

**REPORT OF THE EDUCATION, CHILDREN & FAMILIES SELECT
COMMITTEE
2018/19**

**THE IMPACT OF UNIVERSAL CREDIT ON
FAMILIES**

Meeting Date: Tuesday 29 JANUARY 2019

The Committee gives its sincere thanks to the witnesses for their contribution to the Select Committee's Review.

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Foreword

The Select Committee's inquiry into the impact of the benefit changes on children and families was restricted by a lack of any witnesses from Bromley's schools despite a request in the Education Circular.

Our witnesses gave extremely helpful and interesting testimony particularly in understanding the operation of Universal Credit, the impact of the Local Housing Allowance and the supply of appropriately sized family properties, however these matters fall outside the remit of the Committee and we therefore recommend that the Recreation, Renewal and Housing Portfolio Holder and PDS and the Development Control Committee may wish to consider these issues further.

We are unable to make a judgement as to the extent, if any of the impact of the benefit changes on children and families as we received no evidence with regard to local families, however experience would suggest that a child's education will be impacted by the disruption of a family being made homeless and having to move and live in temporary accommodation. This is an area in which needs to be examined further.



**Cllr Nicholas Bennett JP
Chairman
Education, Children and Families Select Committee**

1. Introduction

- 1.1 The Education Children and Families Select Committee met on 29th January 2019 to consider the impact of Universal Credit on families.
- 1.2 The Committee also received an update on the Youth Offending Service, as well as a detailed update from the Interim Director of Children's Social Care, and its regular update from the Portfolio Holder for Children, Education and Families. Details can be found in the [minutes](#)¹ from the meeting.

2. Executive Summary of Recommendations

Recommendation 1: That the R&R and Housing Portfolio Holder and PDS consider whether they wish to monitor impact of the introduction of Universal Credit on levels of homelessness and the supply of properties to rent in Bromley.

Recommendation 2: That the Universal Credit advice service be further promoted and advertised to families who would most benefit from the support.

Recommendation 3: The limited supply of 2 bedroom properties coupled with the increased demand for this type of property means that the choices available to claimants most at risk of homelessness are limited and the Development Control committee may wish to examine this matter further.

Recommendation 4 That the LHA rate and Spare Room Subsidy Rate for families whose children are removed temporarily by Social Services be waived to allow the family home to stay affordable and enable the child to return to the home so preventing additional costs to the Local Authority.

Recommendation 5: That the R&R and Housing Portfolio Holder consider whether he wishes to lobby the Government to review the rules surrounding delays in the payment of mortgage support for homeowners facing financial difficulties as a result of loss of employment.

3. Impact of Universal Credit on Families

- 3.1. The Select Committee's main enquiry for this meeting focused on the impact of Universal Credit on families in the Borough. The purpose of the review was provide the Committee with facts concerning the impact of universal credit in the Borough in order to support Members in developing recommendations to address some of the local issues.
- 3.2 The Committee heard evidence from four witnesses at the meeting:
 - Ms Sara Bowry (Director of Housing, LBB),

¹ Minutes can be found on the London Borough of Bromley Website at:
<https://cde.bromley.gov.uk/ieListDocuments.aspx?CId=584&MId=6578>

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- Mrs Rachael Dunley (Head of Early Intervention and Family Support Services, LBB),
- Mr Colin Smith (Welfare Reform Manager, LBB), and
- Ms Tracey Wilson (Head of Compliance and Strategy, LBB)

3.3 At the meeting, Members of the Committee were provided with three different case studies from the Bromley Children Project Family Support and Parenting Practitioner Team within the Early Intervention and Family Support Services in Children's Social Care. The first case study detailed an example of an open case where the Team was working across departments to seek a housing solution and prevent family breakdown and improve emotional wellbeing for all family members. The second case study detailed a case where the Team was again working across departments; the housing issue had been resolved but there remained rent arrears and other debts to clear, and the need for the family to establish a new support network following the need for the family to split in order to remove the benefit cap and make housing affordable. The third case study detailed a closed case where the parent had achieved their goals and averted homelessness, and was managing life better including clearing debts.

