

Subject: Welfare Reform and London's Changing Poverty Profile

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 21 January 2016

This report will be considered in public

1. Summary

- 1.1 This paper provides information for a Committee meeting on welfare reform and London's changing poverty profile.

2. Recommendations

- 2.1 **That the Committee agrees the scope and terms of reference for a meeting, in February, on welfare reform and London's changing poverty profile.**

3. Background

- 3.1 At its meeting on 15 October 2015, the Committee agreed for officers to scope how the Committee might use its February 2016 meeting to explore the issues of low income households. The Chair has since agreed to examine recent and proposed changes to the welfare and tax systems, and their impact upon Londoners.

4. Issues for Consideration

- 4.1 The Trust for London and the New Policy Institute have recently published an updated version of "London's Poverty Profile" which provides an independent assessment of the depth and extent of poverty in the capital. The report, the fifth in the series, sets out a number of key findings across a range of domains including homelessness, worklessness, inequality and low pay. Its top line findings are that 27 per cent of Londoners live in poverty after housing costs are taken into account, compared with 20 per cent in the rest of England. The majority of people in poverty are in a working family; for while the number of unemployed adults is at its lowest level since 2008, the number of jobs paying below the London living wage continues to rise – with the largest rise among men working full time.
- 4.2 The report also sets out how welfare reforms have affected the life chances and quality of life of Londoners. The trends in benefit claims suggest that things have improved in London in recent years. There has been a substantial fall in numbers claiming out-of-work benefits as employment increases. The report finds that "even housing benefit, which has been slower to start falling has fallen due to fewer claims from workless families." But the report has also shown that high housing costs and benefit cuts are making it increasingly difficult for low-income households in London.

- 4.3 Following the post-election announcements of further welfare reform, most notably cuts to family tax credits, the Mayor commissioned GLA Economics to produce a detailed assessment of the likely impact of the changes on working families in London. The Comprehensive Spending Review (CSR) subsequently amended some of the previously announced changes to tax credits though other changes, such as the removal of the family element and the limit of the child element to two children for children born on or after 6 April 2017, remain.
- 4.4 Other significant welfare announcements in the CSR included the delay for migration of existing caseloads to Universal Credit and changes for social renters, who will now only be able to claim Housing Benefit to the level of the relevant Local Housing Allowance for private rented accommodation. Funding for those in temporary accommodation will now be paid directly by local authorities and not by DWP. However there are several elements of the new welfare reform arrangements which remain opaque. For example there has been some discussion of a cap on social renting allowances. Furthermore benefits to be paid through the Universal Credit system are expected to be far less generous than previous JSA benefits.
- 4.5 To develop a better understanding of these changes, and how they will affect the livelihoods of low income Londoners, the Committee will discuss these issues with the following organisations.
- The New Policy Institute will brief Members on the 2015 edition of their report “London’s Poverty Profile”.
 - Centre for Social Justice (tbc)
 - Local Authority representatives (tbc).
 - The Child Protection Action Group will provide more detailed insights from their caseload.
 - Z2K (tbc)

5. Legal Implications

- 5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

- 6.1 There are no direct financial implications arising from this report.

List of appendices to this report: None

Local Government (Access to Information) Act 1985

List of Background Papers: *London’s Poverty profile 2015*

http://www.londonspovetryprofile.org.uk/2015_LPP_Document_01.7-web%255b2%255d.pdf

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