Policy in Practice

Trust for London
Tackling poverty and inequality

PHASE THREE REPORT

LOW INCOME LONDONERS AND WELFARE REFORM

> With welfare reform, rising living costs, job insecurity and the roll-out of Universal Credit, it is a time of real change for low income Londoners. The response from policymakers needs to be right if we are to prevent many thousands of people from being pushed into real financial hardship because of the changes.
>
> This project is unique in the way that it examines household benefits data for over half a million Londoners and allows that data to be linked across time.
>
> **Bharat Mehta, CEO, Trust for London**

AUGUST 2018

1. THE FINDINGS TO DATE

Policy in Practice has concluded the third round of findings for the Low-Income Londoners and Welfare Reform project. Our work brings significant clarity to the complex dynamics shaping the circumstances around poverty, employment, housing and welfare support for households on low incomes in London.

The initiative has collected 25 months of housing benefit and council tax support data on over 550,000 households from across 18 London boroughs. This has enabled us to provide a unique assessment of how the living standards of low-income Londoners have changed over the last two years.

PHASE ONE FINDINGS

The first phase findings focused on the power of bringing data together across London, on a single analytical platform. The key findings were that:

- Outer London boroughs are more heavily impacted by welfare reforms
- Tracking employment patterns shows disability is the greatest barrier into work
- An effective measure of living standards should take household needs into account

PHASE TWO FINDINGS

Second phase findings showed the power of household level data, analysed over time. Linking household records meant that we were able to look at the causal link between the benefit cap and employment. Following 57,000 self-employed households across London also allowed us to assess the impact of the 'Minimum Income Floor', introduced alongside Universal Credit, and deliver findings that were more representative than traditional analysis using survey data.

- The benefit cap has had a positive impact on the employment outcomes of households affected, with families subject to the cap 21% more likely to move into work than similar households that were not affected.
- One in ten of all working age low income Londoners are self-employed, representing a quarter of all low-income households in work. The Minimum Income Floor will hit four in five low-income self-employed Londoners, with an average loss of over £4,100 per households per year.

The final round of analysis looks at how all these factors, including employment, housing and changes to benefits, have helped shape living standards over the last two years, and looks at the outlook for the next two years as Universal Credit rolls out and the benefit freeze takes hold.

We have secured funding to extend the project for a further 18 months. We will help councils build on their growing use of administrative data for social policy analysis and capture the impact of Universal Credit as it rolls out across the capital.

PHASE THREE FINDINGS

- **Low income Londoners are becoming less financially resilient**. The proportion of Londoners with low financial resilience has grown by 20% in the last two years, and will continue to grow through to 2020
- **Employment helps build financial resilience**. Employment is the main driver of people improving their financial resilience; for people affected, welfare reforms are a driver of lower resilience, but they don't tell the full story
- **Living standards fluctuate**. Over two years a quarter of low income households in work lost their jobs at least once; improving job stability can help build resilience
- **The future isn't bright**. Londoners on low incomes face a bleak future, with an average drop in their disposable income of £100 p/w if rents and other livings costs continue to rise as expected

The findings show how living standards in the capital have been hit over the past two years. The proportion of low-income Londoners facing a cash shortfall has increased by 20% (from 12.2% to 14.8 %). This trend is projected to escalate by almost 300% by 2020, driven by a combination of rising rents and living costs against a background of frozen benefits.

Our analysis of living standards shows how financial resilience can be built by moving into, staying in, and progressing in employment. While London shows higher-than-average levels of employment among families on low-incomes, the data collected reveals significant levels of job insecurity.

As well as employment, benefit changes are also a major driver of financial resilience. While specific reforms can weaken financial resilience for some households, differences in levels of social security in general are by far the biggest driver.

The roll-out of Universal Credit will mean that 42% of families will see their income fall under the new benefit system, and 36% will see a rise. The analysis demonstrates how this challenge has to be understood at a household level, rather than in aggregate, in order to build on the insights that benefits data provides. Councils can use their household level data to track and target Universal Support to households as they move onto Universal Credit.

PROJECT IMPACT

Policy in Practice has successfully engaged with London boroughs and been entrusted with their anonymised administrative data sets. This has enabled analysis of over 10m records, following 674,000 low-income households across 18 London boroughs, which we hope to extend further across London.

The findings have been guided by the needs of London boroughs. The key achievements of the project include:

- A new measure of **financial resilience** that takes living costs as well as income into account. A number of London councils are now using this indicator to help them better target local support.
- A **platform for data-sharing** and collaboration on living standards across London and the UK that will be sustained beyond the lift of this project.
- Highlighting significant differences in the way **welfare reforms** have impacted outer versus inner London boroughs, and an understanding of the demographic, economic and housing **drivers of impact**.
- Identification of a clear correlation between the **impact of policy changes** such as the benefit cap **on employment**, with the potential to deliver systematic near-RCT levels of analysis at a low cost.
- Promoting London as **global leader in the use of data analytics** across the public sector, to improve the way social policy is designed and delivered.

2. LIVING STANDARDS IN LONDON

Policy in Practice defines living standards through the lens of financial resilience. This measure, introduced in our Phase One findings, assesses household income against the costs each family is expected to face, adjusted for household size and location.

We are able to develop this type of resilience analysis because we collect and understand data on each individual family. The needs of each household are based on spending by the lowest third of households from the ONS family spending figures and actual costs, where available.

