

Does the Cap fit?

An Analysis of the Impact of Welfare Reform in London

A research report commissioned by London Councils

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1 EXECUTIVE SUMMARY

1.1 Introduction

The Government is planning fundamental reform of the welfare benefits system in order to simplify the existing system and improve work incentives. The cornerstone of these reforms is the introduction of the Universal Credit, from 2013.

The Universal Credit will integrate many current benefit entitlements including jobseekers allowance, housing benefit, child benefit and the child tax credit into a single benefit. The sum of these benefits for an individual or household is the total credit to which they are entitled.

As part of these proposals, the government has announced that under the Universal Credit a fixed cap on total benefits for workless households will be set. It is currently expected that the cap will be set at £350 for single person households and £500 for all others, based on UK median earnings. Where a household's combined living cost benefits and housing benefit exceeds the cap their benefit entitlement will be reduced to the cap. The UC cap does not, however, apply to working households.

As a region London has relatively high levels of unemployment and housing costs are considerably higher than in the rest of Britain. London Councils has commissioned this study in order to examine the nature and scale of impacts on housing affordability that may result from the introduction of the Universal Credit Cap (the 'UC cap').

This study provides an analysis of the scale and degree of housing unaffordability that may result from the Universal Credit Cap. It also considers the options available to households as a result and the potential impact on selected local government services. It does not, however, seek to predict how households will respond or what level of household movement may result.

This research follows on from a previous study commissioned by London Councils into the impact in London of restrictions to the Local Housing Allowance. These LHA caps will limit housing benefit to the cheapest 30% of properties in a defined area, and impose fixed cash limits for different-sized properties. There have, to date, been a number of research studies into the impact of UC but none has focussed on the impact on London.

1.2 Methodology

Universal Credit and the cap will be introduced gradually between 2013 and 2016. In order to understand the potential future impacts on London this study has assessed the implications for existing workless households in London.

Detailed quantitative analysis was undertaken of housing benefit records for over 200,000 workless households from a representative sample of twelve London boroughs. Housing benefit information from a further twelve boroughs, giving coverage of 70% of workless households, was used in order to project the impact of the UC cap on London as a whole.

In addition qualitative research was undertaken through a series of working groups formed of senior practitioners and service experts to assess the impact of the UC cap and housing affordability on Children and Young People's Services, Adult Social

Care, Housing, and Community Cohesion. Each group was chaired by a senior Local Authority representative and included representatives from London Councils.

1.3 Data Analysis and Findings

From the analysis it is estimated that 133,000 workless households in London, 20% of the total will be unable to afford their current rent as a result of either the UC or LHA caps.

11% of workless households, some 73,000 in total, would experience a shortfall in their benefits against their living and housing costs as a result of the UC caps. In aggregate the UC cap would produce a loss of £8.2m per week for workless households, over £427m per annum across London.

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 face a shortfall above 20 per cent and one in six, of over 30 per cent.

A further 9% of households, 60,000 in total, would be affected to a greater degree by restrictions to the Local Housing allowance, but only one in six of these face a loss of over 10%.

The UC cap has a much more significant impact on families with children and in particular on larger families. As a result of the UC cap less than 3% of households without children will find their accommodation unaffordable, but for families with children this rises to over 30%, some sixty-three thousand households.

The lower UC cap of £350 for a single person household does have a significant effect leaving 7% or 23,000 individuals unable to afford their rent.

13% of single parent households, 27,000 families, face a shortfall as a result of the UC cap with a similar number affected by the LHA cap. For couples with children, over a third of households, some 36,000 families, will find their rent unaffordable under the UC cap.

The UC cap has a disproportionate impact on families and on larger families in particular.

- **One in five families with one child would be unable to afford their rent.** One in four families with two children will be unable to afford their rent;
- **More than a third of single parent families with three children cannot afford their rent**, with over a quarter facing a shortfall equivalent to more than 10 per cent of their living cost benefits;
- **Couples with three children fare even worse with over 50 per cent unable to afford their rent** and over 40 per cent face a shortfall greater than 10 per cent of their living costs; and
- **For those with four or more children almost 80 per cent would not be able to afford their rent** with a half with a shortfall of over 20 per cent of their living costs.

The average loss across London for households affected by the UC cap is £105, ranging from £58 for a couple with no children to £117 for a couple with children.

1.4 How will the households affected respond?

It is not possible to predict how households who are unable to afford their current rent will respond. This will depend on many factors including the degree of

unaffordability they face, the strength of local connections and the availability of alternative affordable housing.

One potential response is for workless households to find employment as working households are not covered by the UC cap.

Some households, particularly if the shortfall is small, may try and meet the difference from their living cost benefits or from other resources. Some households may choose to stay in their current area but move to a smaller and cheaper property, with resultant overcrowding and the adverse impact this can have on family welfare and children's educational attainment.

For some households, however, and in particular those facing the greatest shortfall, the only viable option will be to move from their current area to another part of London, or outside London, where cheaper accommodation is available.

1.5 Impact on Local Government Services

The migration and concentration of workless households in some areas will potentially have significant implications for the full range of local authority services. Boroughs with an inward migration of households are likely to face significantly increased service pressures that stem from unemployment, poverty and poor housing conditions.

Other boroughs will, in contrast experience reduced demand for such services but will themselves face challenges and costs in adapting to different, if reduced demands.

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 cap. Homelessness applications may rise and the difficulties of securing temporary accommodation for such households may intensify.

Households receiving Adult Social Care may lose informal support networks, or see formal care delivery disrupted through relocation. If there are significant movements of households, this may have implications for community cohesion, compounded by the increasing concentration of unemployment and poverty in some areas.

1.6 Conclusions

The introduction of Universal Credit and the Cap in London will have a profound and disproportionate impact on housing affordability in London compared with other regions.

The fixed rate UC caps take no account of the high rents that obtain in London. As a result over a tenth of households are affected and many face a major shortfall in their benefits particularly in higher rent areas within the capital.

The flat rate UC cap has a disproportionate effect on families and in particular larger families. Larger families need higher living cost benefits but this leaves them with less capacity to meet their housing costs whilst needing larger and more expensive accommodation.

The extent of migration, from more expensive to more affordable areas in London cannot be predicted but the extent and degree of impact on housing affordability could mean that significant movement results. This will intensify pressures associated with unemployment and poverty in less affluent areas and increase socio-economic polarisation across London.

London authorities, with the support of London Councils, should examine the feasibility of developing a collective model for monitoring and projecting the effects of the welfare reforms, and develop cross-borough service networks to commission research and develop and share best practice.

There is a strong case for setting an amended cap for London on the same basis as the UK cap, basing it on median earnings in the capital. This would reduce the number of households affected by the UC cap by 50 per cent from 74,000 to 35,000.

The disproportionate impact on larger families could also be moderated if Child Benefit was excluded from the cap. This would reduce the number impacted by the UC cap by a quarter to 54,500 households.

There is a strong case for London authorities to make through London Councils for a cap that fits London.

2 INTRODUCTION

2.1 Purpose and Scope of the Study

Since its election last year the government has either introduced or announced a raft of fundamental reforms to the welfare system in the UK. The most significant of these is the proposal to introduce a 'Universal Credit', which, from 2013 will combine a range of household welfare entitlements into a single benefit. The government believes that this will not only simplify the benefit system, but also improve work incentives for the unemployed. As part of these proposals, the government has announced that under the Universal Credit a fixed cap on total household benefits will be set, related to UK median household earnings. Alongside the Universal Credit, the government is also introducing a number of changes to the housing benefit system.

These changes are likely to have a different impact on households in London compared with those found in the rest of UK. As a region London has relatively high levels of unemployment and housing costs are considerably higher than in the rest of Britain. London Councils has commissioned this study in order to examine the nature and scale of impacts on housing affordability and on local government services that will potentially result from the introduction of the Universal Credit across the capital.

This study assesses:

- The number of households who will find their accommodation unaffordable;
- The scale of unaffordability that will result across London's individual boroughs;
- The degree of unaffordability that households could experience;
- The impacts on different households of different size and composition; and
- The basis and effect of a revised cap fit for London.

The impact of Universal Credit on housing affordability may have significant consequences for many households affected and, whilst the response of those affected cannot be predicted, one consequence may be a significant migration of households in the capital in search of affordable accommodation. The study further considers, therefore, the potential consequences for local government services and potential service and policy responses with examination focused on four specific areas:

- Children and Young People's Services;
- Adult Social Care;
- Housing; and,
- Community Cohesion.

2.2 The Welfare Reforms: Introduction to Universal Credit

Welfare reform is one of the key planks of the government's programme for re-shaping Britain: benefits for those in and out of work and tax credits for those in work are to be reduced or individually capped; eligibility criteria will be tightened; and, overall benefits will be reformed to ensure that those in work will always be better off than those not.

The cornerstone of these reforms is the introduction of a new Universal Credit (UC). This will integrate many current benefit entitlements including: jobseekers allowance,

housing benefit, child benefit and the child tax credit. Council tax benefit is currently not covered by the UC, but it will be included in the benefit cap.

The sum of these benefits for an individual or household is the total credit to which they are entitled. From April 2013, the total credit available to workless households will be subject to a cap. This cap will be derived from median take-home pay in the UK and is currently expected to be £350 for single person households and £500 for all others. Where a workless household's overall benefit entitlement – their total credit – exceeds the relevant cap, the benefits paid are reduced to the level of the cap. The cap does not vary by household size although benefit entitlements to meet living costs (as opposed to housing costs) do take account of household size and composition. Larger households will therefore typically have less scope under the cap to meet their housing costs, while also generally requiring larger and more expensive accommodation.

It is important to note that the UC Cap only applies to workless households. Those with one or more working adults are not subject to the UC cap, and those above working age, the disabled and war widows are also exempted.

Benefit support for housing costs is also limited by the Local Housing Allowance cap (LHA cap) and these will run parallel to the UC caps when introduced. The LHA cap only applies in the private rented sector, not in the social housing sector.

There are two aspects to the LHA cap, both of which were introduced in April 2011.

London is covered by fourteen geographic Broad Rental Market Areas (BRMAs) the boundaries of which have been set so that each contains a variety of residential properties including private rented properties. Different areas in a borough may be covered by a different BRMA.

Within each BRMA prevailing rents for properties by bed-size are sampled. Previously the amount of housing benefit (Local Housing Allowance) payable was limited to the median (50th percentile) rent for each property size in the relevant BRMA. From April 2011 this was reduced from the median for rented housing in a rental area to the 30th percentile.

In addition fixed cash caps were introduced for different sizes of property, ranging from £290 for a 1-bed home to £450 for a 4-bedroom property. The government has also announced that from 2013 the 30th percentile LHA rates will no longer track actual rents but will instead increase by the Consumer Price Index (CPI).

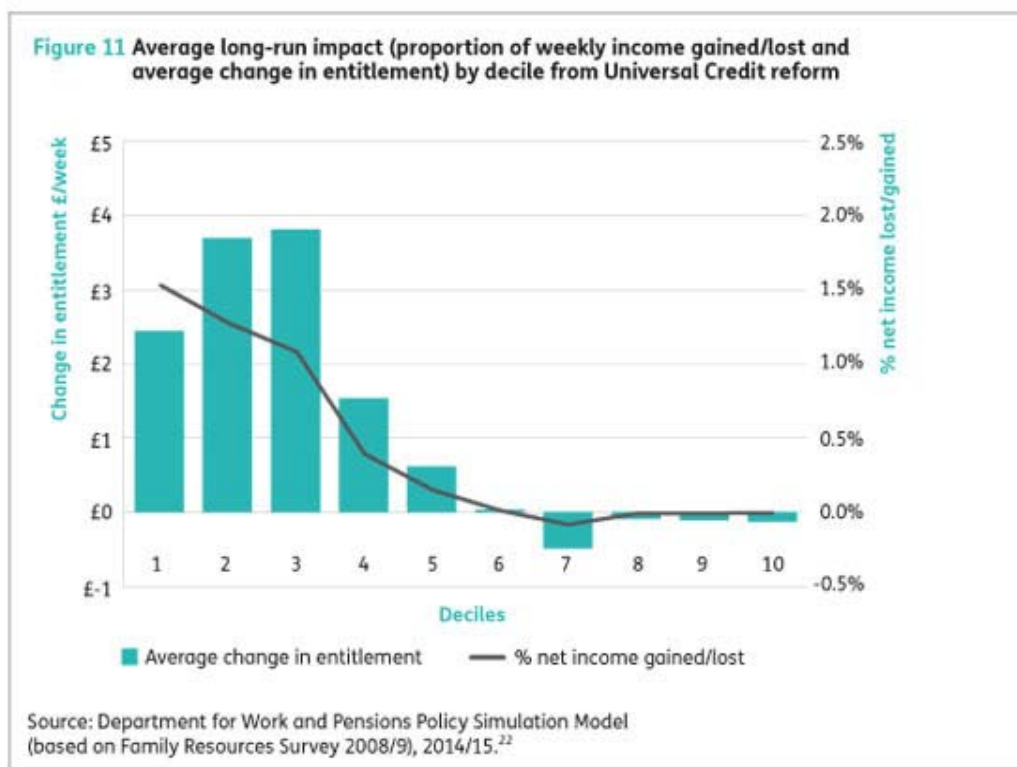
For workless households renting in the private sector both the UC cap and the LHA cap could potentially limit their benefit entitlement, and the resulting affordability of their accommodation. For those renting in the social housing sector only the UC cap applies.

3 LITERATURE REVIEW

Welfare reform is one of the key objectives of the Coalition government. In the June 2010 Budget, the October 2010 Spending Review and the November 2010 White Paper; 'Universal Credit: Welfare that Works' it set out its proposals to achieve this. These re-introduced the concept of 'less eligibility' which applied under the 1834 Poor Law whereby claimants would always be better off in work than on benefit. It sought to achieve this by introducing a single benefit system, Universal Credit, which would combine a number of existing benefit systems, and flattening the tapers applied to those moving from benefit into work. Through this those moving from benefit into work would retain a greater proportion of incremental income than under the current system, thereby increasing the incentive to move into work. It will support people both in and out of work, replacing Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance and income-related Employment and Support Allowance.

The Government is committed to ensuring that no-one loses as a direct result of these reforms. Its proposals are therefore designed to ensure that no-one will experience a reduction in the benefit they receive at the point of the introduction of Universal Credit. However, the system under the Universal Credit and household benefit cap will be less generous than is the case now – simply most of the cuts in welfare will have taken place prior to the introduction of the Universal Credit. Its introduction at that point therefore is designed not to create additional losers on top of those affected by previous cuts. In broad terms, the government estimated that up to 350,000 children and 500,000 working age adults would be lifted out of poverty, with a clear re-distributional impact as set out in the impact evaluation below reproduced from the White Paper.

Figure 1: Impact Evaluation from the White Paper



This planned reduction in poverty and the re-distributional impact were generally welcomed at the time.

Since the publication of the Budget, Spending Review and White Paper further details emerged of how Universal Credit would work. In particular the total payable would be linked to average disposable incomes and the Housing Benefit element would be limited to being capped in absolute cash terms according to house size and in relative terms by being linked to the 30th rather than 50th percentile of average local rents. In February 2011 the government introduced the Welfare Reform Bill. This and its supporting documents set out in more detail how Universal Credit would be structured and implemented. These confirmed these limitations to Universal Credit. We therefore now have a clear understanding of what is proposed both in principle and in practice, although there are still areas of ambiguity such as whether or not Council Tax Benefit is to be included in the scope of Universal Credit.

Armed with this greater degree of detail the Government's contention that no-one would lose through the introduction of Universal Credit has been subjected to additional scrutiny. This scrutiny has come from four sources, these being:

- The Department for Work and Pensions in the form of Impact Assessments of the various sections of the Welfare Reform Bill;
- Professional and associative bodies such as the Chartered Institute of Housing and London Councils;
- Academic and research institutions such as the University of Cambridge and the Institute of Fiscal Studies; and
- Lobby groups such as Shelter and the Race Equality Foundation.

The findings of this scrutiny are set out below.

3.1 The Department for Work and Pensions

Alongside the publication of the Welfare Reform Bill the Department for Work and Pensions published a suite of 18 Impact Assessments and 19 Equality Impact Assessments covering the specific measures in the Bill. These conclude that;

In respect of Universal Credit overall:

'The policy will restructure the benefit system, to create one single income-replacement benefit for working age adults which unifies the current system of means-tested out of work benefits, Tax Credits and support for housing. It will improve work incentives by allowing individuals to keep more of their income as they move into work, and by introducing a smoother and more transparent reduction of benefits when they increase their earnings. It will reduce the number of benefits and the number of agencies that people have to interact with and smooth the transition into work. This will make it easier for customers to understand their entitlements and easier to administer the system, thus leaving less scope for fraud and error. The effects of the policy will be to reduce the number of workless households by always ensuring that work pays.'

In respect of the Household Benefit Cap:

'Around 50,000 households will have their benefits reduced by the policy losing on average around £93 per week. Welfare savings present a cost to individuals totalling £225m in 2013/14 and £270m in 2014/15 (cash terms) or £210m in 2013/14 and £240m in 2014/15 (2010/11 prices).'

And that:

'The cap is likely to affect where different family types will be able to live. Housing Benefit may no longer cover housing costs and some households may go into rent arrears. This will require expense and effort by landlords and the courts to evict and seek to recoup rent arrears. Some households are likely to present as homeless, and may as a result need to move into more expensive temporary accommodation, at a cost to the local authority. It is not possible to quantify these costs because they are based on behavioural changes which are difficult to assess robustly'.

Therefore the Department has confirmed that in its view there will be winners and losers, although it cannot assess the consequences of there being losers.

3.2 Professional and Associative Bodies

The overall impact of Universal Credit has been subject to partial analysis by the Centre for Economic and Social Inclusion on behalf of London Councils. This considered:

- Whether households living in London are disadvantaged by the design of the Universal Credit, its level of provision and whether this inhibits options for moving into work;
- Whether household disadvantage affects specific income levels or household types; and
- Whether there are solutions that are cost effective and straight forward to implement which could mitigate any differential impact on London households.

It concluded that:

- When Universal Credit is introduced, **all household types in London will have lower gains** from working than in the rest of the country when moving into low paid work;
- London families with two or more children **will be considerably worse off** under Universal Credit compared to the rest of the country; and
- In London there are roughly 78,000 workless lone parents with two or more dependent children. This is a large number, but only one quarter of all lone parents with dependent children. In addition, there are 33,000 workless couples with two or more dependent children and 156,000 couples with only one adult working. This is a total of 267,000 families and 689,000 children.

There was therefore a clear finding that Universal Credit would create a large number of losers in London.

Looking solely at the Housing elements of the welfare reform the Chartered Institute of Housing considered the likely impacts of:

- Reducing the level of rent payable to private sector tenants from the 50th to the 30th percentile; and
- Restricting in absolute terms the rents payable for different sizes of house.

It concluded that:

- **775,000 people will be affected across the UK by the percentile shift.** In 81 local authority areas the average loss will be £10.00 or more per week. These 81 areas account for 162,960 households (17% of the LHA caseload). In a further 108 authorities (caseload 249,750, 26.6% of the total) the average losses are

between £8 and £10 per week. In 354 authorities (81% of the LHA caseload) the average loss is £5.00 or more per week;

- **London will experience some serious effects from this** (71% of claimants will face a £17 per week loss) but it is important to remember that the heaviest impacts of the 30th percentile measure are not confined to London. Other counties seriously affected are Cambridgeshire, Berkshire, Buckinghamshire, Essex, Greater Manchester, Hertfordshire, Nottinghamshire, Oxfordshire, Surrey and Sussex; and that
- **21,000 households will be affected by the caps by size of house**, 17,000 of which are in London. The average weekly loss in affected areas is likely to be £74 per week. More expensive areas of South East England are also affected by this change, and other areas are affected by the cap on benefit for 5+ bedroom properties.

There was therefore also a clear finding that welfare reform would create a large number of losers in London.

3.3 Academic and Research Institutions

In a series of studies the Institute of Fiscal Studies and the New Policy Institute considered the impact on London of the tax and benefit changes already announced prior to the Welfare Reform Bill. They concluded that:

- The increases in taxes and cuts in benefits and tax credits announced by the coalition Government in the June Budget and Spending review, due to take effect by 2014-15, **hit lower income Londoners harder than those on higher incomes**. For instance, they amount to 5.7% of net income for the poorest fifth of Londoners, on average, compared to 1.7% for the richest fifth;
- The effect of all changes in taxes and cuts in benefits and tax credits due to come into effect by 2014-15 (i.e. including those announced by the last Labour government and yet to take effect) is less regressive. They amount to 5.2% of net income for the poorest fifth of Londoners, on average, compared to 4.6% for the richest fifth;
- 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;
- Roughly half of poor children and one third of children just above the poverty line are in families that report they are receiving housing benefit. Furthermore, almost 90% of all children living in families receiving housing benefit in London are in poverty or just above the poverty line;
- Around half of children and around 40% of working age adults in families saying they receive disability living allowance are in poverty or are just above the poverty line; and that
- White British people make up just under one-third of the poor in inner-London and just under one-half of the poor in outer-London. They make up just over half of the non-poor in inner-London and around 65% of the non-poor in outer London.

The Cambridge Centre for Housing and Planning Research considered what the spatial impact of the Housing Benefit element of welfare reform would be on London. They concluded that:

'The changes to be introduced in 2011 will immediately reduce the proportion of London neighbourhoods affordable to LHA claimants from 75% to 51%. This falls further to 36% by 2016 as a result of the measures' longer-term effects. Our estimates of current neighbourhood affordability are strongly correlated with current observed concentrations of LHA claimants, giving credence to the predictive value of

the approach. The estimates for 2016 are highly sensitive to the future relationship between CPI inflation and nominal rent inflation, emphasising that this is a key uncertainty about the long-term effects of the proposed reforms. Most inner London boroughs are likely to become almost entirely unaffordable to low-income tenants on LHA by 2016. The large clusters of neighbourhoods in outer East, South and West London which our model finds to remain affordable in 2016 are likely to house increasing numbers of low-income tenants as a result of the reforms. The areas which remain affordable are characterised by high rates of multiple deprivation and unemployment among the existing population. We conclude that the reforms will intensify the spatial concentration of disadvantage in the city, and increase the segregation of poor and better-off households within London’.

The above academic and research institutes therefore all find that welfare reform will create losers and that these will be concentrated in London.

3.4 Lobby Groups

A number of lobby groups have undertaken analyses of welfare reform to assess the potential on areas or groups in which they have a particular interest and/or expertise.

Shelter undertook an analysis of a number of the Housing Benefit components of the reform package. It concluded that:

- Linking LHA to CPI will, over time, greatly extend the shortfall between LHA payments and rents people have to pay. If rents on two-bedroom homes were to inflate following a similar geographic pattern, but 15% lower than recent historic trends then 34% of local authorities would be very unaffordable by 2023 (10 years from introduction); and that
- Of all the proposed changes to housing benefit and Local Housing Allowance, the benefit cap is likely to produce the most dramatic shortfall between households rent and benefit entitlement. The DWP estimates that about 50,000 households will be affected by the measure, losing an average of £93 a week, with 15% of those affected losing more than £150 a week. The benefit cap will fall disproportionately on families in London and the South East, where housing costs are higher. Larger families are more likely to be impacted than smaller families, but this will in part be dependent on their location and eligibility for LHA.

The National Association of Citizen’s Advice Bureaux undertook an analysis of the impact of Universal Credit on specific claimant groups. This found that:

‘Two groups for whom the combined effect could be devastating are: new parents, who already face losing the health in pregnancy grant, the sure start maternity grant and the baby element of CTC, are likely to experience a huge drop in support available from UC, compared with the present system and families where the main earner becomes seriously ill: These families often suffer large drops in income when the main earner has to stop work. They are already facing cuts such as the removal of ESA (contribution based) after one year for those in the work related activity group. DLA reform is also likely to mean that they cannot access support from a disability benefit until after 6 months (instead of the current 3 months). If SSP is treated as income other than earnings, Universal Credit will offer considerably less support for the basic allowance and housing costs than under the present system’.

The Fawcett Society undertook an analysis of the welfare reforms on women. It concluded that:

- Single women are hit harder than single men, couples and multifamily households by the current government’s tax and benefits changes; and that

- Lone parents, the large majority of whom are women, are, on average, among the biggest losers as a result of the reforms.

Finally, the Race Equality Foundation undertook an analysis of the impact of the welfare reforms on the black and minority ethnic community. It concluded that:

- Changes have been made to the current benefits and tax credits schemes, aimed at reducing spending and improving work incentives. The introduction of Universal Credit has been welcomed in principle, but some aspects are of concern to organisations representing claimants;
- The reduction and capping of Local Housing Allowance will impact disproportionately on black and minority ethnic communities as many live in areas targeted by the cuts and will often need larger accommodation due to family size;
- Child poverty rates for black and minority ethnic families in the UK are higher than the national average and the Housing Benefit cuts are likely to increase this disparity;
- Increased conditionality for working-age claimants is more likely to impact on black and minority ethnic claimants as they are disproportionately represented among workless households; and that
- Some of the reductions in Housing Benefit do not apply to claimants with disabilities; however, black and minority ethnic claimants are less likely to claim the benefits that provide this protection.

3.5 Conclusion

A significant amount of published work exists on the impact of the welfare reforms contained in the 2010 Budget and Spending Review and the Welfare Reform White Paper and Bill. The majority of it considers the aggregate quantitative impacts on claimants and the extent to which they will lose income, both across England as a whole and within London. However, with the exception of the research undertaken by Cambridge, little of it addresses spatiality within London or between London and the rest of the country. Therefore we have an at best imperfect understanding of the demographic flows to which the reforms may give rise and the changes in local populations that will result from these.

Beyond the merely quantitative there is little published work which addresses the qualitative issues of what differential impacts might be on specific groups within London, whether defined by age, gender, ethnicity or service user groups. Therefore we do not know what these might be or the impacts these could have on local authority services. Notwithstanding this a number of authorities have commenced internal consideration of the consequences of welfare reform. Most recently Westminster City Council considered the Housing Benefit changes alone and found that:

- 5,071 of 6,234 (81%) of LHA cases were currently paying rents above the caps levels. The immediate impact of the changes overall will be greater in Westminster than in other London boroughs as the city has a high number of privately rented homes and some of the highest average rents. The impacts will be most keenly felt in the north and centre of the city. Other than single room (shared) households, the average allowances that are currently received are all above the proposed caps. A small proportion of the private rented stock, mostly in the Queen's Park area will be under the cap;
- Whilst it is impossible to be certain about the impact of the caps given the variables involved, including the reaction of the private rented market to the caps and how individual claimants and their families will choose to respond. However, based on current HB data officers have broadly identified the likely numbers of

those who are likely to be affected by the changes. Officers in Adults and Children's Services are being briefed on the changes and work is underway on contacting the most vulnerable adults and families with the aim of ensuring they are informed of the implications of the caps for their housing position and have access to advice on their housing options;

- Initial analysis suggests that there could be over 4,000 children and young people living in the impacted households.. Given the dispersed pattern of schooling in London it is very difficult to confidently predict the impact on schools and school places. Some families may move out of the city but continue to send their children to Westminster schools and new households moving into vacated rental properties may have school age children. Nonetheless it is likely that there will be an impact on pupil place planning and officers are considering this in the light of other demand trends; and that
- Currently there are just over 2,000 "children in need" receiving support from children's social care services. At the end of March this included 102 children deemed to be at significant risk of harm and therefore subject to a child protection plan. An initial matching exercise suggests that at least 50 of these children in need could be affected by the housing benefit changes. This is a conservative estimate. There will be also be implications for the Family Recovery programme - of the current 52 families 29% (15) are in private rented properties.

