Millions of the UK's poorest families driven into deeper poverty

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Two million of the poorest families in the UK face a £50-a-week cut in income by the end of the decade. This was the conclusion of a detailed study carried out by Policy in Practice (PIP), a social-policy software and consultancy business, in partnership with the Local Government Association (LGA) and the Learning and Work Institute (LWI).

Commissioned by the LGA, "The Cumulative Impact of Welfare Reform: A national picture," shows the impact of welfare reform across the whole of the UK. It assesses the devastating impact of welfare cuts, growing inflation and ever-steeper rent rises in the private sector.

The study examined over 40 local authorities, representing 9.1 million households, receiving either a Department for Work and Pensions benefit, Housing Benefit, or Tax Credits. The data was examined via a modelling tool, the Benefits and Budgeting Calculator, used to measure the impact of reforms that have taken place and those yet to come.

It finds that reductions in household income will hit poorest families hardest, with more than 84 percent of lone parents or couples with children set to lose up to £50 a week or more in income.

The government's overall agenda, dressed up as welfare "reform," is underpinned by slashing welfare spending and encouraging people to move from benefits into work. By 2015, after five years of austerity, the Conservative/Liberal Democrats coalition had slashed nearly £17 billion from the social security budget. Theresa May's current Tory government is committed to a further £12 billion in welfare cuts by 2018. This equates to a £1,500 cut for 8 million households in the two years to 2018.

For all the talk about work—which is generally low paid—being an effective way out of poverty, two thirds of those who will be worse off are in working households, not claiming any out-of-work benefits, but receiving working tax credits and housing benefit. Of the 2.14 million working age households set to lose over £50 a week by 2020, 1.34 million are in work.

The introduction of the government's flagship benefit, Universal Credit (UC), was to supposedly combine living and housing costs, creating a seamless move into and out of work. It will affect 7.2 million households across Britain, with 3.1 million losing an average £46.48 a week. Analysis shows that the overall net impact, once transitional protection ends for the 7.2 million eligible households, will total £4 billion.

UC is currently being rolled out across the UK, yet there are serious reservations about its detrimental impact. Citizens Advice is calling for it to be halted, due to the problems claimants have encountered, with many getting into serious debt.

Charities and councils are warning of the rise in homelessness, attributed to increases in housing costs that take up a growing part of personal income. It is estimated that by 2020 more than 2 million low-paid private renters could face an average increase in rent of £38.49 a week—with rents rising faster than housing benefit costs, leading to rents not being covered. There are wide regional differences. In the south west it is estimated that by 2020 rents are set to rise by 20.7 percent, against 3.5 percent in the north east.

This is described as a looming "affordability crisis" and is exacerbated by significant cuts to housing benefit implemented via the introduction of Local Housing Allowance (LHA). LHA is paid to renters in the private rented sector, and is often not linked to the real cost of the full rent in a specific area. It has led to increasing poverty and homelessness. Since 2015 there has been a cap on LHA rates that will be in place until

2020, driving the growing disconnect between the rents households have to pay and the amount of support they will receive through UC and housing benefit.

Figures show that rents in 2020 are expected to be over 5 percent higher than in 2016, while the LHA rates will remain unchanged. The rise in rents, without a corresponding increase in housing benefit support, will mean more people having to ask local councils for help, which in turn will drive up homelessness and temporary accommodation costs. This will place more pressure on local authorities, who have already carried out significant cuts to many front-line services.

The proportion of households in the private rented sector receiving housing benefit is set to increase, due to a lack of new affordable social housing. This will push poorer households into more expensive private accommodation. DWP figures show that in the years 2007/2008 and 2013/14, those in the private rented sector claiming housing benefit rose from 23 percent to 33 percent, while those in the social rented sector fell by 10 percent.

Claire Kober, chair of the LGA resources board, warned that the problems highlighted in the report came as councils were "experiencing huge funding pressures and face an overall funding gap of £5.8 billion by 2020."

The cutbacks by local councils of funding used to help poorer families via Discretionary Housing Payments (DHP) covering rent shortfalls will have an additional detrimental effect. In 2017-18, the budget for DHP totalled £185 million, yet the shortfall in costs associated with the welfare benefit cap, bedroom tax and those paying rent above housing benefit levels totalled in excess of £4 billion.

Most English authorities have made cuts to Council Tax Support, and the local safety net of discretionary support via community care grants. Crisis loans, administered by the Department for Work and Pensions, are all but abolished.

These changes will have a far greater impact on the most vulnerable, including families with children, or in a household claiming disability benefits. Of the 1.34 million households considered highly impacted by welfare reform, over 84 percent of working age households are either couples with children or are lone parents.

Families with a higher number of children will be most affected, with over one fifth of households including families with three or more children. It is estimated that by 2020, a family with three children will lose on average £58.93p a week, and a family with five children could lose £90.98p a week.

An estimated 42.4 percent of families with a working aged, disabled person will lose up to £50 a week by 2020 and £51.47p for someone disabled under universal credit. The impact on households receiving disability benefits, such as Disability Living Allowance or the Personal Independence Payment, will be greater as they lose specific disability premiums because they are in receipt of UC.