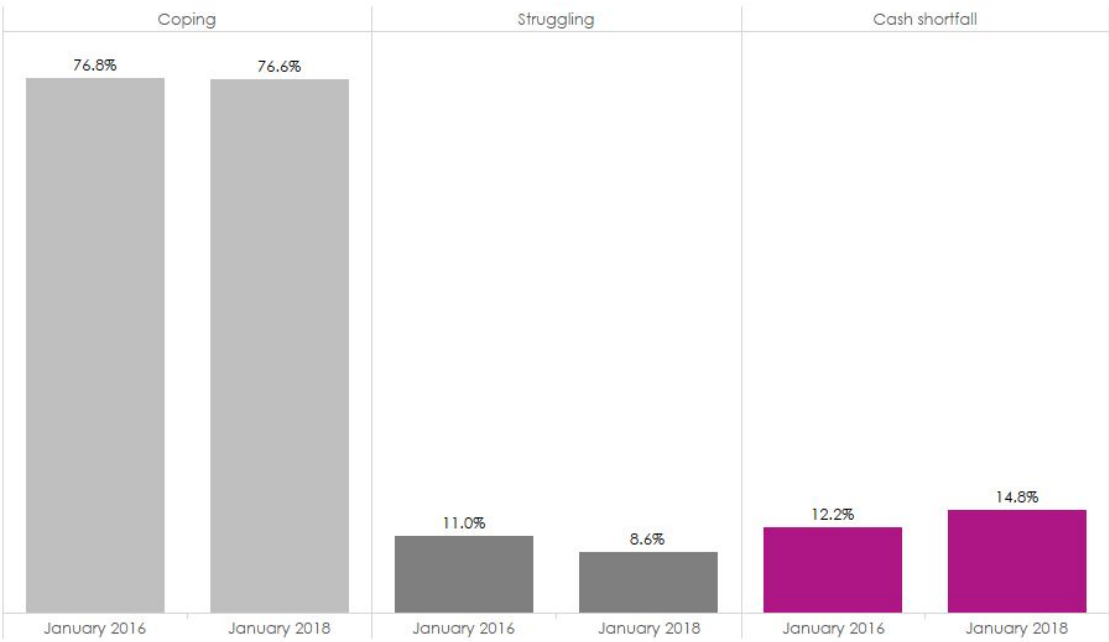
The low-income cohort is segmented into three different groups according to their modelled levels of financial resilience. The groups are the following:

- **Coping:** household take-home income is greater than expected costs by more than £100 per month
- **Struggling:** household take-home income is greater than expected costs by between £0 and £100 per month
- **Cash Shortfall:** households expected costs exceed household take-home income

Compared to other measures, including relative poverty which is based on 60% of national median income, this approach takes the needs of the household into account and is arguably a better assessment of which households need most support. From the perspective of local welfare provision, this financial resilience indicator can help to drive operational decisions by pinpointing those families in financial crisis, likely to fall into arrears or face eviction.

One in every three families faced a cash shortfall in at least one month during the two years analysed. In any given month one in six (15%) of the 550,290 low-income households analysed faced a shortfall between their income and their estimated outgoings. This is up by 2.6 % points (21%) from January 2016.

Changes in households coping, struggling and at risk

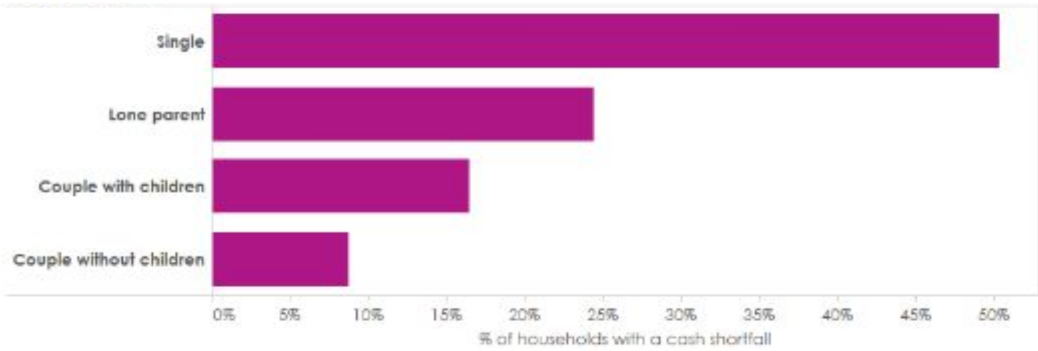


Living standards of low income Londoners are falling: more are in extreme need

This indicates an overall fall in the living standards of low-income Londoners over the course of the last two years. 81,224 families (12.2% of the cohort) are facing a cash shortfall; of these our analysis finds that 8,750 are in severe need, with insufficient income to cover their housing costs.

A closer look at households facing a cash shortfall finds that half of these families are single people, and a quarter are lone parents.

Demographics of households with a cash shortfall



More than half of households who are at risk or in crisis are single people

Just under half of these low-income families with a cash shortfall are affected by one of three main housing benefit reforms, with the application of the Local Housing Allowance to private renters affecting the largest number of households.

Demographics of households with a cash shortfall

Welfare reform	Households in shortfall	Total Households	% of households in shortfall
No Housing Benefit reform	44,148	299,818	15%
Benefit cap	6,340	9,780	65%
LHA cap	23,025	73,887	31%
Under occupation charge	8,090	27,412	30%
Total Working Age	**81,224**	**400,463**	**20%**

The LHA cap affects the most households at risk or in crisis

Families affected by a housing benefit reform are at least twice as likely to be facing a cash shortfall, while families affected by the benefit cap are four times as likely to be at financial risk.

The table below ranks each London borough by the proportion of households facing a cash shortfall, as a share of the overall borough population.

Outer London boroughs, where the proportion of housing benefit claimants living in the private rented sector is the highest, show the highest levels of financial need.

We are working with councils who are using the household level data to target appropriate support to those families most in need in their local authority.

Next, we use longitudinal analysis to understand the drivers of financial need.

