

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

**CHILD  
POVERTY  
ACTION  
GROUP**

**lasa**

for a stronger third sector

**October 2012**

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

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

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

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

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# Key points

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

# Introduction and summary

Child Poverty Action Group (CPAG) and Lasa share a commitment to tackling poverty and disadvantage in London. 592,000, or 37 per cent of all children in London live below the poverty line,<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.<sup>2</sup>

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

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

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

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

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## Reducing housing benefit expenditure

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

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

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

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

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

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

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

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## **Tackling overcrowding**

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

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

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

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## **Improving work incentives**

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

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

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## **Increasing fairness**

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

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

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



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

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## The response from advice agencies

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

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

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

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## Recommendations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Notes

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

# What is happening to benefits and why?

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## Summary

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

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

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

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

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

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

## What changes are happening to the benefit system?

Table 1

### Changes to the benefit system between 2011 and 2013

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

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

Localisation of the discretionary social fund and of CTB also present major challenges for local authorities. CPAG published a report on localising the social fund in London in June 2012.<sup>1</sup> Several reports have been published on the localisation of CTB, including by the Institute for Fiscal Studies,<sup>2</sup> and the New Policy Institute, with the latter finding that nearly half of all local authorities are proposing that all working age adults should pay a minimum of 20 per cent of their council tax, regardless of income.<sup>3</sup>

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## Changes to local housing allowance

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

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

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

In making the case for the changes, the government argues that:<sup>4</sup>

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

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## The benefit cap

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

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

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

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

The government argues that the policy will:<sup>6</sup>

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

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

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## **Under-occupation penalties**

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

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

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

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

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

The government argues that the changes will:<sup>7</sup>

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



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## The context for the changes

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

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

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

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## Reducing housing benefit expenditure

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

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

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

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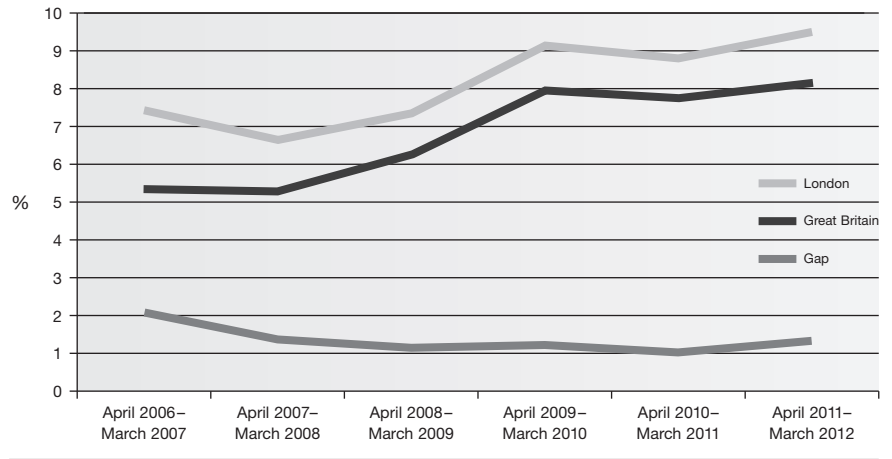
## Increased caseloads

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

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

Chart 1

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



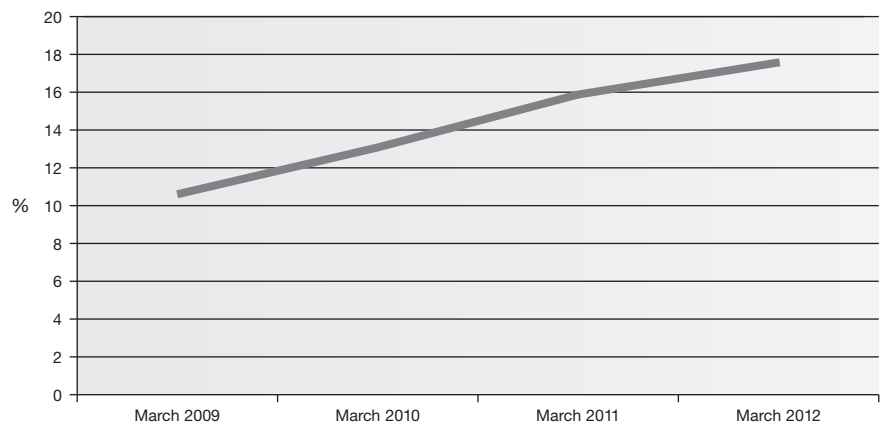
Source: annual population survey figures, accessed via NOMIS

