

# **Families on the brink: welfare reform in London**

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GROUP**

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**Megan Jarvie**

**June 2014**



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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.

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## **About the author**

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Cuts to social security have taken £2.9 billion out of the London economy, most of it from our poorest households. This report looks at what this has meant for the families who have seen their income reduced and for the services that are trying to support them. Our conversations with councils, service providers and families, and our review of the evidence, suggest that these cuts have broken the link between need and entitlement, leaving some families without money for a home, food and warmth. Councils are fighting to enable households to stay in London and maintain the social mix in their boroughs, but they do not feel confident of winning this fight. The situation is only getting worse, as rents in London are rising faster than housing benefit entitlement. London families feel that they are no longer welcome in the capital, and that they are being forced out to make way for richer ones.

Welfare reform has the power to alter significantly who lives in London. It forces us to ask what we want for our capital city. London prides itself on its diversity, which is now under significant threat. Welfare reform, coupled with a booming housing market, means that fewer properties are now covered by housing benefit – and this is set to get worse. Without action, London will become a city almost exclusively inhabited by the wealthy, with only small pockets of affordability for families on low incomes.

In October 2012, CPAG and LASA published *Between a Rock and a Hard Place: the early impacts of welfare reform*, assessing the early and potential impact of the reforms. This new report follows this up, tracking what has happened as the changes take full effect and new reforms are introduced. Details of all the reforms from this first report are included in the Appendix.

This report focuses on four key changes to financial support for families:

- ◆ Caps to the **local housing allowance** now restrict the level of support families can receive with their rent to the 30th percentile of rents within a local area. These began to take effect in April 2011. There are also national caps to local housing allowance rates that can be paid, based on property size.
- ◆ The **benefit cap** restricts the total amount of support received by any one household to £500 a week for families with children and £350 for single people. Over 18,000 households in London have been affected by the cap.
- ◆ An **under-occupation penalty**, or the '**bedroom tax**', reduces the level of support for families in social rented housing if they are deemed to have an extra bedroom that they do not need. Around 60,000 households in London have so far been affected.
- ◆ **Council tax benefit** has been replaced with local **council tax reduction schemes**. Funding for council tax support has been devolved to local authorities, with a 10 per cent reduction in funding.

Local authorities are free to design their own support schemes, with pensioners and war pensioners protected from the increase in charges.

To examine the current and future impact of these changes, we spoke to 10 local authorities (five in inner London and five in outer), to five organisations providing advice to families in London, held two focus groups with affected families and three interviews with individuals affected.

The report assesses the impact against what we see as four key government aims underpinning 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.

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## Key points

- ◆ The toxic combination of low-paid work and extremely high housing and childcare costs alongside welfare reform means that many families face the choice between extreme poverty and leaving London.
- ◆ London has been hit harder than other parts of the country by changes to housing benefit. Households in London, on average, are hit 22 per cent harder, losing almost £7 more per week than households outside London. Almost half of capped households live in London.
- ◆ Housing benefit is no longer fully responsive to rents, meaning that the pool of properties affordable to people claiming housing benefit is getting smaller and smaller. Sixteen London boroughs already have more households claiming housing benefit than affordable properties. As rents continue to rise faster than benefit allowances, the pool of affordable properties will get smaller.
- ◆ High childcare costs mean that financial work incentives in London are weaker than in other parts of the country. A parent with four children working part time and paying average childcare costs in London is £65 worse off per week than the same family outside London.
- ◆ Financial work incentives alone have not been sufficient to enable parents to enter employment. Only 13 per cent of households hit by the benefit cap have started work, despite the fact that starting work means that they are no longer capped. Many families affected are still struggling to view employment as a viable solution, especially large families or those with very young children.
- ◆ Councils are struggling to house homeless families in the borough or even in London. There has been a 1,000 per cent increase in placements outside London between 2011/12 and 2013/14. Councils are grappling with how they will be able to continue to house families in the area in the future as rents continue to rise faster than housing benefit and their ability to provide financial support beyond 2015 is uncertain.

- ◆ Intensive action by councils and other services and funding for discretionary housing payments have, for the most part, avoided a crisis in London. However, this has left families in uncertainty, relying on discretionary, short-term support rather than regular mainstream support. The full effects of these changes have not yet been felt.
- ◆ There is an increase in discretion and variation in support available to households, creating a potential postcode lottery. Boroughs have introduced individual schemes for council tax reduction, discretionary housing payments and local welfare provision. This means that two families in the same situation, but living in different boroughs, could be awarded different levels of support.

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## Recommendations

### For central government

**Local housing allowance rates and caps should be updated in line with real rental prices.** Changes to rental prices are highly localised, and so uprating needs to reflect this. The current system of 1 per cent uprating, or 4 per cent in target affordability areas, breaks the link between housing benefit and rents. Most areas will become less affordable, whereas a handful could increase above the rate of rent increases in their area. This change would help maintain 30 per cent of rental properties in London as affordable to people claiming housing benefit.

**The Department for Work and Pensions should review the maximum amounts for childcare support in universal credit to ensure that families will be better off working.** This could mean having higher rates for households with three or more children or having a London rate. The benefit cuts increase the pressure on families with very young children (for whom childcare is more expensive) and larger families. Therefore, changes are needed to ensure it is always financially rewarding for them to work.

**Families who are not expected to be seeking work should be exempt from the benefit cap.** Currently, only families in receipt of jobseeker's allowance are required to seek work, but other families are hit by the benefit cap. This creates inconsistencies in the welfare system as parents who are otherwise not required to seek work – because of caring responsibilities, sickness or disability – are still being hit by the benefit cap, which strongly encourages work as the way to avoid being capped.

**Funding for discretionary housing payments should be maintained.** As awareness of this funding grows, it is likely that the number of applications will increase. Although it is far from ideal that families are relying on these temporary discretionary payments, this funding is essential to maintain family stability while people seek a longer term solution.

**The Department for Work and Pensions should maintain funding for seconding Jobcentre Plus staff to council teams.** These staff are essential to improving joint working between the council and Jobcentre Plus and enabling families to access holistic employment support.

**The Department for Work and Pensions should enable councils to automate some discretionary housing payments.** This would decrease the administrative burden on councils and help create some additional stability for families.

**The Treasury should provide councils with 100 per cent funding for council tax reduction and undertake a full equalities impact assessment on the localisation of council tax support.** Workless residents are facing a number of cuts to their income, including their benefits being uprated below the rate of inflation. This has left many simply unable to afford this additional charge. Councils are facing unprecedented cuts to their funding, making it increasingly difficult for them to protect residents from the charge. The Public Accounts Committee has raised queries over work incentives and protection for vulnerable groups. There now needs to be a full equalities impact assessment into the effects of the implementation of these schemes

**Central government should ensure that local welfare assistance schemes are maintained.** These provide critical support for vulnerable families and individuals with unexpected or emergency costs, and form an essential part of our social security system. We ask that the Department for Work and Pensions conduct its promised review of local welfare assistance schemes and reassess its decision to cease funding them, or that the Department for Communities and Local Government ensures that local authorities maintain provision through both a dedicated budget and a strong steer (which could be achieved by imposing a statutory duty, ring-fencing or, at the very minimum, improved guidance).

### **For councils**

**Councils should maintain welfare reform working groups to work on universal credit in the short term, as well as ongoing poverty reduction.** In most boroughs, there has been effective joint working between employment, housing, training, benefits and social services to provide holistic responses to families. These working groups represent the key elements that are needed for the development and implementation of effective work to tackle poverty, including local child poverty strategies. Council leaders should prioritise setting up and maintaining these working groups, and broadening their remit to tackle poverty locally. Leaders and senior staff should ensure this work is prioritised and effectively communicated to all staff involved.

**Councils should undertake an evaluation of the lessons learnt from work to date on welfare reform.** Welfare reform has presented a great challenge to councils as they have had to experiment with new ways of working. Councils should undertake an evaluation of what has and has not worked, and then ensure that this information is shared within the

council, and between other services in the borough and other councils, and that it is used to inform future work.

**Councils should protect workless residents from paying council tax.**

We are also calling on central government to provide 100 per cent funding for council tax reduction schemes, but until this takes place, councils should use their budgets to protect workless residents from council tax charges.

**Councils should maintain funding for local welfare assistance schemes.**

We are also calling on central government to provide funding and a strong steer on these schemes, but until this happens, we ask councils to ensure that schemes are funded adequately and are reaching those in need.

**Councils should ensure that families have access to independent debt, employment and benefits information and advice.**

The unprecedented changes that have taken place through welfare reform and which will continue with the introduction of universal credit mean that there is an increased demand for debt and benefits advice.

**For the Mayor and Greater London Authority**

**The Mayor and the Greater London Authority should ensure that central government is well informed of the risks that welfare reform poses for London and knows the actions it can take to remedy the effects.**

Welfare reform has the potential to force low-income families out of London, driven by the high and rapidly rising costs of housing and childcare. As discussed above, ensuring housing benefit limits match rental prices and that limits on childcare funding match childcare costs are essential to ensure that London remains affordable.

**The Mayor and the Greater London Authority should monitor the effects on homelessness and family migration between London boroughs and out of London.**

There have already been increases in homeless families being housed outside London. This should continue to be tracked and highlighted to central government to ensure that London does not lose its social mix.

# How have the reforms affected families in London?

This chapter looks at how many London families have been affected by welfare reform and by how much. For more information on the reforms that are discussed, see the Appendix.

London has higher rates of poverty and worklessness than all other regions of the UK. Thirty-six per cent of all children in London live below the poverty line,<sup>1</sup> 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 combined.<sup>2</sup> It also has a cocktail of barriers that make moving, and staying, out of poverty in the capital particularly difficult. London is set apart from other parts of the country by its high costs: the cost of renting is twice that of the rest of the UK<sup>3</sup> and childcare is 28 per cent more expensive than the UK average.<sup>4</sup> This makes it harder for parents to find work that pays and that will enable them to move out of poverty.

These high levels of deprivation and high housing costs mean that London has been hit disproportionately hard by welfare reform. Research by the Local Government Association and the Centre for Economic and Social Exclusion into the financial impacts of the reforms found that London households claiming benefits were, on average, losing £1,300 per year from changes to housing benefit, whereas the average loss for the rest of the country, excluding London, was £940. When other changes to the benefits system are also included, this figure rises to £1,965 per year compared with £1,615 per year for the rest of the country.<sup>5</sup>

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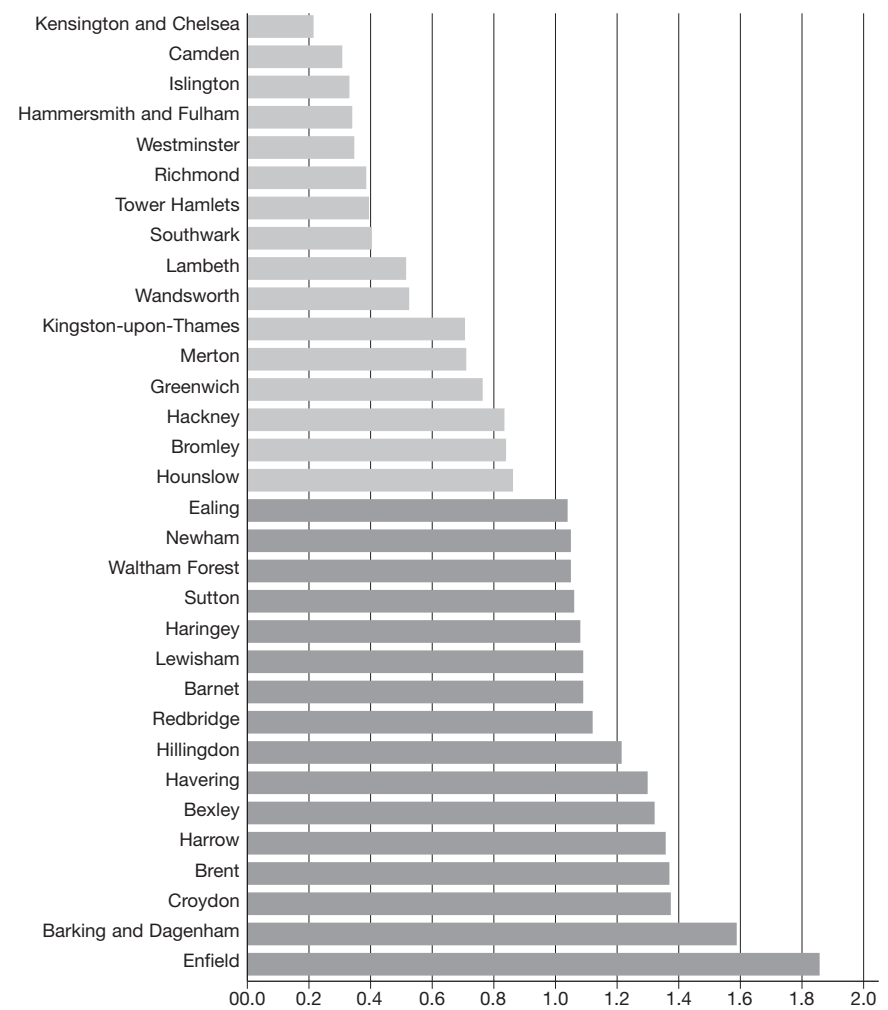
## Changes to the local housing allowance

Changes to the local housing allowance take £468 million out of the London economy each year.<sup>6</sup> London households affected by the changes, on average, lose £2,680 per year compared with £1,320 nationally.<sup>7</sup> These changes include caps on the total amount of housing benefit that can be claimed for different property sizes and capping the amount that can be claimed at 30 per cent of local rents (previously, 50 per cent). London has been hit particularly hard by these changes because of its high rents and the high proportion of housing benefit claimants living in the private rented sector. Rent levels in six London boroughs (Hackney, Tower Hamlets, Westminster, Hammersmith and Fulham, Camden, and Kensington and Chelsea) are so high that the 30th percentile point of local rents is above the national cap. This means that fewer than 30 per cent of properties in the borough are affordable on housing benefit.