Households with a cash shortfall, by borough

London Boroughs	% households with a cash shortfall
Enfield	6.5%
Barnet	5.7%
Hackney	5.3%
Brent	5.2%
Haringey	4.6%
Barking and Dagenham	4.0%
Camden	3.9%
Tower Hamlets	3.9%
Ealing	3.5%
Southwark	3.4%
Islington	3.3%
Waltham Forest	3.3%
Croydon	3.1%
Kensington and Chelsea	3.1%
Lambeth	3.0%
Greenwich	2.6%
Sutton	2.5%
Hammersmith and Fulham	2.3%

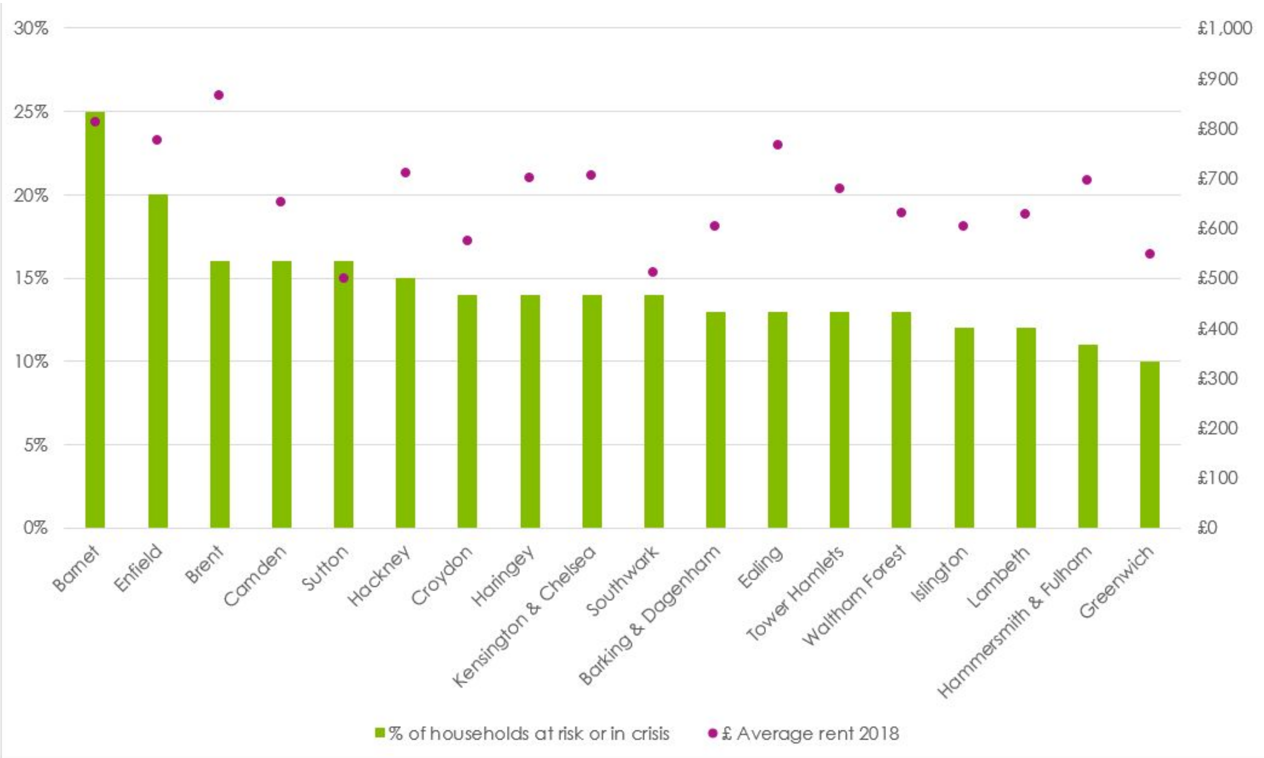
Enfield has the most households at risk or in crisis

> 20% of the success of this project lies in the data, 80% in the collaboration.
>
> **Andrew Collinge, Assistant Director of Intelligence, Greater London Authority**

Our analysis finds that housing costs faced by low income households are a major driver of financial risk. The availability, or lack, of affordable housing for households on low incomes is likely to determine which areas in the capital see the highest levels of financial risk.

The correlation between the average price of housing and low levels of financial resilience is illustrated in the chart below. We can see the average rents faced by low income families in each London borough via the green bars and the % of families who face a cash shortfall within those boroughs via the pink dots.

Correlation between household financial resilience and rents



Brent, Barnet and Enfield have the highest average rents, the highest % of households at financial risk and the highest % of private tenants among their local low-income residents

Brent, Barnet and Enfield have the highest average rent prices and the highest proportion of low-income families at financial risk. They also have the highest proportion of private tenants among their local low income residents: in Brent 42% of low income households are private sector renters, while the figure is 47% in Barnet and 45% in Enfield. This indicates how a reduced social housing sector in areas with high demand for accommodation significantly affects the level of financial resilience among the most economically vulnerable residents.

This trend is clearly reflected in the statistics. Across all 18 London boroughs the share of households in the private rented sector correlates to the share of households facing a cash shortfall (0.65). Higher average rents are also somewhat correlated to financial risk (0.51).

There is a significant gap in rents faced by families in social housing and those living in the private rented sector. For properties of the same size, families on low incomes renting from private landlords face rents more than double those in the social rented sector.

Private renters on low incomes are only partly protected by the Local Housing Allowance rate, the maximum rate at which housing benefit is paid to private sector tenants. They are, on average, expected to contribute a minimum of 17% of their housing costs.

Correlation between household financial resilience and rents

Average rent prices by housing market			
Property size	Social rents	Private rents	LHA rates
1 bed	£550.48	£1,073.41	£939.01
2 bed	£567.69	£1,381.48	£1,167.72
3 bed	£613.62	£1,581.31	£1,289.36
4 bed	£696.51	£1,850.71	£1,543.96
5 bed	£727.11	£1,997.97	£1,607.42

The availability of affordable housing is a clear driver of living standards

Benchmarking indicators of living standards across different London boroughs provides a useful evidence base for the planning of any type of city-wide strategy designed to improve the living standards of residents most in need. The availability of affordable housing emerges as a clear driver in shaping the living standards for Londoners on low incomes. In addition, this analysis can inform where increases in the local housing allowance, through targeted affordability funding, should be directed.

Armed with these findings, London boroughs, the GLA and central government departments are better able to co-ordinate their efforts in the delivery of an ambitious housing programme targeted in the areas of the capital where demand is the highest, using data.

LIVING STANDARDS – THE DYNAMIC EFFECTS

Tracking changes in employment, earnings and income for this cohort of households over the course of two years allows us to capture and study some of the dynamics of changing living standards.

One in three low income families have found themselves facing a shortfall between their income and their expected costs at least once in the last two years. On average, households with a shortfall stayed in that position for nine months, with an average total shortfall of £2,079 accrued per household. These figures indicate the relative precariousness of the financial circumstances of households on low incomes.