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

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

Chart 2

**The percentage of employed housing benefit claimants**



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

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

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

- ◆ The average cost of buying a house in London in June 2012 was £392,000; 63 per cent higher than the England average of £240,000.<sup>10</sup>
- ◆ The Institute for Public Policy Research (IPPR) shows that between 1969 and 2010 UK house prices rose by over 150 per cent, but London was the only region in which they rose by over 200 per cent.<sup>11</sup>
- ◆ According to data from the Greater London Authority, by 2010 the ratio of lower quartile house prices to lower quartile earnings had risen to 9:1 in London.<sup>12</sup>
- ◆ In 2011 there were 366,610 households on local authority housing waiting lists in London, 11.3 per cent of all households (compared to an average of 8.3 per cent of all households in England).<sup>13</sup>

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

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## Increased rents

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

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

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

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

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

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

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## **Improving work incentives**

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

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

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

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

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

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

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

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## **Reducing overcrowding**

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

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

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

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

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

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## Increasing fairness

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

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

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

### Notes

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- 2 S Adam and J Browne, *Reforming Council Tax Benefit*, IFS, 2012
- 3 S Popper and P Kenway, *Localising Council Tax Support: A Briefing Note on Local Authorities' Plans*, New Policy Institute, 2012
- 4 DWP, *Impact Assessment: Housing Benefit: Changes to the Local Housing Allowance Arrangements*, DWP 2010
- 5 DWP, *Benefit cap: Frequently Asked Questions for Local Authorities*, DWP, 2012
- 6 DWP, *Benefit Cap (Housing Benefit) Regulations 2012: Impact assessment for the benefit cap*, DWP, 2012
- 7 DWP, *Impact assessment: Housing Benefit: Under occupation of social housing*, DWP, 2012
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- 30 See [www.london.gov.uk/priorities/housing/housing-need/london-overcrowding-board](http://www.london.gov.uk/priorities/housing/housing-need/london-overcrowding-board) for more details.
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## What we know so far from the data

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### Summary

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

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

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

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

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

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### How many people will be affected?

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

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



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

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

Table 2

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

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

The best evidence on the impact of these changes on family incomes in London comes from research commissioned by London Councils on the combined impact of the LHA and overall benefit caps, published in November 2011.<sup>5</sup> They estimated that:

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

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

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

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## Predicted responses

### Claimants

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

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

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

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

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

### Landlords, and the impact on rents

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

Table 3

#### Responses of landlords in London to local housing allowance changes

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

\*The report focuses on particular local authorities.

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

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

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

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

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

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## Homelessness

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

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

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

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

#### Notes

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

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## Summary

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

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

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

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

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

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

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## How are local authorities managing the changes internally?

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

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

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

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

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

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## **Responding to specific changes**

### **Caps to local housing allowance**

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

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

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

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

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

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

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

### **The benefit cap**

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

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



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

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

### **Under-occupation penalties**

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

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### **Combined impacts of the changes**