In 16 of the 33 London boroughs, more than 30 per cent of private renters are claiming housing benefit. This means it is impossible for all claimants to be able to find a property in the cheapest 30 per cent and therefore be within local housing allowance limits. In Enfield, 56 per cent of the private rented sector claims housing benefit. This means that there are 1.9 households claiming housing benefit for each property within the local housing allowance limits in the borough, who are also competing with renters who are not claiming housing benefit.<sup>8</sup> As households not receiving housing benefit are also competing for these properties, there could be pressure on affordable supply, even in boroughs with a lower proportion of housing benefit recipients.

Figure 1

**Number of housing benefit claimants per home within the local housing allowance**



Source: H Aldridge, S Bushe, P Kenway, T MacInnes and A Tinson, *London's Poverty Profile*, Trust For London and New Policy Institute, 2013

These rules on the local housing allowance apply to working and workless households (unlike the overall benefit cap), meaning that starting work is not necessarily a way of not being affected. Households will always have to make up the difference between their rent and their housing benefit entitlement. In addition, they will also have their housing benefit reduced as a result of their earnings, making it harder for work to pay. Moving to cheaper accommodation is the most effective way for families to manage this change.

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## National benefit caps

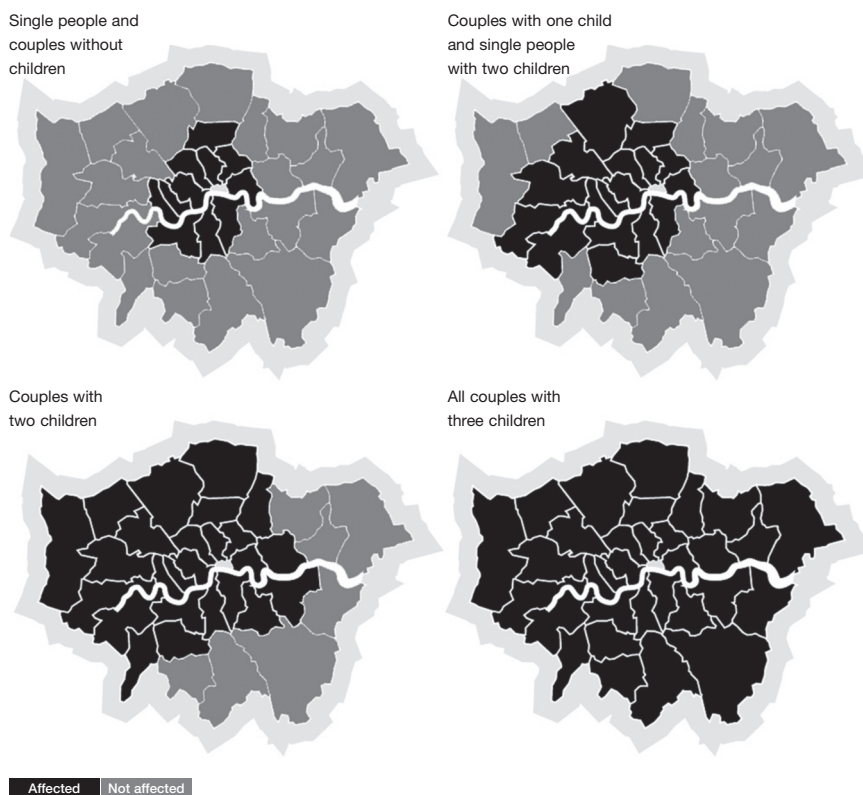
The overall benefit cap restricts the amount a family can claim in benefits to £500 per week. This change has affected a relatively small number of households – fewer than 40,000 nationally at the end of January 2014 – but the reductions have been large and focused on London. The average weekly loss per family affected is £93 – 16 per cent of income – amounting to almost £5,000 per year.<sup>9</sup> Forty-seven per cent of households affected live in London, with five London boroughs having over 1,000 households capped.<sup>10</sup> Of the 20 local authorities with the highest number of affected households, only one (Birmingham) is outside London.<sup>11</sup> Nationally, 59 per cent of households affected are lone-parent households.<sup>12</sup>

The overall benefit cap only affects workless households, meaning that a household will no longer be affected if someone works over 16 hours (in lone-parent households) or 24 hours (in two-parent households) a week. It is also possible for some households to escape the cap by moving to cheaper accommodation. However, analysis in *London's Poverty Profile* shows that this is not always possible within London.<sup>13</sup> This looked at how the cap to local housing allowance rates and the overall benefit cap affected families who were able to live in London in the private rented sector. The researchers compared the rate of the cap with the lower quartile of rents in boroughs. This showed that 11 London boroughs were unaffordable for single people. Larger families are more likely to be hit by the overall benefit cap, making more London boroughs unaffordable, with all of London unaffordable to a couple with three children.<sup>14</sup>

This analysis was based on average rents in a borough. In reality, rents can vary considerably between different areas in a borough, so there may be some pockets of affordability in a borough that is largely unaffordable. This should not detract from the general picture that London is becoming unaffordable for workless families. Families frequently said that they felt like the purpose of these changes was to get poor people out of London.



Figure 2  
**Housing affordability by borough**



Source: H Aldridge, S Bushe, P Kenway, T MacInnes and A Tinson, *London's Poverty Profile*, Trust For London and New Policy Institute, 2013

## The 'bedroom tax'

Approximately 60,000 households in London have been subject to the reduction in spare room subsidy or 'bedroom tax'.<sup>15</sup> Households that are deemed to be under-occupying their property now have their eligible rent for housing benefit reduced by 14 per cent if they have one spare bedroom, or 25 per cent if they have two or more spare bedrooms. On average, affected London households lose £21 per week – considerably higher than the British average of £14.<sup>16</sup> Twenty-six per cent, or almost 16,000, of affected households include dependent children. Families affected by the 'bedroom tax' are encouraged to move to a smaller property in the private or social rented sector. However, there is shortage of smaller properties available for families to move to. Recent information from local authorities found that only 6 per cent of households affected by the 'bedroom tax' have moved accommodation.<sup>17</sup>

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## Council tax

In April 2013, council tax benefit was abolished and responsibility for providing council tax support was devolved to local authorities, with a 10 per cent cut to funding. Twenty-seven of 33 London boroughs have adopted schemes that require minimum payments from all working-age residents. Losses for residents vary considerably between boroughs, depending on the scheme that is operating and the local council tax rates. Although the losses for households are smaller than many of the other changes (on average, between £1 and £5 per week depending on the borough), they have affected a very large number of families – an estimated 475,000 families.<sup>18</sup> This change comes alongside the well-reported rises in the cost of living and the move to uprate benefits at below the rate of inflation, making poor households gradually poorer. This is a change that many residents can ill afford. Some councils have also managed the shortfall in funding by increasing the taper rate on council tax support for working households. The Public Accounts Committee has raised concern at the effect this has on work incentives, and one advice agency reported that 80 per cent of people attending council tax sessions run with the council were paying council tax for the first time.

Karen, 41, lives with her four children and one grandchild. She refuses to pay her council tax bill:

*'I can't afford it. They can take me to court if they like and I'll tell them that it's not right and I won't pay.'*

The losses can quickly become even greater for families who fall behind on their payments. Research by the Zacchaeus 2000 Trust shows that over 52,000 households who had previously been in receipt of council tax benefit had fallen behind on their council tax payments by October 2013. Furthermore, if a household is issued with a court summons for non-payment, boroughs then charge between £74 and £126 for court costs. Families who were unable to afford their initial council tax payment will then have to pay off previous arrears and charges, as well as their ongoing council tax bills. This creates a spiral of payments and debt that is unmanageable for low-income families.

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## The cost of working in London

There is widespread belief that if a household starts working or increases its earnings, it will be financially better off and no longer affected by benefit cuts. This is the case for the majority of households, but high housing and childcare costs in the capital mean that working in London is more expensive for families.

Changes to the tax credits system made in April 2012 have made it even harder for parents to start work and make work pay. Couples must now work 24 hours a week (previously 16 hours), with one parent working at least 16 hours, to qualify for working tax credit. This change

affected 212,000 families when it was first introduced and has an ongoing effect on work incentives.

Maternal employment rates in London are 12 per cent lower than in the rest of the country, primarily because it costs more for parents to work in London. Childcare is the biggest driver of these costs and currently can mean that families are not any better off working. Recent research by the Family and Childcare Trust found that nursery costs for a child under two in London are 28 per cent higher than the British average.<sup>19</sup> On top of this, London has by far the largest variation in costs of all regions. This means that there are a number of providers charging considerably above and below this average. If a family is trying to source childcare quickly, for example after an offer of paid employment, it risks only being able to find childcare above the average cost, particularly in the more expensive London boroughs.

In April 2012, the childcare element of working tax credit was reduced to cover a maximum of 70 per cent of costs rather than 80 per cent. It has now been announced that childcare support will be increased to 85 per cent, which is fantastic news for London families. Currently, paying 30 per cent of childcare costs can prove to be an unmanageable burden for families on a low income or considering starting work, and some will even struggle to pay 15 per cent of costs. Universal credit will also enable households to claim help with childcare costs, however many hours they are working, an improvement on the current system in which lone parents must work a minimum of 16 hours and couple parents a minimum of 24 hours. Cost and availability of childcare is particularly vital in relation to welfare reform as larger families are more likely to be hit, particularly by the benefit cap. This means that work needs to be financially viable for all families.

*'Although they are saying that you can get 70 per cent, 30 per cent of the price that you pay monthly for childcare, it's so much.'*

Mother of three

#### Notes

- 1 H Aldridge, S Bushe, P Kenway, T MacInnes and A Tinson, *London's Poverty Profile*, Trust For London and New Policy Institute, 2013
- 2 Department for Work and Pensions, *Households Below Average Income*, 2013; Institute for Fiscal Studies, 2014
- 3 HomeLet Rental Index, February 2014
- 4 J Rutter and K Stocker, *Childcare Costs Survey 2014*, Family and Childcare Trust, 2014
- 5 T Wilson, G Morgan, A Rahman and L Vaid, *The Local Impacts of Welfare Reform*, Centre for Economic and Social Inclusion, 2013
- 6 C Beatty and S Fothergill, *Hitting the Poorest Places Hardest: the local and regional impact of welfare reform*, Sheffield Hallam University and Centre for Regional Economic and Social Research, 2013
- 7 See note 5
- 8 See note 1
- 9 See note 1
- 10 DWP, *Benefit Cap: GB households capped to March 2014*, DWP, 2014
- 11 See note 10
- 12 W Wilson, *The Household Benefit Cap*, House of Commons Library, 2014
- 13 See note 1
- 14 See note 1
- 15 DWP, Stat Xplore
- 16 E Bird, *Briefing: Size Criteria ('bedroom tax')*, National Housing Federation 2013
- 17 [www.bbc.co.uk/news/uk-26770727](http://www.bbc.co.uk/news/uk-26770727)
- 18 See note 1
- 19 See note 4

# Has welfare reform achieved its goals?

This chapter reflects on the extent to which welfare reform has achieved the goals it set out: reducing housing benefit expenditure; improving work incentives; tackling overcrowding; and increasing fairness. There has been progress against some of these: councils report that there is some reduction in housing benefit expenditure and they are seeing some behavioural change in families starting to look for work. However, these are at a cost. In order to reduce housing benefit claims, families often have to choose between affordability and suitability, as both cannot be achieved within the restrictions. This can mean moving to poor quality or overcrowded accommodation, or moving a long distance from schools and support networks. Although families may be looking for work, rates of moving into employment are low, and many are simply moving from out-of-work poverty to in-work poverty.