Alongside the movement in and out of financial risk, the analysis has captured some of the drivers behind changes in living standards. In this way, not only is it possible to understand some of the key factors behind financial need, but we are also able to identify the drivers pushing families into and out of financial risk.

The table overleaf shows the relationship between some of the changes observed in households' circumstances, with movements in and out of financial risk.

Why households move out of and into financial risk

Drivers of financial risk		
	Households moving out of financial risk	Households moving into financial risk
Change in earnings	35.6%	26.2%
Changes in benefits income	33.9%	42.4%
of which due to welfare reform	4.6%	7.8%
Change in household composition	9.3%	8.1%
Change in health condition	8.8%	9.8%
Change in rent	8.3%	14.1%

Households reduce their financial risk by increasing earnings, their risk is increased when benefit income changes

The analysis finds that moving into work or increasing earnings is a major driver towards financial independence, and is the reason behind how over a third of households moved into cash surplus. This is closely followed by changes in benefit income due to changes in take-up, or a reduced impact of welfare reforms that had a positive impact on income.

At the same time, over four in ten households facing a cash shortfall did so due to changes in their benefit income, highlighting the importance of social security in ensuring people on the lowest incomes are able to make ends meet.

Within this group, just one in six families moving into financial risk did so due to specific welfare reforms. In other words, welfare reforms are significant but perhaps not as critical as other changes to benefits, such as the benefit freeze or changes in eligibility or take up.

One in four households facing a cash shortfall lost their job or saw a fall in their earnings, reinforcing the evidence that employment is crucial to the financial well being of families.

We know that London offers unmatched levels of employment opportunities compared to rest of the country. The capital boasts an employment rate of over 45% amongst all working age households claiming benefits, compared to 32% nationwide. However, our analysis highlights significant levels of job insecurity among the low income cohort. Over a quarter (25.5%) of 226,622 households in work at any given time over the two year period lost their job at least once.

Given the extent to which employment affects the financial stability of families on low incomes, as demonstrated by this analysis, these findings highlight the importance of increased job stability and higher earnings, alongside high employment rates, across the capital.

4. THE FUTURE OUTLOOK FOR LIVING STANDARDS IN LONDON

Having completed an assessment of how living standards have changed over the last two years and the factors that have shaped these changes, we now paint a picture of the future outlook for living standards in London. First, we consider the impact that Universal Credit alone is likely to have across the capital. Then we assess how other factors, such as rising rents and living costs, will combine to shape future living standards in London.

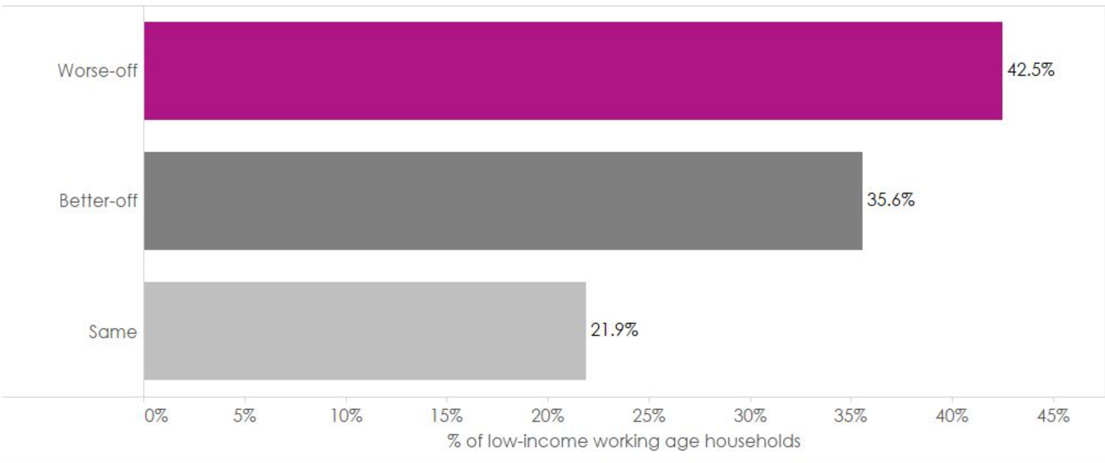
UNIVERSAL CREDIT IN LONDON

The roll out of Universal Credit, the government's flagship welfare reform replacing six benefits into a single claim, is well under way in London. At the time of writing, UC Full Service is live in 12 of the 19 participating boroughs, and it will be live in the remaining 7 by the end of 2018.

Universal Credit changes the way welfare entitlements are assessed and delivered, presenting a challenge for both claimants and organisations such as local authorities, housing associations and frontline advisors at Jobcentre Plus, as well as those in the advice sector.

The rich insights available through housing benefit and council tax support data, combined with analytics from Policy in Practice's Benefit and Budgeting engine, allow us to compare Universal Credit with income under legacy benefits for each individual household. In this section we assume the whole cohort has migrated onto Universal Credit, and transitional protection has been fully eroded.

Impact of UC on household income, if fully rolled out today



More than 40% of low income families would be worse off if UC were fully rolled out today

The chart above shows the distribution of working-age claimants in London between those who will be better off, worse off, and those who will see no change in benefit entitlements under Universal Credit.

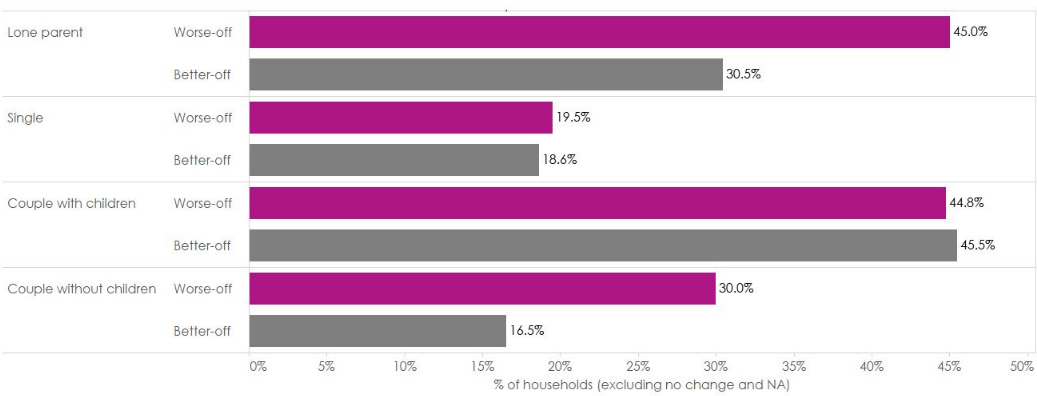
The analysis estimates that over 165,668 households, 42.3% of all working age households, will see their income fall once Universal Credit is rolled out, with two thirds facing a drop in income of more than £30 per week.

