable' to ask families to contribute towards their rent in this situation.

Applying the benefit cap to families in temporary accommodation effectively means that families who are accepted as homeless, could be made homeless once more due to their inability to pay the costs of temporary accommodation. This situation was recognised by Lord Freud during the passage of the Welfare Reform Bill: *'We need to get a solution to this so that we do not have a ludicrous go-round of people moving into expensive temporary accommodation which they can no longer pay for because of the cap. We are absolutely aware of this and have measures in train to get a solution in the round to that issue.'*¹⁴ At

present, however, local authorities see themselves pushed into precisely this 'ludicrous go-round', with little option for escape.

Authorities emphasised that this will create problems for their budgets. Some are worried about being able to meet the long-term leasing arrangements they are tied into with landlords. Again, procuring temporary accommodation in cheaper areas of the country is being considered, but the revisions to the 'suitability' criteria proposed suggest that this may not be possible. At present, it seems likely that, as one official put it, *'the benefit cap will have a devastating effect on temporary accommodation'*.

Cumulative impacts

Local authorities believe that the changes will have significant impacts on their budgets, beyond the 26 per cent cut imposed in the Comprehensive Spending Review¹⁵ (and in addition to the funding shortfalls expected as the result of the localisation of council tax). Authorities with a duty to house homeless families will ultimately have to meet the costs of this accommodation, with potential significant impacts in turn for their services and budgets, as well as the disruption and stress imposed on the families involved. One authority is estimating a £3 million loss due to the cost of subsidising temporary accommodation.

Authorities that are landlords will face dilemmas when families are unable to pay social rents because of the benefit cap. Failure to recoup this money will affect this revenue stream, but eviction may lead to greater costs for the authority.

Authorities are also concerned about the impact of the cuts on their ability to meet other government priorities, in particular around the 'troubled families' agenda. 'Troubled families' are described by the government as families who:

- ◆ *'Are involved in crime and anti-social behaviour*
- ◆ *Have children not in school*
- ◆ *Have an adult on out of work benefits*
- ◆ *Cause high costs to the public purse.'*¹⁶

The government has established a 'payment-by-results' scheme, providing additional funding to local authorities who are able to 'turn these families around', and has also set up Community Budget pilots to provide funding to work with these families.

However, many local authorities have identified cross-overs between families meeting the 'troubled' criteria, and those who will be hit by the benefit cap, and thus at risk of losing their home or falling into rent arrears. As discussed above, authorities could prioritise these families for DHPs, but there are fears that this will create the impression that housing stability is only available to troubled families such as those involved in crime or anti-social behavior.

Notes

- 1 Department for Communities and Local Government, *Homelessness Code of Guidance for Local Authorities*, Department for Communities and Local Government 2006
- 2 Department for Communities and Local Government, *Homelessness (Suitability of Accommodation) (England) Order 2012 – Consultation*, Department for Communities and Local Government, 2012
- 3 C Beatty, I Cole, P Kemp, B Marshall, R Powell and I Wilson, *Monitoring the impact of changes to the Local Housing Allowance system of housing benefit: Summary of early findings*, DWP, 2012
- 4 USDAW open letter at www.usdaw.org.uk/newsevents/news/2012/mar/openlettercallsonprime.aspx
- 5 Lords Hansard, 14 February 2012, column 748
- 6 Lords Hansard, 14 February 2012, column 720
- 7 DWP, *Discretionary Housing Payments Good Practice Guide*, DWP, 2011
- 8 Department for Communities and Local Government, *Local Authority Housing Statistics, England: 2010-11: Housing Strategy Statistical Appendix and Business Plan Statistical Appendix, 2011*, table 2
- 9 Department for Communities and Local Government, *Housing Live statistics*, table 779 'Households leaving temporary accommodation (or no longer recorded as duty owed, no accommodation secured) during each quarter, by length of stay, England and London'
- 10 See, for example, www.bbc.co.uk/news/uk-politics-17821018
- 11 Cited in John Hall, *The Independent*, 12 April 2012, 'Newham council accused of 'social cleansing' after attempts to move poorest families'
- 12 See note 2
- 13 See note 1
- 14 House of Lords Debate, 23 January 2012, c893
- 15 HM Treasury, *Spending Review 2010*, HMSO, 2010
- 16 Department for Communities and Local Government, *The Troubled Families programme: Financial framework for the Troubled Families programme's payment-by-results scheme for local authorities*, Department for Communities and Local Government, 2012

Independent advice agencies' response

Summary

The actions of local advice agencies will be critical in the experience of claimants, many of whom are likely to turn to them for support in dealing with the cuts. We spoke to 10 advice agencies and two local advice networks (representing around 20 frontline agencies) in the course of this research.