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

### **The homelessness duty**

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

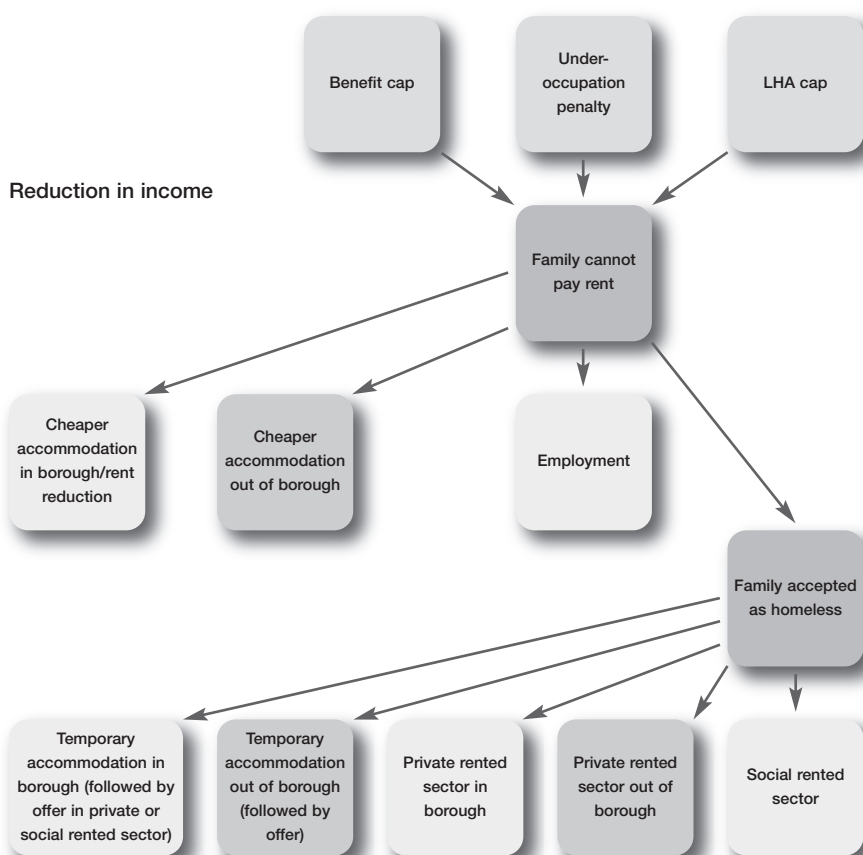
*‘If settled accommodation is not immediately available, accommodation must be made available in the short term until the applicant can find a settled home, or until some other circumstance brings the duty to an end, for example, where the household voluntarily leaves the temporary accommodation provided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

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

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

Chart 3

**How reductions in housing support affect families and local authorities**



**Cheaper accommodation**

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

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

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

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

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

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## **Moves into employment**

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

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

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

The authority engaging with employers to ask for greater hours had yet to see any successes from this approach. This echoes research from the shopworkers' union USDAW, which found that 78 per cent of its members could not find the extra hours they needed to qualify for tax credits after the rules changed in April 2012.<sup>4</sup> Many authorities emphasised the high costs of childcare as a significant barrier to employment. Support with childcare has also been reduced, from 80 to 70 per cent of eligible costs (see Chapter One).

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## Discretionary housing payments

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

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

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

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

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

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

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## **Families accepted as homeless**

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

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## **Moves into social housing**

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

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## Discharging the homelessness duty within the private rented sector

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

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

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

And that:

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

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

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## Temporary accommodation

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

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

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

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



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

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

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## Cumulative impacts

Local authorities believe that the changes will have significant impacts on their budgets, beyond the 26 per cent cut imposed in the Comprehensive Spending Review<sup>15</sup> (and in addition to the funding shortfalls expected as the result of the localisation of council tax). Authorities with a duty to house homeless families will ultimately have to meet the costs of this accommodation, with potential significant impacts in turn for their services and budgets, as well as the disruption and stress imposed on the families involved. One authority is estimating a £3 million loss due to the cost of subsidising temporary accommodation.

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

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

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

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

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

## Notes

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

# Independent advice agencies' response

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## Summary

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

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

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

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

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

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## What are the problems?

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

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

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

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

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

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

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## What's working well?

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

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

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

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

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

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

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

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

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

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

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

#### Notes

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

## The impact on individuals

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

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### Karena

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

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

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

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

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

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## **Nasim and Ghaith**

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

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

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

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

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## **Emma**

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

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

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

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



# Conclusions and recommendations

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

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## Conclusions

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

### Reducing expenditure on housing benefit?

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

### Improving work incentives?

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

### Reducing overcrowding?

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

### Increasing fairness?

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

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

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

### **Reducing expenditure and other impacts**

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

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

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

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## **Recommendations**

### **Recommendations to central government**

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

Although the benefit cap now exists in legislation, in the form of the Welfare Reform Act 2012, regulations have not yet been laid to determine how it will operate. One significant change that would mitigate the worst of the impacts would be to exempt families in temporary accommodation from the cap. In response to a Parliamentary Question, Chris Grayling estimated the cost of this at £30 million<sup>1</sup> – a small proportion of the estimated £275 million savings expected to be gained from the imposition of the benefit cap itself. This was the key change that local authorities wanted to see from central government, in order for them to have any chance of making the policy workable in London.

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

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

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

### **Recommendations to regional government**

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

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

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

## Recommendations to local government

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

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

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

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

## Recommendations to advice services

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

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

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

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

### Notes

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

2 See [www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/introduction-to-the-equality-duty/](http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/introduction-to-the-equality-duty/)

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