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## Reducing housing benefit expenditure

There has been a small drop in housing benefit expenditure as a result of the cut to households' entitlements. However, this has not had the hoped for effect on the rental market. It was believed that housing benefit was artificially inflating rental prices as a result of landlords exploiting the system. Since the changes to local housing allowance rates, rents have continued to rise and outstrip inflation in London, increasing by 5.9 per cent between February 2013 and February 2014.<sup>1</sup> In London, landlords have simply been able to rent to other tenants in the private sector for the same or a higher rent than to housing benefit recipients. The Department for Work and Pensions commissioned the Institute for Fiscal Studies to analyse the impact of the reforms on rent levels. It concluded that tenants on low incomes, rather than landlords, were feeling the 'pain' of the reduction in the local housing allowance.<sup>2</sup> One advice agency felt that there was price inflation in poor quality private rented sector housing, and that a quality gap was developing between housing for households claiming housing benefit and those not.

The impact on housing benefit has also been skewed by huge efforts to limit the impact on families and to prevent households reaching crisis point. Discretionary housing payments have enabled many families to stay in their homes, at least temporarily. Social landlords have also been unwilling to make families affected by welfare reform homeless, often absorbing the cost of arrears rather than evicting households. Although this allows the housing benefit bill to reduce in the short term, in the long term, decreased revenues could cause decreases in home-building programmes by social landlords, limiting supply of affordable housing and pushing up the housing benefit bill.

The need to find housing within the new local housing allowance limits has also had a large impact on the suitability of housing. Local authorities have a legal duty to ensure that suitable accommodation is available for people in priority need, including households with children. However, it is simply not possible for many boroughs to find housing that is the right size and in the right location to enable children to stay in their schools and parents to stay within their support networks. All boroughs reported an increase in use of costly and inappropriate nightly accommodation while they search for more appropriate housing. This search is becoming increasingly difficult, meaning that spend on nightly accommodation is increasing. Some councils felt that there was a mismatch in guidance from central government. Department for Work and Pensions guidance prioritises affordability and the need to find housing that is within cost limits, yet the Department for Communities and Local Government has issued guidance saying that, wherever possible, families should stay in their borough and not be moved long distances. In expensive boroughs, it is not possible to fulfil both these demands. Many councils rely on discretionary housing payments to enable families to stay in suitable accommodation that is unaffordable within these guidelines.

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## Improving work incentives

*'The stick seems to be bigger than the carrot at the moment.'*

Mother of five

Welfare reform aimed to encourage more people into work by ensuring that they were financially better off working. This has been done by decreasing the amount of working and workless benefits, rather than increasing in-work benefits. The removal of the link between need and entitlement to benefits means that many families are facing such severe hardship not working that they would be better off working, even if this does not move them out of poverty and may mean that they are still worse off than before their benefits were cut. Some of the cuts affect both working and workless families, meaning that work is not a simple route out of being affected. Families reported that they felt under more pressure to return to work than they had ever done in the past. Those who were working also raised questions about whether they were actually any better off. As discussed previously, high childcare costs in the capital make the return to work expensive for many families.

It is also worth noting that, for many families, being financially better off is not the key factor in whether or not they work. Some want to work regardless of whether or not they are better off. Others face significant barriers to seeking or finding work, separate from financial issues. It is also worth questioning whether significantly impoverishing families is an effective means of enabling parents to find work. The effort and anxiety that is necessary to manage on a reduced income and sustain a tenancy could conversely make it harder to enter or maintain employment.

## The local housing allowance changes and the ‘bedroom tax’

Changes to local housing allowance rates and the ‘bedroom tax’ affect working and workless households. For families affected, moving is a far more viable solution than starting work, as they would still need to make up the shortfall in their rent from their wages. When a working household is hit by changes to the local housing allowance rates, the rent being paid above the limit is not considered in the tapering of housing benefit. This means that if a household moves into work to mitigate the effects of the changes, housing benefit will be reduced again. Income from work will need to make up the rent above the local housing allowance rate as well as the new liability for rent. If a household is working, claiming housing benefit and hit by the ‘bedroom tax’, the full reduction is made from the housing benefit being claimed. For example, if a parent works part time and pays £100 a week rent, s/he may only be entitled to £50 housing benefit. When this household is hit by the ‘bedroom tax’, the eligible rent is reduced by 14 per cent, or £14 in this case. All of this £14 is deducted from the housing benefit the parent receives, meaning s/he now only receives £36.

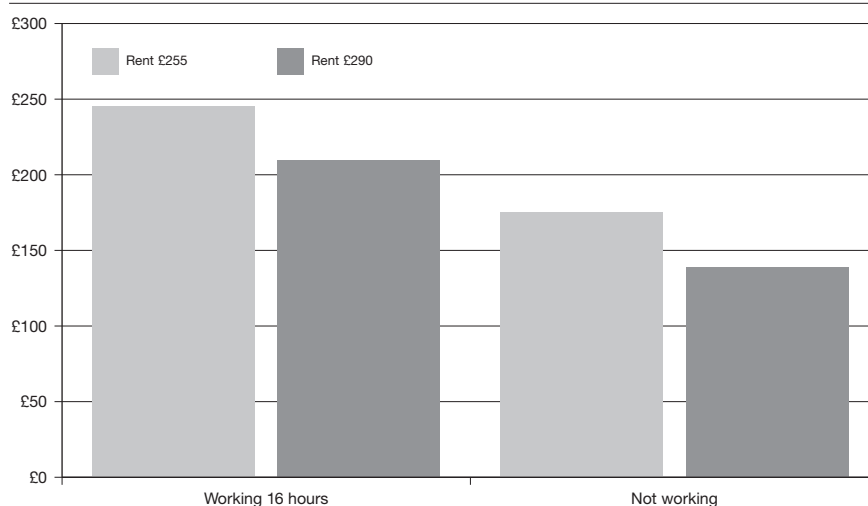
Figure 1

### Financial work incentives in the local housing allowance: example

A mother of a three-year-old child living in Lambeth rents a two-bedroomed property. She is entitled to housing benefit of up to £255.09. If her rent is £290, she must make up the shortfall from her other income, whether or not she is working.

	If her rent is £255:	If her rent is £290:
<b>If she is not working:</b>	Her weekly income is <b>£174.53</b> after housing costs	Her weekly income is <b>£139.62</b> after housing costs
<b>If she is working 16 hours a week at £6.50 per hour, paying £120 a week for childcare:</b>	Her weekly income is <b>£245.25</b> after housing and childcare costs	Her weekly income is <b>£210.34</b> after housing and childcare costs

### Income after housing and childcare costs



This family’s income will increase by the same amount, whether or not it is affected by the changes to the local housing allowance limits. A family paying rent above the local housing allowance level will always be poorer than a family earning the same amount but with a cheaper rent. The increased work incentive comes from how much poorer the family would be not working.

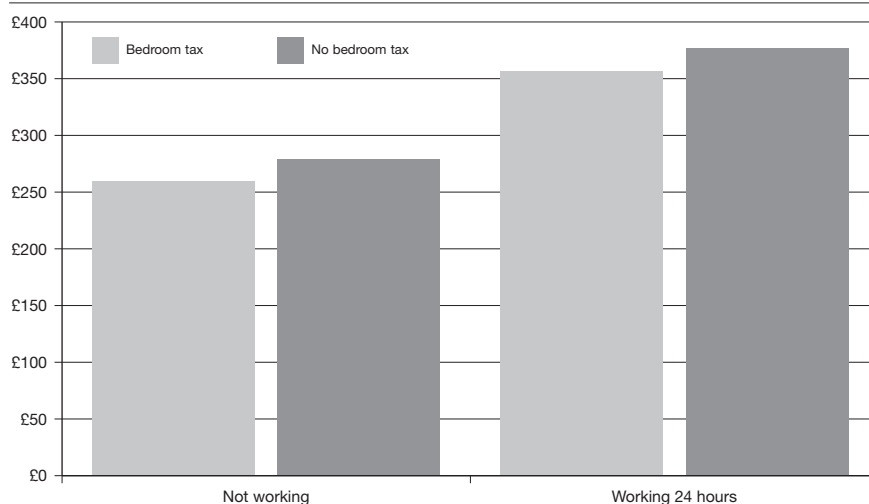
Figure 2

**Financial work incentives in the ‘bedroom tax’: example**

A couple with two children live in a three-bedroom social rented property (with a rent of £140 per week) and are hit by the ‘bedroom tax’.

	Subject to ‘bedroom tax’:	Not subject to ‘bedroom tax’:
<b>If they are not working:</b>	Their weekly income is <b>£260.05</b> after housing costs	Their weekly income is <b>£279.65</b> after housing costs
<b>If they are working 24 hours and earning £156 a week:</b>	Their weekly income is <b>£357.27</b> after housing costs	Their weekly income is <b>£376.87</b> after housing costs

**Income after housing costs**



This family’s income will increase by the same amount, whether or not it is affected by the ‘bedroom tax’. The increased work incentive comes from how much poorer the family would be not working.

**Council tax support**

The changes to council tax support are unlikely to increase work incentives, as the amount that families must pay towards their council tax increases as their wages increase. The Public Accounts Committee enquiry into the introduction of council tax support raised concerns that schemes in some areas significantly reduced work incentives. Four London boroughs (Brent, Sutton, Harrow and Lambeth) introduced schemes that increased the taper rate for working households. This meant that, as their earnings increased, the amount households were expected to pay increased more dramatically than previously.

**The benefit cap**

The benefit cap brings the greatest financial work incentive as it only affects workless households. A household can fully mitigate its effects by moving into work. However, the levels of capped households entering work are still relatively low, suggesting that affected households are facing additional barriers to work.

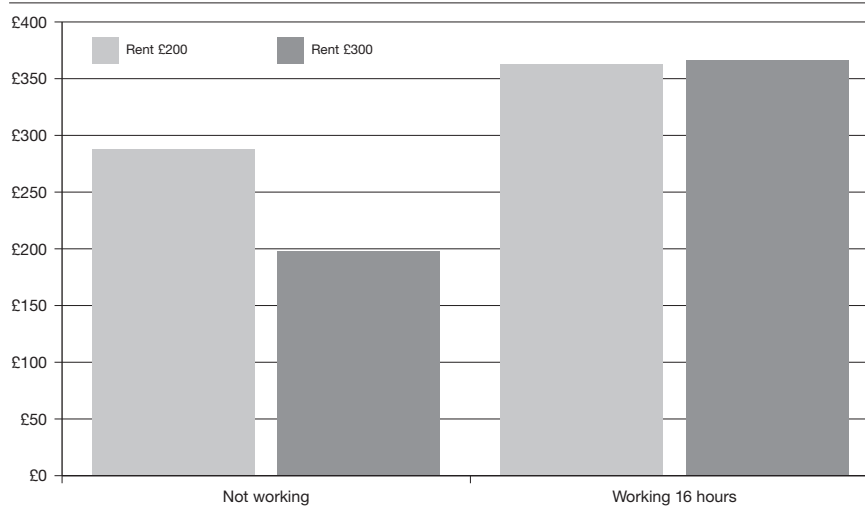
Figure 3

**Financial work incentives in the benefit cap: example**

A lone parent with three children pays rent of £300 and is hit by the benefit cap, reducing her income by £88.80. If her rent were £200, she would not be hit by the cap.

	<b>If her rent is £300:</b>	<b>If her rent is £200:</b>
<b>If she is not working:</b>	Her weekly income is <b>£197.94</b> after housing costs	Her weekly income is <b>£286.74</b> after housing costs
<b>If she is working 16 hours and earning £104 a week:</b>	Her weekly income is <b>£363.55</b> after housing and childcare costs	Her weekly income is <b>£363.01</b> after housing and childcare costs

**Income after housing and childcare costs**



A capped family will see a significantly larger increase than an uncapped family. Both families have exactly the same income when working, but the capped family is significantly poorer not working.

Despite the poverty that has been created by the benefit cap, over 70 per cent of households had not been able to become 'uncapped' by September 2013, and only 13 per cent of London capped households had started work.

Table 1

**Reasons for households becoming 'uncapped'**

	<b>Total</b>		<b>London</b>	
<b>Number of capped households</b>	38,665		18,152	
Total off-flows	10,920	28.2%	4,960	27.3%
Working tax credit claim	4,250	11.0%	2,370	13.1%
Other exemption	830	2.1%	290	1.6%
Household no longer claiming housing benefit	1,370	3.5%	590	3.3%
Reduction in housing benefit	1,480	3.8%	680	3.7%
Household benefit income below cap level	1,430	3.7%	460	2.5%
Change in household structure	130	0.3%	40	0.2%
Change in recorded local authority	200	0.5%	90	0.5%
Other	1,240	3.2%	440	2.4%

Source: Department for Work and Pensions, *Benefit Cap: households capped and off flows*, data to January 2014, 2014



The Department for Work and Pensions commissioned Ipsos Mori to conduct targeted research to assess the impact of the benefit cap prior to its full implementation. This found that the cap acted as a work incentive for almost one-third of affected households, with 29 per cent saying that they had started looking for work as a result of finding out that they would be capped. Another third (36 per cent) were already looking for work when they found out they would be capped and so did not need further work incentives. Despite these two-thirds (65 per cent) of affected households seeking work, only 11 per cent of capped households became 'uncapped' through claiming working tax credit nationally, increasing to 13 per cent in London.<sup>3</sup>

Increasing work incentives does not help tackle the many other barriers to employment that a parent may face. It is also worth noting that there is an ongoing 'churn' of households moving in and out of work, so some of those who moved into work would have done so regardless of whether or not they were capped. The London Development Agency found that its employment programmes had success rates of 20 per cent to 40 per cent of participants entering sustained employment, 35 per cent for lone parents.<sup>4</sup> This shows that providing a package of employment support has considerably higher success rates than financial incentives. Improving financial work incentives alone does not make a family with multiple barriers to working suddenly able to work and find employment.