Advice agencies currently face a range of challenges in responding to the changes. These include: funding pressures; the removal of legal aid from welfare benefits cases; the scale of current demand, particularly from employment and support allowance assessments; and the sheer scale and scope of the changes, allied to the lack of information about the detail of implementation.

We identified several examples of good practice in responding to the changes, including collaboration between advice partnerships and local authorities, a more holistic approach to clients' problems including considering employment, and consideration of how to help residents deal with the 'digital by default' nature of universal credit.

While local authorities will be responsible for implementing and responding to the reforms, the experience of many claimants will depend on the support they receive from advice agencies. We therefore spoke to 10 advice agencies and two local advice networks (representing around 20 frontline agencies), to get a picture of how they are preparing for the changes, and to summarise both the challenges and examples of good practice. Recommendations for advice agencies are contained in Chapter Seven.

Many of the frontline advice services working across London report that there are myriad issues and obstacles to their effective engagement with the complex welfare reforms currently taking place. Although there are examples of effective engagement taking place, both within advice agencies and local advice partnerships, as well as with key external partners such as local authorities, there are pressures which appear to be hampering a greater level of attention being paid to preparation.

What are the problems?

Legal aid cuts to welfare benefits advice. With 100 per cent loss of frontline welfare benefits legal aid to be implemented from April 2013, contract holding agencies do not know whether they will have the capacity to continue to deliver specialist legal advice. Further, this situation could lead to loss of staff if alternative funding cannot be sourced, and also agencies being unable to take on client cases in the lead-up to cuts, in order to manage transition properly. Research estimates that at least 25,000 Londoners will lose access to legal aid for welfare benefits cases, as part of the removal of more than 78,000 legal aid cases from other related areas such as debt, housing and employment.¹

Funding pressures. Many boroughs are currently undertaking commissioning rounds for future funding of local advice services, so agencies do not know whether they will still exist after April 2013. The competitive nature of commissioning means that establishing and maintaining cooperation between advice services has become more problematic. Additionally, London Councils pan-London grants scheme has been drastically reduced, which has also seen many frontline advice services losing funding. Research found that nearly 50 advice organisations had been reduced to 13 and we know of further decreases.²

Current demand. Many advice agencies report that they are already struggling to meet current levels of demand, particularly as employment and support allowance appeals continue to generate so much work. Advisers do not have the capacity, or sometimes the inclination, to think too far ahead at the moment. Advice UK has conducted research which shows that nearly a third of demand for advice is generated by problems created within the public sector, especially welfare benefits administration.³ With the introduction of large scale welfare reforms, the knock-on effects are predicted to increase this trend.

Scale and scope of changes. Some agencies report difficulties in effectively understanding and communicating the various changes to frontline advisers. Training courses can be expensive in tight economic times, and there are time constraints due to client demand. This is despite the explicit acknowledgement that advisers must be kept up-to-date and informed to properly carry out their role and meet appropriate quality standards.

Timing. To some advisers the reforms still feel a long way off. The need to balance the provision of information to clients in terms of potentially creating greater demand (or even panic), as well as concerns over whether clients in turn will take seriously reforms happening next year is proving to be difficult.

Lack of detail. For many of the reforms, the actual detail of how policies will be implemented in practice remains unclear. Some, like the social fund and council tax benefit localisation, are being consulted on by many authorities, while many of the universal credit regulations remain in draft format (as well as being the subject of inquiries by the

What's working well?