The drivers behind a change in entitlement from legacy benefits to Universal Credit are various, as the new benefits system introduces a set of new rules. Factors such as the number of hours worked, the type of employment, age and what level of disability or illness claimants present with, all interact in determining each household's entitlement under Universal Credit. This complexity means that drawing a profile of households adversely affected by Universal Credit is tricky.

A breakdown by different demographic indicators reveals how, among Londoners on low incomes, lone parents are the household group most likely to see their income fall.

This is most likely due to the loss of working tax credit entitlements for those working part time. On the contrary, couples with children are the group most likely to be in full time employment and, as a consequence, see their income rise.

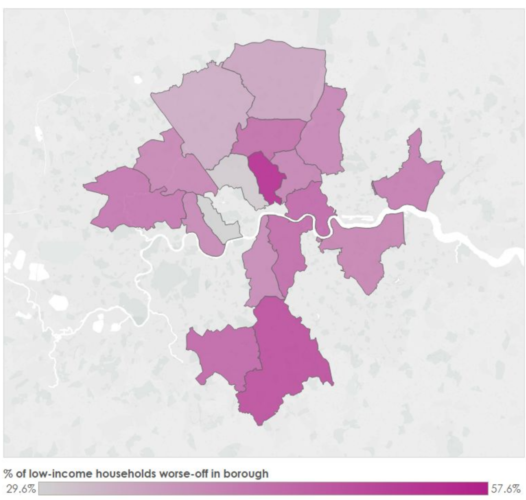
Which households are better and worse off under UC?



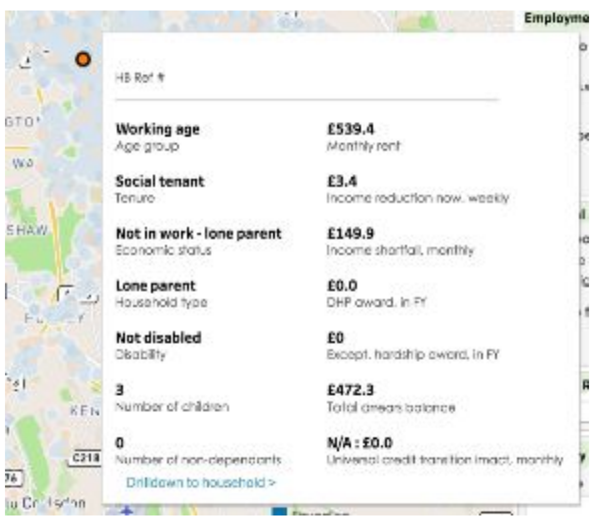
Lone parents are worse off under UC while some couples with children are better off

A similar comparison can be carried out across different demographic indicators. The heatmap, below left, shows how the two boroughs most adversely affected are Islington and Croydon, where 57.5% and 51.1% of all working-age households worse off respectively. The map, below right, shows how some councils are using the analysis to pinpoint support to specific households.

Benchmarking the impact of UC by borough



Targeting support to specific households



UNIVERSAL SUPPORT AND HOUSEHOLD LEVEL TARGETING

The Department for Work and Pensions recognises that some claimants will need support in order to make and manage a Universal Credit claim.

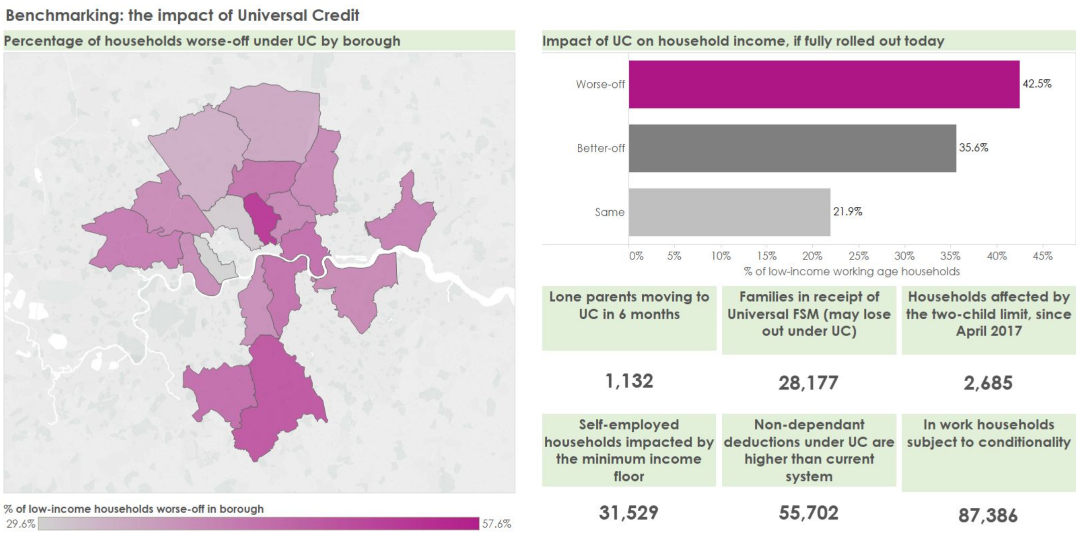
Local organisations know that they have a responsibility to help people toward independence. Councils are using household level analysis, such as the financial resilience indicator we devised as mentioned earlier, to deliver targeted preventative support, including budgeting help, to low income households.