3.4 Introduction

3.4.1 Universal Credit is a working age benefit that replaced six means-tested benefits and tax credits with a single monthly payment per individual claimant or couple. The benefit operates as a single payment to claimants and is available to working people on a low income and the unemployed. Its stated aim is to improve the incentive to work by making it easier for people who have temporary, low-paid work to move in and out of employment without losing benefits, and to simplify the benefits system by bringing together several benefits into one single payment. Through this scheme, it is envisaged that unemployed people will be encouraged to take on more work for any period of time that is available.

3.4.2 Universal Credit was first legislated through the [Welfare Reform Act 2012](#)² as a means to simplify the benefits system and 'make work pay'. Universal Credit is scheduled to be fully implemented to around 6-8 million households nationally by 2022-23. In July 2018, there were estimated to be approximately 800,000 recipients of Universal Credit³. One of the aims of Universal Credit is to encourage families to budget on a monthly basis. However, this is a skill that does not necessarily come instinctively to vulnerable families and many require intensive support in order to be able to prioritise demands and manage their monthly budget. It is critical that there is intervention at an early stage in terms of debt and housing advice if it becomes evident that families are not able to manage their monthly budget.

² <http://www.legislation.gov.uk/ukpga/2012/5/contents/enacted>

³ <https://www.bath.ac.uk/announcements/new-project-to-investigate-impact-of-universal-credit-for-families-balancing-work-money-and-care/>

3.5 Universal Credit in the London Borough of Bromley

3.5.1 Universal Credit was introduced in Bromley for all new claims on 25th July 2018. Universal Credit in Bromley is still in its infancy, although any impact has been less noticeable than originally envisaged as the Department for Work and Pensions (DWP) removed Temporary Accommodation Housing Costs from Universal Credit and Housing Benefit for the rent is still applicable. From 1st February 2019, Families with three or more children will be made to claim Universal Credit if they have to make a new claim or have a significant change.

3.5.2 The Committee notes that there are in excess of 1600 families in temporary accommodation in the Borough. This figure reflects 1815 children aged 0-16 years old. An increasing number of families are being placed outside of the Borough, with over 600 school aged children housed in temporary accommodation outside LB Bromley. An increasing number of these children travel back into the Borough to attend school and this places an additional financial pressure on families.

3.5.3 As part of its review the Committee was provided with the following data in relation to families living in temporary accommodation:

1815 school aged children (0-16 years) living in temporary accommodation
504 children attending school in Bromley
286 families placed in Croydon
178 families placed in Lewisham
99 families placed in Bexley
40 families placed in Southwark
22 families placed in Lambeth

The majority of the remaining families (686) are placed in Kent (e.g. Dartford (86 families), Gravesham, Swale, Thanet etc) and Medway. 229 families are placed in Medway.

3.5.4 The Council operates a Placement Policy taking into consideration particular support needs such as schooling and employment. This ensures that families meeting the specific criteria set out in the Policy are given priority for in-borough placements.

3.5.5 The Committee discussed the impact of overcrowding on school-aged children. It has been suggested that further consideration should be given to expanding the public provision of study facilities available to children living in overcrowded accommodation. It is noted that overcrowding and space to study is one of the criteria in the Placement Policy however feedback that Members of the Committee have received from families across the Borough suggests that more can be done to address this issue. In the first instance schools should consider how this might be addressed using school premises.

- 3.5.6 40% of people approaching Bromley Housing Services for support are losing private sector accommodation due to affordability. Rent levels across the Borough have become unaffordable for many families who are facing additional financial pressures resulting from the failure of real incomes to keep pace with rising costs.
- 3.5.7 The provision of assistance for the application process as well as budgeting support currently lies with LB Bromley. The Citizens Advice Bureau, along with the Housing Team and Bromley Children's Project, provide support to clients who need help with the transition to monthly payments.
- 3.5.8 There has been no evidence that the introduction of Universal Credit has increased levels of homelessness or reduced the supply of properties to rent in Bromley. The Committee notes that this will need to be monitored as the numbers affected increase.

Recommendation 1: That the R&R and Housing Portfolio Holder and PDS consider whether they wish to monitor impact of the introduction of Universal Credit on levels of homelessness and the supply of properties to rent in Bromley.