The potential impacts might therefore be significant and requiring of further research.

4 METHODOLOGY

This section outlines the research methodologies used for this study and provides an introduction to key concepts and terms. The study comprises two elements:

Affordability Assessment: Primary quantitative research into the impact of the Universal Credit cap on housing affordability in London.

Local Government Service Impacts: Qualitative and secondary research into the potential implications for local government service areas.

4.1 Affordability Assessment

A number of challenges present themselves in assessing the impact on housing affordability of the Universal Credit cap. The Universal Credit cap is to be introduced over the period 2013 to 2016 and its impact will be affected by housing and labour market changes up to and during that period. These changes and their impact cannot, by their nature, be forecast with an acceptable degree of confidence. We have instead taken the approach of examining how the UC cap would impact on those households who are **currently** workless and living in rented accommodation. By basing our analysis on the actual family composition and housing costs of workless households in London the research shows the potential scale and degree of impact arising from the UC cap.

The affordability of a household's rent has been assessed by calculating the sum of Jobseekers allowance for each adult, the relevant level of Child Tax Credit/Allowance and Child Benefit, plus an allowance for the relevant Council Tax Band. This total gives what we have termed the household's 'Living Cost Benefits'.

This amount is then deducted from the relevant UC Cap (deflated from 2013 to the present). The residual is the amount the household has left to meet their rent. Where this amount falls short of their current rent housing is deemed to be unaffordable. The degree of unaffordability is assessed in bands of £/week and in bands of a percentage loss of their 'living cost benefits'.

For example:

A workless two adult household with one dependant rents a 2-bed property.

The household is entitled to:

Jobseekers Allowance (couple rate)	£105.95
Child Tax Credit / Tax Allowance	£59.61
Child Benefit	£20.30
Plus Council Tax Benefit (Band B)	£19.70
Living Cost Benefits Total	= £205.56 per week

The UC Cap of £500 adjusted to 2011 is £467.26 per week

The difference between the two is £261.70 per week which is the maximum benefit available to meet their rent. If their rent is less than this amount they will receive housing benefit (through the Local Housing Allowance – LHA) equal to their rent. If

their rent is above they will receive housing benefit (LHA) of this amount, and have a shortfall to meet and their accommodation is regarded as unaffordable.

The primary source of data used in the affordability analysis was provided by London local authorities themselves, with housing benefit claimant information for working-age families received from 24 of the London boroughs. This equates to over 70 % of housing benefit claimants in London, a dataset comprised of almost 480,000 household records.

4.2 Case Study Group

Full Housing Benefit claimant data for all working-age families was obtained from a case study group of twelve boroughs. This information included details of household composition, rent, housing benefit entitlement and relevant LHA caps.

The primary research focused on this sample of twelve case study boroughs. Analysis was undertaken to determine whether, following the introduction of the LHA and UC caps, households in each borough would be able to afford their current rent. For the purposes of this research affordability is simply defined as when a household's Housing Benefit (Local Housing Allowance) is sufficient to meet their current rent. The impact of the LHA cap and the UC cap were separately assessed and households categorized on the basis of which cap creates the greater degree of unaffordability.

For all those households whose current rent is unaffordable, the degree of shortfall was assessed and expressed in relation to the household's living costs benefits - the non-housing benefits a workless household is entitled to taking account of the household's size and composition.

The varying impacts on households of different size and composition were also similarly assessed.

4.3 London-wide Projections

Drawing on the analysis of the case study boroughs, the London-wide impacts of the UC cap were assessed. Housing Benefit claimant records were available for a further twelve boroughs, but in these cases adjustment was required to undertake the analysis.

Working-Age Adjusted Boroughs – For seven boroughs the information included households above working age. The UC cap does not affect such households, therefore, using DWP Housing Benefit data on borough population breakdowns these records were adjusted prior to analysis.

BRMA Sensitivity Boroughs – London is divided into fourteen Broad Market Rental Areas or BRMAs. These are rental areas that the Valuation Office Agency judges as functioning rental markets in their own right. Market rents in each area are determined and the LHA for each property size is limited to the 30th percentile rate of these rents. In the case of five boroughs, the relevant BRMA and LHA rates could not be identified for a limited number of records. However, sensitivity analysis indicated that the impact of this uncertainty is very marginal.

Remaining Boroughs – For nine boroughs no data was available. For these, simple extrapolations based on high-level household and worklessness data were used to provide an indicative London-wide picture.

The boroughs in each group are set out in the table below.

Figure 2: Boroughs in Each Group

Case Study		Working-Age Adjusted	BRMA Sensitivity	Extrapolated
Bexley	Hillingdon	Barking & Dagenham	Brent	Barnet
Camden	Kensington & Chelsea	Bromley	Redbridge	City of London
Croydon	Kingston upon Thames	Hackney	Richmond upon Thames	Ealing
Greenwich	Merton	Havering	Tower Hamlets	Enfield
Hammersmith & Fulham	Newham	Hounslow	Waltham Forest	Harrow
Haringey	Sutton	Lambeth		Islington
		Lewisham		Southwark
				Wandsworth
				Westminster

4.4 Alternative UC Cap Assessment

Finally, an assessment of the impact of an amended UC cap was undertaken based on either London median earnings, or by exempting Child Benefit from the UC cap.

4.5 Local Government Service Impacts

Qualitative research was undertaken primarily through convening a series of working groups formed of senior practitioners and service experts from each of the four areas identified for analysis: Children and Young People’s Services, Adult Social Care, Housing, and Community Cohesion. Each group was chaired by a senior Local Authority representative and included representatives from London Councils.

The purpose of the groups was to examine, from an expert and service provider perspective, the implications of the Universal Credit cap and, in particular, the potential consequences that may arise from a lack of housing affordability and resulting migration by workless households in London.

The issues and findings arising in the working groups were supplemented by secondary and desk-based research, and refined through further input from the group members and relevant policy leads at London Councils. The results of these deliberations are set out in the report.

5 DATA ANALYSIS AND FINDINGS

This chapter provides analysis of the impact on housing affordability of the Universal Credit and Local Housing Allowance Caps. The impact across a Case Study group is first assessed and the London-wide picture is then examined.

5.1 Case Study Borough Analysis

Detailed analysis was undertaken to determine the impact of the UC and LHA caps for a case study group of twelve London Boroughs. These represent just over a third of all London Boroughs and include both inner and outer London boroughs. This sample amounts to 212,000 households, which represents just under 32 % of all workless households in London. The analysis below sets out the extent and degree of housing unaffordability that arises from the respective caps, the relative impact in the different sample boroughs and the impact on different household types.

5.2 Affordability/Unaffordability by Borough

Across the case study boroughs, 80 % of households are on their current rents, unaffected by the introduction of the LHA and UC caps. However, one-fifth of households, over forty thousand in total, will find their accommodation unaffordable.

Figure 3: Case Study Boroughs: Affordability/Unaffordability by Borough

Case Study Borough	All Records	Affordable	%	LHA Cap	%	UC Cap	%	Unaffordable	%
Croydon	30,195	22,058	73	5,426	18	2,711	9	8,137	27
Kingston upon Thames	6,593	4,875	74	653	10	1,065	16	1,718	26
Newham	27,339	20,862	76	2,647	10	3,830	14	6,477	24
Kensington & Chelsea	11,205	8,575	77	392	3	2,238	20	2,630	23
Haringey	31,054	23,799	77	3,573	12	3,682	12	7,255	23
Merton	9,555	7,454	78	1,054	11	1,047	11	2,101	22
Sutton	8,680	6,870	79	1,175	14	635	7	1,810	21
Bexley	14,357	11,953	83	1,579	11	825	6	2,404	17
Hammersmith & Fulham	17,816	14,968	84	983	6	1,865	10	2,848	16
Hillingdon	17,104	14,524	85	885	5	1,695	10	2,580	15
Greenwich	19,418	16,876	87	1,419	7	1,123	6	2,542	13
Camden	19,172	16,845	88	422	2	1,905	10	2,327	12
Totals	212,128	169,659	80	20,208	10	22,261	10	42,469	20

As the table above shows the proportion affected varies considerably between boroughs. In seven of the twelve boroughs over a fifth of households are affected. In Croydon and Kingston-upon-Thames over a quarter of households have an affordability shortfall; in contrast in Camden and Greenwich a little over a tenth of households are affected.

Overall the LHA and UC caps each have a greater impact on approximately 10 % of households, but the balance varies considerably across the boroughs. In Kensington & Chelsea, the UC cap impacts almost seven times as many households as the LHA

cap, and in Camden the ratio is five to one. By contrast, in Croydon, Sutton and Bexley the LHA cap affects twice as many households as the UC cap.

These differences derive in part from the different basis of the two caps. The LHA caps (with the exception of the fixed bed caps which only act as the first limit in a small number of inner London boroughs) are based on actual rents within the fourteen broad market rental areas (BRMA) for different properties by bed-size. Within any borough the LHA cap will therefore reflect to some extent the actual level of prevailing rents for different sized properties within the borough. The impact on affordability in a borough will not therefore depend on the level of rents compared with London (or the UK) as a whole but on the degree of difference between rents in the borough (or a part of it) and rents in the relevant wider BRMA. Where rents in an area are lower than in other parts of the BRMA the impact on affordability will be reduced, and where rents are higher than in the BRMA it is increased.

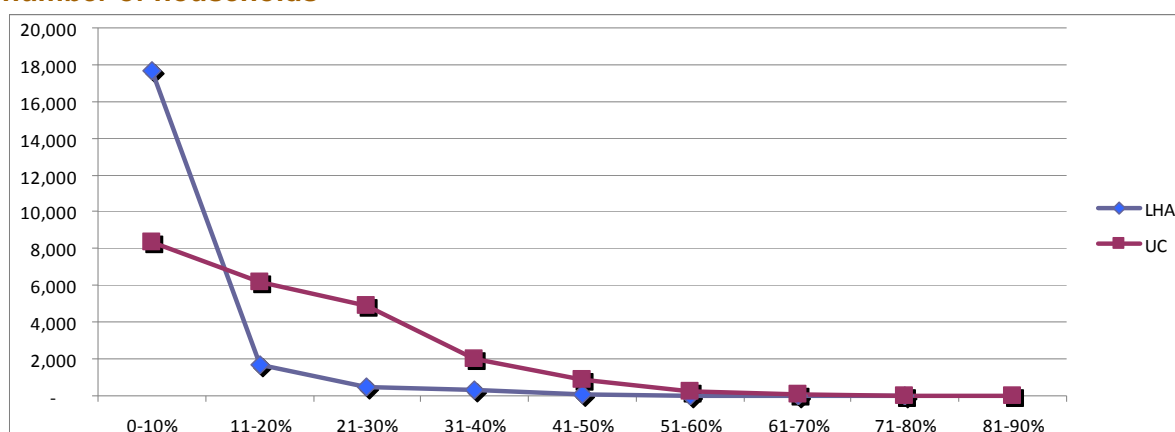
In contrast, the operation of the UC takes no account of the differences in rents between BRMAs or boroughs in London, or indeed between average rents in London and elsewhere in the UK. Consequently the UC cap will have a greater impact in areas with higher rents. Also, the UC cap (with the exception of the rate for a single person) does not differentiate between the size, living costs or accommodation needs of individual households. The impact of the UC cap will therefore reflect the proportion of different household types within the workless population in each borough, as further analysis below demonstrates.

5.3 Degree of Affordability by Borough

This section assesses the **degree** of unaffordability for households in the case study boroughs, with the shortfall expressed in bands of a percentage of the household's living expense benefits.

The first graph provides a summary overview for the boroughs of the number of households (vertical axis) with different degrees of unaffordability (expressed as a percentage of their living cost benefits) as a result of the LHA caps and UC caps respectively.

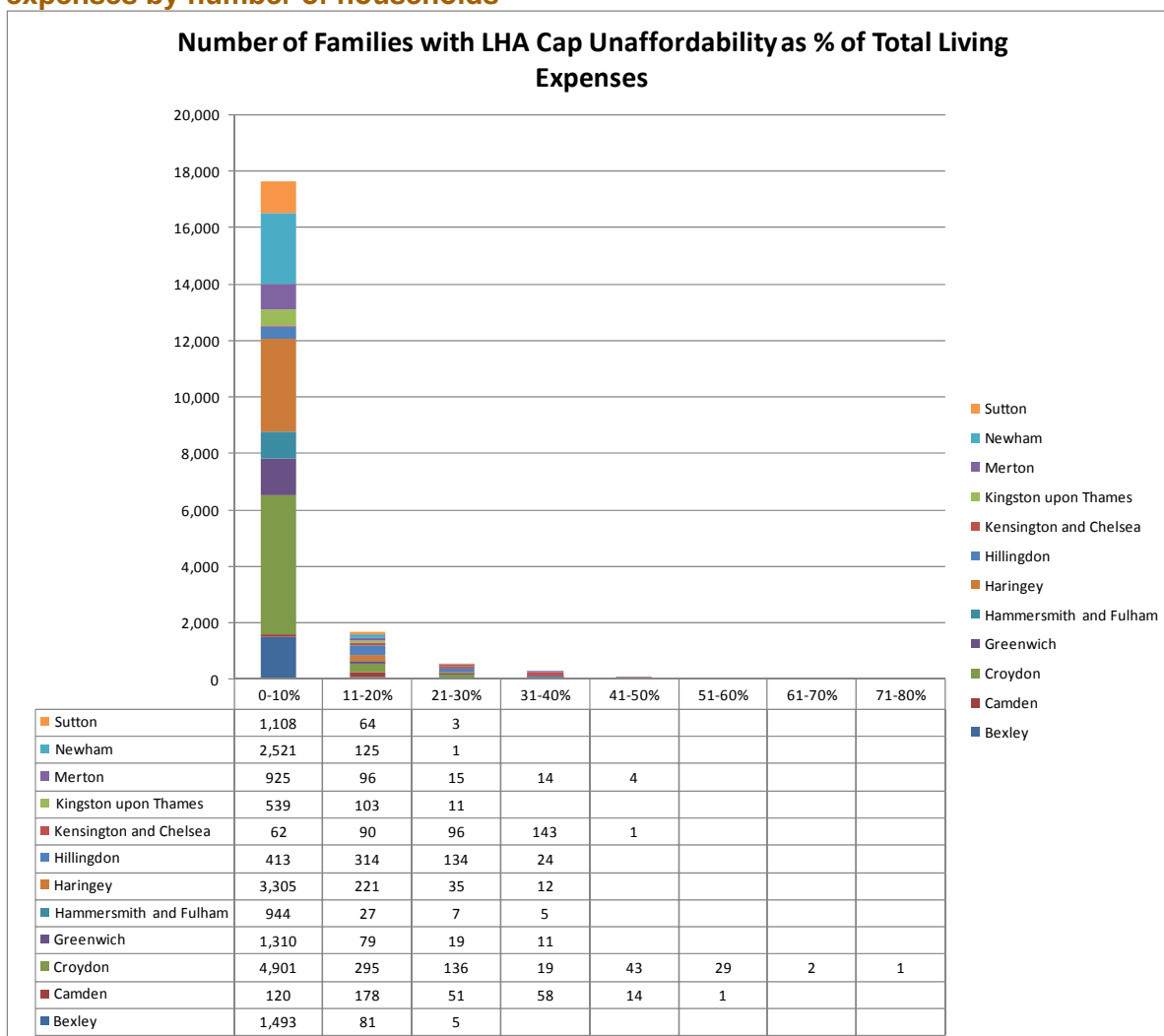
Figure 4: Comparison of UC and LHA impact on degree of Unaffordability by number of households



It is apparent that most households more affected by the LHA cap face a relatively small shortfall, but that for those more affected by the UC cap many more have a higher shortfall

The next graph shows the degree of unaffordability arising from the **LHA cap** by the number of households in each percentage band for each borough.

Figure 5: Degree of Unaffordability Arising from the LHA Cap as % of living expenses by number of households



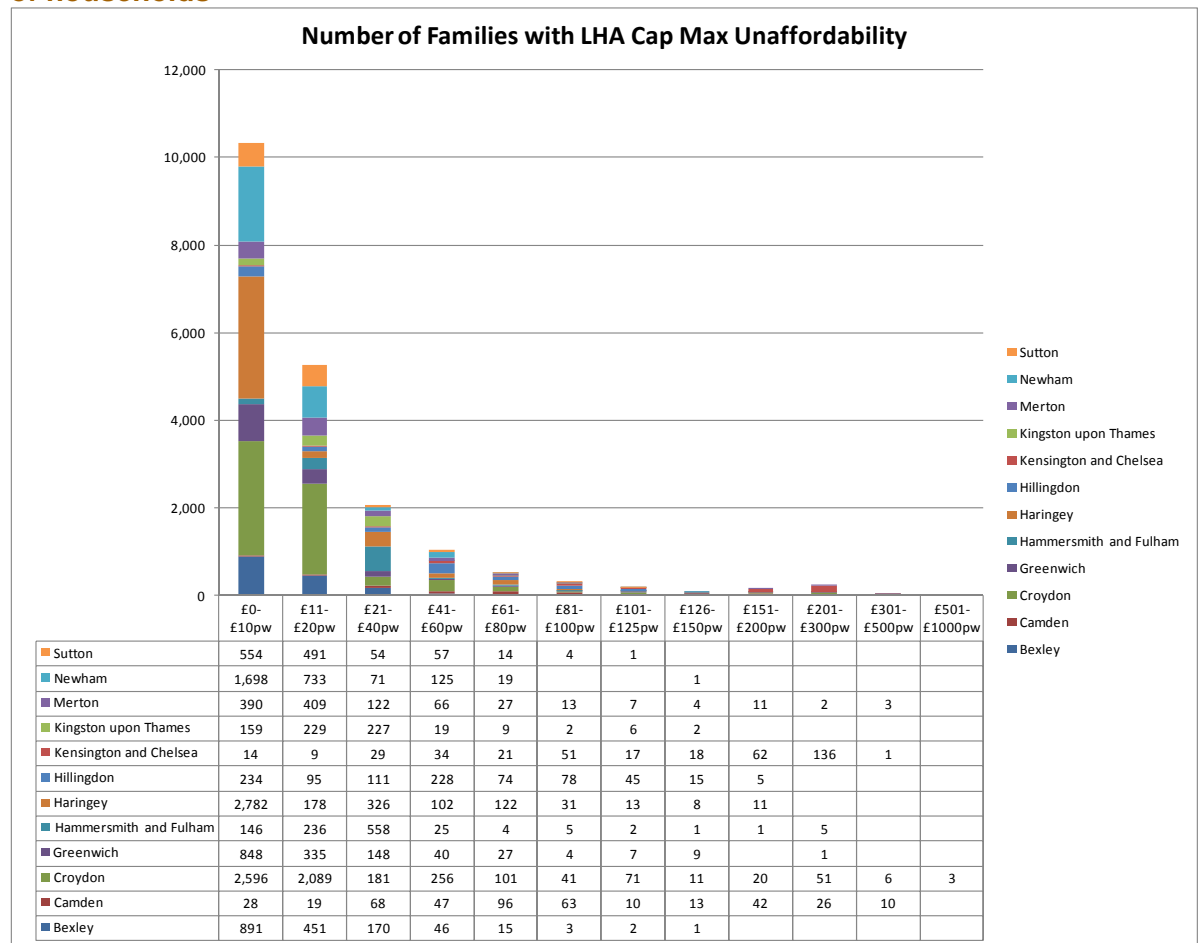
Percentage Shortfall	Number	%
0-10 %	17,641	87.3
11-20 %	1,673	8.3
21-30 %	513	2.5
31-40 %	286	1.4
41-50 %	62	0.3
51-60 %	30	0.1
61-70%	2	0.0
71-80%	1	0.0

Grand Total**20,208****100.0**

Across the twelve boroughs 87 % of households have a shortfall equivalent to 10 % or less of their living cost benefits and a further 8 % have a shortfall of between 10 and 20 %. For 4.4 % of households – some 894 families – the shortfall is greater than 20 % and these are concentrated in Kensington & Chelsea, Croydon, Camden and Hillingdon.

This next graph shows the affordability shortfall for households in the boroughs in terms of pounds per week (banded).

Figure 6: Degree of Unaffordability Arising from the LHA Cap in £ by number of households



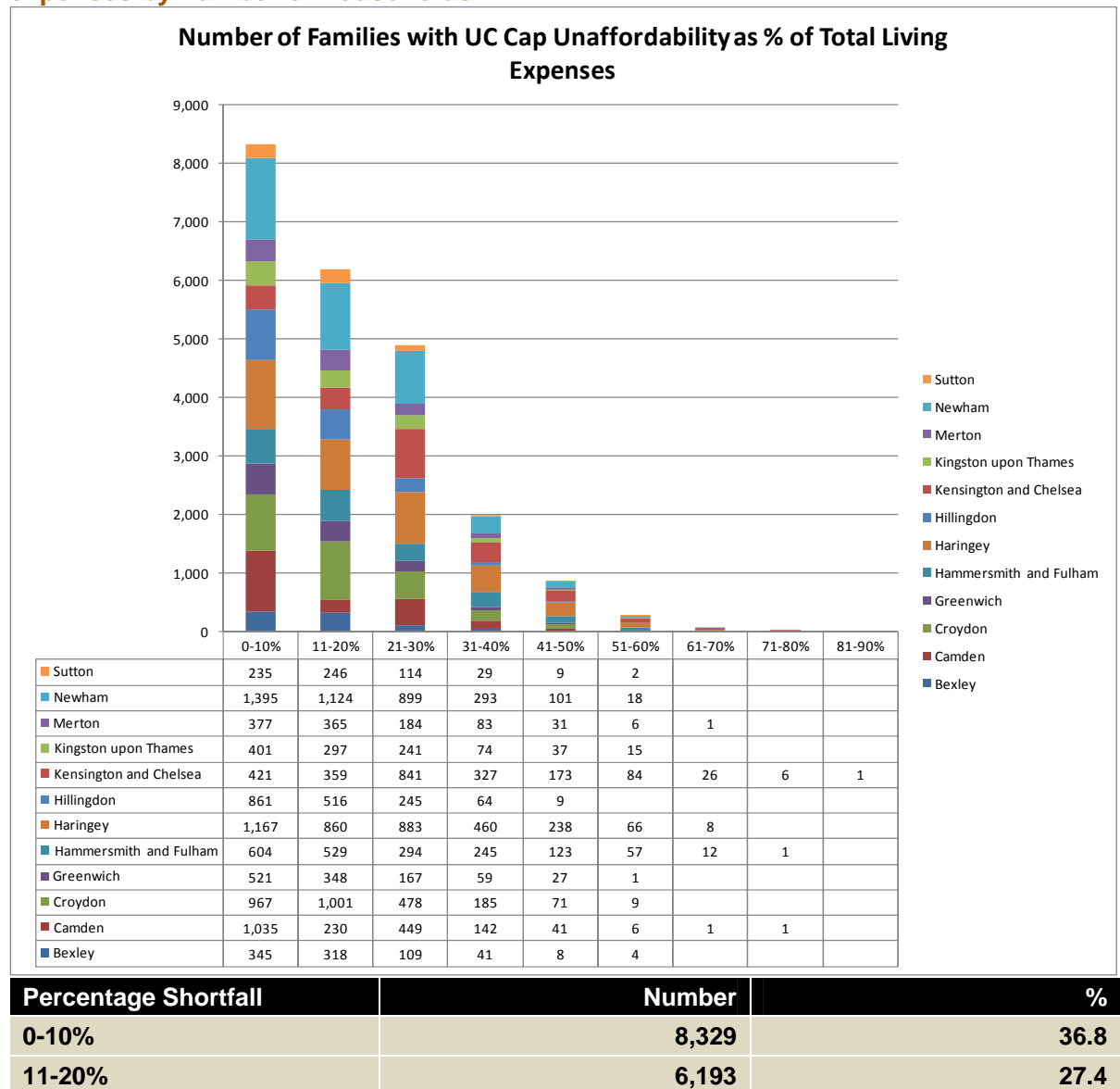
£ shortfall	Number	%
£0-£10pw	10340	51.2
£11-£20pw	5274	26.1
£21-£40pw	2065	10.2
£41-£60pw	1045	5.2
£61-£80pw	529	2.6
£81-£100pw	295	1.5
£101-£125pw	181	0.9

£126-£150pw	83	0.4
£151-£200pw	152	0.8
£201-£300pw	221	1.1
£301-£500pw	20	0.1
£501-£1000pw	3	0.0
Grand Total	20,208	100.0

As can be seen in the table and chart above, just over half of households impacted by the LHA cap have a shortfall of under £10/week, a quarter lose £11-20 /week. The remaining 23 per cent - almost 4,600 households - lose over £20 week. Above £50 the greatest losers are concentrated in Kensington & Chelsea, Hillingdon, Croydon and Camden.

The next graph shows the contrasting position for households where it is the UC cap that has the greater impact on the degree of unaffordability.