Some of this support is being delivered through the Universal Support framework as part of Universal Credit. Yet the roll out of Universal Credit poses a challenge to local authorities using benefits data to target their support activity: As Universal Credit rolls out, information about benefit claimants will stop being collected by local authorities and will be centralised within DWP.

Policy in Practice is working with the DWP to explore the value of Universal Credit data to other government departments and local authorities. We believe there is a strong business case for sharing Universal Credit data securely, as evidenced through this report and in other similar work we have done for local councils.

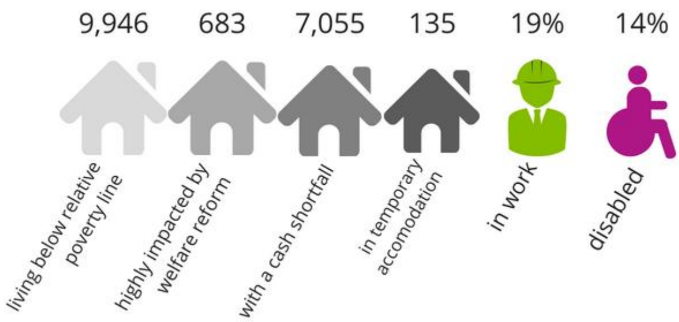
In the meantime, information on some Universal Credit claimants, specifically those on the lowest incomes, is still available to local authorities through Council Tax Reduction claims. Using this data, we can capture around half of all Universal Credit claimants in the participating London boroughs. The information collected enables meaningful analysis and actionable insight.

Benchmarking the impact of Universal Credit by borough



Analysis of UC data will allow councils to target support to individual households

Tracking households on Universal Credit



Analysis of UC data will allow councils to target support to individual households

For households already on Universal Credit, the London cohort shows that nearly 10,000 families are living below the relative poverty line, and over 7,000 families face a cash shortfall.

More than 650 households claiming Universal Credit are highly impacted by welfare reform, meaning that their benefit income drops by more than £30 a week, and 135 households are in temporary accommodation. Nearly one fifth (19%)of the lowest income households on Universal Credit are in work and 14% are disabled.

A core constraint to our analysis is that local authority datasets capture around half of all households on Universal Credit, although those eligible for and claiming council tax support are visible to councils. The councils participating in this study are concerned that losing visibility of low income households, for whom they have a statutory duty to support, will limit their ability to provide support cost effectively.

Intelligent analysis of administrative data sets is having an impact in other policy areas too. Policy in Practice is helping councils identify households at risk of homelessness for delivery of the Homelessness Reduction Act. We're also helping councils to identify households eligible for discretionary payments, to enable the targeting of awareness campaigns and measurement of the impact of interventions.

Sharing selected information on all Universal Credit claimants with local authorities can help councils and the DWP understand the impact of Universal Credit overall, and inform the test-and-learn process with large scale analysis. Crucially, this information could be used by the DWP and by local organisations to target Universal Support.

> This research shows how wider use of administrative data can help ensure resources are targeted to those that need help the most, and understand the impact of changes in policy.
>
> We would like to see Universal Credit data made available in a secure, sharable way with other public sector bodies, so that systematic and joined up analysis can be adopted across government.
>
> **Deven Ghelani, Director of Policy in Practice**

LIVING COSTS, RENT AND INFLATION

The current focus and concern among policy makers and social policy experts is around Universal Credit. Yet other factors related to housing, benefit support, wage growth and inflation are equally crucial, if not more so, in shaping the future outlook for living standards in London.

Modelling Assumptions

This model is based on the following set of assumptions:

- National Living Wage set to rise to £8.80 for those over 25
- Personal Tax Allowance raised to £12,500
- CPI and wage inflation based on OBR estimates
- Rent increase based on historical trends over the past six years
- Disability benefits uprated in line with CPI estimates
- Freezing of all other working age benefit rates (including LHAs)
- Universal Credit is fully rolled out across London

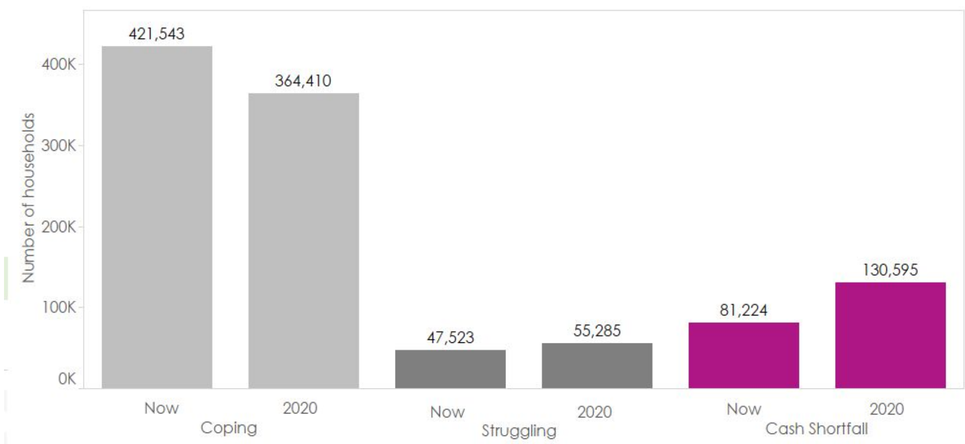
Future rents are based on the average year-on-year rent increase as recorded by the VOA in the period 2011-2017. This is then applied on households' individual rents (for private tenants only) for each year leading up to 2020/2021.

While there is inherent uncertainty over house prices and rents, historical analysis shows previous years' rent increases to be a good indicator of future trends. In the period 2016-2018, the average rent faced by private tenants on low incomes has increased from £1046 to £1271 per month, a 21% rise, providing further evidence in support of our assumption of future rent increases.

The findings would be even more stark if we assumed social rents also increased.

The findings paint a bleak picture. Two thirds of low income households face a loss in disposable income (income after housing costs and inflation) of more than £30 per week by 2020.