The benefit cap has also created confusion and blurred the lines on which groups of people are expected to be seeking work. People claiming jobseeker's allowance are the only group who must be seeking work; others may need to undertake 'work-related activity' that will help improve their work readiness. Just 34 per cent of capped households are claiming jobseeker's allowance and expected to look for work. The remaining households are claiming either income support (39 per cent) or employment and support allowance (25 per cent), meaning that they are not expected to look for work because of caring responsibilities, poor health or disability. Given the strong work incentives associated with the benefit cap, this raises a contradiction in policies, whereby one policy is telling a household that they can choose whether or not to work, and another is saying that they should work. Currently, lone parents are not expected to seek work until their youngest child is five. Although many parents choose to work before their youngest child is five, the current system gives them choice about what works best for their family. However, the benefit cap is applied regardless of the age of youngest child. For many, particularly larger, families, the only way to avoid the cap is to work more than 16 hours a week, as it is not possible to reduce rent to a level that would bring them under the cap. Several councils are also adopting discretionary housing payment policies that put conditions on awards, including seeking work, further blurring lines on who is expected to work.

## Discretionary housing payments

Data from the discretionary housing payments spend in London suggests that the work incentives of the combined changes to housing benefit may not be changing behaviour and encouraging parents to seek work. Eleven per cent of households awarded a discretionary housing payment are seeking work, compared with 81 per cent who are making short-term claims for other reasons or while looking for alternative accommodation. Almost four times as many households are looking to move house than are looking for work.

Table 2

### Reasons for awards of discretionary housing payments

	Number of awards	
Help secure and move to alternative accommodation (eg, rent deposit)	408	3%
Help with short-term rental costs until the claimant is able to secure and move to alternative accommodation	4,820	40%
Help with short-term rental costs while the claimant seeks employment	1,352	11%
Help with ongoing rental costs for a disabled person in adapted accommodation	436	4%
Help with ongoing rental costs for a foster carer	34	0%
Help with short-term rental costs for any other reason	4,871	41%
<b>Total</b>	<b>11,921</b>	

Source: Department for Work and Pensions, *Use of Discretionary Housing Payments: analysis of mid-year returns from local authorities, 2013*

## Childcare

The work incentives in welfare reform are focused on making workless households worse off, rather than making working households better off. Many working parents expressed frustration at not feeling any better off working. In London, the cost of childcare provides a strong disincentive for parents to work:

*'Now with the cost of childcare, rent, everything else, you know, you're not really that much better off working I find. You know, I think before I was better off working and now there's so many changes, you're not really better off. You've got to make it worth someone's while to go to work.'*

Mother of two

Employment of lone parents and second earners in the family are vital in tackling child poverty and mitigating the effects of welfare reform. Therefore, it is vital that childcare support is available to make this happen. Table 3 shows the average childcare costs in London compared with the British average. Currently, the childcare element of working tax credit covers up to 70 per cent of childcare costs, up to a weekly maximum of £122.50 for one child or £210 for two or more children. This allows for maximum childcare costs of £175 per week for one child, or £300 for two or more children. As Table 3 shows, these maximum awards will be quickly reached if a parent has more than one child under five, or three or more children of any age. The benefit cap

disproportionately affects larger families who are hit particularly hard by high childcare costs. The government has recently committed to paying up to 85 per cent of childcare costs under universal credit. The change is very welcome and will offer a genuine work incentive for a large number of families. However, at the current maximum levels, this will still leave many London families unable to meet the cost of childcare when working.

*'I couldn't put my daughter in childcare 'cos it was so expensive. She was less than one year old. £1,000 a month and I was only earning £1,500. It's just impossible.'*

Mother of one

Table 3

**Average childcare costs**

	Nursery 25 hours (under two)	Nursery 25 hours (two and over)	Childminder 25 hours (under two)	Childminder (two and over)	After-school club 15 hours	Childminder after-school pick up
London	£140.12	£136.93	£136.40	£138.77	£49.04	£93.83
Britain, average of regions and nations	£109.89	£105.52	£99.77	£100.52	£48.19	£65.08

Source: J Rutter and K Stocker, *Childcare Costs Survey 2014*, Family and Childcare Trust, 2014

Figure 4 shows that higher than average childcare costs could exceed the maximum amount, even for only 25 hours in a nursery or 15 hours in an after-school club. The maximum amount is exceeded in London if a parent pays for two nursery places and one after-school club place, and in both London and nationally if an additional after-school club place is included.

Figure 4

**Average childcare costs**

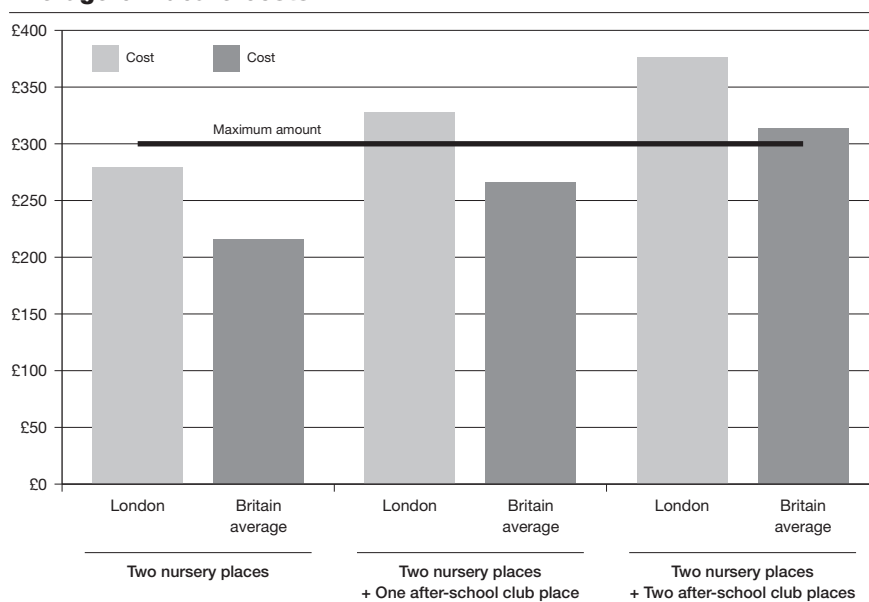


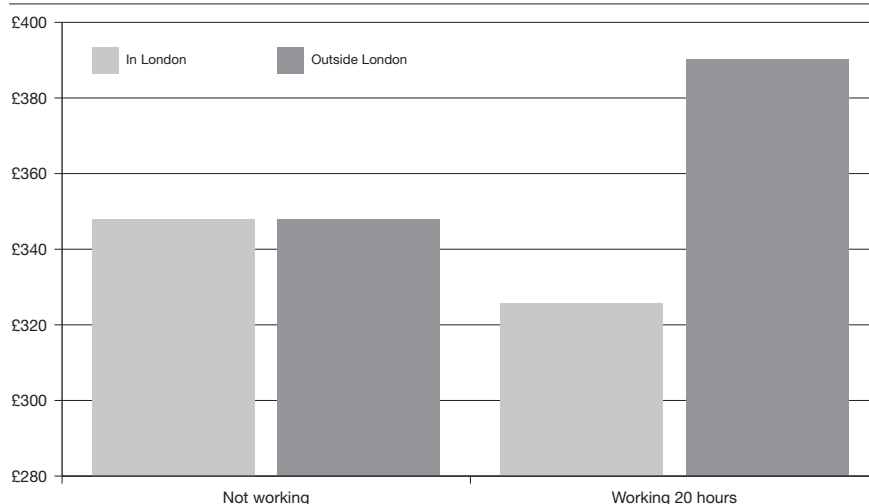
Figure 5

**Financial work incentives in childcare: example**

A lone parent has four children aged two, four, six and eight and works 20 hours a week at the minimum wage. She pays £150 a week rent. The average weekly childcare costs in London are £371.93. Outside London, the average childcare costs are £307.42. Both are above the £300 maximum amount of the working tax credit childcare element. If she lives either in London or elsewhere, she will be awarded £210 to help with her childcare costs.

	<b>If she lives in London:</b>	<b>If she lives outside London:</b>
<b>If she is not working:</b>	Her weekly income is <b>£348</b> after housing costs	Her weekly income is <b>£348</b> after housing costs
<b>If she is working 20 hours and earning £130 a week:</b>	Her weekly income is <b>£325.66</b> after housing and childcare costs	Her weekly income is <b>£390.17</b> after housing and childcare costs

**Income after housing and childcare costs**



If this parent lives in London, high childcare costs mean that she is financially worse off working, even before additional travel costs and the loss of free school meals are considered. Regardless of where she lives, she will be better off by £45 per week once childcare support is increased from 70 per cent to 85 per cent, but there will still be the same differential between households in and out of London.

**Tackling overcrowding**

The 'bedroom tax' is the main reform that was intended to tackle overcrowding. The aim of this policy was to free up larger properties that are currently under-occupied to enable them to be re-allocated to overcrowded households. However, this has simply not happened. Information provided by councils shows that just 6 per cent of households hit by the 'bedroom tax' have moved.<sup>5</sup> Instead, the benefit cap and changes to the local housing allowance have left families with the choice between living in overcrowded accommodation or moving to a cheaper area. Many families have chosen to stay in, or move to, overcrowded properties in order to keep their children in school and to maintain the support of their community.

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## Increasing fairness

Whether or not these reforms have acted to increase fairness depends largely on how you define ‘fairness’. Parents at the focus groups raised questions about whether these reforms were fair, feeling that families and Londoners were unfairly targeted.

*‘They seem to be penalising younger families, but not the older residents that have spare rooms.’*

Parent of five, inner London

The benefit cap aims to increase fairness by ensuring that no workless family receives more in benefits than an average family earns. CPAG does not believe that this increases fairness, as it severs the link between need and entitlement. However, even by the government’s definition, this policy has not succeeded as there are still households receiving over £500 a week in benefits. Up to October 2013, over 2,000 households affected by the benefit cap had received discretionary housing payment awards – 15 per cent of affected households.<sup>6</sup> In addition, the majority of these families will be receiving support in the form of council tax reduction, which is not included in the benefit cap.

The Public Accounts Committee’s investigation into the localisation of council tax support criticised schemes for providing poor protection for vulnerable groups, with some schemes only providing additional support for pensioners and war pensioners. It also highlights that the nature of local schemes means that not all local authorities are affected equally. This means that two families in the same circumstances, living a road apart, could have different entitlement to support. This criticism can also be applied to discretionary housing payments and local welfare provision, which also allow councils to decide their own criteria and which can vary significantly.

*‘They need to put someone who has normally got bare money, put them with their kids, their four kids or three kids, in a council property with that little bit of money and live for two, three months and see how the hell they live.’*

Mother

### Notes

- 1 HomeLet Rental Index, February 2014
- 2 House of Commons Work and Pensions Committee, *Support for Housing Costs in the Reformed Welfare System*, HC720, 2014
- 3 DWP, *Benefit Cap: households capped and off flows, data to January 2014*, DWP, 2014
- 4 London Development Agency, *Great Expectations: how London delivered in hard times*, Mayor of London, 2011
- 5 [www.bbc.co.uk/news/uk-26782080](http://www.bbc.co.uk/news/uk-26782080)
- 6 DWP, *Use of Discretionary Housing Payments*, DWP, 2013

## What have been the other impacts on families?

Families have had to make difficult decisions about how to cope with having their income cut. This chapter looks at the impact different options have had on families, and gives some information on the options families are choosing. It is important to note the limitations of this chapter: the real impact is being felt within the home and within the family. It is still very early to try to see this, and it might be that it is never fully understood. Will we be able to trace the impact on a child's future life of moving house and schools during GCSEs? Can we accurately determine by how much stress levels are increasing, whether these are caused by benefit cuts, and what the long term implications are for children?

It is worth noting that, despite huge efforts by councils and partner services to make people aware of the changes before they were introduced and how they would be affected, the message did not reach a large number of families. In a survey of voluntary organisations carried out by London Voluntary Services Council, 39 per cent of survey respondents estimated that over 40 per cent of the people with whom they worked were unaware of the welfare reforms or benefit changes that affected them until they were introduced. This meant that families often had to make quick decisions and find immediate ways of coping. In addition, families may not be aware of the range of support available to them, particularly discretionary housing payments.

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### Seeking work

One of the aims of the reforms was to encourage more people to start working. Some families have decided to seek work, but for others this has not felt like a possibility. A housing association advice service reported that all its capped residents had five children or more. These families were felt to be far from the labour market, with many barriers to working, predominantly childcare. Of the 141 capped households, only one had started work and one had started training, despite intensive offers of support. Some councils reported great success at enabling households to find work; others thought that only a handful of affected residents had found work as a result of the reforms. And even if parents decide to seek work, there still could be a long, difficult journey before they are able to find employment, particularly for those with multiple barriers to work.