Figure 7: Degree of Unaffordability Arising from the UC Cap as % of living expenses by number of households

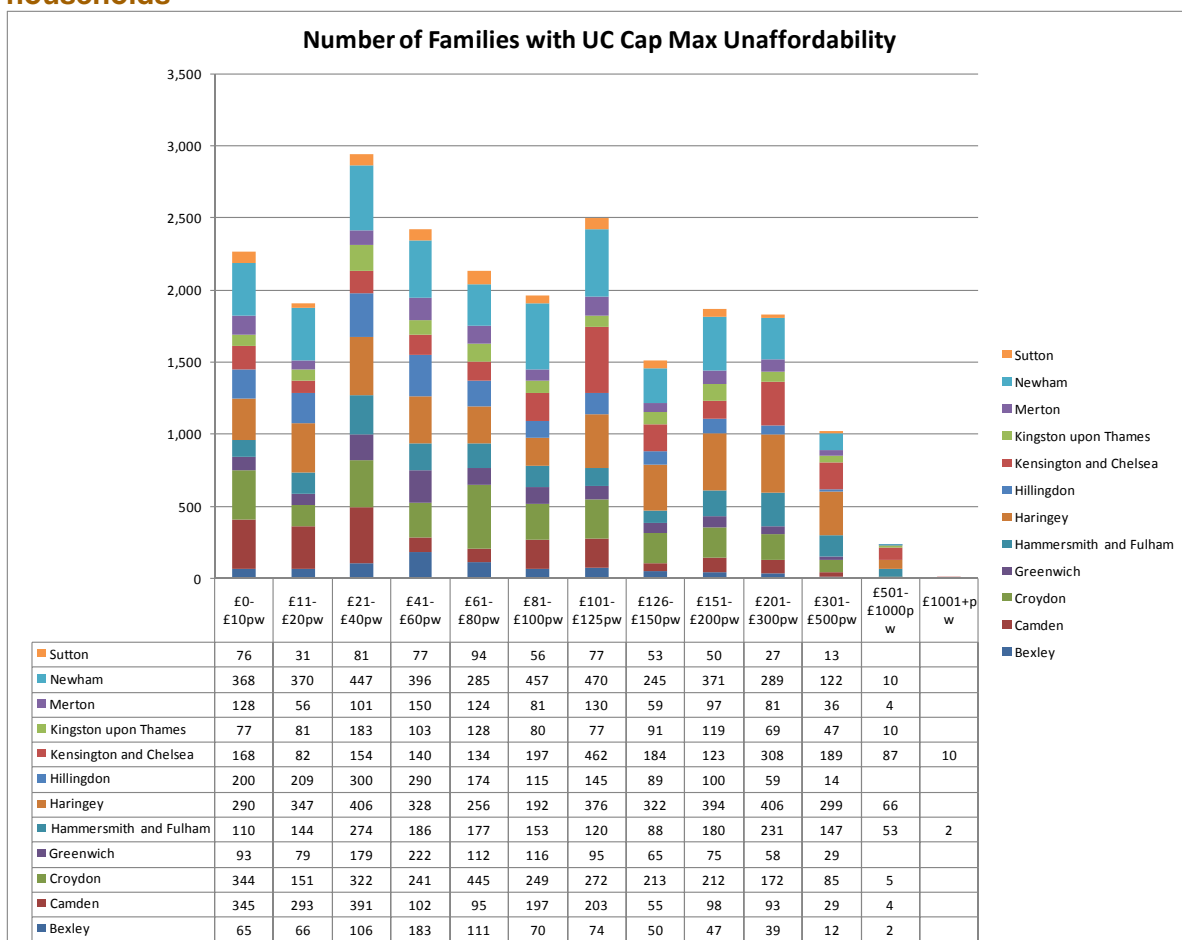


Percentage Shortfall	Number	%
21-30%	4,904	21.7
31-40%	2,002	8.9
41-50%	868	3.8
51-60%	268	1.2
61-70%	48	0.2
71-80%	8	0.0
81-90%	1	0.0
Grand Total	22,621	100.0

It is apparent that the impact of the UC cap on household finances is much greater than for the LHA cap. Over 63 per cent of households have a shortfall of over 10 per cent of their living cost benefits, and over 35 per cent have a shortfall over 20 per cent and 14 per cent have a shortfall of over 30 per cent. The 5.2 per cent - 1,193 households - with a prospective shortfall above 40 per cent are concentrated in Kensington & Chelsea, Hammersmith & Fulham, Newham and Haringey.

This next graph shows the affordability shortfall for households in the boroughs in terms of pounds per week (banded).

Figure 8: Degree of Unaffordability Arising from the UC Cap in £ by number of households



£ shortfall	Number	%
£0-£10pw	2264	10.0

£ shortfall	Number	%
£11-£20pw	1909	8.4
£21-£40pw	2944	13.0
£41-£60pw	2418	10.7
£61-£80pw	2135	9.4
£81-£100pw	1963	8.7
£101-£125pw	2501	11.1
£126-£150pw	1514	6.7
£151-£200pw	1866	8.2
£201-£300pw	1832	8.1
£301-£500pw	1022	4.5
£501-£1000pw	241	1.1
£1001+pw	12	0.1
Grand Total	22621	100.0

From the table above it can be seen that 90% of households have a shortfall of over £10/week and over 80% have a shortfall of over £20/week. Almost 40% - 9,000 households – have a shortfall of over £100 per week and the greatest concentration of these households is in Newham, Kensington & Chelsea, Haringey and Croydon.

It is clear that whilst the LHA cap and UC cap impact (to a greater extent) on a similar number of households, the degree of impact of each is very different.

As the LHA cap tracks market rents in a BRMA the gap between actual rents and the caps is constrained. However, the absolute nature of the UC cap means that the disparity between the rent that can be afforded and that due is directly a function of the level of market rents in any area. For the LHA cap the median shortfall across the twelve boroughs is around £10/week for the LHA cap but for the UC cap it is £80/week.

5.4 Affordability by Household Type

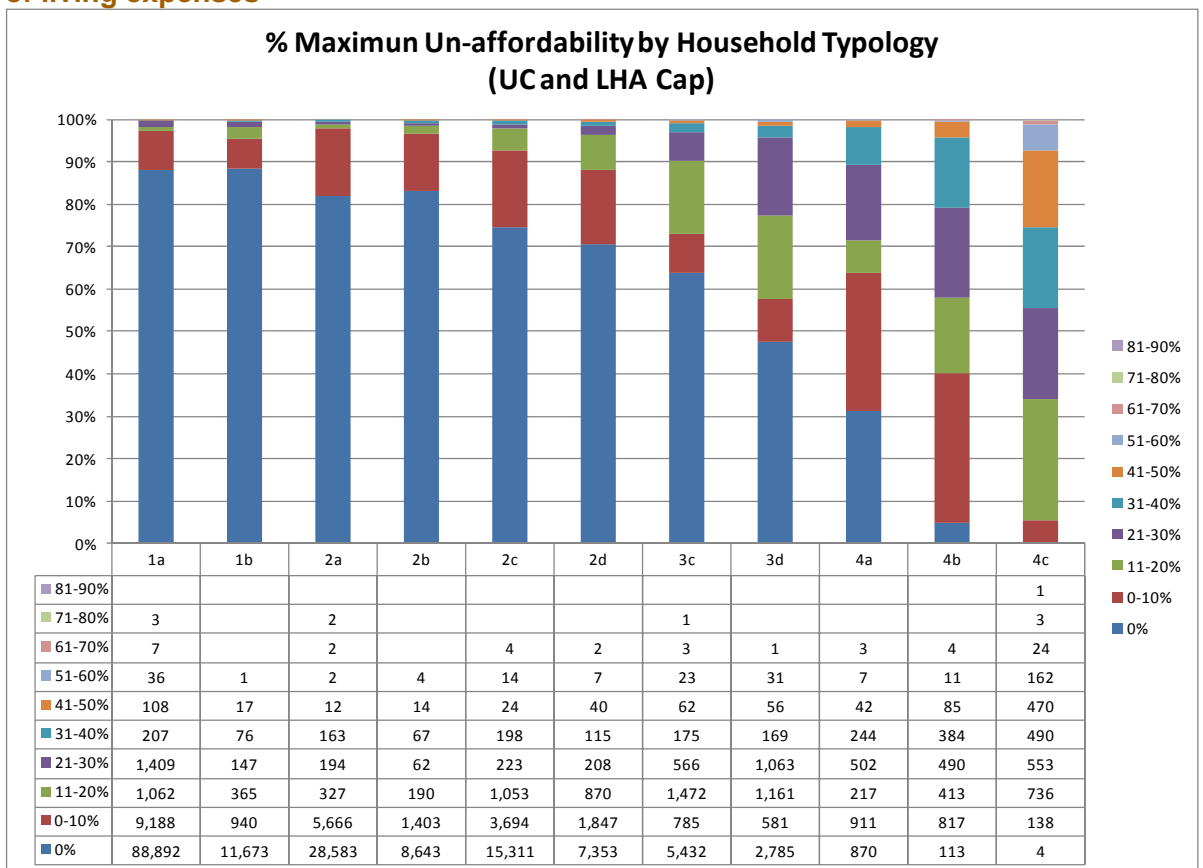
In this section the differential impact on different household types is assessed. The analysis is framed through eleven different household types ranging from a single adult to a household with five dependants. (A number of households include non-dependants – these are included within the analysis but not separately identified; appropriate allowances in respect of housing benefit (LHA) deductions have been made.)

Code	Household Composition
4c	At least 1 Adult; 5 Dependants
4b	2 Adults; 4 Dependants
4a	1 Adult; 4 Dependants
3d	2 Adults; 3 Dependants
3c	1 Adult; 3 Dependants
2d	2 Adults; 2 Dependants

2c	1 Adult; 2 Dependants
2b	2 Adults; 1 Dependant
2a	1 Adult; 1 Dependant
1b	2 Adults; 0 Dependants
1a	1 Adult; 0 Dependants

This next section considers the combined impact of the LHA and UC caps on affordability to show the full consequences for different household types. In the first graph the shortfall is expressed as a percentage of each household's living cost benefits.

Figure 9: Degree of Unaffordability by Household Type for UC & LHA Cap as % of living expenses



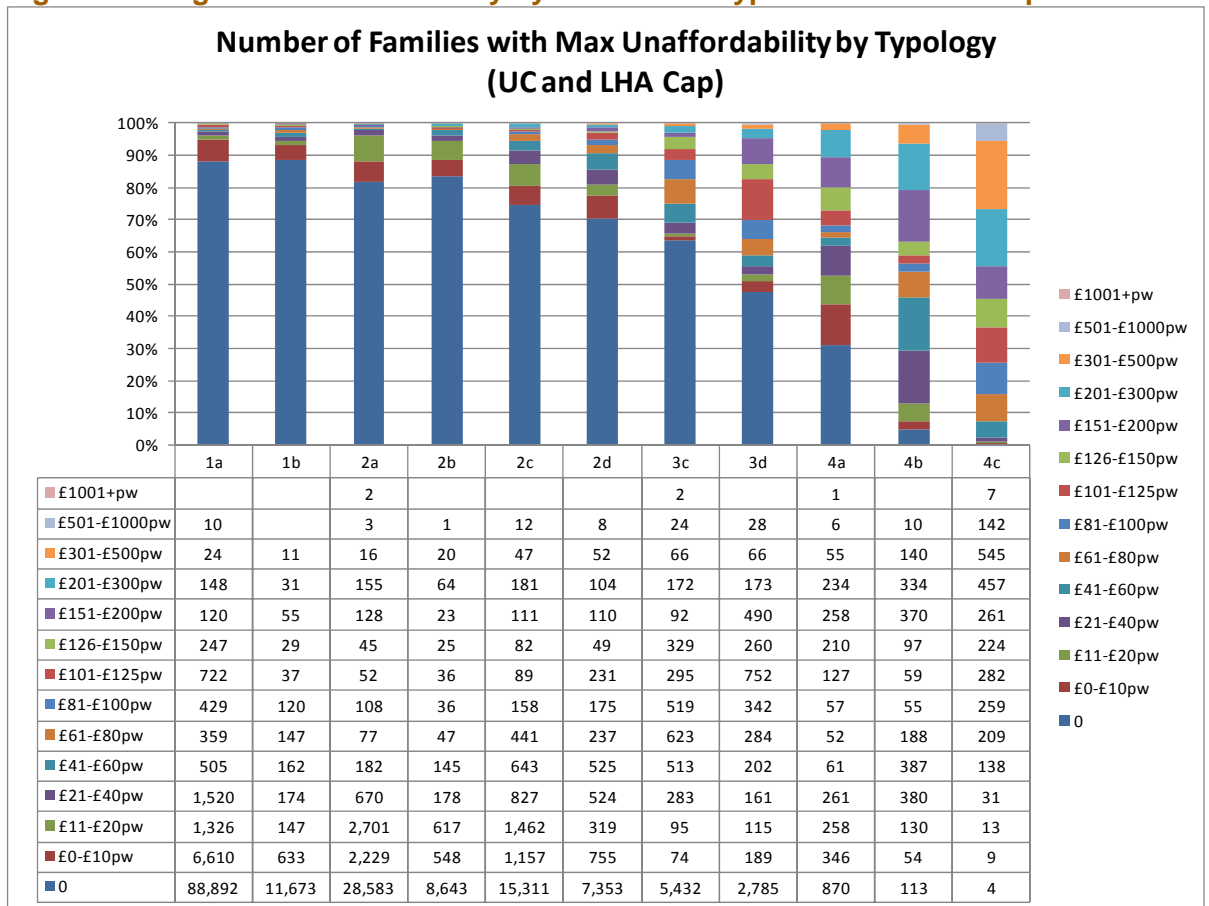
Household Type	Affordable	0-10%	11-20%	21-30%	31-40%	41-50%	51-60%	61-70%	71-80%	81-90%	Grand Total
1a	88.1						0.0	0.0	0.0	0.0	
1b	88.3						0.0	0.0	0.0	0.0	
2a	81.8					0.0	0.0	0.0	0.0	0.0	
2b	83.2						0.0	0.0	0.0	0.0	
2c	74.6							0.0	0.0	0.0	
2d	70.4							0.0	0.0	0.0	
3c	63.8							0.0	0.0	0.0	
3d		9.9						0.0	0.0	0.0	
4a		32.6							0.0	0.0	

4b			17.8					0.0	0.0	
4c				21.4					0.0	
Grand Total										
Median										

Almost 90 % of households with no children face no affordability issue. For those with one or two children around a fifth have a shortfall of up to 20%. Over half of two adult three children families are impacted and almost all have a shortfall of over 20% of their living cost benefits. Larger families face acute affordability issues. For one adult four child households less than a third can afford their current accommodation and for two adult four child families this falls to only 5% with a median shortfall of 10-20% of living benefits. Current accommodation for the largest families – of whom there are almost 2,500 in the sample – is virtually unaffordable for all with a median shortfall of 21-30% of living costs benefits.

The next graph presents the same analysis but presents the affordability shortfall in **pounds per week**.

Figure 10: Degree of Unaffordability by Household Type for UC & LHA Cap in £



Household Type	Median Shortfall
1a	£0-£10pw
1b	£11-£20pw
2a	£11-£20pw

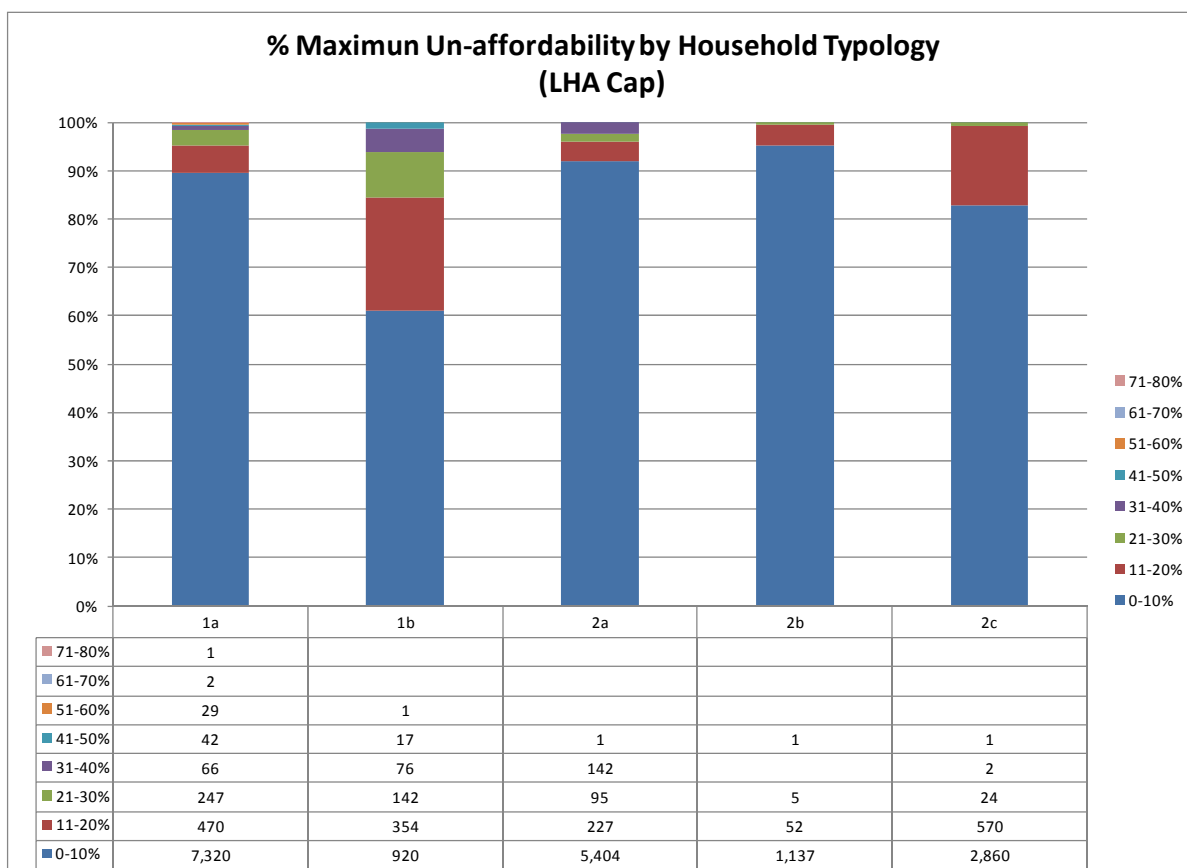
2b	£11-£20pw
2c	£11-£20pw
2d	£21-£40pw
3c	£61-£80pw
3d	£101-£125pw
4a	£41-£60pw
4b	£41-£60pw
4c	£151-£200pw

The graph shows a similar pattern of increasing impact by growing family size, but this is further accentuated by the expression in cash terms as larger households are entitled to higher living cost benefits. The table immediately above shows the median cash shortfall per week for each household impacted by the caps broken down by type (i.e. it excludes those whose accommodation is wholly affordable).

The above analysis conflated the impact of the LHA and UC caps to provide an overall picture of the impact on different household types. In the next graphs the separate impacts of the LHA cap and UC cap are assessed for each household type. It should be noted, in particular when comparing with the combined graphs above, that the sample group here excludes those whose accommodation is affordable (as well as those who are impacted to a greater degree by the other cap)

The first graph shows the degree of unaffordability which results for different households where the LHA cap has the greater impact (expressed as a % of living cost benefits).

Figure 11: Degree of Unaffordability by Household Type for LHA Cap as % of living expenses

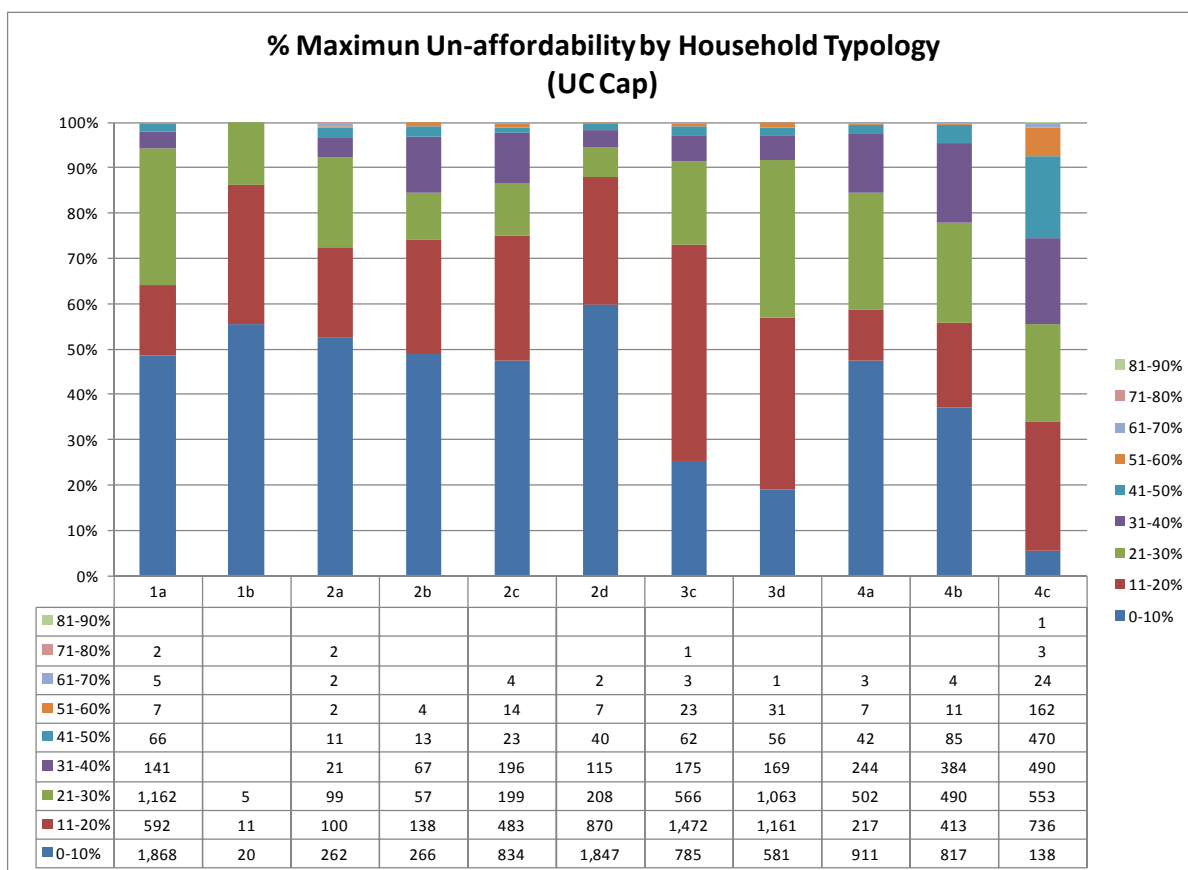


The graph does not include households with three or more children (types 3a and on) because all such households who are affected are impacted to a greater degree by the UC cap.

For four of the household types the shortfall is limited to 10% or less for at least 80% of households, and 60% for the remaining two adult household type. The relative similarity of impact reflects the fact that there are separate LHA rates (both fixed rate and by 30th percentile) for different bed-sizes.

The next graph shows the impact of the UC cap by household type on the degree of unaffordability (with the shortfall expressed as a percentage of living cost benefits). This similarly excludes those whose accommodation is affordable and those who are more affected by the LHA cap.

Figure 12: Degree of Unaffordability by Household Type for UC Cap as % of living expenses

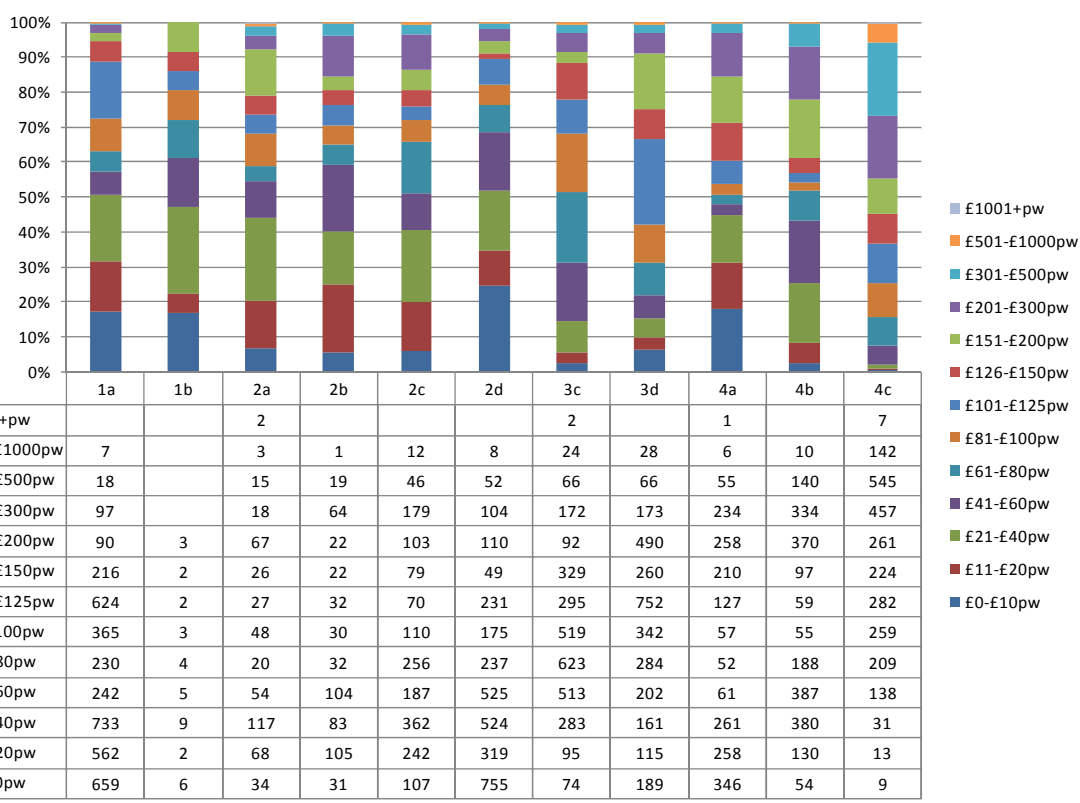


The degree of impact broadly rises as family size increases but not in a simple progression. Over 40% of four child families and two adult three child families have a shortfall of over 20% in their benefits. For one and two child families, less than 30% have a shortfall above this level. For couples without dependants the proportion losing more than 20% of their living cost benefits falls below 20%. This general relationship reflects the common level of the UC household benefits cap. For single adults, however, the single person UC cap (at 70% of the standard cap) means that over a third have a shortfall above 20% of their benefits.

The next graph shows the shortfall for those (more) impacted by the UC cap but expressed in £/week.

Figure 13: Degree of Unaffordability by household type for UC Cap in £

Number of Families with Max Unaffordability by Typology (UC Cap)

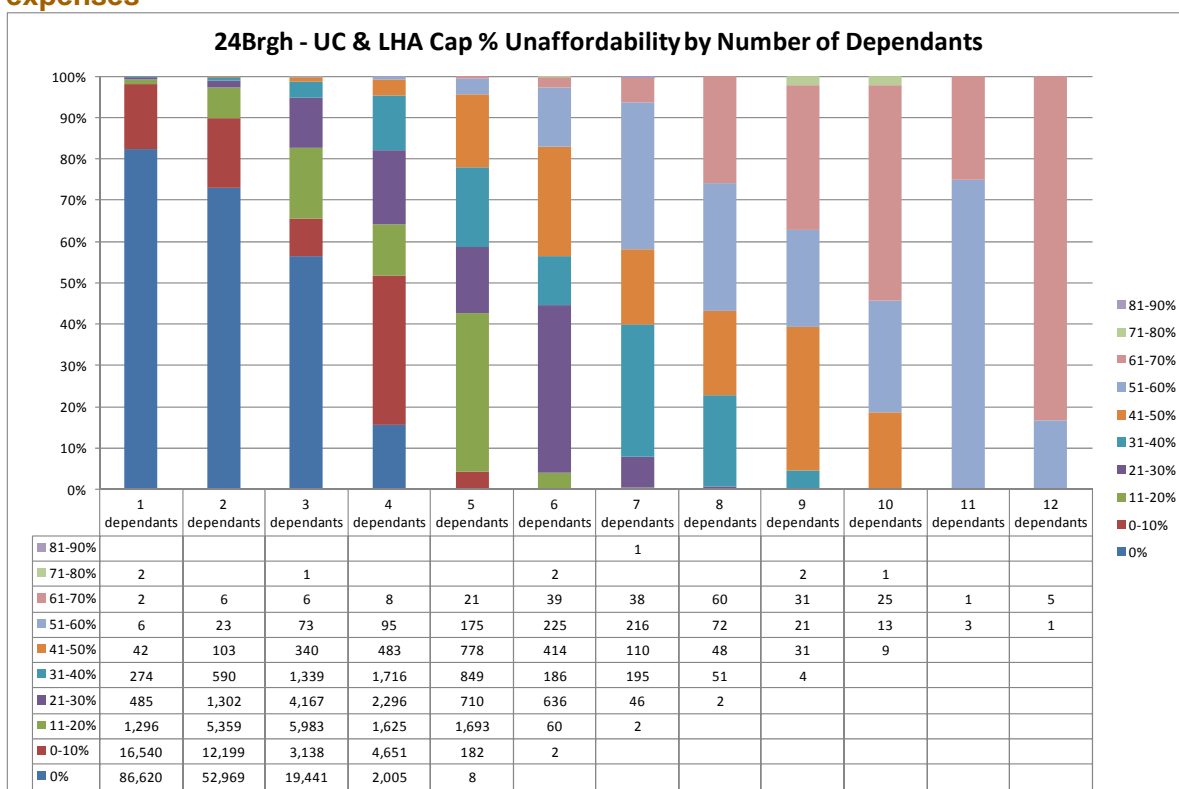


Again, no simple progression is revealed. But it is apparent that as family size increases the proportion of those experiencing substantial shortfalls rises significantly: very few one or two adult households lose more than £200/week but between a tenth and fifth of 4 bed households have such a shortfall. This is to be expected for two reasons: first, the common limit of the cap and second, the larger rent (and therefore larger potential shortfall) that larger properties command.