Where local advice partnerships are in place in boroughs, we have seen definite evidence of a greater cohesion and consistency in the approaches to preparing for welfare reform. This has particularly been the case where there is also a local authority welfare rights unit. Some welfare rights units report a great deal of activity briefing different departments within the authority about potential impacts and what the changes will mean for residents.

It is apparent that local advice partnerships offer easy routes to instigate and maintain dialogue between key stakeholders in local authorities and their local advice services. There is also more limited evidence about a wider dialogue and engagement emerging between local authorities and voluntary and community sector agencies, who will also play a key role as 'problem noticers' or 'negotiators' within the local community.

Where local partnerships are absent, we have come across cases where local authorities and key local advice services such as Citizens Advice or law centres have been recognised as key partners in dealing with the impacts of reforms. Indeed, in some cases, there have been moves to co-locate independent benefit advisers within borough housing offices – in one case a new joint funding bid was being made by an authority and advice agency to facilitate this.

Thus, barriers that may previously have existed, or a simple lack of engagement between authorities and advice services, are in some cases beginning to be overcome. The creation of welfare reform groups or partnerships offers opportunities for closer joint working and analysis of the impacts and effects at a local level. However, concerns have been raised about the lack of pan-London coordination of these groupings to allow sharing of information, best practice and outcomes of reforms.

Consistent approaches to the provision of information for affected households have been a common theme for many advice services, working with their local authority partners. Given that the benefit cap levels are effectively rigid rules of maximum entitlement, traditional methods of challenging official decisions may not be a possibility for advisers helping affected residents. Welfare benefits advisers will therefore need to take other approaches to help affected residents and signpost to related to debt, financial capability and housing options to help people understand their choices.

Therefore, some advice services and partnerships are looking towards more holistic ways to deal with affected residents that embrace more than traditional benefits advice. These have started to incorporate other issues such as childcare, English as a second language provision, debt and housing advice, as well as employability and skills (particularly as

anyone deemed to be working full-time becomes exempt from the benefit cap). We have heard of some agencies training other community workers on the reforms so that levels of awareness within communities are being raised.

On a network level, Citizens Advice has started to put information on the reforms on its online advice guide. The use of digital information should be a key resource for local agencies in highlighting the scope and scale of the reforms taking place. Similarly, Lasa's rightsnet website has created online areas for universal credit, personal independence payment and council tax benefit in order to offer sources of information on the changes as they progress.

Additionally, the 'digital by default' approach of universal credit may be useful in helping local residents become more digitally literate. Some advice services are already thinking about ways to offer online interactions to clients. This should help them to manage demand for frontline services by enabling directed assistance, and to proactively improve the skills of clients in this area. There are also some emerging plans to improve financial literacy around basic bank accounts, monthly budgeting and so on.

Interestingly, a workshop with homelessness agencies exploring how to communicate the various welfare reform changes to their clients produced similar responses to frontline advice services, as to their concerns and support needs. Homelessness support workers identified a key role for advice services in helping them to understand the range and complexity of changes, as well as offering appropriate support to clients. They identified the need to make use of various channels of communication, while also raising the difficulty of clients who won't engage.

Other barriers included dealing with clients with severe mental health problems, informing non-English speakers, how to highlight reforms without creating undue panic or anxiety, and particularly the negative impacts on being able to move clients on from short-term hostel accommodation. They also agreed that taking a more joined-up approach to clients, aiming to incorporate money management and financial/digital literacy with straightforward benefits advice would make sense.

Notes

- 1 London Advice Watch, Legal Action Group
- 2 See note 1
- 3 Advice UK Bold Project, see www.adviceuk.org.uk/projects-and-resources/projects/bold

The impact on individuals

To give a snapshot of what the changes mean for families and children, this section presents three case studies of families who have been affected by the changes, and who have been helped by Zaccheaus 2000 in Westminster. These families are not intended to be 'typical' of those who will be affected by the changes. However, they do show that the needs of families affected by these changes may be complex; there is often no 'simple' solution that involves a move into work or a cheaper property. All names and identifying details have been changed.