Financial resilience: now versus 2020



A three fold increase in the number of households at risk or in crisis is forecast

Alarmingly, the analysis forecasts the number of households facing a shortfall rise from 81,224 to 238,362, a three-fold increase. Crucially, the biggest change is expected among those in crisis, that is, households whose income does not cover their housing costs), with the number of households in this group increasing by more than ten times, from 8,733 to 88,900.

The driver of this dramatic fall in living standards, as identified earlier, is the effect of rising rents combined with freezing the amount of support available to pay for housing, which affects people living in the private rented sector in particular.

The table below shows a breakdown of average estimated rents in 2020, alongside the average gap between estimated rents and LHA rates, on a borough-by-borough basis.

Projected rent increase and the scale of the impact, by borough

	Average rent 2018	Average projected rent 2020	% difference	Gap between projected rent 2020 and LHA	Number of households with rent above the LHA	Gap between rent in 2020 and the LHA by borough
Haringey	£1,068.7	£1,627.7	52.3%	£572.11	10,724	£73.6M
Brent	£1,210.4	£1,538.2	27.1%	£346.12	14,563	£60.5M
Barnet	£1,183.2	£1,408.7	19.1%	£335.49	14,246	£57.4M
Enfield	£1,161.2	£1,390.7	19.8%	£278.97	16,212	£54.3M
Hackney	£1,266.6	£1,736.9	37.1%	£491.31	7,728	£45.6M
Ealing	£1,158.8	£1,416.3	22.2%	£298.18	11,530	£41.3M
Waltham Forest	£1,009.8	£1,256.9	24.5%	£308.29	6,012	£22.2M
Barking & Dagenham	£1,045.8	£1,238.6	18.4%	£326.49	5,272	£20.7M
Croydon	£977.4	£1,179.7	20.7%	£208.57	7,996	£20.0M
Tower Hamlets	£1,354.7	£1,797.8	32.7%	£472.39	3,215	£18.2M
Greenwich	£886.3	£1,166.3	31.6%	£311.75	4,420	£16.5M
Lambeth	£1,030.5	£1,305.9	26.7%	£256.61	4,478	£13.8M
Kensington & Chelsea	£1,290.3	£1,588.2	23.1%	£442.10	1,582	£8.4M
Camden	£1,182.7	£1,351.4	14.3%	£179.57	2,809	£6.1M
Islington	£1,128.5	£1,371.2	21.5%	£207.31	1,978	£4.9M
Sutton	£969.1	£1,117.7	15.3%	£149.07	2,416	£4.3M
Southwark	£1,034.8	£1,270.2	22.7%	£191.61	1,759	£4.0M
Hammersmith & Fulham	£1,157.0	£1,270.9	9.8%	£126.99	1,670	£2.5M

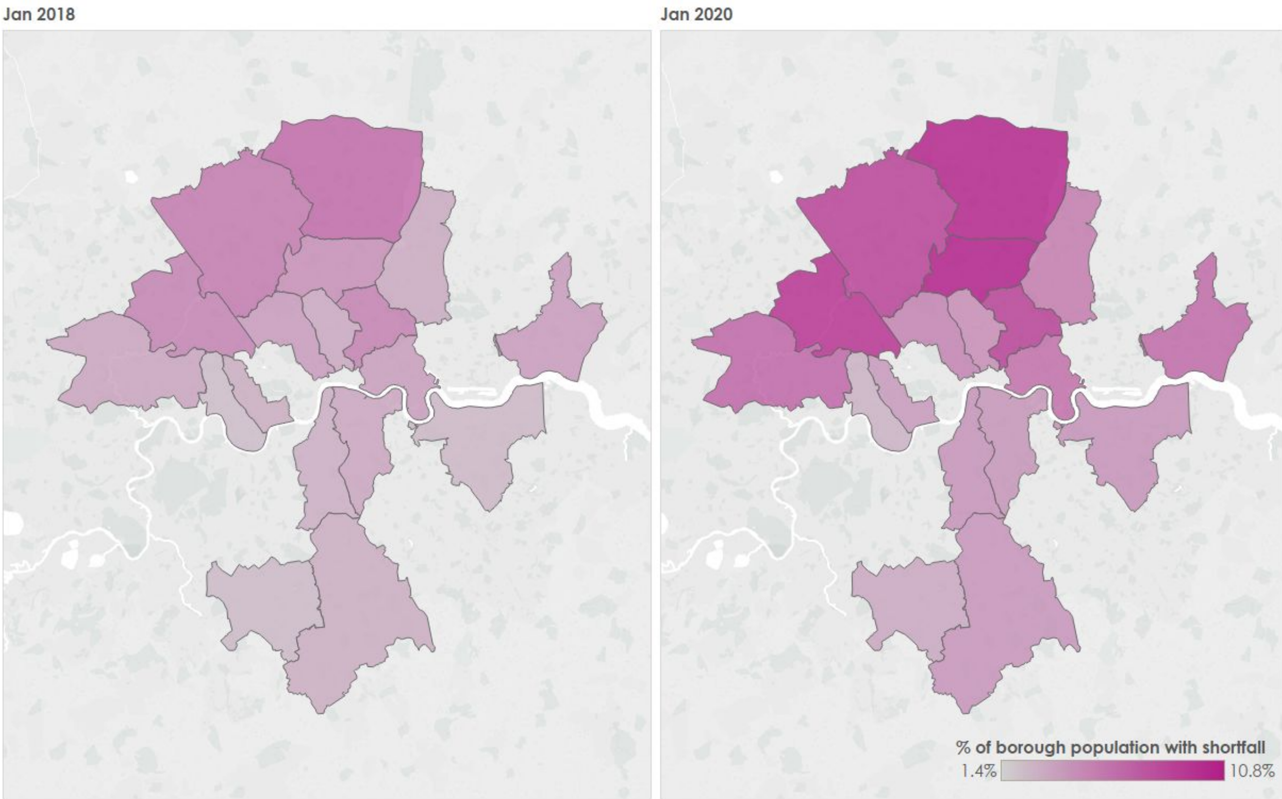
The gap between LHA and rents will be more than £400 in Haringey, Hackney, Tower Hamlets and Kensington & Chelsea by 2020

Haringey is facing the largest gap between rents and LHA rates. Housing benefit claimants in the borough will have to make up an average shortfall of £572 each month. Hackney, Tower Hamlets and Kensington and Chelsea follow, each with an average gap between LHA and rent of over £400. Only four boroughs are projected to face an average gap of less than £200 per month, indicating how unaffordable rents and the freezing of benefit rates will be felt across the capital.