The next graph provides an assessment for a larger borough sample of the impact of the number of dependants on affordability. This draws on data from boroughs where for a limited number of records the precise BRMA could not be determined. In addition, it includes a further set of boroughs which included records for those above working age. Other data sources indicate that only 4% of pensioner households contain dependants. By excluding single and two adult households without dependants the data for all 24 can be combined to provide a reasonably robust assessment of the impact on households by the number of dependants across a sample of over 70% of London boroughs.

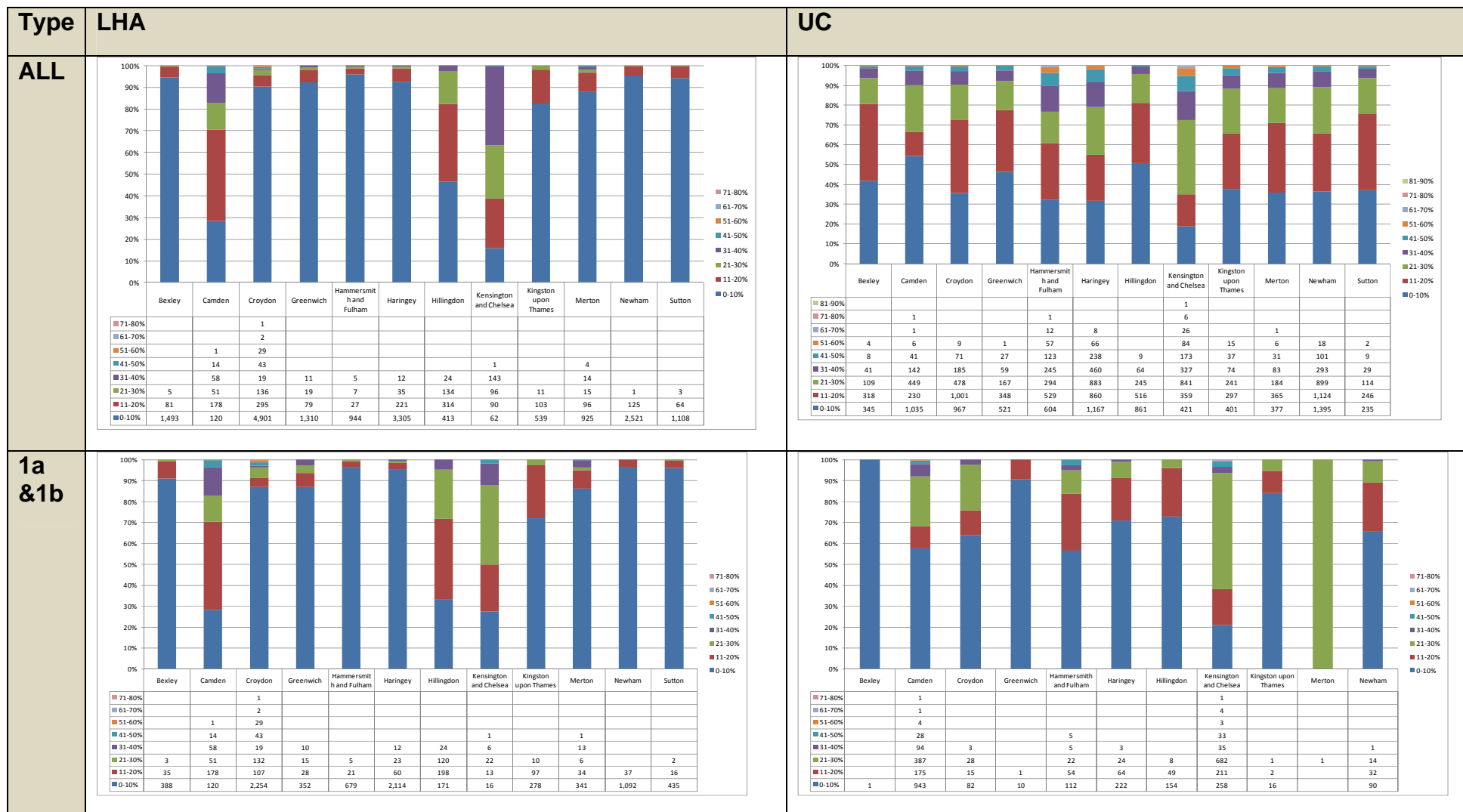
This graph shows the shortfall, expressed as a percentage of living expenses, households face depending on the number of children they have and taking account of the combined impact of the UC and LHA caps.

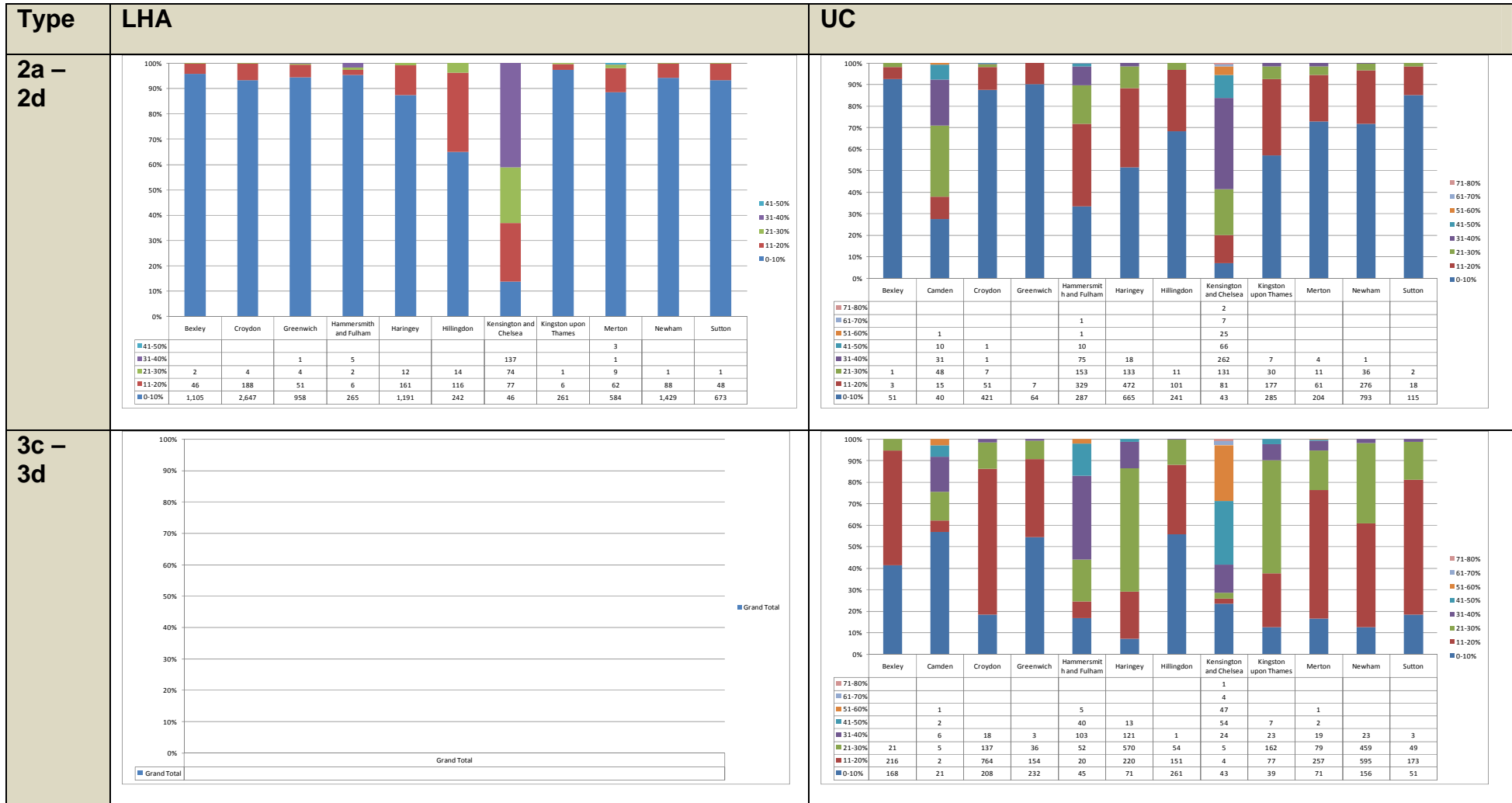
Figure 14: Degree of Unaffordability by Number of Dependants as % of living expenses

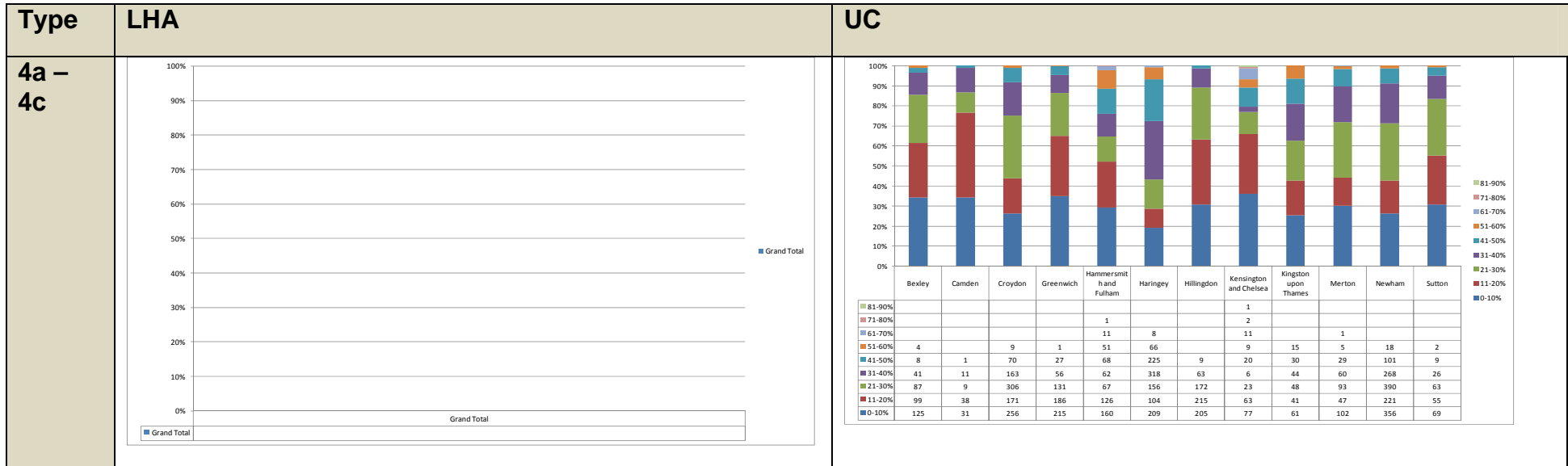


For those with 1 child over 80% face no shortfall. For those with 2 children this falls to just over 70%, and for those with 3 children to below 60%. For families with 4 children over 80% are affected, with almost half having a shortfall of over 10%. All families beyond this size are impacted and many severely.

Figure 15: Affordability/Unaffordability by bed-size by Case Study Borough







5.5 Affordability by Bed-size by Borough

The above graphs provide an analysis of the impact on affordability of each of the caps by borough by bed-size by combining the data for relevant household types for each bed-size.

The first pair of graphs show the position for all bed-sizes by borough for the UC and LHA cap respectively and those following show the position for 1, 2, 3 and 4 bed properties.

Across all bed-sizes the degree of unaffordability is most acute as a result of the LHA cap in Kensington & Chelsea, Camden and Hillingdon. The UC cap generates the greatest degree of unaffordability for those affected in Kensington & Chelsea, Hammersmith and Fulham and Haringey.

Considering first the degree of unaffordability under the LHA cap for different bed-sizes:

- 1 bed properties are unaffordable to the greatest degree in Camden, Hillingdon and Kensington & Chelsea.
- For 2 bed properties the degree of unaffordability is highest in Kensington & Chelsea where the shortfall is over 10% for over 85% of households affected, and above 20% for more than half of households affected.
- For 3 and 4 bed properties the greater impact arises in all cases from the application of the UC cap.
- For those impacted by the UC cap:
 - For both 1 and 2 beds, Kensington and Chelsea, Hammersmith and Fulham and Camden have the highest degree of unaffordability.
 - For 3 beds, Kensington & Chelsea, Hammersmith and Fulham and Haringey have the highest degree of unaffordability.
 - For 4 beds the divergence by borough is limited, with 80% of affected households facing a shortfall in excess of 10% of their living cost benefits in all the boroughs.

5.6 Assessing the Overall Impact on London of the UC Cap

The following analysis draws on the data from all the 24 authorities where Housing Benefit information was provided, including those where this data was incomplete and extrapolates for the remaining London boroughs.

Affordability by London Borough

The table below ranks the boroughs by the percentage of households whose rent is not affordable.

It provides an overview of affordability by London borough giving the number of households whose current rent is not affordable as a consequence of the either the LHA cap or the UC cap, whichever has the greater impact.

Figure 16: Ranking of Boroughs by % of Households whose Rent is not Affordable

Borough	Total Records	BRMA1						LHA and UC
		Affordable	%	LHA Cap	%	UC Cap	%	%
Brent	30,660	20,474	67%	1,831	6%	8,355	27%	33%
Redbridge	15,729	11,062	70%	2,006	13%	2,661	17%	30%
Croydon	30,195	22,058	73%	5,426	18%	2,711	9%	27%
Kingston upon Thames	6,593	4,875	74%	653	10%	1,065	16%	26%
Newham	27,339	20,862	76%	2,647	10%	3,830	14%	24%
Kensington and Chelsea	11,205	8,575	77%	392	3%	2,238	20%	23%
Waltham Forest	21,666	16,589	77%	2,557	12%	2,520	12%	23%
Haringey	31,054	23,799	77%	3,573	12%	3,682	12%	23%
Merton	9,555	7,454	78%	1,054	11%	1,047	11%	22%
Sutton	8,680	6,870	79%	1,175	14%	635	7%	21%
Barnet	22,530	17,989	80%	2,143	10%	2,398	11%	20%
City of London	780	623	80%	74	10%	83	11%	20%
Ealing	25,400	20,280	80%	2,416	10%	2,704	11%	20%
Harrow	13,060	10,428	80%	1,242	10%	1,390	11%	20%
Westminster	22,220	17,741	80%	2,113	10%	2,365	11%	20%
Southwark	30,710	24,520	80%	2,921	10%	3,269	11%	20%
Enfield	27,570	22,013	80%	2,622	10%	2,935	11%	20%
Islington	25,470	20,336	80%	2,422	10%	2,711	11%	20%
Wandsworth	21,130	16,871	80%	2,010	10%	2,249	11%	20%
Tower Hamlets	29,263	23,455	80%	1,182	4%	4,626	16%	20%
Hounslow	17,993	14,588	81%	1,590	9%	1,815	10%	19%
Richmond upon Thames	6,373	5,198	82%	616	10%	559	9%	18%
Bexley	14,357	11,953	83%	1,579	11%	825	6%	17%
Hammersmith and Fulham	17,816	14,968	84%	983	6%	1,865	10%	16%
Hackney	34,921	29,456	84%	1,802	5%	3,663	10%	16%
Barking and Dagenham	18,666	15,768	84%	1,465	8%	1,433	8%	16%
Lewisham	30,213	25,639	85%	2,929	10%	1,646	5%	15%
Hillingdon	17,104	14,524	85%	885	5%	1,695	10%	15%
Havering	11,096	9,555	86%	939	8%	603	5%	14%
Bromley	15,095	13,033	86%	1,387	9%	675	4%	14%
Greenwich	19,418	16,876	87%	1,419	7%	1,123	6%	13%
Camden	19,172	16,845	88%	422	2%	1,905	10%	12%
Lambeth	34,038	30,597	90%	1,999	6%	1,443	4%	10%
	667,071	535,874	80%	58,472	9%	72,725	11%	20%

Overall, the caps result in the current accommodation of over 130,000 households – 20% of workless households – being unaffordable. Where the greater impact of the two is taken to categorise households, the UC cap has a marginally more significant impact on affordability (11%) than the LHA cap (9%).

The percentage of households affected in each borough varies greatly. In two boroughs, Brent and Redbridge, unaffordability is 30% or more; in eighteen boroughs between 20 and 30% of households are affected.

In regard to the impact of UC alone the greatest impact is in the boroughs of Brent, Kensington & Chelsea, Newham and Tower Hamlets. The different degree of impact will reflect two factors: the level of rents for properties occupied by workless households (as distinct from the general level of rents that obtain in any given borough); and the proportion of different household types within the workless population with, as we have seen, larger households more likely to be impacted than others.

The graph below shows the levels of affordability in respect of each of the caps for all the London boroughs.

Figure 17: Levels of Affordability in Respect of the UC and LHA caps for all London Boroughs

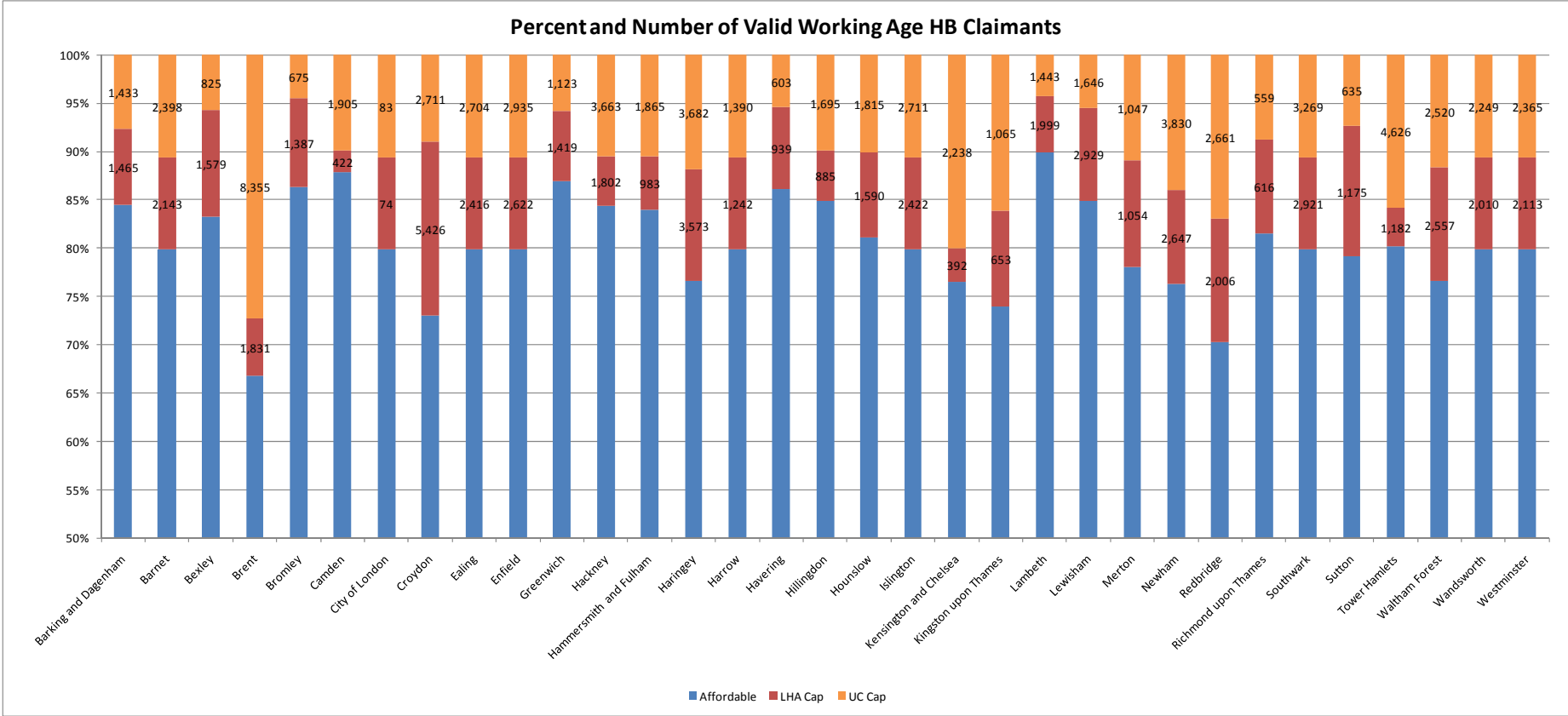
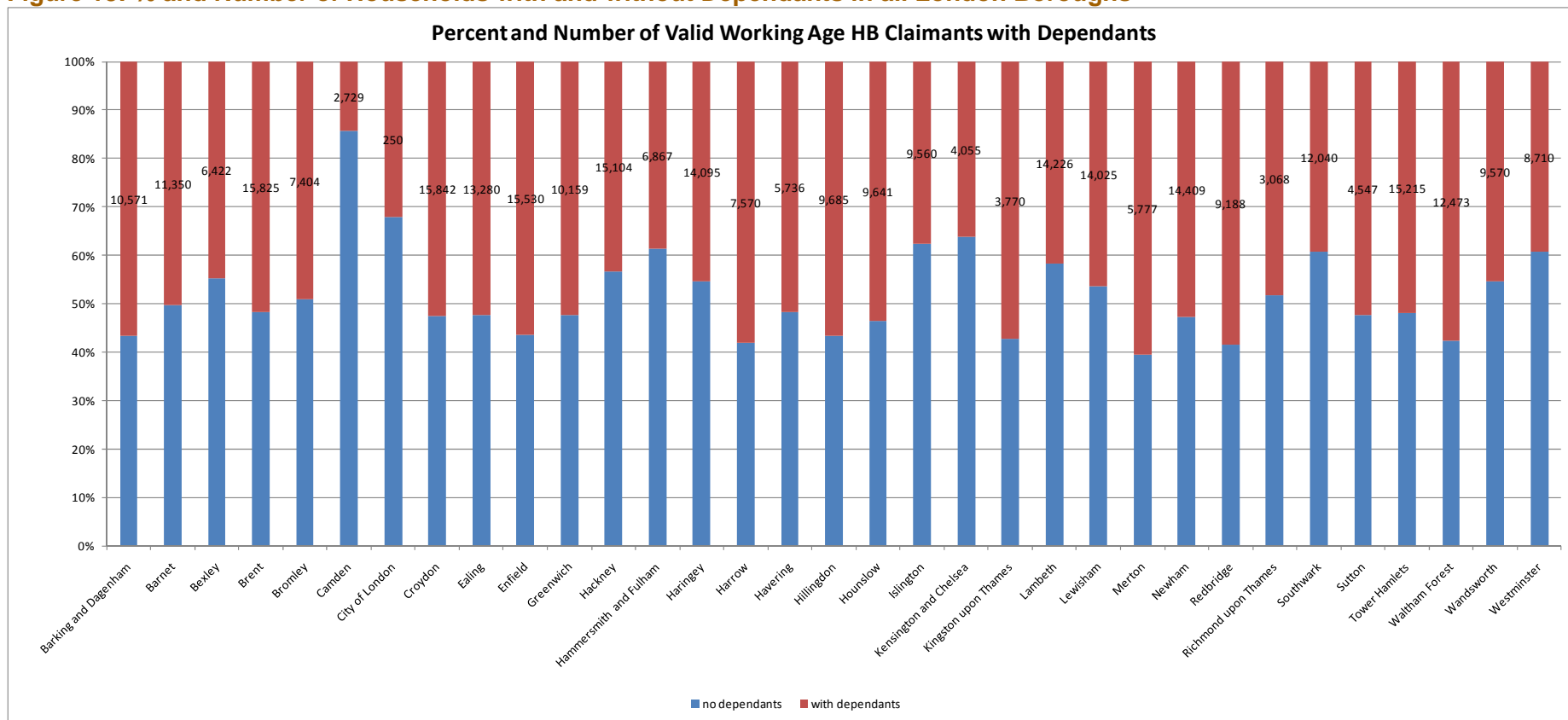


Figure 18: % and Number of Households with and without Dependants in all London Boroughs



This graph shows the % and number of households in each borough divided by households with and without dependants. For example in the case of Camden it is apparent that a very high proportion of workless households have no dependants and this is reflected in the relatively low ranking of UC impact on affordability.

The tables below provide an overview of affordability for the three sample groups and, by extrapolation, the remaining boroughs and for London as a whole, with categorisation into a limited range of household types.