Karena

Karena is an Iraqi woman with four children, aged from six to 16 living in Westminster. She sought asylum in this country due to her husband's political activities. As a result of these activities her parents and the rest of her family in Iraq have been killed.

Karena and her family initially lived in Manchester with her husband. Her husband moved the family to Barnet; once there, social services became aware that Karena and her children were being subjected to domestic abuse. Karena's husband left the family at this point, and in doing so, cancelled their tenancy agreement, leading to Karena and the children being evicted. Barnet was eventually able to restore the tenancy, but when Karena's husband continually returned to the property, they were assisted to move into a three bedroom flat in Westminster, with an extremely high rent of £1,100 a week.

Following the application of the local housing allowance (LHA) cap it is clear that this rent can no longer be met through housing benefit.

Karena has depression, auditory hallucinations, and is considered by her consultant psychiatrist to be a suicide risk. One of her children is autistic, and has a statement of special educational needs, one child has just started A levels, and one is about to start GCSEs. While likely to be eligible for a discretionary housing payment (DHP), their landlord has refused to negotiate the rent down to a level at which DHPs could make up the shortfall on a long-term basis.

The family will have to move, but Karena is extremely reluctant to move into temporary accommodation, and is worried about the impact of continual moves on her own mental health, and on her children. There is no private rented sector accommodation available to meet her needs within Westminster. At present they are faced with either moving into temporary accommodation outside of the borough or moving into bed and breakfast accommodation in order to stay.

Nasim and Ghaith

Nasim and Ghaith are a couple with three children living in Westminster. Nasim has paranoid schizophrenia and takes anti-psychotic medicines. One of their children has severe autism, and a second has speech and language difficulties.

Following the introduction of the LHA caps their accommodation became unaffordable in February 2012. They received a DHP until April 2012, at which point they were placed in self-contained temporary accommodation in Forest Gate. Nasim was extremely unhappy in the new accommodation, and following a representation from a solicitor it was judged unsuitable. They were moved to large scale bed and breakfast accommodation within Westminster, and have been there since May – well over the legal limit of six weeks.

They are extremely keen to stay in the borough, particularly because of Nasim's health needs, and the support they receive with their children's education. A move to a new borough would mean that these needs would have to be reassessed, including their access to mental health services and special educational needs support.

However, there is no available private rented sector accommodation within Westminster for this family, and no self-contained temporary accommodation. To remain in Westminster, the family is therefore choosing to stay in bed and breakfast accommodation, despite the fact that this is technically unlawful.

Emma

Emma has six children aged between one and 12, three of whom have learning difficulties. Emma was brought up in the Paddington area within a large family which had frequent engagement with social services.

Emma moved out of London when she was 19 with her then partner. She was then subjected to domestic violence (it is not clear whether this also affected her children), and to financial exploitation, leaving her with significant levels of debt that she continues to pay off with difficulty. Following the abuse she left her partner and moved back to London around four years ago, when Westminster helped her to find accommodation in the private rented sector.

This accommodation is now unaffordable, following the application of the LHA caps. It is important to all of the organisations who work with Emma that she remains within the borough, as she has a reciprocal caring relationship with her brother who lives there. This is her only close family relationship.

Emma, however, is likely to be placed in temporary accommodation in East London. If she can show that this accommodation is unsuitable, the borough may have to place her within the borough, perhaps using its private rented sector scheme.

Conclusions and recommendations

This chapter concludes, and makes recommendations for central and local government, and for advice agencies.

Conclusions

CPAG and Lasa opposed the introduction of many of the changes to benefits we highlight here, including the cuts to local housing allowance (LHA), the benefit cap and the penalties for under-occupation. We are particularly opposed to the benefit cap, which separates an individual's or family's entitlement to benefits from their level of assessed need. However, even when leaving aside our own objections, we are doubtful that the reforms will meet the government's own aims.

Reducing expenditure on housing benefit?

The government has the ability to reduce expenditure on housing benefit (HB) simply by limiting its application. We do not believe that the reforms will address the fundamental drivers of increased HB expenditure in London – a shortage of housing supply leading to pressure on the private rented sector and, in turn, increased rents. Instead, the reforms are likely to lead to significant additional costs for local authorities, who will need to make up families' rent shortfalls in order to prevent homelessness.