Although the number of families that had decided to seek work varied, there was consensus among families that they were under pressure to be working. Even parents who were not directly affected by the changes to housing benefit felt that there was increased pressure from Jobcentre Plus to be working. Most councils felt that there had been some

behavioural change and that parents were now looking for work, particularly those in households affected by the cap. Officers felt that this was driven by their wanting to stay in their local area and realising that this was the only way it could be done. Some parents felt that the pressure to be working undervalued their role as parent and worried about the effect on their children if they were working long hours:

*'In Germany and some other countries in Europe they count mothers as working full time while they are with the children at home because, in reality, when you think about it, we are mothers, we're doing a full-time job, you're raising children, you're raising children for society for the future. That is a job in itself.'*

Mother of three

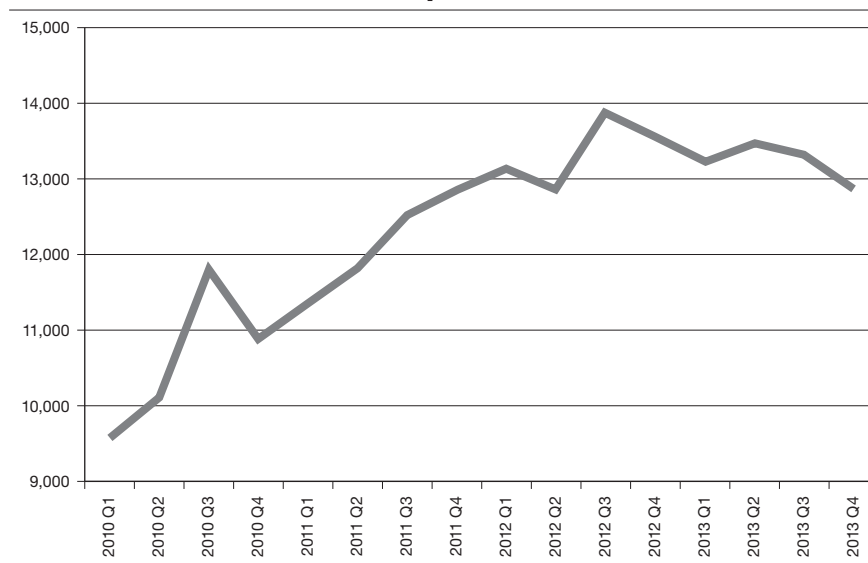
Some also said that they did not feel better off in work and instead just felt like they had more balls to juggle. Some non-working parents – even those not affected by benefit cuts – also spoke about the stress that the pressure to find work caused, including a mother with 15-month-old twins and a mother still breastfeeding.

## Homelessness

Nationally, after dramatic reductions in the number of households accepted as homeless since 2003, there has been an increase since April 2011. In London, homeless acceptances were up by 13 per cent from the previous year.<sup>1</sup> Although increasing rent arrears are a reason for homelessness, this still accounts for just 3 per cent of cases. Rather, the biggest cause of homelessness is when assured shorthold tenancies come to an end. Councils report seeing a large number of families presenting as homeless after private landlords have brought their tenancy to an end, often in preference for private renters able to pay higher rents.

Figure 1

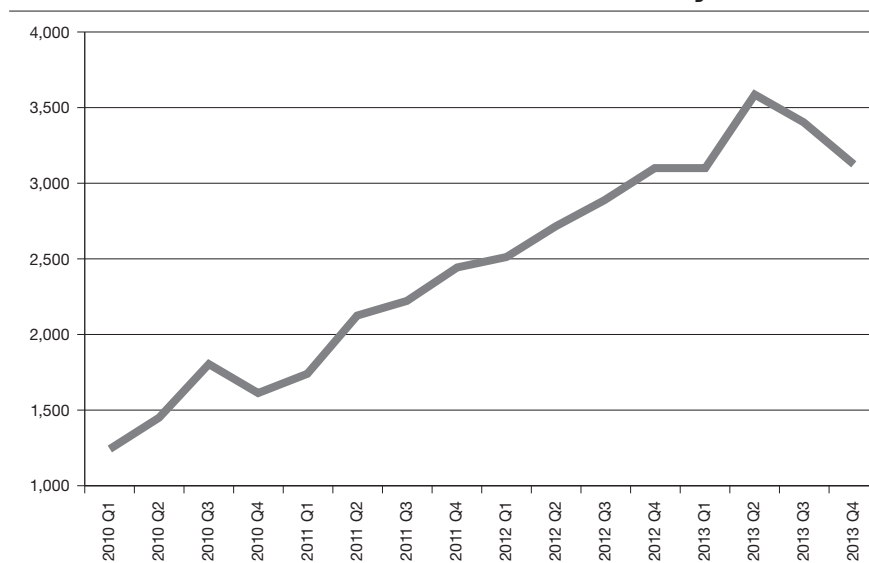
### Total number of households accepted as homeless



Source: Department for Communities and Local Government, live data tables on homelessness

Figure 2

**Homelessness due to end of assured shorthold tenancy**



Source: Department for Communities and Local Government, live data tables on homelessness

Homeless households may face a long journey before they are settled in secure accommodation. All boroughs reported a decrease in ‘churn’ in the social rented sector, meaning that fewer properties are becoming available for homeless families. This is exacerbated by an increase in ‘churn’ in the private rented sector, driven by landlords ending tenancies. Councils are struggling to secure temporary accommodation within the borough, or even within neighbouring boroughs. There were reports of families being told at the beginning of their homelessness application that they may be placed far away from London, with the result that they decided not to continue with the application. A freedom of information request by London Assembly member, Darren Johnson, has shown a large increase in homeless families with school-age children being moved between boroughs and outside London. There has been a 1,000 per cent increase in families moving outside London from 21 in 2010/11 to 222 in the first three quarters of 2013/14. The number of families moved between boroughs has also doubled, from 1,428 in 2010/11 to 2,687 in the first three quarters of 2013/14. Parents’ perception was that a large number of families were being placed out of London. In some cases, this has created an adversarial relationship between councils and residents, as parents feel they need to battle to stay in their area. The NSPCC has also expressed concern that migration of families disrupts care planning for children.<sup>2</sup>

*‘You will be moved. It’s not like you could say, ‘oh I’ve got my children in this school’, they don’t care.’*

Mother, inner London

*‘I know they want to move me to Brighton or somewhere like that. But I’m not doing it. It’s not fair and I won’t do that to my children.’*

Mother of four, outer London

Maria and her daughter are from outer south London, but have been placed in a hostel in inner London. The rent for their one room is £270



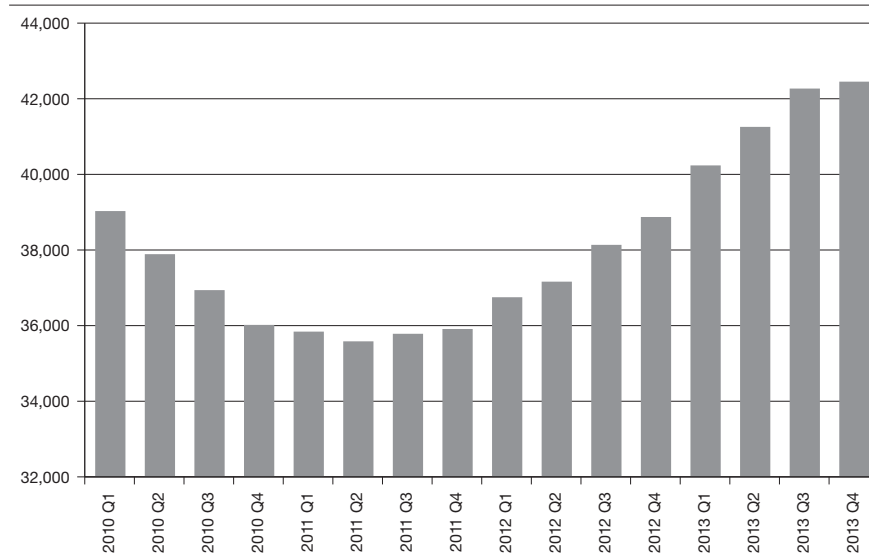
each week. Maria is desperate to move back to south London to be near her support network, but is struggling to find a property for which the landlord will accept housing benefit and which is affordable. She has only been able to find properties located a long way from where she is from:

*'So they need to look at the levels of rent, they need to look at more landlords accepting housing benefit, but it really is, it's like everyone's saying, it's dire. You can't live in London, that's how you feel, you do, it's really hard... Before I came here, they wanted to put me in Essex, with just me and my daughter, and I've already moved. That's a horrible thing to do to people. Especially lone parents that need their friends and I can't rely on her dad or my mum. I need my support system.'*

There has been an increase in the use of temporary accommodation in London. In part, this is driven by the increase in homelessness acceptances, but the pressures on the London rental market also make it difficult for councils and households to find permanent accommodation and for councils to discharge their duty.

Figure 3

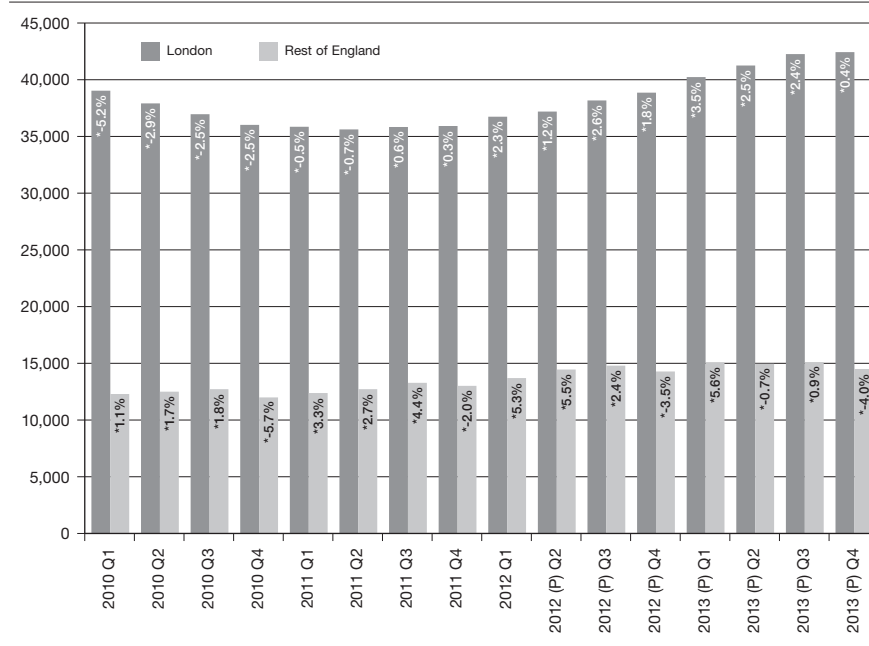
**Households in temporary accommodation in London**



Source: Department for Communities and Local Government, live data tables on homelessness

There has been a great reluctance from social landlords to evict households affected by welfare reform, even if they have fallen into rent arrears. Together with discretionary housing payments, this has prevented homelessness in a large number of households. Registered social landlords have said that they will eventually evict. Councils' homelessness duties mean that evicting residents only increases costs.

Figure 4  
**Households in temporary accommodation**



\* Percentage change on previous quarter

P = provisional

Source: Department for Communities and Local Government, live data tables on homelessness

## Moving house

Families can choose to move to different accommodation in order to be no longer affected by the reforms. If a household is affected by the 'bedroom tax', this would need to be to a property with fewer bedrooms, in the private or social sector, provided it is within local housing allowance rates. For households affected by the changes to the local housing allowance or the benefit cap, accommodation just needs to be cheaper. This usually means a choice between a smaller property, a poorer quality property or a property in a cheaper area.

Most families expressed great reluctance to leave their local area and fear about what they saw as a constant risk of being forced to move far from London. This was largely unpopular with families who wanted to maintain stability and keep their children in the same schools. One council officer told of a parent who was making a three-hour round trip, twice a day, in order to keep her child in the same school after moving to outer London. Councils are keen to enable families to stay in the area, but some are struggling to find ways to keep households local. Others have made the decision to support families to find suitable areas outside London and provide residents with information about where they could move that would be cheaper.

However, it must be recognised that, for a large number of families, staying in the area is the highest priority. One local authority reported that 80 per cent of new housing benefit claims are being made with a shortfall, showing that families are choosing to go without rather than

sacrifice their location. One adviser working in inner London said that most of his capped clients were new migrants who had been moved around the country a number of times and so stability was highly valued. The education of their children was their first priority and, after a long time of chaos, they were not willing to move schools again.

Moving to a new area can also mean sacrificing support networks, and this is particularly notable when it comes to informal childcare arrangements. The high cost of childcare in the capital means that informal childcare can help work to pay for London's families. Research into informal childcare by the Daycare Trust shows that families in London are significantly less likely to use grandparent childcare (18 per cent) than the national average (32 per cent). If families are forced to move out of their area, this low percentage could decrease further.