Figure 19: Overview of Affordability across London – Number of Households

Boroughs	Count of Max Un-affordability	Single, no child dependants	Single, with child dependants	Couple, no child dependants	Couple, with child dependants	Grand Total
Case Study	Affordable	88,892	50,200	11,673	18,894	169,659
	LHA Cap	8,177	9,326	1,510	1,195	20,208
	UC Cap	3,843	8,470	36	10,272	22,621
	Total	100,912	67,996	13,219	30,361	212,488
BRMA	Affordable	38,611	21,050	4,146	12,971	76,778
	LHA Cap	2,548	4,503	449	692	8,192
	UC Cap	2,163	6,436	5	10,117	18,721
	Total	43,322	31,989	4,600	23,780	103,691
Working Age	Affordable	85,612	38,805	11,000	12,873	148,290
	LHA Cap	5,561	6,371	878	576	13,386
	UC Cap	593	5,184	9	6,157	11,943
	Total	91,765	50,360	11,887	19,606	173,618
Extrapolated	Affordable	79,012	44,620	10,376	16,794	150,801
	LHA Cap	7,268	8,289	1,342	1,062	17,962
	UC Cap	3,416	7,529	32	9,130	20,107
	Total	89,696	60,438	11,750	26,986	188,870
London	Affordable	292,127	154,675	37,195	61,532	545,528
	LHA Cap	23,554	28,489	4,179	3,525	59,748
	UC Cap	10,015	27,619	82	35,676	73,392
	Grand Total	325695	210783	41456	100733	678667

Figure 20: Overview of Affordability across London - Percentage of Households

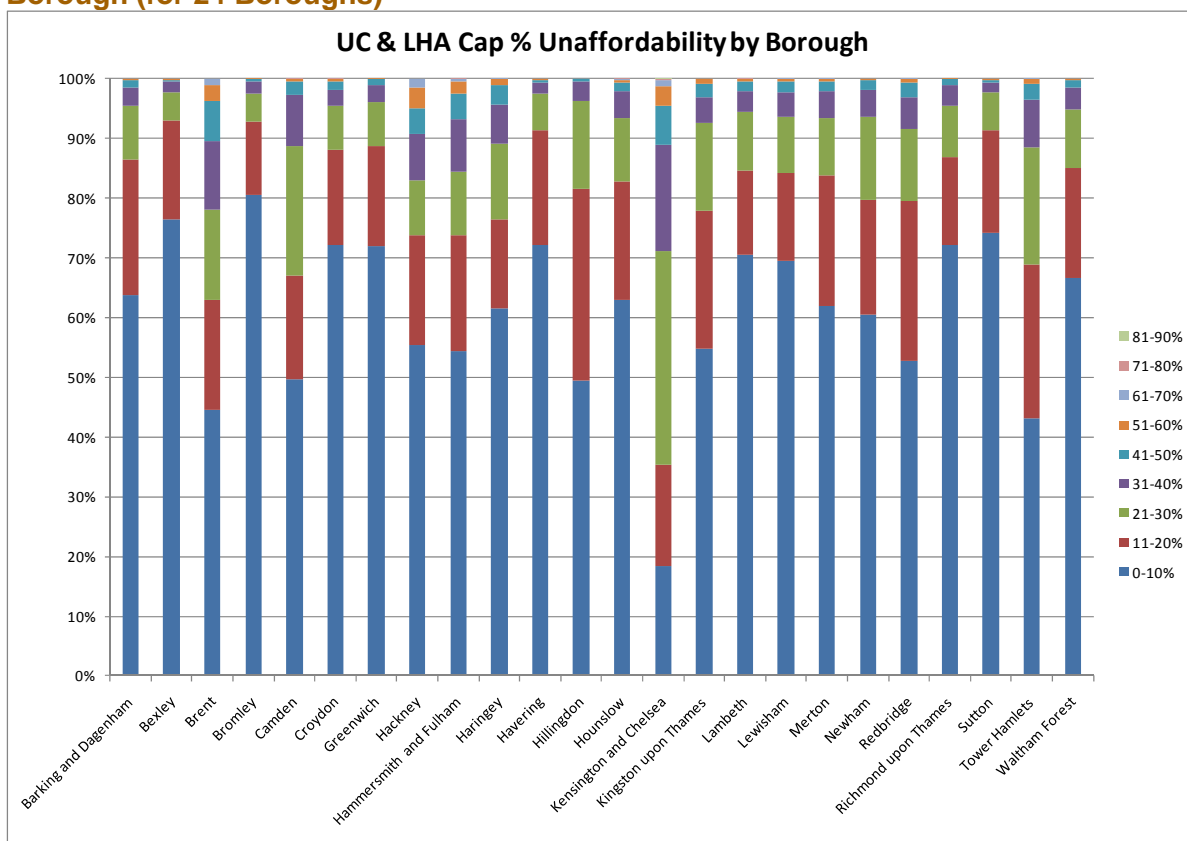
Boroughs	Count of Max Un-affordability	Single, no child dependants	Single, with child dependants	Couple, no child dependants	Couple, with child dependants	Grand Total
Case Study	Affordable	88	74	88	62	80
	LHA Cap	8	14	11	4	10
	UC Cap	4	12	0	34	11
	Total	100	100	100	100	100
BRMA	Affordable	89	66	90	55	74
	LHA Cap	6	14	10	3	8
	UC Cap	5	20	0	43	18
	Total	100	100	100	100	100
Working Age	Affordable	93	77	93	66	85
	LHA Cap	6	13	7	3	8
	UC Cap	1	10	0	31	7
	Total	100	100	100	100	100
Extrapolated	Affordable	88	74	88	62	80

Boroughs	Count of Max Un-affordability	Single, no child dependants	Single, with child dependants	Couple, no child dependants	Couple, with child dependants	Grand Total
	LHA Cap	8	14	11	4	10
	UC Cap	4	12	0	34	11
	Total	100	100	100	100	100
London	Affordable	90	73	90	61	80
	LHA Cap	7	14	10	3	9
	UC Cap	3	13	0	35	11
	Grand Total	100	100	100	100	100

5.6.1 Degree of Affordability by Borough

This graph shows those whose accommodation is not affordable and the degree to which it is not affordable (as a percentage of living expenses). For example in Kensington & Chelsea over 60% of families impacted by the caps face a shortfall of over 20% (of their living expense benefits). This analysis is limited to the 24 boroughs for which data was available.

Figure 21: Degree of Unaffordability from LHA and UC caps together by Borough (for 24 Boroughs)



5.7 Affordability Shortfalls for London

The following series of tables set out the average loss for those impacted by the LHA and UC caps by broad household type and the aggregate loss per week. The first

table provides the figures for the 12 case study boroughs. From this analysis the aggregate impact on London across London as a whole is estimated.

Figure 22: Average Loss for those Impacted by the LHA and UC Caps by Broad Household Type and the Aggregate Loss for all London per Week

Local Authority **12 CASE BOROUGHES**

Average of Max Unaffordability	Single, no child dependants	Single, with child dependants	Couple, no child dependants	Couple, with child dependants	Grand Total
LHA Cap	£15.16	£21.38	£43.72	£13.39	£20.06
UC Cap	£61.82	£109.90	£58.39	£117.12	£104.93
Grand Total	£30.08	£63.51	£44.07	£106.31	£64.89

Local Authority **33 BOROUGHES**

Number of Families	Single, no child dependants	Single, with child dependants	Couple, no child dependants	Couple, with child dependants	Grand Total
LHA Cap	23,268	27,615	4,121	3,468	58,472
UC Cap	10,014	27,231	82	35,398	72,725
Grand Total	33,281	54,846	4,204	38,866	131,197

Local Authority **33 BOROUGHES**

Number of Families	Single, no child dependants	Single, with child dependants	Couple, no child dependants	Couple, with child dependants	Grand Total
LHA Cap	£352,855.01	£590,390.79	£180,205.74	£46,435.12	£1,169,886.67
UC Cap	£619,067.72	£2,992,811.42	£4,800.94	£4,145,968.15	£7,762,648.23
Grand Total	£971,922.73	£3,583,202.21	£185,006.68	£4,192,403.28	£8,932,534.90

Across the twelve case study boroughs, for those households more significantly affected by the LHA cap the average loss is £20 per week, ranging from just over £13 for a couple with children to £44 for a couple with no children.

For those impacted to a greater degree by the UC cap the average loss is £105, ranging from £58 for a couple with no children to £117 for a couple with children.

For London as a whole it is estimated that the total shortfall arising from the LHA cap is £1.17 million per week. The UC cap produces a loss of £7.76m per week. In annual terms the UC cap produces an aggregate shortfall for workless households in London of £403 million.

6 A UNIVERSAL CREDIT CAP TO FIT LONDON

The preceding analysis demonstrates the major impact the UC cap will have in London and on the availability and location of affordable accommodation for workless households in the capital. The high levels of unaffordability and the extent of shortfall from current rents is a function of the high level of rents in the capital generally and in some boroughs in particular.

The fixed UC cap is derived from a forward estimate of national median household take-home pay, the government's rationale being that a workless household should not receive a higher income from benefits than the median working household receives from employment. It is intended that this limitation on benefits will increase work incentives. To apply this logic to a London context it is reasonable to consider what impact a UC cap weighted to reflect household median earnings would have. Reflecting London median earnings we have examined the impact of a 14% higher UC cap: This would set the cap at £399 for a single adult and £570 for other households.

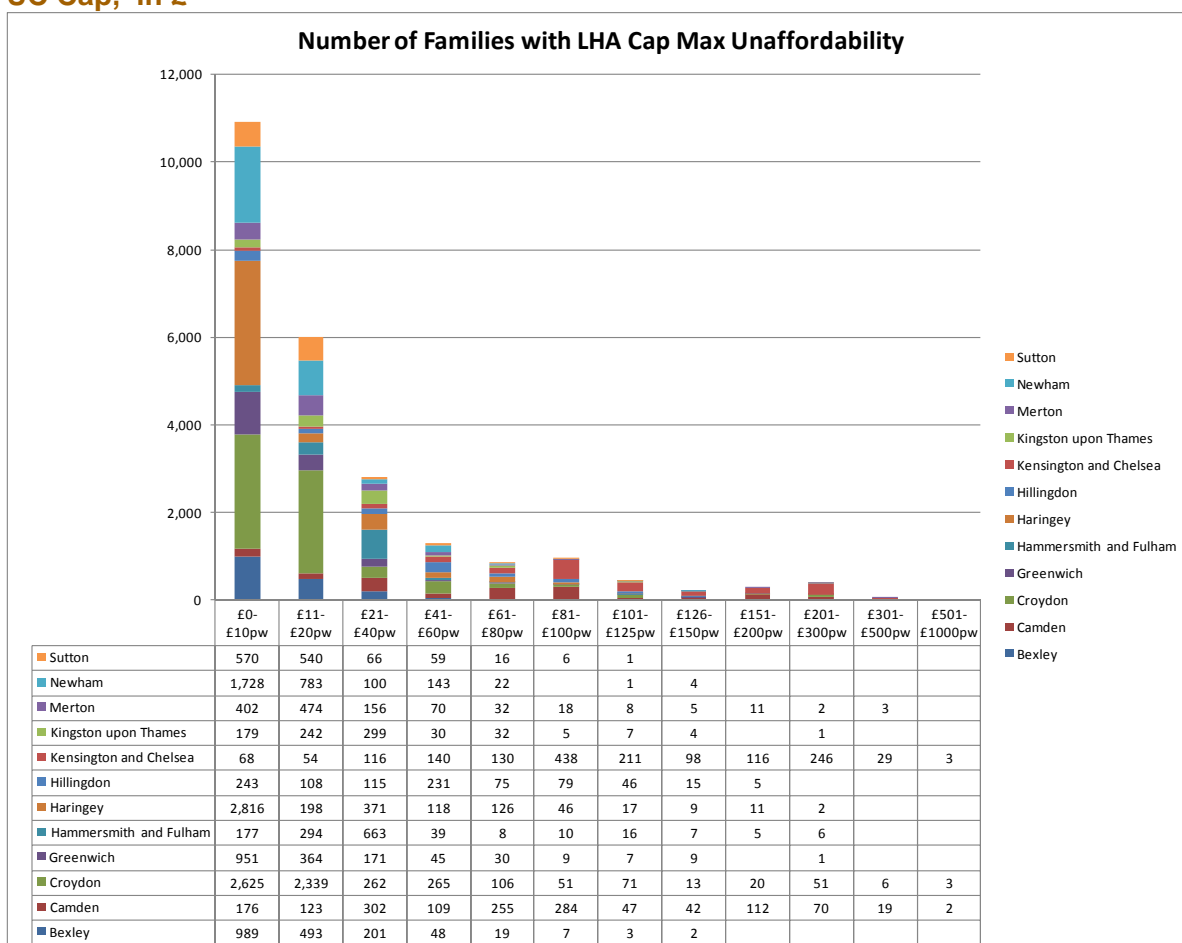
In the table and graphs below the impact of this amended cap is assessed.

Figure 23: Impact of London-weighted UC Cap (£399 for a single adult and £570 for other households) on affordability

Borough	BRMA1		
	Affordable	LHA Cap	UC Cap
Barking and Dagenham	16,302	1,730	634
Barnet	18,855	2,554	1,120
Bexley	12,281	1,762	314
Brent	23,040	3,254	4,366
Bromley	13,325	1,508	261
Camden	17,485	1,541	146
City of London	653	88	39
Croydon	23,169	5,812	1,214
Ealing	21,257	2,880	1,263
Enfield	23,073	3,126	1,371
Greenwich	17,349	1,587	482
Hackney	30,680	2,282	1,959
Hammersmith and Fulham	15,605	1,225	986
Haringey	25,129	3,714	2,211
Harrow	10,930	1,481	649
Havering	9,817	1,058	221
Hillingdon	15,530	917	657
Hounslow	15,310	1,727	955
Islington	21,316	2,888	1,266
Kensington and Chelsea	8,896	1,649	660
Kingston upon Thames	5,267	799	527
Lambeth	31,264	2,027	747
Lewisham	26,253	3,035	926
Merton	7,876	1,181	498
Newham	22,364	2,781	2,194
Redbridge	11,741	2,452	1,536
Richmond upon Thames	5,441	713	219
Southwark	25,701	3,482	1,527
Sutton	7,146	1,258	276
Tower Hamlets	25,397	1,500	2,366
Waltham Forest	17,629	2,702	1,335
Wandsworth	17,684	2,396	1,051
Westminster	18,596	2,519	1,105
	562,363	69,628	35,080

The graph below shows the impact of the LHA cap on the degree of unaffordability (expressed in £/week) if a revised UC cap were adopted to reflect median earnings in London.

Figure 24: Degree of Unaffordability of the LHA Cap with a London-weighted UC Cap, in £



The move to a higher UC cap for London results in a higher number of households being affected to a greater degree by the unamended LHA cap.

The graph below shows the significantly reduced impact arising from the higher UC cap. The following graph shows the reduced impact by housing type. It is apparent that the impact on larger households is moderated significantly.

Figure 25: Degree of Unaffordability for London-weighted UC cap, in £

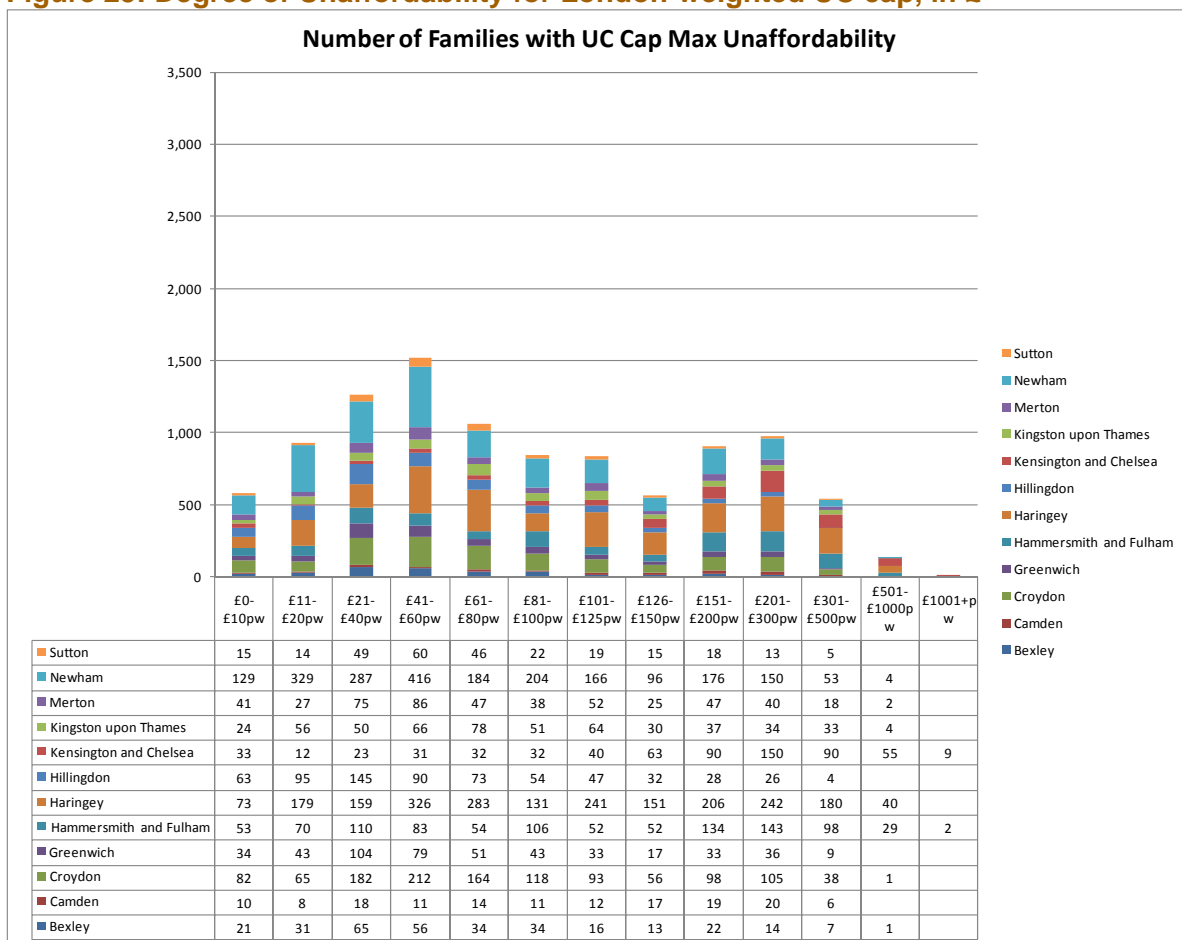
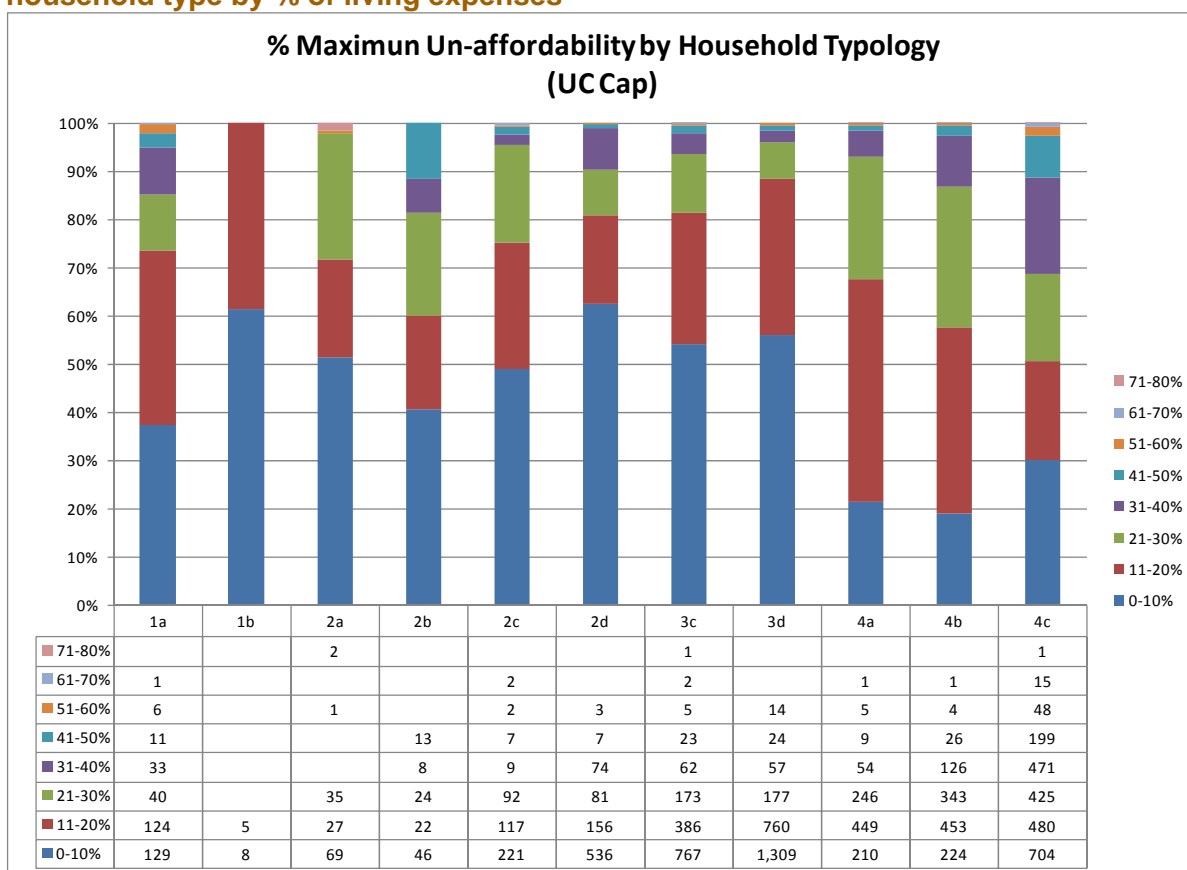


Figure 26: Degree of Unaffordability for London-weighted UC Cap by household type by % of living expenses



6.1 Exemption of Child Benefit from the UC Cap

As we have seen from the earlier analysis, the UC cap has a disproportionate impact on households with children and in particular those with a larger number of children. This has a particularly acute impact in London because of rental levels.

As the proposals for Universal Credit have been developed and during the course of their consideration by Parliament the argument has been advanced that Child Benefit, a universal and non-means tested benefit, should be exempted from the total housing benefits cap in order to provide for a more equal impact on households of different size and to ameliorate the impact on larger families.

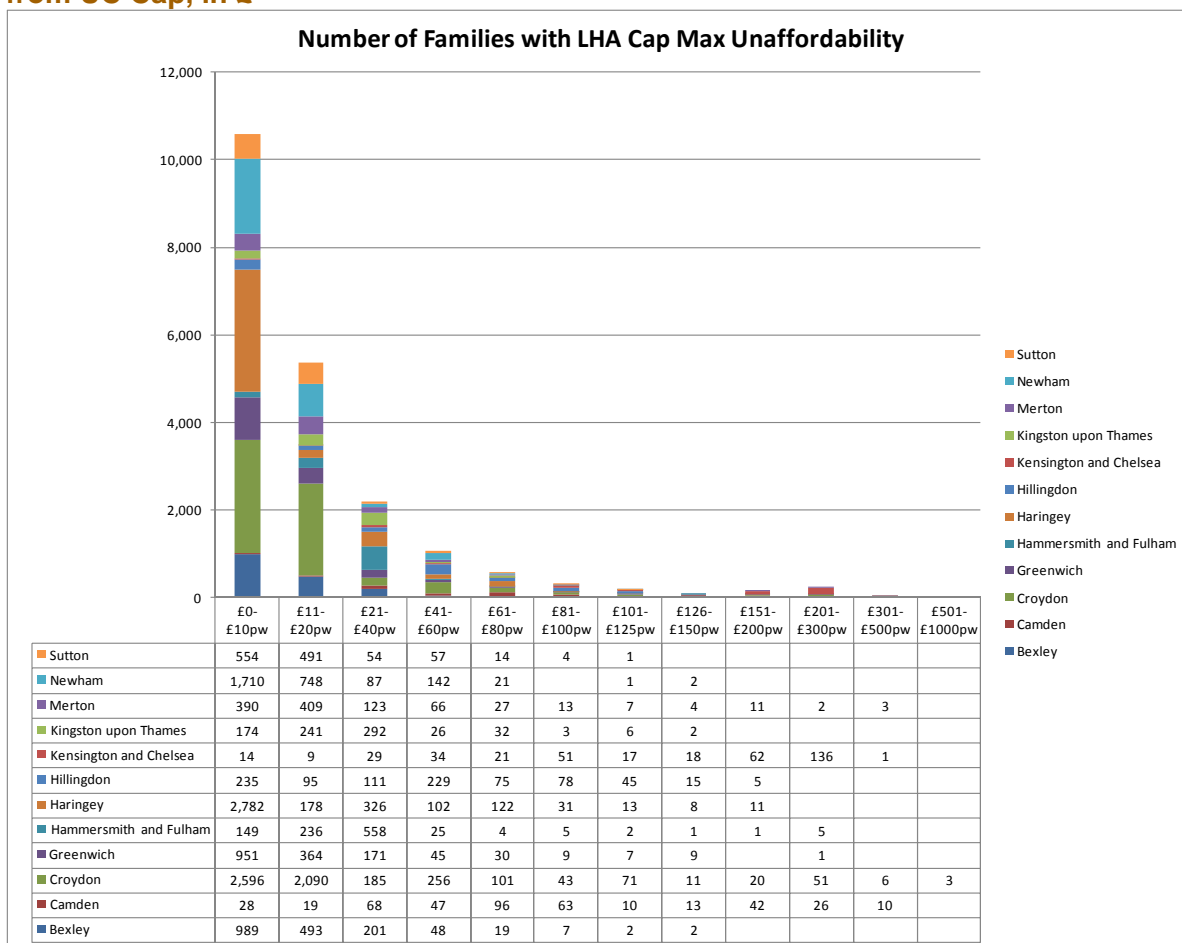
The following table and graphs provide an assessment of the revised impact a UC cap would have if Child Benefit were exempted from the calculation of total household benefits under the cap.

Figure 27: Affordability by Borough with Child Benefit exempted from the UC Cap

	BRMA1	LHA Cap	UC Cap
	Affordable		
Barking and Dagenham	16,153	1,498	1,015
Barnet	18,510	2,160	1,860
Bexley	12,240	1,761	356
Brent	21,484	1,851	7,325
Bromley	13,293	1,508	294
Camden	16,929	422	1,821
City of London	641	75	64
Croydon	22,880	5,433	1,882
Ealing	20,868	2,436	2,096
Enfield	22,651	2,644	2,276
Greenwich	17,305	1,587	526
Hackney	30,174	1,802	2,946
Hammersmith and Fulham	15,322	986	1,508
Haringey	24,516	3,573	2,965
Harrow	10,730	1,252	1,078
Havering	9,775	954	367
Hillingdon	15,205	888	1,011
Hounslow	15,172	1,619	1,202
Islington	20,926	2,442	2,102
Kensington and Chelsea	8,721	392	2,092
Kingston upon Thames	5,109	776	708
Lambeth	31,143	2,004	891
Lewisham	26,062	3,009	1,142
Merton	7,777	1,055	723
Newham	21,931	2,711	2,697
Redbridge	11,574	2,125	2,030
Richmond upon Thames	5,347	684	342
Southwark	25,231	2,945	2,535
Sutton	7,085	1,175	420
Tower Hamlets	24,905	1,228	3,130
Waltham Forest	17,472	2,604	1,590
Wandsworth	17,360	2,026	1,744
Westminster	18,255	2,131	1,834
	552,746	59,754	54,572

The graph below shows the impact for those affected by the LHA cap arising from the exclusion of Child Benefit from the UC cap.