3.5.5 The Benefit Cap

- 3.5.5.1 The Benefit Cap affects claimants who are not in receipt of income equivalent to 16 hours (24 hours for families) paid at the National Living Wage (£7.83 per hour for over 25's). The Benefit Cap was introduced in April 2013 and established that the maximum benefit allowed for those living in London is £431.00 for families and £350.00 for single clients. The Benefit cap only takes effect if claimants are not working 24 hours (for families) or 16 hours (single clients) per week.
- 3.5.5.2 Under housing benefit regulations the Benefit Cap will reduce the Housing Benefit award. Historically, Bromley had around 300 households affected. All households that are capped more than £50 per week are invited to an interview to assist them in budgeting and trying to get into employment to move away from their benefit being capped.
- 3.5.5.3 Currently there are 263 families, 14 single claimants, and 1 couple with no children affected by the benefit cap.
- 3.5.5.4 Discretionary Housing Payments (DHPs) have been used to give short term assistance to clients to allow time for them to be assisted by advisors in the Housing Department to come off the benefit cap. This would be by entering work, applying for disability benefits for themselves or dependants (if relevant), or to manage the shortfall without the need for DHP assistance. In 2017/18, the DHP scheme made 44 awards to clients affected by the benefit cap at a cost of £68,802.

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- 3.5.5.5 The Committee notes that under Universal Credit Regulations the Benefit Cap will reduce the living allowance first followed by the housing costs. As there will be no shortfall in housing costs a DHP cannot be awarded
- 3.5.5.6 Within the Council's Housing Services there is increased debt advice, floating support services, and Officers undertake assessments of need. The Citizens Advice Bureau (CAB) is also funded to provide advice concerning Universal Credit. The Committee notes that the CAB are very good at signposting families to the other support services that are available as well as providing basic budgeting support to families. In addition to this; Housing Associations and Credit Unions also provide valuable support and advice to families experiencing financial difficulties.
- 3.5.5.7 The Committee notes that since July 2018 there have been only 400 approaches to the CAB Universal Credit advice service. As more families face difficulties with their housing costs this service should be further promoted and advertised.

Recommendation 2: That the Universal Credit advice service be further promoted and advertised to families who would most benefit from the support.

3.5.6 Availability of Suitable Accommodation

- 3.5.6.1 The lack of availability of affordable family accommodation is another significant issue. There are a number of initiatives to address the limited supply of properties suitable for families across the Borough within Council's Housing Strategy.
- 3.5.6.2 The Under-Occupation Scheme aims to facilitate a move to a smaller property for those who are over-accommodated such as older people whose families have grown up and moved out. One of the biggest challenges is that people often look to move from 3 or 4 bedroom properties to two bed properties. There is, however, competing demand as 2 bedroom properties also attract the highest demand from homeless families. The Housing Strategy is looking at ways to increase supply but this will not provide a solution in the short- to medium-term.

Recommendation 3: The limited supply of 2 bedroom properties coupled with the increased demand for this type of property means that the choices available to claimants most at risk of homelessness are limited and the Development Control committee may wish to examine this matter further.

3.5.7 Under-Occupation Subsidy

- 3.5.7.1 The Under-Occupation Subsidy was introduced in April 2013 and affects working-aged tenants of Registered Social Landlord who have more bedrooms in their property than required for the size of their household.

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- 3.5.7.2 The deductions are 14% for one extra bedroom and 25% for two or more additional bedrooms.
- 3.5.7.3 In April 2013, in Bromley there were 1900 tenants affected. There are now currently 1104 tenants affected (182 by the 25% deduction for 2 or more bedrooms and 922 by the 14% deduction for one extra bedroom). Where a child is taken into temporary care this can lead to a family under occupying a property and being required to find a tenant or lose the spare room subsidy, in these case we would support the waiving of this requirement unless the arrangements regarding the child become permanent.

Recommendation 4: That the LHA rate and Spare Room Subsidy Rate for families whose children are removed temporarily by Social Services be waived to allow the family home to stay affordable and enable the child to return to the home so preventing additional costs to the Local Authority.