Improving work incentives?

There are early signs that the reforms are encouraging more claimants to look for jobs, and that they are also promoting effective joint working within local authorities, and between local authorities and Jobcentre Plus. However, significant barriers remain to parental employment in London, in particular high childcare costs. Addressing these will be the subject of a forthcoming CPAG report.

Reducing overcrowding?

Local authorities are not convinced that the under-occupation penalty will free up significant stock within the social rented sector. Moreover, many fear that claimants will move into accommodation that is too small for them in order to be able to pay the rent.

Increasing fairness?

The cuts will have a disproportionate impact on families with children, and a disproportionate impact on London: CPAG and Lasa do not believe that these cuts are fair.

But beyond this, one impact of the changes may be to create significant funding pressures on local authorities, devolving decisions on who to prioritise for support, and how to pay for this, to a local level. This move may be in line with the government's localisation agenda, but it also seems likely to create a situation where your risk of being made homeless will depend to a greater extent than ever on your postcode.

Moreover, as we discuss below, the impact of the changes is likely to result in significant funding shortfalls for local authorities. Local authorities may decide to recoup these costs in a variety of ways, from both working and non-working claimants, devolving decisions about 'fairness' to a local level.

Reducing expenditure and other impacts

While central government can control expenditure simply by limiting entitlements, the changes at present are likely to create significant difficulties for local authorities, who anticipate a rise in the number of homeless families. In choosing how to deal with these families, authorities face a choice between trying to move them out of London – a choice which many authorities, in line with both the government and the view of CPAG and Lasa – believe to be unacceptable and finding the money out of already stretched budgets to subsidise the high cost of private or temporary accommodation.

In addition to the impact of this funding shortfall on local services, authorities already see conflicts between the impact of the changes and other government priorities such as the 'troubled families' agenda.

Local authorities and local advice agencies can take steps to prepare claimants for the changes, and to support them to deal with the impacts. However, the primary responsibility for the changes lies with central government, and we therefore start with recommendations directed there.

Recommendations

Recommendations to central government

CPAG and Lasa fundamentally oppose the principle of the benefit cap, and believe that the policy should be dropped.

Although the benefit cap now exists in legislation, in the form of the Welfare Reform Act 2012, regulations have not yet been laid to determine how it will operate. One significant change that would mitigate the worst of the impacts would be to exempt families in temporary accommodation from the cap. In response to a Parliamentary Question, Chris Grayling estimated the cost of this at £30 million¹ – a small proportion of the estimated £275 million savings expected to be gained from the imposition of the benefit cap itself. This was the key change that local authorities wanted to see from central government, in order for them to have any chance of making the policy workable in London.

At the most basic level, authorities are frustrated in their planning by what they see as delayed information from central government about the detail of the reforms. We understand that final regulations for the benefit cap and universal credit will not be available until December, leaving authorities with very little time to plan.

We agree with the government's desire to avoid the forced movement of families away from their local area, often to locations in which there may be fewer opportunities for employment. This aspiration may be possible if rents do begin to fall, but in the absence of this, it is hard to see how it can be achieved. The government is to be commended for commissioning large scale research into the impact of the HB changes. We look forward to its response if this shows that rents are not falling.

When we asked local authority officials what they believed the solution to the problems discussed in the report was, the most common answer was that government needed to build more houses to address the chronic shortage in London. This report does not assess plans at national and regional level to address the level of housing supply, but it is clear that this is where the medium- and long-term solutions must be focused.

Recommendations to regional government

During the course of the research for this report we were struck as to how little obvious coordination there appears to be across London to the whole package of welfare reform. We know that London Councils convenes a regular homelessness and housing needs meeting, assessing issues around the LHA changes and the benefit cap, and attended by the relevant officer from local authorities. However, we are not aware that this group has established any brokerage with frontline advice services or networks, nor does it publish online information as to activities.

Similarly, while the Mayor of London's office delivers some targeted work around benefit take-up and related issues such as fuel poverty every year, we have not found any activity to coordinate the response of local authorities at a regional level within City Hall. This is particularly surprising in light of the Mayor's responsibility for strategies on employment and skills, health, housing and young people.