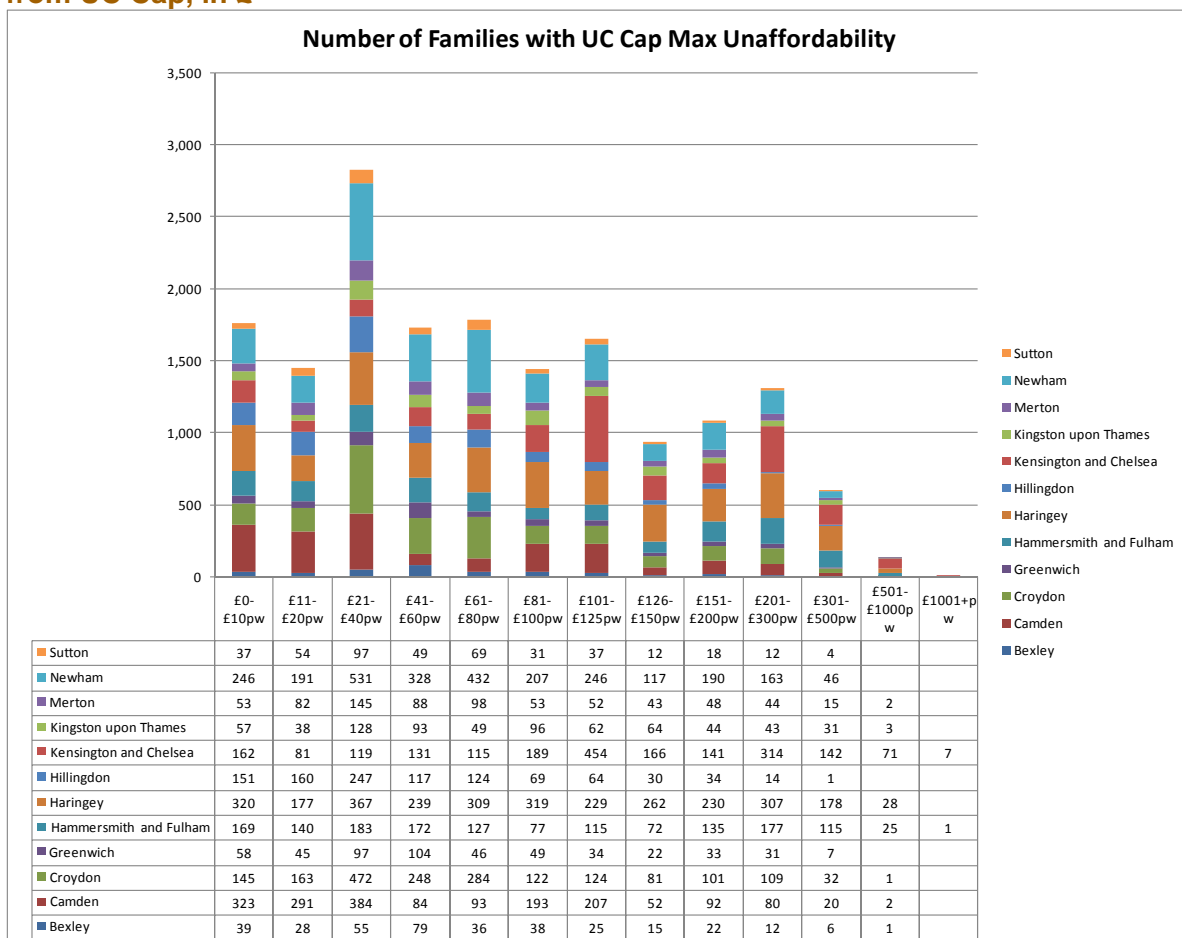
Figure 28: Degree of Unaffordability for LHA cap with Child Benefit exempted from UC Cap, in £



A larger number of households are affected than previously by the LHA cap with some increase in the proportion experiencing higher levels of shortfall.

The graph below shows the revised position for those affected by the UC cap in this scenario. There is a significant decrease in the number of households affected and the degree to which they are affected.

Figure 29: Degree of Unaffordability for UC Cap with Child Benefit exempted from UC Cap, in £



6.2 Comparison of the Impact of the UC Cap and Amended Caps

The graphs below show the number of households whose accommodation would not be affordable for the case study boroughs under (i) the standard UC cap (Nul/UC), (ii) under a London-weighted UC cap, and (iii) if child benefit is excluded from the cap. The first graph show the impact by those most affected by the UC cap and the second graph shows the position for those most impacted by the LHA cap.

Figure 30: Comparison of impact of UC Cap for standard and varied UC Caps

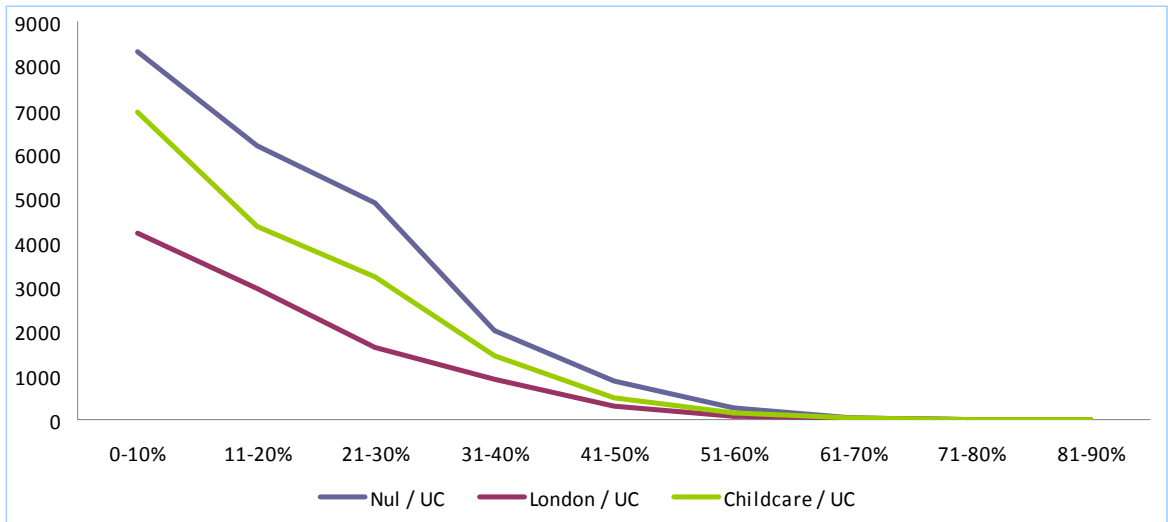
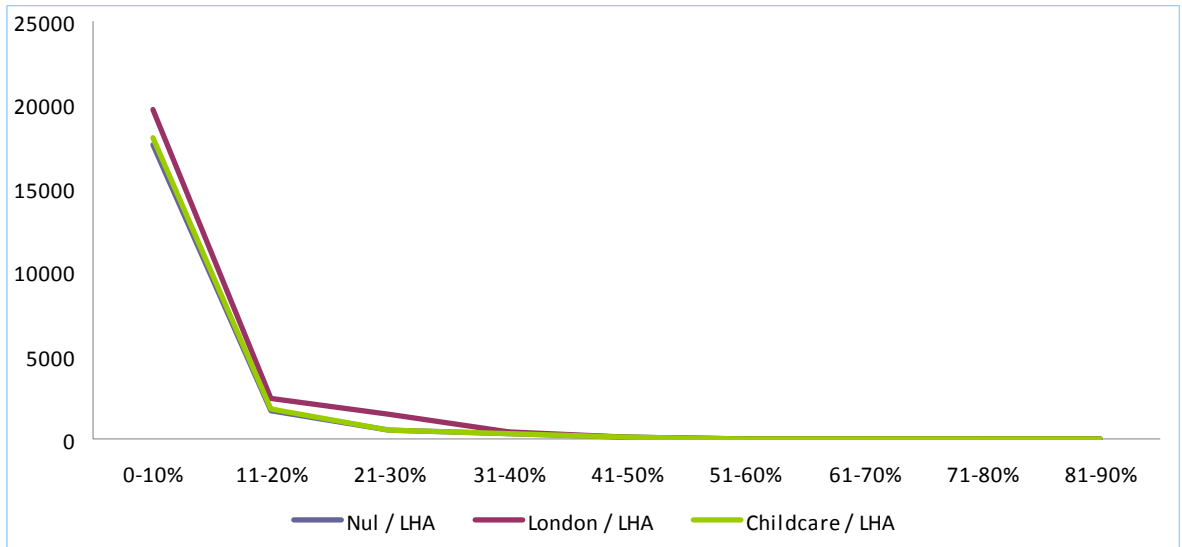


Figure 31: Comparison of impact of LHA Cap for standard and varied UC Caps



For London as a whole it is estimated that the number of households affected by the UC cap would fall by 50% from 74,000 to 35,000 if a revised UC cap related to London median earnings was adopted. The number of households more affected by the LHA cap rises by 11,400. The net effect would be to leave 37,600 more households with affordable accommodation.

Across London the exclusion of Child Benefit from the cap would reduce the number impacted by the UC cap by a quarter to 54,500. The number impacted by the LHA cap would rise only marginally with the net effect being that 17,338 more households would be able to afford their accommodation.

7 POTENTIAL CONSEQUENCES OF UNIVERSAL CREDIT HOUSING UNAFFORDABILITY

This chapter considers the consequences that may arise as a result of the impact of the UC cap on housing affordability. It first outlines the factors that may in practice over time reduce or increase the impact and, second considers the potential responses of households who find their accommodation unaffordable.

7.1 Economic Variables

This report provides an analysis of the impact of the Universal Credit cap on housing affordability for those currently workless and in rented accommodation in London. It is, by its nature, a static analysis, made in the present. Universal Credit and the associated household benefits cap is not due to be introduced until April 2013. In the interim, movements in rents, CPI, benefits and other shaping factors will occur and the Universal Credit will clearly operate in a dynamic environment. The new system will also be introduced gradually – at first only covering new applicants, with existing claimants being migrated across over the period to 2016. However, the precise arrangements for the transition have not been set out.

A number of key variables may ameliorate or exacerbate the consequences for housing affordability identified in this study, and these are briefly outlined here.

7.2 Rental Inflation

The level of rents in the private rented sector is a central factor in determining affordability, or the degree of shortfall. Over the last decade market rents in London have typically risen by 5-7% per annum and, of late, more quickly. Whilst general market inflation is relevant it is the movement of private rents in the lower reaches of the distribution and of properties available to benefit claimants that are of direct relevance. The government is of the view that existing Local Housing Allowance rates artificially drive up rent levels and that the imposition of the new LHA caps and the application of the UC cap could abate this. If the caps prompt households to migrate from less to more affordable areas in sufficient numbers to reduce local demand this could prompt downward pressure on rents in some areas. Conversely if households move in larger numbers to more affordable areas with an inflexible supply of rental housing there may be a demand-driven uplift in rents.

7.3 Benefit Levels

From April 2011 benefits are up-rated by the Consumer Prices Index (CPI), rather than the Retail Prices Index, as previously. CPI, which excludes housing costs, has since its introduction consistently been lower than RPI. Currently CPI (and RPI) is well-above the government target, but its long-term rate is 2.5-3.5%. The LHA 30th percentile caps currently track real market rents but from April 2013 it will be up-rated by CPI. If rental inflation continues to outpace CPI then the consequence will be that housing affordability for workless households will worsen over time. It is not known if the government will increase the LHA bed-caps by CPI or leave them as fixed cash amounts. If the latter is the case then their impact will be felt more widely across boroughs. Separate research indicates that the proportion of 'affordable' neighbourhoods in London could fall from 75% to 36% by 2016 as a result of higher rental than CPI inflation over that period.

7.4 Unemployment

The UC cap will not apply to working households who are in receipt of benefits. Changes in levels of employment for London residents and therefore on the numbers of workless households will therefore have a direct impact. The proposed UC cap of £500 has been derived from a projection of UK household take-home pay (for 2013). If this relationship is maintained changes in median earnings nationally will impact on housing affordability; alternatively the government may fix the cap or tie it to CPI, which is likely to worsen affordability over time.

7.5 Household Responses

The affordability analysis presented identifies the number and type of households who would not be able to afford their current rent and the extent of the prospective shortfall between a household's current rent and the benefits they would be entitled to. What this analysis cannot do, however, show is how households will respond as a consequence. This section outlines different ways in which households could respond, but the choices individual households make, and, in aggregate, the degree to which each is adopted, simply cannot be predicted from a study of this nature.

The choices that households make will depend on many factors including the availability of alternative affordable accommodation in their locality, the wider area, and in London, the strength of local connections including how long they have lived in an area, family connections and social networks, reliance on local schools and other services, transport connectivity, and access to other financial resources.

7.6 Finding Employment

The government intends through the introduction of Universal Credit to increase work incentives, including through the introduction of a standard benefit withdrawal taper at 65%, and through a simplification of the benefit system so that the economic benefits of employment are more evident. Where work is available and accessible in terms of travel costs households may be additionally encouraged to seek employment by unaffordability pressures. Where a household has a member working the UC cap does not apply (but the LHA caps continue to do so).

7.7 Absorbing the Shortfall

Households may choose to absorb the shortfall between their rent and the housing-related benefit element provided, meeting the difference from their living costs benefits. Some households may have access to financial support from friends or family, and some households may obtain income from the informal economy to maintain themselves in their accommodation. In a recent study a significant proportion of households were meeting a shortfall under the existing LHA caps from other benefits or resources.

The degree to which this is a viable option for households will of course depend in part on the degree of unaffordability they face. Where the loss is marginal households are more likely to remain, but where it represents a significant proportion of their income many may look to other options. A short-term response or result may also be increasing rent arrears and households consequently being obliged to move through repossession or non-renewal of their tenancy.

7.8 Overcrowding

Households could opt to overcrowd their accommodation, either in situ or by moving to smaller accommodation.

If a non-dependant joins a household in their current accommodation a deduction will normally be made from their benefit entitlements, and the level of these deductions are also being increased. If, however, the UC cap is limiting the benefits they receive there may be little or no loss of benefits with the income from the non-dependant assisting in meeting the rent shortfall.

Alternatively, households may move within their local area to smaller, less expensive, accommodation and become overcrowded as a result. Overcrowding is widely recognized as being associated with social, health and educational detriment.

7.9 Household Division

Larger households could split themselves between two properties with the UC cap applying separately to each resulting household. This is clearly an option that would have profound consequences for the household but may be adopted by some.

7.10 Migration

Households may move away from their current area to less expensive areas. Where local connections are strong this may be to neighbouring, cheaper areas or those with good transport links to their current area. Some households will move further afield in search of affordable accommodation in cheaper areas of London. Others may move outside of London to secure suitable affordable accommodation.

Significant migration between London boroughs, and, in particular, significant net migration to more affordable areas within the capital may have significant impacts on the households themselves and on the provision of local services and on the wider community. Certain aspects of the potential local service impacts and policy responses are considered in the next chapter

7.11 Assessing Future Impacts

It is apparent from the analysis undertaken that the introduction of Universal Credit and the cap could have a profound impact on housing affordability for workless households in London. Over 130,000 households would be impacted by the combined caps if introduced today and many would experience high degrees of unaffordability and greatly restricted housing choice. There are, however, presently too many unquantifiable variables to predict with any usefulness how households will individually respond and how many will move and over what time period. The introduction of UC could, however, generate a level of household movement that would have major implications for local authority and other public services and have wider ramifications for communities and localities in London. The staged introduction of the LHA reforms and of the new Universal Credit could provide the opportunity to put in place monitoring arrangements that as the reforms take effect could be used to project future impacts to facilitate advance service planning and development.

8 IMPLICATIONS FOR LOCAL GOVERNMENT SERVICES

This chapter provides a summary of some of the potential consequences for local government services of welfare reform in London and considers the impact on communities and local services and service budgets. This examination was primarily undertaken through a series of expert practitioner working groups focused on four service areas: Children and Young People's Services, Adult Social Care, Housing, and Community Cohesion. A more detailed account of the findings of the groups is provided as an Appendix to the report.

As discussed previously, the response of individual households to housing unaffordability arising from the UC and LHA caps cannot be predicted. However, a proportion of existing claimants will move to less expensive areas to seek new affordable accommodation and new claimants will find that their housing choices are restricted to smaller areas of London, and will be disproportionately channelled there as they enter the benefits system.

With the impact of welfare reform concentrated on workless households and on families, and larger families in particular, consequent migration will result in a greater degree of socio-economic and demographic segregation across London.

The migration and concentration of workless households in some areas will potentially have significant implications for the full range of local authority (and other public) services as the distribution of service need and demand across different part of London changes, and this will have a range of implications for service cost, capacity and resources in different boroughs.

Some boroughs are likely to face significantly increased service pressures, and particularly so in relation to service needs that stem from unemployment, poverty and poor housing conditions, and in relation to educational and other services for children. Other boroughs will, in contrast experience reduced demand for such services but will themselves face challenges and costs in adapting to different, if reduced demands. All boroughs potentially face a time of accelerated demographic and socio-economic change at a time of acute pressure on public service spending.

8.1 Housing

London has an acute shortage of housing with high levels of need and demand. Access to home ownership and social housing has become more restricted and private rents are high and rising.

Housing affordability and choice will be significantly worsened as a result of the welfare reforms. As we have seen the Universal Credit Cap will have an impact on affordability for over a tenth of workless households and impact acutely on larger families. The UC cap will not only impact in the private rented sector but, for large families, social rents will become unaffordable in many parts of London. New 'Affordable Rent' properties, typically let at 60-80 % of market rents, will also be unaffordable in many areas of London.

Other benefit reforms will compound the position for some households: The more restrictive LHA caps will impact on affordability in the private rented sector, affecting a further tenth of workless households. Individuals aged between 25 and 35 years old will be newly restricted to the single room rate rather than that for a one-bedroom

property. Non-dependent deductions are also being increased putting additional pressure on household finances.

The effect of the UC cap, and these other changes, will be profound. Household finances will be put under pressure and many households will be priced out of their accommodation and the areas in which families can afford to live will be restricted, creating greater concentrations of those on lower incomes.

Almost a quarter of children already live in overcrowded accommodation and this will increase with consequences for health and educational outcomes. Increasing levels of overcrowding and sub-standard housing may also accelerate flight from such areas by those with greater housing choice, increasing segregation.

London has an exceptionally high level of households in temporary accommodation and demand is currently rising further and there has been an increase in those presenting themselves as homeless. The reforms will make it more difficult for boroughs to place people in the private rented sector and procure temporary accommodation and more people will inevitably be placed in emergency or nightly accommodation. Some authorities are placing people outside of the borough and looking to block book accommodation in towns outside of London.

Another benefit reform is the introduction of benefit penalties for the large number of households currently under-occupying social rented housing. The supply of smaller properties may be insufficient to meet needs and rising arrears, and possession costs may result. In the longer-term this reform will, however, release more family homes for social rent and reduce the costs of maintaining such families in temporary accommodation.

There will be an increase in rent arrears, at least initially and this is likely to be exacerbated by the government's planned move from housing benefit payments to landlords to direct payments to tenants. Increasing arrears will impact on council's Housing Revenue Account business plans and greater resource and cost will need to be invested in proactive rent arrears management, and potentially in the cost of possession proceedings.

It is important that boroughs endeavour to maintain levels of private rented accommodation. Local authorities should extend contact with private rented sector landlords to aid their understanding and ability to manage the impact of the reforms, and to minimise exit from the sector. The scope for extended rent agreements and leasing arrangements to maintain affordable rented housing levels could be extended. For less affordable boroughs the scope for out-of-borough placements will need to be researched, and the implications under homelessness legislation.

Boroughs will need to assess the impact of the UC caps on affordability within the social rented sector for larger families (and the effect of rent direct more generally) and ensure that rent arrears management arrangements are appropriately developed and resourced for both their own stock and that of other social landlords within the borough.

Under HRA reform, councils may consider increasing rents, through moving to target rents and through use of Affordable Rents at appropriate levels to generate income to fund additional housing supply. Councils should consider whether it is necessary to provide temporary accommodation within its stock at above social rents and the implications of this.

Boroughs will need to undertake assessment of how to make most effective use of discretionary housing payments.

8.2 Children and Young People's Services

Welfare reforms will disproportionately affect the affordability of housing for workless and low income families with children, especially larger families.

Families unable to afford their rent may be compelled to become overcrowded, accept substandard living conditions or move to a different area to find affordable accommodation. Migration and the potential concentration of workless families in some areas will place additional demands on Children and Young People's services, at a time of considerable budgetary pressures.

London already faces considerable challenges in providing children and young people's services in the context of high need. There are high levels of child poverty in London, with 650,000 children or 40% of all children living in poverty, with an accepted association between poverty and children being at risk. For children currently considered 'in need' there may be discontinuity of provision and the loss of informal support networks and some may as a result become 'at risk' with attendant consequences for service demand.

The relocation choices for workless families will be constrained and, for existing pupils the time and expense involved in commuting to existing schools will mean that force some pupils to change schools. Migration will result in an increasing degree of socio-economic polarisation between school catchment areas, reinforcing existing disparities in educational attainment. The impact on children with special education needs, who often depend on continuity of provision and stability, may be particularly acute.

There is an existing and rising shortfall of school places across London and this will intensify in areas where larger families relocate, but uncertainties about the scale and pattern of movement will inhibit forward planning of provision as the distribution of demand changes across London.

8.3 Adult Social Care

With an ageing population and a higher proportion than the UK of older people living alone London faces considerable pressures to meet adult social care needs.

If the benefit reforms, through stronger work incentives, encourage more people, including vulnerable individuals into work this could have positive impact both for those affected and for overall service needs and demands.

The UC cap does not impact on those currently in receipt of Disability Living Allowance, but will in future to those with lower levels of assessed need. Some households may lose the informal care support from families and neighbours who migrate away putting additional pressure on formal provision. Others may move to maintain such links but with a risk of disruption to the existing services they receive. There are also variations in care criteria and service level between boroughs and this will necessitate reassessment and adjustment.

To the extent that individuals in need do migrate this will affect the distribution of service needs across London with some boroughs potentially facing significant additional service pressures. Partnerships to provide support to individuals to access employment may be similarly strained.

Other benefit changes may impact adversely: Increasing the levels of non-dependant deductions may mean that single vulnerable adults move away from the family home and the support it provides, and younger informal carers within the family may also move.

Adult Social Care jobs are generally low paid and are often characterized by unstable and irregular working patterns. For those employed within the sector, the risk of future unaffordability in the event of loss of employment may generate movement to more affordable areas with a consequent increase in work travel time and cost and this may prompt people to exit the sector. For workless households who have moved to more affordable areas these considerations may similarly limit the practicality of employment in this sector. Conversely, the welfare reforms may increase work incentives, particularly at the lower end of the employment market and this may increase the pool of candidates for such work.

Specific research on the impact of the care workforce of the welfare reforms should be explored, potentially in concert with an examination of the impact on low-paid health service staff, allied to joint health and social care service demand mapping. Authorities should consider whether to provide greater access to social rented (or other affordable homes) to social care staff who face affordability pressures.

Authorities should establish and build new partnerships with Job Centre Plus and other job-service providers to enhance support to clients who are facing pressures to find work from the assessment process and from housing unaffordability.

8.4 Community Cohesion

Local authorities have an important role and responsibility in fostering a sense of shared values, ownership and community in their area. London has an ethnically diverse population and cohesion is supported by higher levels of mixing between communities.

Welfare reform impacts in particular on workless households and larger families and this will have a disproportionate impact on some BME groups. Migration may undermine the cohesion of existing communities and lead to a greater degree of spatial segregation by ethnicity and worklessness in some areas.

Research has found that worklessness and poverty are major causes of tension between neighbouring communities. More affordable areas sometimes start with lower levels of cohesion and the concentration of workless households may exacerbate the position. Such areas may also be removed from or have less access to employment centres compounding the incidence of worklessness.

Younger populations correlate with lower cohesion score and areas that see an increase in larger families with children may experience worse cohesion scores.

In areas of net inflow there will be increased competition for public services such as schools and social housing, at a time of acute service cost pressures in local government and this may result in tension between different groups. Communities may, however, make common cause in defending local services. The scale and speed of migrational change will be important, and affect the ability of service provision to respond and adapt

Boroughs that see an outflow of workless households may see an improvement in community cohesion with higher income levels, less deprived communities and less pressure on public services.

Changing borough demographics will present a challenge to Local authorities to understand the needs of new and growing communities and to establish effective networks of communication and support, and the voluntary and community sector which often plays a key role in helping new families and communities settle will also experience additional and changed demands.

Overall, a more robust understanding of community cohesion and the impact of migration and mobility should be developed, and arrangements for improved sharing of ideas and strategies are needed.

Communication strategies need to be developed that draw on successful approaches to building community trust and countering negative perceptions about unfairness and adverse impact. Greater use of peer outreach work should be considered. Developing opportunities for greater community involvement and to build social capital will be critical.

9 CONCLUSIONS

The Government's welfare reforms constitute the most fundamental reform to the benefits system. They include major reform to both out-of-work and in-work benefits, to disability benefits and to housing benefits. The centrepiece of these reforms is the introduction of Universal Credit which is intended to make the benefit system simpler and more transparent and to increase work incentives.

The introduction of Universal Credit from 2013 is accompanied by a commitment from Government that no-one will lose as a consequence of this reform, after other benefit changes in the interim are taken into account, and the Government projects that a large number of adults and children will be lifted out of poverty as a result.

It is, however, not the new system of Universal Credit per se, that is the focus of concern but the impact of the associated household total benefits cap which overrides the Universal Credit benefit entitlement.

The absolute caps for single person households and for all other households will have a profound effect on housing affordability in London.

Rents in the private rented sector are considerably higher in London than in the UK generally and the fixed caps will consequently have a disproportionate impact in London compared to the rest of the country.

The Universal Credit applies to those both in employment and not in employment but the household benefits caps apply only to workless households. London has high-levels of unemployment compared with the UK, with over 660,000 households of working age without employment.

Universal Credit is to be introduced progressively from 2013 to 2016 and trends in rents, employment, inflation and benefit rates will potentially moderate or exacerbate the impact of the UC cap up to and following its introduction in 2013. The analysis undertaken does not attempt to project the impact of these changes in the future but instead provides an assessment of the impact of the UC (and LHA) caps would have on housing affordability for those who are currently workless.

From analysis of housing benefit claimant records from a large sample group of boroughs and projection from this for London as a whole it is estimated that 11% of workless households, some 73,000 in total, would see a shortfall in their benefits against their living and housing costs as a result of the UC caps. In aggregate it is estimated that the UC cap would produce a loss of £8.2m per week for workless households, over £427m per annum across London.

A further 9% of households, 60,000 in total, would be affected to a greater degree by restrictions to the Local Housing allowance, with an aggregate loss of £1.2m per week, or £62m per annum.

The degree of shortfall arising from the respective caps is markedly different. Less than a sixth of those more affected by the LHA caps would experience a shortfall equivalent to more than 10% of their living cost benefits. For those more affected by the UC cap close to two-thirds have a shortfall above 10 per cent, and over a third have a shortfall above 20 per cent and one in six have a shortfall of over 30 per cent.

This disparity arises for two reasons: The LHA 30th percentile caps, are related by definition to the prevailing rents in the wider area and are set at different levels for

different property sizes. The UC caps, however, are predicated on national median earnings and take no account of the varying level of rents in London and (excepting the rate for a single person in a 1-bed property) make no allowance for the size of property different households require.

The consequences of this are that the UC caps have a more significant impact in London than elsewhere in the UK and an even greater impact in areas of high rent in the capital.

The UC cap also has a much more significant impact on families with children and in particular on larger families both in respect of the proportion of households affected and the extent of shortfall they would face. As a result of the UC cap less than 3% of households without children, ten thousand households will find their accommodation unaffordable, but for families with children this rises to over 30%, some sixty-three thousand households. In contrast the LHA caps have a comparable level of impact with 7% of households without children and 10% of households with children more impacted by these caps.

The lower UC cap for single person households has a significant effect with 23,000 households or 7 per cent of the total more impacted by the UC cap compared with 3 per cent for the LHA cap.