An inner London mother talked about her friend's decision to leave the area:

*'She has three children and the rent in Camden is very high, but because of the benefits cap she has no choice, she has to move to another area, and the worst part is the children are doing their GCSEs and the family are going through changes and the family are not coping at all. How much they have been affected through these changes. And the other thing is that it is so, so difficult to find a place. There is none, with that amount of money. So, for example, the children, they will be affected because of these changes, although they have been working for so long in this area. They were born in this area so it's just when you think, how much they are getting, society, where they live, because of this benefits cap.'*

Another parent was making up £100 per week shortfall in her rent from her child maintenance so she could stay in the area. Her child has health problems and so she wants to maintain the support from her school and community:

*'I'm a single parent as well and I don't even want to move from where I live, the little area where I live, because I'm so heavily dependent on neighbours and community who will help me, people I can call on and I can go to. My daughter's in school and so it's really important to me... Of course, you can in theory move people out of London, but if you're heavily dependent on your community that means everything.'*

There is concern that families are choosing to live in overcrowded or poor quality accommodation in order to stay in their area. Most councils said that they had seen a significant number of families make this choice. There is evidence to show that living in overcrowded accommodation has serious detrimental impact on a child's health, education and wellbeing.<sup>3</sup> Problems with poor quality accommodation are now exacerbated by housing repairs falling out of the scope of legal aid. One adviser said that this left them with very little power to ensure that landlords maintain accommodation to a high standard.

*'My house is literally dropping apart. I can't keep food in the house. If I put biscuits or a loaf of bread and leave it on the side, by tomorrow morning mould would have taken over. You've got mould falling off, you can't brush*

*the walls right, you don't touch the walls because you will get it on you.'*

Mother, inner London

The Department for Work and Pensions' report on the effect of the local housing allowance changes raises serious concern about the sustainability of the rental market in London, meaning that more families may have to leave their area in the future. It found that landlords in Brent, Hackney and Westminster were already acting to reduce the proportion of lets to local housing allowance tenants and some larger properties were being converted into smaller units. It also found that 'advisers in the four London case study areas noted an increase in the number of landlords exiting the housing benefit market, primarily due to the reduction in rental yields.' The National Landlords Association found that there has been a 50 per cent drop in the number of landlords taking people who are on benefits. Nationally, only 22 per cent of the landlords surveyed were willing to take claimants.<sup>4</sup> This means that, even if a family is willing to move to cheaper accommodation, they may struggle to find a landlord willing to take them. High London rents mean that they may have to move long distances to find affordable accommodation, possibly outside London. The on-flows of housing benefit claimants at local authority level since the reforms have reduced most sharply in the London central areas, where local housing allowance rates are less likely to match average rents. The anticipated displacement of existing local housing allowance households in these areas has not yet taken place. The transitional measures, such as discretionary housing payments, appear to have temporarily blunted the impacts in London and tighter private rented sector markets elsewhere (such as York and Cambridge), as they were partly intended to do.<sup>5</sup>

*'I mean, the way they've worked out rent and the cap on rent, it's very unrealistic isn't it? I mean, it's £250 for a two-bed. I don't know. I don't understand where they got those figures from. Is it an average of all the housing across London? You can't get a two-bedroom for that.'*

Mother of two, inner London

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## **Relying on discretionary housing payments**

Some families are being awarded discretionary housing payments to enable them to stay in their home while they find a long-term solution. For these families, discretionary housing payments provide the lifeline that is preventing a crisis. However, the temporary and discretionary nature of these payments means that instability still exists. This is heightened by the decision of many councils to apply conditionality to the payments, to encourage households to find a stable solution to their rent shortfall. This could mean requiring them to provide evidence of having looked for alternative accommodation or work, or to engage with services in the area. A judicial review on the legality of imposing conditionality on discretionary housing payment awards is currently being taken against Westminster Council.

The very nature of discretionary housing payments creates uncertainty and insecurity. Applicants must answer a number of personal questions without any guarantee of being successful. Although most councils award payments to cover arrears that have built up since they were affected, families have to deal with the stress of arrears mounting while the application is processed. One family told us that their council had a five-month delay on processing applications, leaving them at risk of eviction if they could not make up the rent shortfall in the meantime. Although councils accept that some households will be awarded discretionary housing payments almost indefinitely, the system is not fully understood by those using it. One mother said that she was awarded a three-month payment and has since been making up the shortfall using all her child support. She viewed the payments as a one-off award, without the possibility of making additional applications. There have also been issues around making families aware that these payments exist, which accounts for lower than expected applications in many boroughs.

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## **Change in family structure**

One option for families who have been capped is to change their family structure in order to avoid the cap. This could mean moving a working partner into the household, being unable to end a relationship with a working partner, or encouraging older children to move out of the family home. One capped family comprised a mother living with her four children, including her 16-year-old daughter who had her own baby. They were aware that the household would become 'uncapped' if the daughter and her baby moved into their own home, but were unwilling to do this, given the extra support that could be provided by her staying in the family home. Some councils were aware of occasions when working or disabled partners had moved into the home to ensure cap exemption. The impact of changes of this nature will be on an individual, family level, and very hard to quantify.

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## **Coping on less**

*'Is it food versus bills – what is it?'*

Mother of one

All benefits are now uprated below the rate of inflation, meaning that families who receive benefits as part, or all, of their income are getting gradually worse off. In addition, many workless households are paying council tax for the first time, and many have had their income cut as a result of one of the other changes. Some boroughs have also adopted a discretionary housing payment policy that includes a shortfall between the rent shortfall and the award, meaning that households must make up the difference from other income. Families are facing severe cut-backs and hardship. Many express a real fear for the future, not only

about how they will make ends meet, but also that people will be driven to desperate measures. One parent talked about the effect on teenagers growing up without the things their friends had and feared that it could mean that young people were more likely to turn to crime.

*'I don't understand how they work it out, 'cos benefits are supposed to be the minimum you can live on and they've said that this [council tax] is compulsory and how can they do that?'*

Parent of five, inner London

*'I've been working in the field for 15 years, but I'm seeing the highest level of material deprivation at the moment. Families are going without beds, carpets, cookers, and changes to the community care grant mean that Brighthouse [weekly payment retailer] is often the only way that households can get these goods.'*

Advice Agency

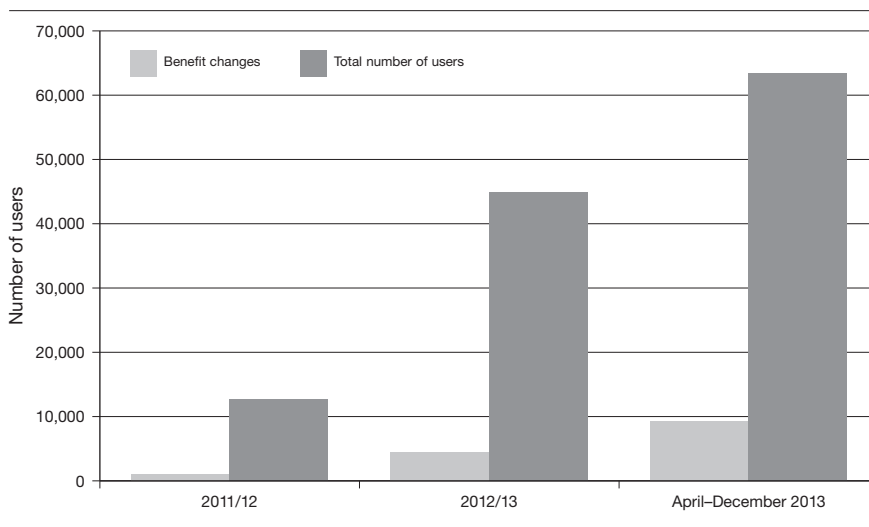
*'How are we supposed to feed our kids healthily when we've got no money?'*

Mother

Many families talked about cutting back on visits to friends and family, and working out when to shop in order to get reduced-price food. For many families, coping on less can very quickly mean cutting back on food and heating. The Trussell Trust, which co-ordinates the only network of food banks in the UK, has seen a huge increase in demand for its services. Over 63,000 people used London food banks between April and May 2013, compared with just fewer than 13,000 in 2011/12. The Trussell Trust records the reason why people have had to use a food bank. Benefit changes is the fastest growing reason for people attending, rising from 1,010 cases in 2011/12 to 9,166 between April and December 2013, and accounting for 7.9 per cent of cases in 2011/12 and 14.5 per cent in 2013.

Figure 4

**Use of London Trussell Trust food banks**



Source: The Trussell Trust, London Nationwide statistics

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## Emotional impact

Families frequently spoke of the stress that they and others felt as a result of the reduction to their income. They talked about having to make difficult decisions about what they would go without and how they would cope. Parents worried about the impact their own stress was having on their children. One advice agency said it had seen an increase in cases of domestic violence, which it believed was caused by the financial stress people were facing. It also said that it had to spend more time with clients who were increasingly distressed.

*'Also the stress of your mother, to see your mum stressed. Some mums say they can't go to sleep at night, that's really emotionally distressing when they [children] watch.'*

Mother

Financial worries within the household are a major source of stress between couples and in other family relationships. Relate sums up the effect this can have on a family:<sup>6</sup>

Debt issues and entrenched money problems can additionally increase parental conflict, and worsen maternal health and the quality of parent-child relationships – all to the detriment of the children.

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## Debt

For many families, debt has been the only way in which they have been able to make ends meet, most commonly by falling behind on bills such as rent, utilities and council tax. Advice agencies agreed that it was quite normal for families not to seek help until they were already in arrears. Despite huge efforts from councils and services, some families were not aware that their benefits would be cut until they saw less money coming into their account. One mother said that she was only told a week before she was capped. This same parent decided not to pay her council tax, as it was a further expense that she did not feel she could afford and had recently been issued with a court summons. If a family find out at short notice or retrospectively that their housing benefit will be significantly reduced, it is almost impossible to avoid falling into debt or arrears. The family will then also have to manage debt repayments out of their already limited income, causing long-term strains on their income. Researchers following families affected by welfare reform in the north of England found that the families with whom they were working were increasing their debt, on average, at the rate of £52 per week.<sup>7</sup>

Talking about discretionary housing payments and other financial support schemes:

*'People don't want a lot of personal questions without any guarantee of success. Wonga often seems like a better option.'*

Council officer, inner London

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## **Income maximisation**

For some families, cuts to their benefits has prompted engagement with advice services, enabling them to claim benefits for which they had not previously applied. The benefit cap does not apply to any household in which there is a claim for disability living allowance or personal independence payment or someone in the 'support group' for employment and support allowance – all benefits for people who are ill or have a disability. Around 290 capped households in London who were initially capped were then exempt, most probably by making a new claim for one of these benefits. Councils said that stigma had meant that some families had previously decided not to claim. In some other cases, contact with the council or advice agency brought to light unmanageable debt with which a family had been struggling for many years and created an opportunity to make the repayments more manageable.

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## **Impact on the wider community**

In some boroughs, application forms for discretionary housing payments and local welfare assistance ask applicants to first apply for grants from charities or borrow money from friends or family. This risks spreading poverty among the wider community. Given that these are likely to be informal transactions, it is hard to know how widespread the practice is.

If families do need to move from their local area, this affects their ability both to receive and give support to their local community. Their ability to receive support, for example through informal childcare arrangements, has already been discussed. Many parents may also be giving support by caring for extended family members or by providing informal childcare. This could place an additional strain on social care services or affect the ability of others to work.

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## **Unknown impacts**

These changes affect domestic situations and ways of life. All councils talked about a number of families where they simply did not know what was happening or how they were coping. There are many families who will simply find their own way of coping, and it is hard to know what this is. Councils are unable to track what happens to households above the local housing allowance cap who have left the borough or stopped their claim, limiting our insight into the choices being made and the impacts these are having. One advice agency said it felt like it was only seeing the tip of the iceberg.



## Notes

- 1 [www.publications.parliament.uk/pa/cm201314/cmselect/cmworpen/720/720.pdf](http://www.publications.parliament.uk/pa/cm201314/cmselect/cmworpen/720/720.pdf)
- 2 House of Commons Work and Pensions Committee, *Support for Housing Costs in the Reformed Welfare System*, HC720, 2014
- 3 For example, *No Space at Home*, 4in10; Office of the Deputy Prime Minister, *The Impact of Overcrowding on Health and Education: a literature review*, 2004; *Full House: how overcrowded housing affects families*, Shelter, 2005
- 4 See note 2
- 5 C Beatty, I Cole, R Powell, R Crisp, M Brewer, J Browne, C Emmerson, R Joyce, P Kemp and I Pereira, *Monitoring the Impact of Changes to the Local Housing Allowance System of Housing Benefit*, DWP, 2013
- 6 Relate, *Measuring Child Poverty: a consultation on better measures of child poverty*, Relate, 2013
- 7 Northern Housing Consortium, *Real Life Reform*, Report 3, March 2014

# What has been the impact on services?

Councils and advice services invested a huge amount of resources into responding to welfare reform. Despite the existing pressures on services and reductions in funding, the majority have prioritised an effective response to support vulnerable residents. Largely, this work has been successful and has enabled them to focus on working with families to mitigate the effects of welfare reform, rather than firefighting when crises have arisen. The impact on planning for this has been immense, and the administration of discretionary housing payments requires substantial ongoing investment. It is worth noting that councils have invested in this resource at a time when they are facing unprecedented pressures. As well as mitigating the effects of welfare reform, many face decreases in income through absorbing the reduction in funding for council tax support, all have faced year-on-year cuts to their general funding, and are newly administering local welfare assistance and discretionary housing payments. The majority of councils we spoke to were concerned for the future and how they would be able to continue this work as their own funding pressures become more acute and pressures in the housing market increase.