We strongly urge London Councils, the Mayor of London and the London Assembly to create and coordinate a strategic level of engagement between themselves and key partners, including the London Advice Forum, London Child Poverty Alliance, advice networks, health services and pan-London homelessness services. The purpose of this grouping would be to understand and share best practice about helping vulnerable Londoners deal with myriad complex changes, to enable local authorities to jointly assess impacts on their residents to ameliorate negative outcomes, and to provide an information base to lobby central government on possible improvements to reforms.

Recommendations to local government

We initiated this report with the intention of producing useful guidance for local authorities commencing their budgeting processes on the type of support and best practice that would be useful to help families to deal with the impact of the changes.

We found that local authorities feel trapped between a rock and a hard place; predicting an increased number of homeless families, but with no way of meeting their needs. CPAG and Lasa would be extremely worried about the forced movement of claimants outside of London, or of any strategy that seeks to recoup the costs of private or temporary accommodation from subsistence-level benefits. However, we know that this is likely to leave local authorities with significant funding shortfalls.

We did find examples of good practice in addressing the day-to-day impacts of the changes that local authorities could build on. These included:

- ◆ Ensuring that the *cumulative* impact on families of all changes to benefits is understood to avoid multiple and confusing communications with claimants.
- ◆ Bringing together local authority departments to work together on understanding the impacts on families and the knock on impacts on services, as well as how the local authority can work strategically across departments to minimise the impact on families.
- ◆ Ensuring that decisions about allocating discretionary and other funding are in line with the Public Sector Equality Duty, which requires them to advance equality of opportunity.²
- ◆ Proactively contacting claimants affected by the changes. Several authorities are investing in either telephoning or visiting claimants, as letters are likely to be ignored.
- ◆ Investing in case workers for intensive work with families. When we asked officials where additional internal resources might help, the most common response was to invest in individual case workers working across housing, employment and social services to help families understand their options and, where possible, move into employment.
- ◆ Protecting funding streams for local advice services to ensure sustainability and resilience in helping local residents affected more broadly (particularly for those for whom employment is not an option).
- ◆ Coordinating information provision with the local advice and voluntary sector, including credit unions, to ensure consistent messages about the changes.

Recommendations to advice services

Advice services are to some extent at the end of the chain – seeing claimants who have been affected by changes mandated by central government, and implemented at a local level. Simultaneously, they may also be the first port of call for affected residents and their role in identifying and solving problems will be an invaluable resource to local authorities in dealing with the multiple challenges thrown up by the reforms.

There are several things advice services can do to ensure the best possible service to clients.

- ◆ Be proactive in approaching the local authority to build dialogue and work on joint solutions to dealing with interlocking welfare reforms.
- ◆ To develop local advice partnerships to share information, and build common referral networks to manage demand.
- ◆ To build and establish links with other local community organisations, to offer support and training where possible, and basic information at the very least.
- ◆ Ensure training for frontline advisers on the nature of the reforms, so that they can begin to weave this into their work with clients now.
- ◆ Draft clear and concise information for clients about what is changing and when, as well as signposting to relevant services such as housing advice, debt advice and employment and skills.
- ◆ Take a checklist approach to assist clients with understanding their options and choices if benefits are cut/capped.
- ◆ Use a variety of media to communicate changes – ie, leaflets with client care letters, waiting room posters, websites, social media, etc.
- ◆ Share information to avoid duplication, both within borough and also across other boroughs.
- ◆ Push the advice networks to be supportive and productive in supporting frontline services, as well as analysing impacts and outcomes of reforms over a longer period.

This report has focused primarily on the challenges for local authorities and the agencies that will have to help families manage the impact of these reforms. But ultimately it is families and children who will bear the brunt of these changes, which have the potential to destabilise their lives. We welcome the government's commitment to ending child poverty. If these changes are shown to be undermining that commitment, we hope that they will be reconsidered

Notes

1 *Hansard HC Deb*, 22 February 2012, c864W

2 See www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/introduction-to-the-equality-duty/

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