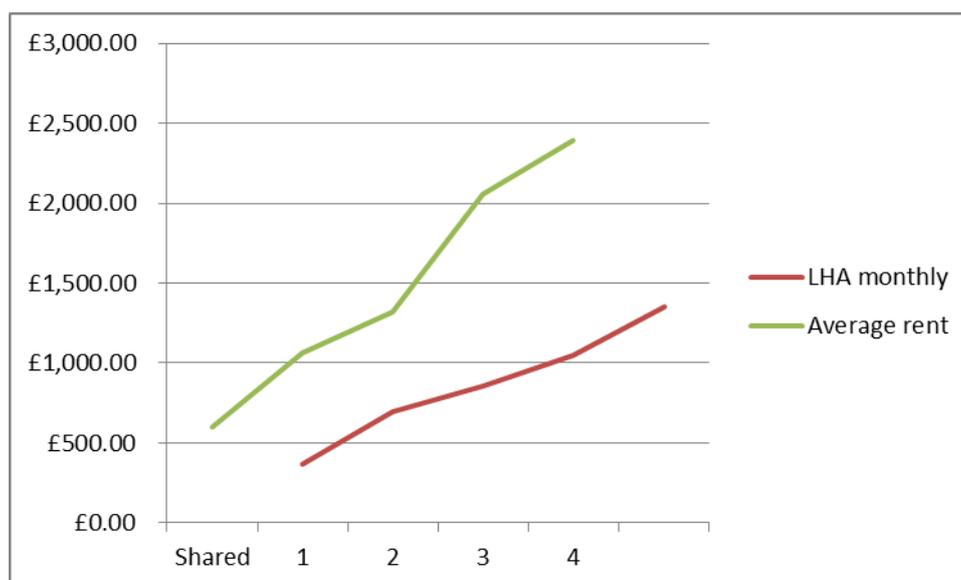
3.5.8 Local Housing Allowance (LHA)

- 3.5.8.1 Rates of Local Housing Allowance (LHA) determine the maximum rent liability allowed for Private Sector claimants when claiming Housing Benefit or Universal Credit Housing Costs. These rates have not increased in line with the local rental market leaving many properties unattainable to those on low incomes. This affects both working and non-working families; particularly those who need to live in a specific area due to school, work or family commitments.
- 3.5.8.1 Sourcing suitable accommodation for those seeking support and assistance from the Housing Team in Bromley is very difficult due to LHA rates and is probably the biggest single factor impacting claimants, not just in Bromley but also in other London Boroughs.
- 3.5.8.2 The table and graph below set out a comparison between available properties in Private Rented Sector and LHA rates. This information was captured from available properties on 20th December 2018⁴.

LHA monthly		Average rent	
Shared	£365.17	Shared	£598
1	£697.75	1	£1,060
2	£858.48	2	£1,318
3	£1,050.40	3	£2,059
4	£1,355.34	4	£2,395

⁴ www.home.co.uk/for_rent/bromley/current_rents?location=bromley

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Some have suggested increasing the Local Housing Allowance to match market rents; however this would only lead to an increase in market rents. They may be a case for an indexed link increase but the central problem is one of supply.

3.5.9 Owner Occupiers

3.5.9.1 The Select Committee has also considered the issue of families who own their own home and have a mortgage secured against the property. Before homeowners with a mortgage are able to claim any mortgage support, 9 Universal Credit payments have to be made. In addition, there is a 4 to 5 week delay in the payment of the first month's Universal Credit. The result of this is that significant mortgage arrears are built up before any financial support can be claimed. Furthermore, if homeowners have previously utilised their "mortgage holiday" during an earlier period of unemployment they are at significant risk of losing their property. Home owners need to ensure that they have insurance policies in place for such eventualities.

Recommendation 5: That the R&R and Housing Portfolio Holder consider whether he wishes to lobby the Government to review the rules surrounding delays in the payment of mortgage support for homeowners facing financial difficulties as a result of loss of employment.

3.5.9.2 The Committee notes that in 2011 there was a significant increase in the number of homeowners losing their accommodation as a result of mortgage arrears.

3.6 **Conclusion**

3.6.1 With a growing number of families living in Temporary Accommodation there is clear evidence that rent levels across the Borough are becoming unaffordable for many families, including working families.

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- 3.6.2 The limited supply of 2 bedroom properties coupled with the increased demand for this type of property means that the choices available to claimants most at risk of homelessness are limited and the Development Control committee may wish to examine this matter further.
- 3.6.3 It is essential that appropriate support in terms of debt and housing advice is provided to those most at risk of homelessness at an early stage.
- 3.6.4 We are unable to make a judgement as to the extent, if any of the impact of the benefit changes on children and families as we received no evidence with regard to local families however experience would suggest that a child's education will be impacted by the disruption of a family being made homeless and having to move and live in temporary accommodation. This is an area in which needs to be examined further.

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