The voluntary and community sector also faces significant challenges as a result of welfare reform, coupled with other cuts to funding. London Voluntary Services Council found that:<sup>1</sup>

*The Big Squeeze 2013* results suggest that London's VCS organisations are continuing to adapt and innovate in order to try to meet the growing needs of Londoners, but it is hard to see how they can continue to develop to meet the rapidly increasing needs if these financial and policy pressures continue in the years to come. The cumulative impacts on Londoners and VCS organisations mean that there is little flexibility to rise to new challenges and it is difficult to see how this problem of growing needs and decreased income will be resolved. There is a limit to how far the sector can stretch and very real concerns that it is unable to stretch far enough to fill the growing holes in the state safety net.

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## How have councils responded?

The large financial and social risk involved with welfare reform has meant that councils invested considerable resources into planning and implementing their responses. There was a clear formula for the most effective responses: it was prioritised and scrutinised by members; there was senior officer (director or assistant director level) leadership; the third sector and Jobcentre Plus were included as equal partners; and there was cross-department working within the council. This enabled many councils to be able to offer affected households support to evaluate their options and to take action on their chosen course. Many

councils set up teams with one entry point, where residents could get advice and support on employment, housing, benefits and money management.

The challenge for councils was to ensure that all residents were fully aware of how they were affected, taking action to mitigate risks to their own finances and household stability. The challenge of getting the right information to the right people should not be underestimated. Even putting aside the data challenges involved in working out the cumulative effect for a household, there was the challenge of enabling affected households to understand fully what was happening. Households might not open post, speak or read English, or believe that it is possible for their income to be reduced so dramatically. Councils and advice agencies said that it was common for residents to be incredulous and initially to assume that a mistake had been made. The most successful councils used a range of channels to communicate with residents and got in touch with them repeatedly to help ensure the message was heard. Several said that home visits were the most effective way of communicating the changes. One council took a '10 touch' approach, whereby all affected residents had 10 different contacts about the changes.

The most successful councils have been aware of the holistic effects of these changes, and have ensured that all council policies are complementary and support their response. This includes reviewing how they collect debt, allocate housing and prioritise households for support services.

The challenge for councils now is to ensure that the huge amount of work that has been put into welfare reform is continued and feeds into ongoing council work to reduce poverty. Many councils felt that this mass engagement exercise had given them insight into their residents, including how best to communicate with them and meet their needs. It would be worthwhile for all councils to evaluate the lessons learnt from this work in order to improve their ongoing engagement with residents.

This multi-disciplinary approach adopted by many councils is the most effective way to tackle poverty, beyond welfare reform. This has particularly been the case where Jobcentre Plus staff have been seconded to councils, enabling the joining up of Department for Work and Pensions expertise with local knowledge and links with employers within the council. The working groups that have been set up should be continued and their remit expanded in order to lead the council response to poverty reduction.

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## **The struggle to give accurate advice**

Frontline staff said they had found it difficult to keep up to date with the changes in order to be able to give accurate advice. In one advice agency, staff who had focused purely on housing law now had to become experts in the benefits system, which posed a considerable challenge. Some local authorities took on this challenge by providing

information to other agencies within the borough, both about the changes that were taking place and how the council was responding. The speed and complexity of the changes meant that additional staff time had to be spent on training and individual learning in order to maintain a high level of customer service.

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## **Improved joint working**

The high level of risk involved with welfare reform has forced services to find new ways of working. One of the most positive aspects of this has been improvements in joined-up working between different council departments and between different organisations. This has worked most effectively when senior staff from different services have come together to share joint priorities and then effectively mobilised staff to realise these. For example, in some boroughs, council staff are running council tax advice sessions from advice centres. This was felt to work particularly well as it meets the needs of the client group and enables issues to be resolved there and then, rather than by a referral to a different service. Some councils also said that partner agencies in the borough had played a crucial role in ensuring that the message about benefit cuts reached all residents. These councils prioritised good communication with partner organisations to ensure that they were well informed of the changes and the services available to support residents. This helped to get the message to families who were not engaged with the council.

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## **Employment support**

Councils and other services prioritised providing effective employment support so that households could increase their income. There was great variation in how well this worked. In some areas, Jobcentre Plus staff were seconded to the council to work with residents affected by welfare reform. Councils all felt that this had been useful in supporting residents and joining up employment services in the borough. However, most of these secondments are now coming to an end and councils expressed concern about losing this resource. Councils that have seen low numbers of families moving into employment felt that some of the families they worked with faced multiple and complex barriers to work. These parents face a longer journey into employment and councils felt positive about supporting them in it.

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## **Uncovering areas for improvement**

For some councils, this offered an opportunity to examine how they do business. As a result of different departments working more closely together, they were able to identify where improvements could be made – for example, in their debt collection policies.

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## **Changes to legal aid**

Restrictions on eligibility for legal aid have posed additional challenges for advice services, which are struggling with complex cases, for which they are no longer able to get legal aid but where families are desperately in need of support. In some cases, this was exacerbated by pressure within the organisation to re-prioritise these cases, meaning that these households risked being left without support. For example, one advice agency talked about immigration issues, for which legal aid used to be available. It cannot now get legal aid, nor does it receive any funding to offer support in this area, and so is being encouraged to turn away clients. Where it is still possible to get legal aid funding, issues were raised about the quality of representation that was available through legal aid.

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## **Change in priorities**

Cuts and changes to the welfare system have meant that the needs of certain groups have increased and services have had to find a way to meet them. That has often meant de-prioritising other groups, even though their needs are not decreasing. One advice agency said that its client base had previously been predominantly pensioners, but was now predominantly working-age households. This raises concerns about how de-prioritised groups are getting their needs met. Could we be risking a future increase in pensioner poverty if benefit uptake services are de-prioritised? Another service said that it had had to limit its appointments for employment and support allowance applications to one hour because there were so many other demands. It had also found that its success rate on employment and support allowance appeals had decreased, perhaps due to the limited time it could spend on them.

However, there were also positive consequences of changes in priority. One council thought that its work with the local Jobcentre Plus had been useful in changing ways of staff thinking. It felt that the culture had started to change to support disadvantaged groups and to offer holistic support.

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## **Council tax reduction schemes**

Each council has had to devise and implement a council tax reduction scheme. Central government provided additional funding for set-up costs, but there is no additional funding for ongoing administration costs. The vast majority of councils are now collecting from a larger group of people, many of whom are new to paying council tax. These groups are more likely to fall behind on payments, meaning reduced revenue for councils alongside higher collection costs. The Zaccheaus 2000 Trust will be producing a report this year looking at London councils' schemes and the costs associated with them.

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## Risk management

Welfare reform presented considerable risk for councils. As landlords, households falling into arrears as a result of a decrease in their benefits could have a large detrimental impact on their finances. If they have a housing duty towards households, there is little benefit in eviction, as they will simply need to rehouse them. In order to manage this risk, councils have taken action to support residents to be able to pay, but have also had to plan their finances with the risk of reduced income. For some, managing this risk was the key driver of their work. For others, the risk acted as a catalyst for looking at how they could provide holistic support to residents to enable long-term progression.

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## Insight into needs and engagement

One of the greatest challenges for councils was getting the message to all affected residents. Many of those affected had significant barriers to engaging with the council or other services, and the changes are extremely complex. Some boroughs understood the need to focus their effort on getting the message out, and used several channels of communication and maximised relationships with partner organisations. Investing time in working with partners was excellent 'value', as they were passing on accurate information to affected households. The majority of councils expressed some surprise about what had or had not worked. It is crucial that councils now invest in ensuring that they fully understand the lessons that can be learnt from this work and that these are used to inform future work. Given current funding pressures, all councils are struggling with how to carry on delivering a good level of service with considerably less money. However, it is crucial that this is prioritised in order to improve ongoing communication with some of their most vulnerable residents.

This intensive communication has also provided an insight into the needs of residents. This is particularly true for housing teams who are used to working with an automated system, but are now engaging far more closely with residents. In many areas, this has been a really useful development. One council said it now felt like it was standing side by side with residents, working together to find solutions. However, another said it felt like the full benefits had not been achieved: some residents were aware of the duty the council had to them, and refused to engage constructively. Rather than improving relations, it felt like the changes were driving a wedge between resident and council.

### Notes

- 1 T Cohen, *The Big Squeeze 2013: a fragile state*, LVSC, 2013

As a result of these reforms, £2.9 billion will be taken out of the London economy each year. The effects of this will be long term and cumulative. The overall welfare cap (or AME cap) locks in these cuts, meaning that future governments will not be able to invest in social security. To date, many of the impacts have been blunted by effective forward planning by councils, discretionary housing payments and peoples' ability to build up debt. Councils fear what will happen in two years' time, when the cost of the private rented sector will have increased even further and discretionary housing payment funding is not guaranteed. Parents expressed fear for the future, driven by uncertainty about whether they would be able to stay in London and possible rises in crime.

*'People are going to feel like they haven't got a place in society, you know what I mean, because most people are going to get kicked out of their houses.'*

Mother, inner London

However, a number of affected households have also been able to increase their income by starting or increasing work. Many more have begun a journey into work. It is possible that increases in employment will reduce the losses to the local economy. It has also been announced that, in future, working parents will be able to claim up to 85 per cent of their childcare costs. This will help to make work affordable for a large number of families. However, rents and childcare costs continue to rise in London at rates that dramatically outstrip inflation. Despite this additional help, caps on rents and maximum levels of support available for childcare could make it near impossible for families to stay living and working in London.

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## **Discretionary housing payments: a welcome sticking plaster**

Councils have been awarded additional funding to support households who need additional help with their housing costs. The total funding for discretionary housing payments was £165 million in 2013/14, reducing to £135 million in 2014/15, and it is unclear what the levels of funding will be from 2015 onwards. The reduction in funding from 2013/14 to 2014/15 suggests that there is an expectation that demand will decrease over time, and there will therefore be possible further reductions in funding. However, this assumption is not accurate. Families affected by welfare reform have had poor awareness of discretionary housing payments and limited understanding of how they work. Many councils said that they did not initially receive the expected number of applications, most likely as a consequence of this poor awareness. As this source of help becomes more established, we should expect awareness and, therefore, applications to increase. Increases to rents in London show no sign of slowing down, meaning that we should expect rises to be significantly greater than the 1 per cent uprating of

local housing allowance rates (4 per cent in targeted affordability fund areas). The benefit cap is a fixed rate that will not be increased in line with inflation. Therefore, more and more households in London will face a shortfall in their rent and the shortfalls will get larger, so they will possibly seek help from discretionary housing payments.

Data was released on how discretionary housing payments had been spent from March to September 2013. Twenty-four of 33 London boroughs returned data on spend. The half-year data showed that, on average, councils had spent just 22 per cent of their discretionary housing payment funding. Spend varied significantly between councils: Barking and Dagenham spent just 9 per cent of their allocation, compared with Southwark which spent 63 per cent. This suggests there is great variation in the allocation system and awareness of the fund in different parts of London. The data also included information on the purpose of the award (see page 24).

Given that only 3 per cent of these awards are to enable residents to move house, the rest must be seen as ongoing commitments, at least in the short term. Although only 4 per cent of awards have been made to support ongoing rental costs, it is likely that there will be an ongoing demand for some of the short-term awards. Given the issues already discussed on the difficulty for some households of finding cheaper accommodation or work that pays, it is likely that the process of moving off discretionary housing payments will be a long one. Councils will also need to decide how to work with households where there is no clear solution to their rent shortfall. For example, take a lone parent with over five children already living in social housing, with multiple additional barriers to working. High childcare costs could make it near impossible to find work which does not drive the household significantly deeper into poverty. The barriers to working may also take several years to tackle. In this situation, awarding discretionary housing payments for a number of years seems the only viable solution. This would enable the parent to overcome the barriers to work and the children to grow older, thus reducing childcare costs. The combination of these factors means it is unlikely that demand for discretionary housing payments will decrease over time in London. It is vital that funding is maintained and that work is done to ensure that households are aware of the fund and how to apply.