A quarter of single parent households, 56,000 families, face a shortfall with equal numbers affected by the LHA and UC caps. For couples with children, over a third of households find their rent unaffordable – an additional 39,500 families - with over 90 per cent more affected by the UC cap than the LHA cap.

The flat rate UC cap has a disproportionate effect on families and in particular larger families for a combination of two reasons: The benefits such households need to meet living expenses apart from housing necessarily reflect the size and composition of the family, with larger families requiring higher living cost benefits. As a result the scope they have under the cap to meet their housing costs is reduced. Secondly families of increasing size will require accommodation of increasing size and correspondingly increasing rental levels. In short, the larger the family, the less capacity they have to meet housing costs under the cap but the higher those costs are likely to be. As a consequence, many larger families are affected and face a higher level of affordability.

- One in five families with one child would be unable to afford their rent;
- One in four families with two children would be unable to afford their rent and half of these face a shortfall equivalent to over 10 % of their living cost benefits;
- More than a third of single parent families with three children cannot afford their rent, with over a quarter facing a shortfall equivalent to more than 10 per cent of their living cost benefits;
- Couples with three children fare even worse with over 50 per cent unable to afford their rent and over 40 per cent facing a shortfall greater than 10 per cent of their living costs; and
- For those with four or more children almost 80 per cent would not be able to afford their rent with a median shortfall of 21-30 per cent of their living cost benefits.

Households who find their accommodation unaffordable may respond in a number of ways and it is not possible to predict the extent to which different responses will be adopted by different households.

Some households may absorb the shortfall, particularly if it is modest, or meet it with support from their wider family or friends, from other resources or through informal economic activity.

Other households may move to less expensive accommodation if available in their area. For some this will mean moving to a smaller property with resultant overcrowding. Others may remain in situ but bring a non-dependant into the household to help meet the shortfall, with overcrowding potentially arising. The adverse impact of overcrowding on family welfare, health and educational attainment has been widely evidenced.

Other households may divide themselves between two properties with the UC cap then applying separately to each resulting household.

For some households these options will not be preferred or viable because of the degree of unaffordability they face. For these households the alternative will be to move to a new area where they can find an affordable home. It is not possible to predict the scale or speed of migration that will result.

The proportion of households whose accommodation is unaffordable and the degree of shortfall varies significantly between boroughs, reflecting local rents levels as well as the proportion of different household types. Migration will be from areas and boroughs with higher relative rents to those where housing costs are lower. New claimants will similarly find that their housing choices are restricted to smaller areas of London, and will be disproportionately channelled there as they enter the benefits system.

Some boroughs will experience a net outflow of households and others a net influx. The UC caps impact on workless households and to a greater extent on families and larger families in particular. Migration is therefore likely to result in a concentration of worklessness and poverty in some areas and boroughs and a greater degree of socio-economic and demographic segregation across London.

This could have significant implications for the full range of local authority (and other public) services as the distribution of service need and demand across different part of London changes. Some boroughs are likely to face significantly increased service pressures, and particularly so in relation to service needs that stem from unemployment, poverty and poor housing conditions, and in relation to educational and other services for children.

Other boroughs will, in contrast experience reduced demand for such services but will need to adapt to a different level and profile of service demand.

It is imperative that London's Local Authorities take steps to prepare for, manage and mitigate the impact of these changes, both generally and in respect of specific services and community impacts.

The staged introduction of Universal Credit (and of the LHA reforms) provides the opportunity to put in place at an early stage monitoring arrangements between boroughs across London that could begin to track and model changes in household's housing affordability, their responses, and emerging patterns of change and migration that result. This model, progressively calibrated by evidence of real choices and consequences, could provide the basis for increasingly accurate forecasting and facilitate future service planning, as well as the design of relevant interventions to mitigate the impacts of the welfare reforms.

Existing cross-borough networks should be reviewed for their adequacy and be adapted and employed as appropriate to enable the sharing of intelligence on the impact of the reforms on different services and client-groups and to facilitate joint development of service interventions and a sharing of best practice.

Local authorities should make early assessment of which service areas and client groups are likely to be most affected by the welfare reforms and consider appropriate policy and resource responses. There is a strong case for joint working across London as a whole and between boroughs facing similar impacts in order to research the impact on different services.

A number of additional service responses for the areas considered by the working groups are set out elsewhere in this report.

9.1 Recommendations

London authorities, with the support of London Councils, should examine the feasibility of developing a collective model for monitoring and projecting the effects of the welfare reforms, and develop cross-borough service networks to commission research and develop and share best practice.

The standard UK rate for the UC caps has a disproportionate impact in London where rented housing costs are higher.

The Government's avowed intention in setting the cap in relation to the level of UK earnings is to demonstrably show that work pays. For this argument to have equal force within London it is logical for the cap to be set to reflect median earnings in London.

At this level it would reduce the number of households affected by the UC cap by 50 per cent from 73,000 to 35,000 but increase the number more affected by the LHA cap. The net effect would be to leave 37,600 more households with affordable accommodation.

The fixed level of the UC cap for all households with two or more persons has a disproportionate impact on families and in particular larger families. Child Benefit is a universal non-means tested benefit but the government currently proposes to include this under the UC cap.

If child benefit were exempted from the calculation of total household benefits this would reduce the number impacted by the UC cap by a quarter to 54,500. The number impacted by the LHA cap would rise only marginally with the net effect being that over 17,000 more households would be able to afford their accommodation.

Drawing on this research, London Authorities and London Councils, should make the case to Government for an amended cap that is fitted to the higher housing costs that obtain in the capital.

APPENDIX 1 - IMPLICATIONS FOR LOCAL GOVERNMENT SERVICES OF WELFARE REFORM

This section deals with the consequences for local government services of welfare reform in London. We examine the community impacts of these consequences, the impact on local services and the impact on service budgets. It is the result of secondary and desk based research, as well as a series of working groups comprising of senior practitioners in the relevant service area and external experts. We consider four service areas: Children and Young People's Services, Adult Social Care, Housing and Community Cohesion.

Our previous analysis demonstrates where people can and cannot afford their accommodation, because of the household benefit cap and reforms to and reductions in Local Housing Allowance. It does not tell us the full consequences of that falling affordability. For example, it does not tell us how households will respond to the inability to afford their housing costs.

However, there are two likely consequences of our analysis which will have a significant and lasting impact across local government services in London.

- Some households who are unable to afford their housing costs will be forced to move to less expensive areas of London; and
- Local authorities and communities in less expensive areas will experience over time a greater concentration of poorer and workless residents.

Not all households unable to meet their housing costs within the benefits system will move to a different area. Some may be able to make up the shortfall in their rental costs by other income or by spending less on other household items. Some households will seek cheaper accommodation in their existing area, by moving to a smaller home for example. However, given the scale of the unaffordability of housing that our research has demonstrated a significant number of families are likely to move to other, less expensive areas to find homes they can afford.

It is more certain that the concentration of workless, low-income and deprived families in certain areas of London will increase. A proportion of existing claimants will move to less expensive areas to seek new affordable accommodation. In addition, new claimants will find that their housing choices are restricted to smaller areas of London, will be disproportionately channelled there as they enter the benefits system.

The focus of this research has been the household benefit cap which will apply to all workless households from April 2013. However, this is one element of the government's package of welfare reform. Other reforms will also reinforce and drive the trends described above. Our research into local government service areas revealed a range of benefit reforms, which to date have had little public attention, but will have significant impact on particular critical services.

Below we described the welfare reforms that emerged as having a significant impact of local authorities' service delivery, aside from the household benefit cap and Local Housing Allowance which have already been covered in depth.

- Non-dependent deductions: from April this year non-dependent deductions were significantly increased. Eligibility for housing benefit is reduced to allow for the

contribution a non-dependent adult ought to be making to household costs. Households face deduction in their housing benefit if any of the following are present in the household:

- » individuals over 18 and in remunerative work;
- » those claiming main phase Employment Support Allowance, (i.e. if found able to work after initial assessment of their disability);
- » those aged 25 or over on income support or Job Seekers Allowance; and
- » aged 18 or over and not in remunerative work.

The level of deduction is different for each type of non-dependent present.

- Under-occupation penalties: There will be reductions in housing benefit for those living in social or affordable house of working age and occupying a property with one bedroom or more than their household size needs. From April 2013, they will receive only enough housing benefit to cover the size of property they are deemed to need, rather than enough benefit to cover the rent of the size of property they currently live in.
- Single room rate: Single housing benefit claimants under the age of 25 are currently eligible for a level of benefit that would allow them to rent a room in shared accommodation. Those older than 25 are eligible for a rate that would allow them to rent a one-bedroom property. From January 2012, this rate will apply to single claimants up to the age of 35, instead of the rate for a one-bedroom property.
- Benefits up-rating: In addition to these reforms, there will be a change in the way that some benefits are up-rated, that is increased over time to reflect rising costs. The government intends to increase housing benefit levels according to a single national measure of CPI (Consumer Price Index), rather than tracking real local rents. Rents in London typically increase at a faster rate than CPI.
- Disability Benefits: there have been extensive changes to disability benefits - a summary of some of the key points and their interactions is below.

Changes to Disability Benefits

Disability Allowance is considered an additional payment to help those with a disability rather than an out of work benefit. As it stands, households with someone claiming Disability Living Allowance, including children, will be exempt from the benefit cap. However, from 2013, Personal Independence Payment will replace the DLA, and all those claiming will undergo a new assessment process to determine whether they are eligible. It is likely that provision will end for many on lower and some middle rate care who will find themselves without this additional disability payment and if out of work, subject to the Universal Credit cap on household income, even if they remain eligible.

Disabled people receiving the middle and higher rate of DLA who live alone will lose their Severe Disability Premium worth £55 per week.

The Universal Credit will remove Tax Credits, including the disability elements for those in work. Families with disabled children that are not in the highest rate of DLA care will no longer be entitled to the disability element of child tax credit, reducing their household weekly income by around £23.00.

Currently couples could get a disability addition for one member and the carer addition for the other partner. However under the Universal Credit, there is only one earnings disregard per disabled household reducing overall income.

From 2013, all new unemployed disabled claimants will undergo a Work Capacity Assessment and placed in one of the three tiers of the Employment Support Allowance, an addition to JSA, while they seek work. Those in the Support Group will receive the highest level of benefit, and are likely to be in receipt of DLA and so exempt from the Universal Credit Cap. Claimants in the Work Related Activity Group (WRAG) will receive temporary financial support for a year while they seek work, in addition to the Universal Credit. All others assessed will be moved onto JSA. Incapacity Benefit is being phased out, with claimants reassessed for the ESA and will be moved into one of the three tiers. At same time all ESA claimants will be moved onto Universal Credit between April 2014 and October 2017. At each disability level, only those in receipt of DLA will be exempt from the cap.

Return to Work Credit will end. This is paid to claimants who have been on Incapacity Benefit (IB), Income Support on the grounds of incapacity or Employment and Support Allowance (ESA) for 13 weeks or more and who move into work of more than 16 hours or more a week which is expected to last for at least 5 weeks.

CHILDREN AND YOUNG PEOPLE'S SERVICES

Introduction

Welfare reforms will disproportionately affect the affordability of housing for workless and low income families with children, especially larger families.

Families unable to afford their rent may be compelled to move home, become overcrowded or accept substandard living conditions. The pressures on children and young people's services will come from providing services and support for some families moving from one area to another to seek an affordable home and the increased concentration in some less expensive areas of workless, low income and larger families. The biggest challenge for children and young people's services in London at the moment is the shortfall of school places, estimated to be around 70,000 over the next four years, for which there is currently little prospect of further investment and provision. The population movement associated with welfare reform will further increase the pressures on school places in some areas.

London already faces considerable challenges in providing children and young people's services in the context of high need. There are high levels of child poverty in London, with 650,000 children or 40% of all children living in poverty, 12% above the national average¹. According to the NSPCC, there are over 5,952 on a child protection register (March 2010). There were 375,900 children and a total of 694,000 episodes of children in need throughout the year. In Inner London this figure was 33,720 and 57,708 In Outer London this figure was 33,931 and 58,180 respectively.² The recent bout of civil disorder in some London Boroughs shows that among some children and young people the propensity to commit opportunistic crime remains high. 19% of those convicted of rioting were classed as juvenile, with 40% having a previous conviction.

This paper details the issues for local authority children and young people's services of the reduction in housing affordability these reforms create.

Issues

Impact on people and their Communities

For families who are forced to relocate as a result of the welfare reforms, the loss of informal child care and a safety net of support could have a significant impact on parental employment opportunities and the family's general wellbeing. The cost of childcare in the UK is the highest in the world, accounting for almost a third of household income.³ In London this is particularly acute for families in need of full time

1 DWP (2008) HBAI Statistics: After Housing Costs

2 DfE: Referrals, assessments and children who were the subject of a child protection plan (2009-10 Children in Need census, Provisional). All London boroughs except for Hackney, Havering and Brent

3 Save the Children and Daycare Trust, 'Making work Pay- the childcare trap', 2011

child care, paying on average up to £22,100 per year⁴ - only marginally less than the median annual wage. Many families, especially those on low incomes, rely on child care support provided by nearby friends and family, and could be better off not working if this is no longer accessible.

Conversely, those who choose to stay in their homes where they have strong links may find themselves living in increasingly overcrowded or substandard accommodation, heightening the pressure on the family and potentially leading to poorer outcomes for their children in areas such as health and educational attainment.

Families in receipt of benefits are likely to be restricted in the areas they are able to live, limiting their choice of school while more affluent families are able to move into catchment areas of popular schools, taking advantage of school places becoming vacant as low income families are forced to move away. It is no surprise perhaps that Westminster, Kensington and Chelsea and Hammersmith and Fulham, three of the most expensive areas to live in London, were in the top ten performing boroughs across the whole of the UK at GCSE level. Comparatively, Waltham Forest was in the bottom ten when measured against the same indicators.⁵ Consequently, parents under pressure to relocate will have to consider whether they can afford to keep their children in the same school in light of the rise in costs and time spent travelling, or whether they will also need to change school. In either case, this is likely to impact significantly on the quality of life and learning for children in these families, who may already be under considerable financial pressure. The impact on children with special education needs, who often depend on continuity of provision and stability, will be particularly acute, and complications with delivery could increase the costs of respite services if cared for elsewhere.

With families likely to relocate, there may be a rise in the number of children travelling through and across borough boundaries as they continue to commute to school or visit friends or family. This dispersal may also create difficulties in relation to gang activity, with membership of a gang often based around specific areas and postcodes. Children and young people forced to relocate may find themselves living in areas dominated by rival gangs, exacerbating a problem, which is already apparent for many young people who move in and out of care.

Impact on Service Delivery

The movement of families on welfare and low incomes between boroughs will affect the delivery of children's services especially in the boroughs to which people may move if there is a sudden demand from an increase of children in need of support. There is an accepted association of the link between poverty and the risk of maltreatment of children⁶ and consequently it is fair to assume there is likely to be a strong correlation between families with children in need and those in receipt of welfare.

4 Daycare Trust, 'Childcare Survey', 2010

5 House of Commons, 'Variations in GCSE performance 2008/09 - Commons Library Standard Note'

6 Carol-Ann Hooper, Sarah Gorin, Christie Cabral and Claire Dyson, 'Living with hardship 24/7: the diverse experiences of families in poverty in England' NSPCC, The Frank Buttal Trust, The University of York, 2007

There is a particular concern that young people who are currently considered as children in need may be adversely affected, with discontinuity of provision combining with significant upheaval and the loss of informal support networks to place families under increased levels of pressure and stress. London boroughs operate variable eligibility thresholds for access to preventative services, so families that do move may receive reduced levels of provision from authorities that are unable to accommodate a significant increase in demand. Consequently, the circumstances of these young people could rapidly deteriorate, potentially changing their situation from “in need” to “at risk” and perhaps even necessitating a formal (and costly) child protection plan. Over a six-month period, placing a child on a child protection plan is over double the cost of putting in place measures for a child in need but without the need for specific additional help⁷. It is therefore crucial that any new policy implementation takes into account predicted demographic shifts and the impact this may have on local communities. For example, the deployment of additional health visitors in London should correspond to these changes.

Local authorities may also find that some frontline staff are personally affected by the change in benefit reform, and some areas may find it hard to recruit locally for positions where previous incumbents have been forced to relocate. Care staff are frequently some of the lowest paid in the public sector. Yet, the current economic circumstances with high unemployment and a less generous benefits system, suggest any job vacancies especially at entry levels will be filled.

Impact on Local Authority Budgets

Although the cuts to welfare are staged, there is anecdotal evidence that families have already started moving. Budget planning is therefore already facing a time lag, and this is likely to continue as funding formulas will require regular adjustment to take account of ongoing demographic shifts.

Intensive work with vulnerable families is costly, and boroughs, particularly those in outer London, experiencing an influx of children in need of additional support are likely to face acute budget pressures. While London boroughs have an average spend of £1.45 bn each, from a total of £22bn,⁸ boroughs on the fringes of London generally operate with a lower resource base and this influx, combined with ongoing efficiency savings, could see the overall effectiveness of children’s services reduced if social workers are unable to implement effective preventative strategies to support struggling families. This will be compounded by reports that authorities are having to cut services as a result of a 20 % reduction in the Early Intervention Grant from government⁹, despite the research that this is the most cost effective form of child protection service.

Established relationships with statutory services will also inevitably be reduced if families are forced to move, and these additional strains could see children who were previously supported as children in need moved onto resource intensive child

7 Lisa Holmes, Samantha McDermid, Jean Soper, Joe Sempik and Harriet Ward, ‘Extension of the cost calculator to include cost calculations for all children in need’, Centre for Child and Family Research (CCFR), Loughborough University, 2010

8 <http://www.bbc.co.uk/news/uk-england-london-11199489>

9 <http://www.guardian.co.uk/society/2011/sep/08/baby-p-effect-child-protection>

protection plans – adding significant costs to their new host boroughs. Cafcass, the children's court advisory service, has reported a steady rise in the number of children being taken into care over the last three years, with applications far outstripping those discharged¹⁰. The costs to authorities are already over budget as a result.

Pressure on school places is also likely to be far more acute for those boroughs housing increased numbers of large families with children, with the shortfall in London already equating to around 70,000 places over four years and projected to continue to rise. Population shifts linked to welfare reform are likely to make planning for school places even more difficult as demand increases and the distribution of that demand changes. In addition, there is likely to be a need to increase the number of places available in alternative provision to ensure sufficient capacity as the population of young people increases in particular areas. The predicted population shift is also likely to impact at varying stages of the school year, which could result in a significant increase in in-year admissions, creating additional burdens on local authorities, schools, parents and pupils alike.

Local authorities may also face pressure to fund travel expenses for children to continue to attend a school or children's centre in their previous borough, and some areas may consider extending school hours to cope with the additional demand on their services. With children's centres already beginning to contract across London, there are likely to be significant financial pressures on schools to provide extra support for children and their families even without an additional influx of families from neighbouring boroughs.

The ongoing reductions in capacity within the voluntary sector is likely to exacerbate this situation, with less assistance available from organisations that previously provided additional youth services and other support for vulnerable families.

Policy Options

London boroughs should work more closely together and share intelligence about potential population shifts to mitigate risks to communities services and budgets.

Boroughs should share 'real-time' information on how welfare reforms are actually affecting services through London Councils and a number of officer networks, such as the London Safeguarding Children Board. This would enable local authorities to plan their response more effectively and share good practice between boroughs.

Further research into funding models and mechanisms could be explored by London Councils and boroughs as a useful tool to help secure adequate transitional funding from government, particularly to ensure that children in need are not exposed to increased risks as part of any relocation.

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<http://www.cafcass.gov.uk/pdf/August%20care%20demand%20update%202011%2009%2007.pdf>

ADULT SOCIAL CARE

Introduction

Reforms to the welfare system and changes to housing affordability may have a significant impact on the provision of adult social care services. Social Care is an area receiving a new focus as a result of increased demand for services and acute funding pressures. The Dilnot Review published in July 2011 documented that demand for social care is outstripping funding to provide it. Over the last four years demand has outstripped expenditure by around 9%. The biggest driver of increased demand is an aging population where London faces additional challenges. London has a higher proportion of people over 90 years old and a higher proportion of older people living alone. The Review also drew attention to the variations in eligibility criteria for social care. London has higher eligibility than other parts of the country and even within London service levels vary, with inner London authorities typically having a higher service level.

Adult social care services need to work very closely with health services and professionals. In the context of extensive health reforms these partnerships will change and as the reforms are implemented partnership working may become more challenging. The reforms that will most affect London Boroughs is the devolution of public health responsibilities to local authorities governed by The National Outcomes Framework, one element of which is the health of the most vulnerable. The provisions of the current health legislation going through Parliament will oblige all top-tier authorities to establish a health and well-being board. One of the responsibilities of a board will be to improve the strategic co-ordination of commissioning across the NHS, social care, and related children's and public health services. In London there has already been strong enthusiasm to establish 'shadow' boards before the legislation come into effect, with at least 27 boroughs in the process of doing so.

London's Adult social care services are already under resourced and have been hit hard by the cuts in funding following the Comprehensive Spending Review, as those funding reductions reduced a base that was already insufficient to meet London's needs.

This section details the issues for local authority adult social care services that these reforms raise and suggests some mitigating actions local authorities may take.

Issues

Impact on Communities and Service Delivery

The Social Care Workforce:

Adult Social Care workers are generally low paid and are often reliant on some level of benefit to top up their incomes to accommodate the shortfall in living costs. This is particularly acute in London where, in order to raise income above the poverty level, the Living Wage is calculated 22 % above the National Minimum Wage for the rest of the country. The Low Pay Commission advised that care workers were amongst the

lowest paid of all sectors: 9 % of all workers are paid below the minimum wage, and travel is rarely expensed¹¹.

Reductions in the level of housing benefit claimants are entitled to, in particular the LHA which will be felt most severely in London and for those with larger families, could put pressure on those working in low paid jobs in social care to move to more affordable areas on the outskirts of the capital. The number of patients a social care worker is able to see per day is likely to reduce with greater travelling distances which will impact on salaries as many care workers are paid per client or hourly basis without any compensation for travel time. Real travel costs are not usually reimbursed either and the financial burden will increase in line with greater distances travelled. Social care workers forced to move out of London may eventually withdraw from the sector, as working becomes no longer financially viable, especially for those with childcare costs.

Jobs in care are often characterized by unstable and irregular working patterns. As a result, although the cap on benefits applies to workless households, people working in care in London may move to more affordable areas that are within the benefit cap to mitigate against the financial insecurity of moving in and out of the restrictions imposed by the Universal Credit.

However, there may be countervailing trends as a result of benefit reforms. By reducing the income for those on benefits in a move that aims to 'make work pay', this may in theory increase the pool of candidates to recruit into care work as a result. Care work is one of the fastest growing sectors, due in part to our ageing population, and relatively low entry level skills. As noted previously, with higher or rising levels of worklessness and a less generous benefits system, there may be greater competition for social care jobs.

There are potential significant issues around the flexible working patterns of care work and the relationship to the household benefit cap and the affordability of housing in London. As well as putting pressure on care workers to move to less expensive areas, they may take on more work to supplement the low pay and insecure nature of the work which could impact on the quality of the care provision they are able to provide.

Together these reforms could put considerable stress on the time and resources of care workers, particularly those people in front line positions working unsociable hours and travelling daily, and who rely on working in close proximity to those receiving care. It has the potential to impact on overall staffing levels in central London where demand for these services is high: the number of people receiving person centered care in London rose by 20 % in just one year to 61215 in 2009-2010, yet elsewhere in England the rate of change either flat lined or fell ¹². If London begins to experience a reduction in labour supply, precisely in areas with a high demand for ASC, this could lead to increased financial pressure on ASC providers as they will need to offer wages able to attract and retain sufficient staff.

¹¹ Low Pay Commission, 'The National Minimum Wage Report' 2011

¹² Table 9, Community Care Statistics 2009-10: Grant Funded Services (GFS1) Report – England

Partnerships:

There is potential for there to be a considerable strain on service delivery, especially as the majority of clients of ASC services tend to use more than service. Therefore, any movement of individuals requires the co-ordination and joining up of a number of services across different areas. The delivery of adult social care services has shifted over recent years towards an outreach approach and away from day and residential support. This becomes more challenging to deliver in the context of greater mobility amongst clients. There is a risk that some clients will 'slip through the net' as a result of as movement to more affordable accommodation because the close working between different services and agencies is insufficient to deal with these trends.

A further challenge to working in partnership will be the variations in care criteria from one part of London to others and the differences in the levels of available services. This will make a transition from one area to another harder to negotiate for the individual and those providing care and support.

There will be greater pressure on services in the areas to which people move, as a result of an increasing workload of new applicants, and managing the transition of care from other boroughs, ensuring information is adequately passed on. It is likely that it will be those areas are already characterised by deprivation and poverty, where there will be greater concentrations of people in need of ASC services, broadening and deepening need within specific areas.

Employment has a significant role to play in the welfare reform programme and in the livelihoods of people, families and the communities in which they live. There are concerns, however, given many low income households may be forced to move away from better labour markets to areas with fewer opportunities. Joined up partnerships between social care workers and other providers such as the Job Centre Plus may become more difficult and strained resulting from an increase in demand of new clients. This is of particular concern for a new generation of young adults, who are already facing huge problems entering the labour market: unemployment is particularly acute in London where 20% of young people under 25 years old are already without a job, which could lead to systemic problems with this cohort for adult social services in the long term and the communities in which they live.

Prevention

If the government's welfare measures are effective in their own terms, and maintain more people in employment, then it may mean fewer people become vulnerable and in need of social care. The principle of making work pay and supporting people into employment by simplifying the system underpins the rationale behind the Government's welfare reform. The incentive to get into work is increased by a somewhat more generous taper rate and a tougher benefits regime for those out of work. Employment is a positive outcome for many vulnerable people and getting and maintaining employment is a factor in helping people remain independent. It of course remains to be seen whether the government will achieve its aims.

The impact on the people and families that rely on informal care if they move locations could be considerable. If unpaid carers are forced to move due to a shortfall in housing affordability, or the people they care for move further away, their ability to care for those who need them could be reduced. Women may be disproportionately affected as they are more likely to take on the role of unpaid carer in the family and

given women are the main recipients of child related benefits, will experience the greatest shortfall in income from the Universal Credit. This could impact on childcare putting further strain on family resources. This may result in further demands on local authority services.

Increasing the levels of non-dependant deductions on those aged over 18 years old who live in households in receipt of benefits may impact on young informal carers. Non-dependent deductions are decreases in benefits as a result of having an additional adult in the house who in principle should be contributing to housing costs. The presence of a person who reduces the benefit eligibility of the household may put strain on family relationships, with a risk that it leads to family break-ups and a loss of caring support within the family.

For single people under 35 years old, who constitute a significant proportion of vulnerable people requiring social services, there are particular issues that may arise from the cumulative effect of welfare reform and existing policies. In addition to facing harsher sanctions around jobs, they will now only be eligible for a single room rate in a shared house. For those living at home, the impact of increases to non-dependant deductions may force people leave their family support as they become a household 'cost'. Preventative support for these people may become much more difficult to deliver as they move from their homes and become harder to reach. Consequently borderline vulnerable people may become in greater need of direct services yet without the links to deliver support.