The two heatmaps below compare the proportion of households facing a cash shortfall as a percentage of each borough's population, between January 2018 and our predicted 2020 scenario.

All London boroughs are set to witness significant rises in levels of financial risk, with Haringey and Enfield expected to see their proportion of residents facing a cash shortfall to rise by over 10 percentage points in the coming two years.

Population at risk or in crisis: now versus 2020, by borough



All boroughs will see significant increase in levels of financial risk; neighbours Haringey and Enfield see the biggest rise

5. CONCLUSION

Data can tell us what impact national and local policies are having on low income households and help us design interventions that work better for people.

Local authorities hold valuable data sets that, analysed intelligently, can give insights to help better understand the drivers of poverty in their area. This knowledge helps them meet legal responsibilities to support their most vulnerable people.

Supported by Trust for London, Policy in Practice's ambitious project has tracked changing living standards for almost one million Londoners. This report is the third and final round of findings in this wave of the Low Income Londoners and Welfare Reform project.

Our findings show that one in seven low income families in London can't make ends meet. The number of low income households affected has risen by over 20% in two years. Our work also shows that the number of families who are struggling is expected to triple to 238,000 by 2020.

- One in three low-income families faced a cash shortfall for at least one month during the two years covered by the analysis
- Struggling families typically accrued a shortfall of over £2,000, with the shortfall lasting an average of nine months
- The boroughs with the greatest proportion of low-income families facing a cash shortfall were Enfield, Brent and Camden
- Overall, two thirds of low-income households face a drop in disposable income of more than £30 per week by 2020

Tracking households over twenty four months gives new insights into the drivers of financial resilience.

- Employment and higher earnings are the main paths toward improved financial resilience, closely followed by changes in benefit income, for example taking up benefits
- The most common driver to experiencing a cash shortfall was a drop in benefit income, highlighting the importance of social security in supporting those on the lowest incomes
- One in four households falling into deficit had a member who had lost their job or saw a fall in their earnings. Employment income is crucial for people's financial wellbeing: 45% of working age households on low incomes studied were in employment
- More than one in four of the nearly 230,000 households in work lost their job at least once. This highlights the need for job stability and higher pay as well as increasing employment rates

Housing affordability emerges from the data as a clear driver in shaping living standards. There was an average 17% gap between the rent faced by low income Londoners renting privately, and the housing benefit awarded. Totalled across all households, the gap is greatest in Haringey (£73m), Brent (£60m), Barnet (£57m) and Enfield (£54m). These are the areas where the low-income cohort is struggling the most with high rents and where there is the greatest need for increased local housing allowance (targeted affordability funding).

The transition to Universal Credit is expected to lead to 42% of households being worse off and 36% better off. Those most likely to have lower incomes are single parents and those working part time, while couples with children are among the likely beneficiaries. More than half of those in Islington and Croydon are expected to be worse off under Universal Credit.

The number of families whose income doesn't cover their housing costs, a subset of those who face a cash shortfall, is predicted to rise tenfold from 8,733 households in 2018 to 88,900 in 2020. Through our analysis we have proactively identified just under 90,000 households who, without any intervention, may well be at risk of homelessness in 2020.

6. NEXT STEPS

USING ADMINISTRATIVE DATA TO IMPROVE WELFARE SUPPORT

Alongside the findings highlighted in this report, the project demonstrates how powerful locally held administrative data can be to support local and regional decision makers, both strategically and operationally. Since the project launch, ten participating boroughs now individually use their household level data, a testament to the impact that this initiative is having across the capital.

The project proves what can be revealed when local authorities collaborate with their data. Tracking households over time tells policymakers what support is effective. The evidence base we've developed is a powerful tool, enabling even more impactful analysis to be carried out.

One example is shown through the implementation of the Homelessness Reduction Act. Local authorities' new statutory duties to deliver preventative support have lead to greater interest in how predictive analytics can help prevent homelessness. Some councils are now using measures such as financial resilience, alongside other predictors, to target support.

We've highlighted the power of a co-ordinated approach in tackling some of the challenges faced by low-income Londoners. By allowing access to their administrative data, participating boroughs are enabling borough-by-borough comparisons and developing use cases that can be shared. Co-ordinating bodies including the Greater London Authority, London Councils, the LGA and others can play a greater role to facilitate access to administrative data and use this now centralised dataset to drive and inform the ambitious initiatives to improve living standards across the capital.

THANK YOU

This report is based on Policy in Practice's analysis of household level administrative data sets contributed by the London Boroughs of Barking and Dagenham, Barnet, Brent, Camden, Croydon, Ealing, Enfield, Greenwich, Hackney, Hammersmith and Fulham, Haringey, Islington, Kensington and Chelsea, Lambeth, Southwark, Sutton, Tower Hamlets and Waltham Forest. Thank you to these councils for sharing their anonymised data sets and for contributing to the analysis.

FURTHER ANALYSIS FUNDED

We are delighted to announce that the project has been funded for another eighteen months, thanks to the support of Trust for London. The systematic use of administrative data is the future of social policy analysis and we've only scratched the surface of what we believe is possible.

We will demonstrate this over the next eighteen months by showcasing how administrative data can quickly deliver near-RCT level analysis on the impact of policy and policy interventions, and how councils can use administrative data to improve operational planning. We'll also tackle some of the challenges highlighted here. We want to include all London boroughs and promote this approach to other parts of the UK, as well as to central government, in order to accelerate what we believe will be a data revolution in social policy.

We believe it is imperative that the DWP utilises the data it collects on Universal Credit claimants to help it to deliver more effective services, as well as to help other departments, local councils and support organisations to have a greater impact, at a lower cost.

FURTHER INFORMATION

Read reports from Phase One and Phase Two at www.policyinpractice.co.uk/low-income-londoners

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