Councils have been able to decide their own criteria for providing payments, based on what will be most effective in their local area. Many councils have relaxed their criteria as a result of a lower than expected number of applications. This means that if, as the evidence above suggests will be the case, the number of applications increases, councils will need to tighten their eligibility criteria. Several interviewees already reported that they felt the increased level of discretion in the system was increasing a sense of unfairness, and this further level of discretion risks families feeling there is a postcode lottery, in which support varies depending on where they live.

Any discretionary award increases the administrative burden on applicants and the awarding agency. Some services were concerned



that families were being put off from applying for discretionary housing payments by the long form that asks a number of personal questions. Any change in circumstances also requires a new application to be made. One mother had been waiting two months for her application to be processed. During this time, her daughter had given birth and she was now worried that she would have to make a new application, meaning an even longer delay. Councils need to assess each application individually to decide whether an award can be made, which is a lengthy process for organisations which are expert in automated applications. Some councils are already prioritising applicants to such an extent that it is almost an automatic award. If the Department for Work and Pensions enabled councils to use some of the funding on a non-discretionary basis, it would help payments reach priority groups and decrease the administrative burden on councils. Automatic groups could include lone-parent families with children under two.

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## **Financial losses to the local economy**

In some boroughs, as much as £3 million is being taken out of the local economy. At this stage, it is too early to see how great the effect of this will be. As discussed, 73 per cent of capped households are still capped and are coping on less money or discretionary housing payments. Given that so many are managing on less, there is inevitably less money being spent in the local area, potentially affecting local business. In the long term, this could impact on employment opportunities, as businesses need to make savings to match reduced income.

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## **The introduction of universal credit**

Universal credit aims to simplify the benefit system and ensure that households are better off working. This system will make it easier for families to apply for the benefits to which they are entitled and to move in and out of work. However, monthly payments will provide a considerable challenge for a large number of claimants.<sup>1</sup>

Currently, the benefit cap is implemented by reducing entitlement to housing benefit, but it is not possible to reduce payment of other benefits, even if the total amount being paid is over £500. This means that there are a small number of households who are receiving only 50p housing benefit (necessary for administrative reasons) but are still over the £500 cap. Once universal credit is fully introduced, it will be possible for these households to be capped further from their single payment. Whereas currently these families are able to cope through running up rent arrears and/or claiming discretionary housing payments, this change could have devastating effects when they are awarded less money for everyday living costs. It is not yet clear whether these households will be protected under transitional arrangements in line with the promise that no one will be worse off when moved onto universal credit.

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## **The welfare cap**

In the 2014 Budget, the government passed a 'welfare cap', which will set a ceiling on the amount that can be spent on social security, benefits and tax credits. This cap acts to tie the hands of future governments, locking in austerity cuts for the long term and making it considerably harder for them to take direct measures to reduce child poverty. This will pose a particular problem for London families who are already close to being priced out of London by restrictions to housing benefit. Housing costs in the capital continue to rise and this cap prevents housing benefit from being able to rise accordingly.

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## **Funding cut for local welfare assistance schemes**

In April 2013, councils were given the responsibility of providing support through local welfare assistance schemes to people in urgent need following an emergency or unforeseen event who do not have any other source of help. At the same time, parts of the social fund were abolished, with the expectation that this funding would meet that need. From April 2015, the Department for Work and Pensions will no longer provide funding for local welfare assistance and councils will need to find funding from their general grant in order to continue their scheme. Given the cuts to their funding, it is likely that many will no longer provide schemes and many more will restrict eligibility in order to reduce spend. Given the hardship that families are facing as a result of welfare cuts, this emergency help is needed more than ever. If the money is not available from April 2015, we are likely to see an increase in destitution and debt.

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## **Increase in child poverty**

The Institute for Fiscal Studies projects that relative child poverty will increase from 17 per cent in 2011/12 to 22.5 per cent in 2020/21.<sup>2</sup> This increase is attributed to a range of social and economic factors, but cuts to the welfare system are a key driver. This increase is likely to be even higher in London, given the existing levels of deprivation and inequality in the capital, and the cocktail of costs that mean work does not always provide a route out of poverty. Child poverty already costs London £4,325 million per year.<sup>3</sup> This cost will continue to rise as child poverty increases.

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## **Increased childcare support: helping to make work pay**

In the 2014 Budget, it was announced that low-income families could receive up to 85 per cent of the costs of their childcare. This is unequivocally good news and will make work pay for many Londoners. For some families, the limits on the maximum amount of childcare help available will still create issues around making work pay. As discussed earlier, childcare costs in London are so expensive that they can easily overtake the £300 weekly maximum amount currently in place (see page 25).

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## **Will low-income families be able to live in London?**

There is a serious risk that London will become unaffordable for a large number of low-income or workless families. Families are already struggling to find affordable properties in the capital: the benefit cap puts all London boroughs out of reach for couples with three children. In six London boroughs, the 30th percentile limit is already above the local housing allowance cap. All evidence suggests that rents in London will continue to increase above the rate of inflation, which will make even fewer properties available to households claiming housing benefit. It is unlikely that the whole of London will become unaffordable, but the affordable areas will become smaller and smaller. The majority of private landlords will leave the sector, realising they can get higher rents elsewhere. There is the risk that the only landlords who will continue to rent to housing benefit recipients will be renting poor quality properties to which they are unwilling to make repairs. One advice agency painted a picture of the future it saw: small ghettoised areas of affordability in which housing was overcrowded and in disrepair.

### **Notes**

- 1 For more on universal credit, see L Judge, *Will Universal Credit Work?*, TUC, 2013
- 2 Department for Work and Pensions, *Households Below Average Income*, 2013; Institute for Fiscal Studies, January 2014
- 3 R Farthing, *Local Authorities and Child Poverty: balancing threats and opportunities*, CPAG, 2013

# Conclusion and recommendations

Intensive work by families and services has meant that crisis in the capital has so far been avoided. However, this is a picture of extreme instability and uncertainty about the future. Already we are seeing increases in the number of families who have had to leave London. The low number of parents who have started work also shows that welfare reform does not act as a silver bullet, taking away all other barriers and enabling parents to start work immediately. A large number of families rely on short-term fixes, such as debt or discretionary housing payments, to enable them to stay in their homes, which have ultimately been deemed unaffordable. In future, more families will find their living situation unaffordable as rents continue to rise. Families are scared for the future, as they see a London in which they are no longer welcome.

Families and services have found ways of coping because they have had to. This has meant making difficult decisions about priorities. Some of the consequences of these decisions will not be apparent for some time to come, particularly for families moving away from schools and support networks, or managing on less by going without.

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## Recommendations

### For central government

**Local housing allowance rates and caps should be updated in line with real rental prices.** Changes to rental prices are highly localised, and so uprating needs to reflect this. The current system of 1 per cent uprating, or 4 per cent in target affordability areas, breaks the link between housing benefit and rents. Most areas will become less affordable, whereas a handful could increase above the rate of rent increases in their area. This change would help maintain 30 per cent of rental properties in London as affordable to people claiming housing benefit.

**The Department for Work and Pensions should review the maximum amounts for childcare support in universal credit to ensure that families will be better off working.** This could mean having higher rates for households with three or more children or having a London rate. The benefit cuts increase the pressure on families with very young children (for whom childcare is more expensive) and larger families. Therefore, changes are needed to ensure it is always financially rewarding for them to work.

**Families who are not expected to be seeking work should be exempt from the benefit cap.** Currently, only families in receipt of jobseeker's allowance are required to seek work, but other families are hit by the benefit cap. This creates inconsistencies in the welfare

system as parents who are otherwise not required to seek work – because of caring responsibilities, sickness or disability – are still being hit by the benefit cap, which strongly encourages work as the way to avoid being capped.

**Funding for discretionary housing payments should be maintained.**

As awareness of this funding grows, it is likely that the number of applications will increase. Although it is far from ideal that families are relying on these temporary discretionary payments, this funding is essential to maintain family stability while people seek a longer term solution.

**The Department for Work and Pensions should maintain funding for seconding Jobcentre Plus staff to council teams.** These staff are essential to improving joint working between the council and Jobcentre Plus and enabling families to access holistic employment support.

**The Department for Work and Pensions should enable councils to automate some discretionary housing payments.** This would decrease the administrative burden on councils and help create some additional stability for families.

**The Treasury should provide councils with 100 per cent funding for council tax reduction and undertake a full equalities impact assessment on the localisation of council tax support.** Workless residents are facing a number of cuts to their income, including their benefits being uprated below the rate of inflation. This has left many simply unable to afford this additional charge. Councils are facing unprecedented cuts to their funding, making it increasingly difficult for them to protect residents from the charge. The Public Accounts Committee has raised queries over work incentives and protection for vulnerable groups. There now needs to be a full equalities impact assessment into the effects of the implementation of these schemes

**Central government should ensure that local welfare assistance schemes are maintained.** These provide critical support for vulnerable families and individuals with unexpected or emergency costs, and form an essential part of our social security system. We ask that the Department for Work and Pensions conduct its promised review of local welfare assistance schemes and reassess its decision to cease funding them, or that the Department for Communities and Local Government ensures that local authorities maintain provision through both a dedicated budget and a strong steer (which could be achieved by imposing a statutory duty, ring-fencing or, at the very minimum, improved guidance).

## **For councils**

**Councils should maintain welfare reform working groups to work on universal credit in the short term, as well as ongoing poverty reduction.** In most boroughs, there has been effective joint working between employment, housing, training, benefits and social services to provide holistic responses to families. These working groups represent

the key elements that are needed for the development and implementation of effective work to tackle poverty, including local child poverty strategies. Council leaders should prioritise setting up and maintaining these working groups, and broadening their remit to tackle poverty locally. Leaders and senior staff should ensure this work is prioritised and effectively communicated to all staff involved.

**Councils should undertake an evaluation of the lessons learnt from work to date on welfare reform.** Welfare reform has presented a great challenge to councils as they have had to experiment with new ways of working. Councils should undertake an evaluation of what has and has not worked, and then ensure that this information is shared within the council, and between other services in the borough and other councils, and that it is used to inform future work.

**Councils should protect workless residents from paying council tax.** We are also calling on central government to provide 100 per cent funding for council tax reduction schemes, but until this takes place, councils should use their budgets to protect workless residents from council tax charges.

**Councils should maintain funding for local welfare assistance schemes.** We are also calling on central government to provide funding and a strong steer on these schemes, but until this happens, we ask councils to ensure that schemes are funded adequately and are reaching those in need.

**Councils should ensure that families have access to independent debt, employment and benefits information and advice.** The unprecedented changes that have taken place through welfare reform and which will continue with the introduction of universal credit mean that there is an increased demand for debt and benefits advice.

### **For the Mayor and Greater London Authority**

**The Mayor and the Greater London Authority should ensure that central government is well informed of the risks that welfare reform poses for London and knows the actions it can take to remedy the effects.** Welfare reform has the potential to force low-income families out of London, driven by the high and rapidly rising costs of housing and childcare. As discussed above, ensuring housing benefit limits match rental prices and that limits on childcare funding match childcare costs are essential to ensure that London remains affordable.

**The Mayor and the Greater London Authority should monitor the effects on homelessness and family migration between London boroughs and out of London.** There have already been increases in homeless families being housed outside London. This should continue to be tracked and highlighted to central government to ensure that London does not lose its social mix.

## Changes to the benefit system between 2011 and 2013

Change	Who will it affect	Date of implementation
Migration from incapacity benefit to employment and support allowance	Incapacity benefit claimants	From 2010
Increases in non-dependant deductions	All housing benefit claimants with non-dependants living with them	In April 2011, and again in April 2012 and 2013
National caps on local housing allowance, depending on property size	Housing benefit claimants subject to local housing allowance	From April 2011 to April 2012 for new claimants. For existing claimants, on the anniversary of their claim. Nine months' transitional protection available to most claimants.
Removing the £15 excess that housing benefit claimants can keep if their rent is below local housing allowance rates	Housing benefit claimants subject to local housing allowance	April 2011
Setting local housing allowance rates at the 30th percentile of rents in each broad rental market area rather than the median	Housing benefit claimants subject to local housing allowance	From April 2011
Up-rating local housing allowance by the Consumer Prices Index rather than by increases in rents	Housing benefit claimants subject to local housing allowance	From April 2012 (and by 1 per cent from September 2013)
Shared accommodation rate to apply to single tenants without dependent children up to 35 years old (rather than as previously those up to 25 years)	Housing benefit claimants subject to local housing allowance	From January 2012
Introduction of under-occupation penalties in the social rented sector ('bedroom tax')	Housing benefit claimants in the social rented sector	From April 2013
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	From April 2012
Localisation of the discretionary social fund	All local residents	April 2013
Localisation of council tax benefit	All local residents	April 2013
The benefit cap	Benefit claimants receiving over £350 (single people) or £500 (lone parents and couples) a week	April 2013
Introduction of personal independence payment (replacing disability living allowance)	Working-age disabled people receiving disability living allowance	From April 2013
Introduction of universal credit (replacing means-tested benefits)	Working-age claimants	October 2013 until at least 2017

**CHILD  
POVERTY  
ACTION  
GROUP**

we support  
end child poverty