Impact on Local Authority Budgets

The impact of the welfare reforms on housing and living costs could break up networks of support which will in turn increase demand on central service provision. As demand for social care increases so could the financial burden on London boroughs. London Boroughs will also have to plan and pay for provision that supports people if they need to move accommodation.

Claimants of Disability Living Allowance (DLA) will be exempt from the Universal Credit cap, but immediate cuts to the DLA and the abolition of the disability premium could affect a significant number of those in need of adult social care. That may force local authorities to provide more support for this group, either through an improvement or expansion in the services already delivered. When the Personal Independence Allowance replaces the DLA from April 2013, assessments are likely to be made along the same employment related criteria as the Employment Support Allowance, rather than on advice from health professionals. The tougher regime will likely direct more claimants on to Job Seekers Allowance reducing costs to authorities.

The Employment Support Allowance, an extra benefit for disabled people out of work, will be incorporated into the Universal Credit system and thereby subject to the cap, unless the claimant is also in receipt of DLA. The stricter assessment criteria has been crafted to reshape what is deemed high and low level of need, so that those on lowest rate, and some on the middle rate, will no longer be entitled to ESA and instead forced to work or lose all benefits under the new system. Again, this may result in additional support from the local authority to support individuals in need facing financially difficult circumstances.

The long term cost of failing to deliver adequate preventative strategies could be significant for both local authorities and other public sector organisations if the result is an increase in high end treatment and help, for example those in need of hospital care or intense adult care.

It is possible that there will be a rise in legal challenges and costs to authorities as people who lose access to their benefits may appeal for aid through existing obligations on Local Authorities. Under The National Assistance Act, local authorities have a duty to help those in need and facing destitution either through supplementary funds or providing temporary accommodation. At a time when resources and housing supply are already over stretched, authorities may find themselves under increasing financial strain as they are forced to provide through legal requirement support that they may be unable to afford. This is in addition to the new localised responsibility to provide crisis loans under the Welfare Reform Bill.

Policy Options

Finding what intelligence exists about the labour market flexibility of the care workforce (and increasing this if necessary) would give some indication as to whether the reforms are likely to act as a disincentive or incentive to work in care – for both those employed by large care firms and the growing market of personal assistants. Information gathering on living arrangements, family responsibilities and income patterns would be useful so as to map them onto demographic changes. There are likely to be similarities to NHS staff, which could serve as a useful starting point to gather further data on this group. Undertaking joint or similar process for mapping service demand in social care and the NHS could be valuable.

Given the income of care workers tends to be low, authorities could explore possible options to reduce the living costs of those social workers living in London to retain sufficient staffing levels e.g. by offering greater access to affordable homes.

Cross borough support and information sharing should be improved and expanded. Sharing expertise around the cumulative impact of lots of changes to welfare will be key to understanding the effects of the reforms for authorities.

Authorities should establish and build new partnerships with Job Centre Plus and other service providers to help with the route to employment. This will be particularly important for ASC client group many of whom will come under intense pressure to move into work through the assessment process and the financial imperative of lower incomes if on benefits.

Relationships with landlords in the private rented sector will also be important to adult social care. At this point it is unknown how the PRS may respond to changes in policy and the market. If private rented provision becomes even more difficult to secure, council housing may be the housing of last resort to help those needing adult social care and so should be factored into authorities' Strategic Housing Market Assessment (SHMA).

Investment in organisational capacity to manage loans and grants should be considered so authorities can develop their skills base to use these in the most effective ways to mitigate pressures.

To plan against future legal challenges, authorities could look to gather data on appeals, broaden their awareness and embed ways of managing the risk of potential challenges into future local authority plans.

COMMUNITY COHESION

Introduction

Community cohesion as an issue and a policy aim came from the race riots of Oldham, Burnley and Bradford in 2001, informed by research such as the Cantle Report¹³, commissioned by the Secretary of State David Blunkett and the Guidance on Community Cohesion¹⁴. These seminal publications highlighted the role and responsibility of local authorities in fostering a sense of shared values, ownership and community belonging and established many of the policy responses which have been used by London Authorities, such as cohesion scoring. The riots in London in August 2011, prompted new questions about community cohesion, although the reasons for the riots remain imperfectly understood and any link to issues of cohesion remain to be established.

London has relatively high diversity scores compared to the rest of the UK, and higher levels of mix between communities, tends to aid integration. However, cohesion scores vary considerably between London boroughs, with Barking and Dagenham one of the lowest scoring in the UK¹⁵. Importantly worklessness is considered the greatest contributor to poor community relations rather than differences between ethnic groups.

The nature of London's communities is likely to change as a result of the impact of welfare reform on housing affordability. Some low income households will be compelled to move from their homes in more affluent areas to areas where cheaper housing is more readily available; the majority of which will be workless families, especially large families and disproportionately from BME groups. This may be within a borough or between boroughs. In the future, the areas in which new claimants can afford to live will also be more restricted. This is likely to increase the concentration of less well-off and workless families in certain communities where strong competition for public resources such as schools and social housing already exists

Communities in less expensive areas of London may experience rapid demographic change as a greater number of lower income and workless households seek to find accommodation in their areas. A number of these boroughs are likely to have existing high levels of deprivation, with problems of unemployment and low educational attainment, which may be exacerbated by a further concentration of workless families.

This section details the possible impacts of these welfare changes on community cohesion in London and the impacts on local authority services and strategies for supporting and increasing community cohesion.

9.1.1 Issues

13 T.Cantle, 'The Cantle Report - Community Cohesion: a report of the Independent Review Team' 2001

14 LGA, 'Guidance of Community Cohesion' 2002

15 NLGN, 'Realising Community Wealth: Local Government and the Big Society' 2011.

Impact on People and their Communities

Many of the areas to which people may move as a result of the impact of welfare reform on the affordability of housing, are likely to have characteristics which are consistent with low cohesion scores. For example, a number of poorer outer London boroughs such as Barking and Dagenham, Greenwich and Waltham Forest have cohesion scores under 62 %.

The relationship between cohesion and diversity is complex, and the 2002 Guidance on Community Cohesion attempted to implement a framework by outlining ten indicators to determine levels of cohesion within local authorities. Further research¹⁶ in this area developed this methodology and used socio-demographic variables including employment and civic participation and attitudinal variables such as trust of formal authorities, fear of crime and satisfaction of services to measure outcomes. The research found worklessness and poverty, and in particular an individual sense of disadvantage are the strongest causes of tensions and segregation between neighbouring communities. These factors are stronger than the ethnic diversity of a place. Given this, further concentrations of poorer households into areas already poorer is likely to exacerbate these factors and result in lower cohesion scores.

There may be a difference in aspirations between settled and new communities leading to further hostility between groups. Research has indicated that Black African, Asian Other and Pakistani children can often have a greater commitment to education with stronger aspirations to excel. Comparatively, white British pupils often have less motivation from parents at home whereas black Caribbean disaffection seems to have a strong association to the impact of negative peer groups and low commitment¹⁷. Areas may experience tension based on the higher educational and employment aspirations of newer communities compared to their host communities at a time when they may be seeing their traditional sources of employment diminish. As a result there may be negative perceptions between communities about who is benefiting at a time of scarce resources. The extent to which housing and resettlement will be in areas with fewer labour market opportunities will therefore have a significant impact on levels of cohesion in a particular area. It may result not just in an increase in the concentration of worklessness, but in an increase in its incidence, further weakening community cohesion levels.

For the individual, the strongest predictors of poor cohesion are socio-economic disadvantage, feelings of vulnerability and powerlessness, and perceptions of crime¹⁸. In some deprived communities there may already be an existing level of pessimism and negativity about change and this can act as a barrier to building new relationships with new groups and households as they move into an area.

Boroughs that are likely to see an outflow of households on lower incomes over time may see an increase in cohesion as the characteristics consistent with higher levels

16 DCLG, 'Predictors of community cohesion: multi-level modelling of the 2005 Citizenship Survey'

17 S.Strand and J.Winston, 'Educational aspirations in inner city schools', 2008.

http://www2.warwick.ac.uk/fac/soc/cedar/staff/stevestrand/strandwinston_inpress.pdf

18 DCLG, 'Predictors of community cohesion: multi-level modelling of the 2005 Citizenship Survey'

of cohesion improve. For example better paid employment, less deprived communities and less pressure on public services. Kensington and Chelsea, Camden, Southwark and City of Westminster are the most integrated of the inner London boroughs scoring above 70 % for cohesion¹⁹. At the same time, it is areas within these same boroughs that are some of the most likely to experience the greatest falls in the numbers of lower income households. Across London and at a sub borough level however, the polarisation of deprivation and affluence may increase and this may also map along ethnic lines. As a result, challenges to foster cohesion within and between communities will become more acute in the long term as segregation sharpens and places of interaction disappear.

Boroughs that see an increase in larger families with children may experience worse cohesion scores. Younger populations are correlated with lower cohesion scores. Younger demographics have problems with a sense of belonging to a place. At the same time fears around anti-social behaviour are often experienced in areas where there are a high number of young people.

Ultimately decisions about why people move will be determined by specific behavioural motivators. In general communities that are strong tend to stay together as a defence against insecurities felt from the outside. Households that move will do so in response to housing affordability, family connections and employment.

Impact on Service Delivery

Churn and the speed of change may have an impact on delivery of services in an area. Schools that experience a sudden influx in children and those that do not speak English as a first language could put resources under considerable pressure and increase community tensions as a result²⁰. However this will depend on how far schools have planned for this provision and ultimately the existing level of provision in place. For example, the speed and scale of change could be less in one borough than others, but the impact could be greater if there are mitigating factors existing in an area. Existing community resentments may be increased because of the effects of mobility. However, in schools that become less diverse over time, cohesion may worsen as a result of less engagement and interaction between different groups.

In areas receiving a high level of low income households there is likely to be a considerable increase in demand for resources. This will increase competition between residents at a time when there will be significant cuts to services across London authorities.

In some cases this may be a positive force for cohesion. Different communities may unite within a borough against cuts to provision such as the closure of a library or public space. This in turn may improve community relations and links between groups as they unite against a common cause. However, increased demand for services that require a degree of subjective allocation in delivery will raise new questions around entitlement and need and how best to allocate scarce resources in the fairest way. This could lead to greater tensions between communities. A MORI

19 NLGN, 'Realising Community Wealth: Local Government and the Big Society' 2011.

20 Communities and Local Government Committee, 'Community Cohesion and Migration: Tenth Report of Session 2007–08'

poll found that 56 % of British adults think certain groups, in particular asylum seekers, refugees or immigrants, receive 'unfair priority' over public services, with schools and social housing most regularly cited²¹

Overcrowding of housing may become more acute as a result of efforts to reduce a household's costs. This has a community impact. The visible effects of overcrowding to the wider community are well documented by councils. Overcrowded households can mean greater noise nuisance or result in a greater visibility of waste and rubbish in an area, as more is produced from the same number of homes. This can lead to greater dissatisfaction within existing communities, more negative perceptions about their area and greater hostility to those moving into a community.

Impact on Local Authority Budgets

Authorities are used to dealing with the demographics of the borough. However, existing knowledge and understanding of the communities who live in each borough will be reduced if demographics change rapidly. This may mean more resources will have to be put into building newer and robust networks to communities and establishing new links to others.

There are many voluntary sector and community services that help to settle new families in an area. Projects like these often provide advice and information for new families, delivered by people from the community or bi-lingual support staff. Weekly drop-ins and training sessions help to increase understanding of their rights and responsibilities in the UK and promote active participation in voluntary groups in their area. There may be greater demands on these types of organisations and populations change and reductions in funding to the voluntary sector may see a reduction in the scope of their activities and some organisations closing their doors. This could create a greater need for local authority provision to fulfil some of the tasks of these groups.

Some authorities in other parts of the country have found it necessary to introduce new services to maintain community cohesion, with additional cost. For example, in Rochdale²², the Council found that there were a growing number of Asian families that were living in overcrowded private sector homes in concentrated areas but were not willing to move away into better suited social housing for fear of intimidation of moving to areas of predominantly white communities and in leaving their neighbourhood behind. The council developed a community induction project in response which promoted mixed communities by helping settle new Asian families into the area. BME housing associations facilitated the process, to ensure families' needs were met with dedicated support officers employed.

Authorities do not have a statutory duty to offer services such as these and so it will vary from borough to borough depending on existing cohesion issues and the level of political interest in the issue.

²¹ Ipsos MORI, *Rivers of Blood Survey*, April 2008, www.ipsos-mori.com

²² <http://www.audit-commission.gov.uk/housing/marketrenewalpathfinders/goodpractice/promotingcommunity/Pages/Promotingcommunitycohesion.aspx>

Policy Options

Authorities could develop a better and more robust understanding of community cohesion that is more in line with the concept of social capital rather than as a reactive response to emerging political and social situations that has happened often in the past. This could measure levels of success on a range of issues, such as measuring attitudes to each other or the number of reported hate crimes, and between different boroughs. Authorities could improve the exchange of existing ideas and strategies, and in particular adapt and develop this for areas where there are increasingly high levels of mobility.

The current 'message' is that inner to outer borough movement may be a problem for communities. Whether this is actually true or not is insignificant compared to the power of people's perception, so there needs to be further research, innovative ideas and examples of best practice where perceptions are being successfully managed. Of particular concern are assumptions about who may be benefiting or losing out because of the changes that are taking place. Perceptions of the anti social behaviour of different groups, especially young people, is a fear for many in communities.

Meaningful engagement is essential for effective communication and boroughs should look to developing strategies to build trust with communities. One of the major challenges is the "mute button" effect in some communities where communication from statutory bodies is not heard or believed. Peer to peer work often produces much more positive results because people trust institutions less, and community communicators are a good example of effective outreach currently being employed by a number of London councils. The Campaign Company²³ have had a leading strategic role with London Boroughs of Barking and Dagenham, Bexley, Havering and Sutton in implementing such schemes, from advice on which people and influencers to target to overall management of the projects.

London Borough of Barking has put up a Facebook page to manage dialogue and mitigate tensions by allowing the conversation around different concerns to play out. This is a successful example of how dialogue can be improved through social media. But the level and quality of face to face contact with people through less formal routes is also very important, for example they have been working with hairdressers who meet many people as a matter of course, to spread key messages. This could easily be replicated across borough boundaries.

Authorities could ensure that people and communities have sufficient information when they enter a borough. Some areas have introduced local passports that explain when rubbish or recycling is collected.

Finding routes that people can buy into and contribute to their community will be fundamental to developing the social capital that underpins cohesions between communities living in the same area and sharing the same space. Myth busting is important but people need to have a sense of security in their communities when the

²³ <http://www.thecampaigncompany.co.uk/>

world they live in is insecure. Overall, designing ways to make people's life experience better will be more effective than communicating something that is going to change.

HOUSING

Introduction

London boroughs face far greater housing challenges in comparison to the rest of the UK, with an acute shortage of housing, combined with high levels of demand and need. Access to homeownership and social housing has become more restricted and the cost of private renting in London is high and increasing, averaging over £1000 per calendar month. For those in housing need nearly three quarters of all those in temporary accommodation live in London²⁴, with 11.2% of all households on local authority housing waiting lists²⁵. This figure is likely to increase as families find themselves unable to afford their rent under the Universal Credit cap. Strikingly, of the 265,000 households in the private sector in receipt of Local Housing Allowance, over a third are in employment.²⁶

The challenge of ensuring that all Londoners have their housing needs met and a home that they can afford is going to become more difficult as a result of welfare reform. In April 2011 cash caps on the Local Housing Allowance were introduced, at £250 for a one bed dwelling, £290 for a two bed dwelling, £340 for a three bed dwelling, £400 for a four bed or larger dwelling. This is for new claimants now and will be extended to existing claimants next year. Furthermore, the level of Local Housing Allowance that a household can claim will be reduced to the bottom 30% of rents rather than the bottom 50% of rents for new claimants as of later this year.

The introduction of a household benefit cap under Universal Credit for workless households (of £500 for families and £350 for individuals) will cap the maximum welfare a household can receive at the national median wage of £26,100 per annum. For unemployed households in London, this will not only further reduce the affordability of the private rented sector, but will also reduce the affordability of housing in the existing social sector for large families and for some smaller families entering the Affordable Rent tenure with rent levels up to 80% of the market rate.

In addition to these changes, the single room rate for housing benefit will extend from 25 years old to all those under-35 years of age, meaning benefit will now cover only a single room in shared property rather than a one-bed home rate for this age group. Those who under-occupy their property will also receive the rate of housing benefit equal to the number of bedrooms they need, as opposed to the actual size and rent of their property. Finally, non-dependent deductions on household benefit income will increase, in some cases up to £60.60 per week, for claimants that have grown-up sons or daughters and elderly relatives living with them.

These changes will price some people out of their existing accommodation, forcing them to move. It will make it more difficult for councils to house low-income families

24 DCLG, 'National Statistics on Statutory Homelessness' March Quarter 2011 England

25 DCLG, Table 600 Rents, lettings and tenancies: numbers of households on local authorities' housing waiting lists, by district: England 1997-2010

26 DWP, 'Regional Impacts of changes to LHA set out in the 2010 Emergency Budget and the 2010 Spending Review'

and it will restrict the areas in which families in need can live, creating greater concentrations of those on lower incomes.

This section explores some of the issues that the welfare reform changes, and particularly the cap on Universal Credit, may have on the provision of housing and housing services by London Boroughs, and outlines some mitigating actions that local authorities may wish to take.

Issues

Impact on people and their communities

The benefit reforms will have several main impacts on people and their communities. A significant number of people will find their existing housing is unaffordable and may be forced to move to find cheaper accommodation. Many will face a squeeze on living standards as their housing costs take up more of their income and they have to find additional money to cover shortfalls in benefit.

Certain groups of low income households and benefit claimants will be particularly affected by these reforms. Families and especially larger families will find the amount of money they have left to cover housing costs within the benefit cap will be especially squeezed. Under Universal Credit some existing social tenants, especially those with larger families will not be able to cover their rent. For example a family with two parents and four children living in London pay on average a target weekly rent of £128.71²⁷. If rent affordability for a workless household is based on their total benefit cap less their other benefit entitlements worth approximately £410.47 per week²⁸, they will fall short by £39.18 per week at current social rents. This is not just an issue for those being placed in the PRS or in 'Affordable Rent' properties.

Households may not choose to move from a locality as their housing becomes less affordable, to avoid the disruption of moving away from family networks, employment and schools. Instead they may decide to remain in an area and overcrowd in smaller (but more affordable) housing and face the associated and negative impacts on their health and young people's educational attainment. According to Shelter, overcrowding has risen across all tenures by 18 % in the last three years. In London this equates to 391,000 children, 24 %, the majority of which live in social housing which has seen the biggest increase²⁹.

There are also community impacts of a significant and growing portion of overcrowded and substandard housing. It can be a push factor in better off households leaving an area, creating a more segregated community and overcrowded homes mean greater problems associated with noise, nuisance and the quality of the public realm.

27 www.dataspring.org.uk

28 These are the typical outgoings of a family living in Camden and assumes the family is in receipt of all benefits: Child Tax Credit (£60.50) Child Benefit (£207.02), Job Seekers Allowance (£105.95) and Council Tax Benefit (this is the main variable between boroughs and in this example is worth £37.00),

29 http://england.shelter.org.uk/news/july_2011/1_in_4_london_children_overcrowded

There will be an impact on vulnerable single people who might otherwise gain access to smaller social or council properties no longer being able to do so as a result of transfers of under-occupiers, who have been forced to move due to under-occupation penalties. These are often the people least able to cope in the private market and their prospects in the private market will be more limited as a result of the single room rate.

Tenants will also face a range of issues associated with the vagaries of how the LHA system will operate and the boundaries of Broad Market Rental Areas.

The move from the 30th to the 50th percentile will have different impacts in different locations. Some rental markets have a fairly 'flat' distribution of rents across the percentiles, meaning the cash difference for some tenants may not be especially great and may be affordable. This is more likely to occur in boroughs with a high number of low rent properties. In other areas it will be steep and much less affordable. Tenants will face significant 'cliff edges' as a result of the level of the 30th percentile in different BRMAs. A small geographical move within a borough might cross a BRMA boundary. This may result in very large differences in benefit eligibility because, although the geographical move is small, the levels of benefit that can be claimed in different BRMAs could be significantly different. This will be a factor in where tenants choose to live.

Impact on Service Delivery

The cuts to LHA and the introduction of the household benefits cap will make it more difficult for boroughs to place people in the private rented sector and procure temporary accommodation. With a severe shortage of social housing combined with more people unable to access homeownership, there is already increasing pressure and demand for private rented homes, which will make it more difficult to place those on lower incomes and reliant on housing benefit.

There is already rising demand for temporary accommodation with an additional increase in those presenting themselves as homeless to many London local authorities. With supply unable to meet demand, more people are being placed in emergency or nightly accommodation. Some authorities are placing people outside of the borough and looking to book accommodation in towns outside of London such as Slough. The total number of people in temporary accommodation in the UK rose to 48,330 in the second quarter of 2011³⁰. In London, the figure is almost 20 times the North of England and the Midlands³¹. These are existing trends that welfare reform is likely to exacerbate and make it more difficult for London authorities to provide for those presenting as homeless.

As the numbers in temporary accommodation increase, there will be a greater impact on tenants and local authorities as the new benefit regime is implemented. Temporary accommodation typically has high rents and the majority of tenants are on

30 DCLG Live Table 775, Table 775 Statutory homelessness: households in temporary accommodation¹, by type of accommodation, at the end of each quarter, England, 1998 to 2011

31 DCLG Live Table 776 Statutory homelessness: Households in temporary accommodation¹, by Region, at the end of each quarter, 1998 to 2011

housing benefit. This form of accommodation will become less affordable for tenants and result in local authorities needing to seek alternative provision.

Under occupation penalties are likely to provide major service challenges. There are significant numbers of working age under occupiers in social housing. These households will face arrears and possible eviction unless smaller social homes can be found for them and they can be convinced to move before implementation of the reforms. It is also questionable whether there are sufficient smaller homes that will become available to meet the needs of this group. However, in the longer term, under occupation penalties may increase the supply of family homes in the social stock.

Benefit reform also has a significant impact on the new 'affordable rent' product. The household benefit cap means that for many families 60 %, 70 % or 80% of market rents are unaffordable in large parts of London. The impact of this is that RSLs have scaled back their provision of family homes within their programmes, leaving local authorities even more lacking in family accommodation. There are impacts on how local authorities manage their relationships with RSLs, in relation to future housing provision with their boroughs and how allocations are managed in a new context when all tenants may not be able to afford the rents in affordable housing.

Impact on Local Authority Budgets

There is likely to be a spike in rental arrears as the benefit reforms come in. These will stabilise over time after the initial impact, but are highly likely to remain at a higher level than previously. Rental arrears will have a significant impact on the HRA business plan of local authorities. The self-financing deal that will take place in April 2012 allows council to keep all the rents they raise in order to service a level of debt that is sustainable for a given authority's rental income. If the levels of arrears rise, then the ability of authorities to service their debt and invest in and maintain their stock is undermined. There is a bad debt provision in the HRA reform deal of 2 %, but this is based on current policy. This is unlikely to be sufficient provision following the implementation of welfare reforms.

The management of arrears will need to be more proactive, to prevent people falling into arrears and to manage a situation where people will be in arrears. This will become a more expensive service to deliver. Furthermore, there are likely to be more evictions as a result of tenants being unable to pay their rents. Again eviction and especially the legal costs of securing eviction will place pressure on housing department budgets. If councils are unable to evict then there will be greater losses of revenue through arrears.

More broadly there may be increased legal costs for local authorities unable to fully meet their statutory duties because of the scale of change, reductions in budgets and increased need. There are likely to be more cases to defend as a consequence of individuals bringing claims against their local authority for not fulfilling its statutory duties.

The costs of providing for those accepted as homeless are also likely to increase, not just as a result of increasing numbers. There are increasing costs to procuring in the private rented sector. Some landlords at the lower end of the market are 'playing' the various rent deposit schemes and incentives boroughs offer to get the best and more secure deal for them. Boroughs have to offer more generous terms to landlords to enter into bond schemes. The increased requirement to use nightly booked accommodation and emergency accommodation will impose high costs on authorities.

Cuts in benefit for working age under-occupiers will impose some costs and potentially free up some resources for local authorities. The cost of the administration of moving under-occupiers is likely to be considerable given the absolute numbers involved and the level of engagement necessary to get people to agree to move voluntarily, before benefit cuts hit. However, the forced move of under occupiers will free up more family sized homes, potentially quite significant numbers, which will allow authorities to house more families and reduce the financial burden of supporting them outside the social sector. At existing social rents, in most cases this would mean their accommodation is affordable within the benefit cap, however for parents with four children or more, this will still be unaffordable.

There will be increased costs to local authorities of managing the changes to services to meet these new challenges and re-skilling staff members to take on more and different types of housing and debt management tasks.

Policy Options

There are a number of PRS landlords with which local authorities currently have no contact who will be affected by these reforms. Councils could make early contact with as many as possible to ensure they are aware of the changes and help them assess how they will manage their finances in the future. The alternative may be further call on council services when arrears build up or they face eviction.

Greater and more proactive negotiation of rents and leasing schemes with private landlords is something authorities could invest more time in, in order to maintain more of a supply of private rented accommodation in which they can place people. These offers will need to be attractive to compete with the private market, but many landlords may still value the security of income and reduced voids that local authorities can provide.

If large family housing is no longer viable for low income families in certain areas, authorities may consider splitting larger homes into smaller units to accommodate smaller households, who are unemployed but able to afford rents under the Universal Credit cap. This will obviously have an impact of the long term levels of family accommodation available. Boroughs should also consider how they use discretionary housing payments and the increase in discretionary housing payments most effectively. This is a small sum compared to the scale of potential need, but is one tool available.

Boroughs might examine further homelessness legislation to see how far out of a borough they might place a household, in order to mitigate pressures and to avoid legal challenges to such decisions. Boroughs should review more widely the extent to which they may face legal action from an inability to meet statutory obligations, factoring in legal aid cuts.

Local authorities may need to be more stringent in terms of who they accept as homeless in order to protect budgets in a demand led service where demand may rise considerably as will the cost of meeting that demand. This may be necessary to protect the financial viability of housing services and the local authority's financial capacity.

Following reform of the Housing Revenue Account there may be some flexibility to increase council rents within the existing limits and within the affordability of the benefits system. This could help increase capacity for extra provision within the HRA to mitigate future pressures.

Councils might use their own stock as temporary accommodation if they find the private rented sector cannot accommodate those they need to place. This would take the properties out of the HRA and market rents could be charged which could provide capacity for other housing services. This would of course reduce the level of stock available for general needs tenants.

Since the Universal Credit cap will not apply to working households, one mitigating policy would be to support more tenants into work. Authorities may wish to consider specific work programmes that could be run by the local authority to maintain tenants in sufficient work to escape the benefits cap. This obviously would not help tenants struggling with the benefit cuts specific to the private rented sector.

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