

## Government cuts making Harrow's residents poorer – December 2015 Full Council

### This Council Notes:

- ~~On 7 July~~ In the summer budget the Chancellor announced £12 billion of cuts to the welfare budget by 2019/20. This package included a proposal to freeze all working-age benefits for the duration of the current parliament, cuts to Tax Credits and -a freeze to Local Housing Allowance rates, at a time when rents are rapidly increasing.
- ~~This would include a freeze to Local Housing Allowance rates, at a time when rents are rapidly increasing.~~
- There is a full blown Housing crisis in London; currently in Harrow 600 families are in temporary accommodation, including B & B's, many of which are out of the Borough.
- Due to a mixture of low wages and unsustainable increases to House prices and rents there have been exponential increases of residents being forced to use the Private Rental Sector for Housing. These costs are often met by Housing Benefit, but through the Local Housing Allowance scheme limits the amount of housing benefit a person can claim well below the level of rents in Harrow. ~~through the Local Housing Allowance scheme.~~ Even families in work have to rely on housing benefits to pay the rent, mainly due to the Government's repeated inability to tackle low-pay and the housing crisis – something the Chancellor's Comprehensive Spending review failed to meaningfully deal with. ~~Local Housing Allowance rates;~~ In all, 57.6 per cent of London's households in receipt of LHA have a member who is in employment
- ~~These cuts to welfare also include plans to cut the Tax credit budget by £4.4bn. The proposed changes reduce the incentives to work, by reducing the income thresholds or work allowance for working tax credit, child tax credit and universal credit while increasing the taper rate.~~
- The Chancellor has delayed plans to cut the tax credits threshold and taper from April 2016, until Universal Credit is rolled out nationally in four years time. In the Comprehensive Spending Review, it was announced that these plans will be delayed, following public outcry, lobbying by the Labour Party and backbench Tories, rejection by the House of Lords and detailed analysis showing that millions of families across the country would lose out on thousands of pounds. This u-turn is welcome and means:
  - Working tax credit threshold will remain at £6,420 (this is the income level at which tax credits start to be reduced).
  - Child tax credit threshold will remain at £16,105.
  - The taper (rate at which tax credits are reduced) will remain at 41%
- However some changes to Tax Credits will still be implemented in April 2016, which will hit larger families or those without a steady income, such as residents on zero-hour contracts.
- There are over 15000 families in Harrow receiving Tax Credits, which help the lowest paid families in Harrow with the cost of essential items such as food, child care and heating.
- ~~It is estimated that the marginal reductions rate could be as high as 93%, meaning~~

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~~that as families on tax credits earn more money, the increased taper rate mean that they will only keep 7p of every extra pound they earn.~~

- Analysis by the Institute of Fiscal Studies have shown that even after taking into account the new minimum wage and increase to tax free personal allowance these cuts to Tax Credits, including those that have been delayed will leave millions of families across the Country and in Harrow worse off by thousands of pounds.

- ~~A Government report into the changes reported,~~

- ~~These changes from April 2016 will affect almost all in-work recipients of tax credits. At April 2015, 3.3 million in-work families received tax credits, of whom 2.7 million had children. The average impact across all affected families can be roughly estimated as a reduction in the tax credit award of around £1,300 in 2016-17. The actual impact will vary from family to family however; some will lose more than this amount, others less. Some families will lose entitlement to tax credits completely.~~

- ~~On Monday 26<sup>th</sup> October the House of Lords voted to delay the introduction of the proposed cuts to Tax credits by three years.~~

#### **This Council Believes:**

- ~~In a Borough where 40% of residents earn below the London Living Wage, these cuts will have a disproportionate affect in Harrow, where thousands of families rely on Tax Credits to top up their wages and housing benefit to pay their rent. A situation which will only be made worse when Universal Credit is rolled out, which will include the delayed cuts to Tax Credits, the Local Housing Allowance so they can afford to live.~~
- A four year freeze to Local Housing Allowance rates will make a dire situation even worse for many of our residents who are unable to find affordable homes.
- This freeze will make it increasingly difficult for key workers such as nurses and shop assistants to live in London - all our residents will suffer if these workers are forced to move away from London.
- This Government's housing and welfare policies are hitting in work families, and are making the housing crisis even worse in Harrow.

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#### **The Council resolves:**

- That the Chief Executive writes to the three local MPs in Harrow to raise our concerns directly with Government about the potential impact of the cuts to Tax Credits and freezing Local Housing Allowances to families in our Borough.
- The Council monitors the impact of cuts to Tax Credits and freezes to Local Housing Allowances and the roll-out of Universal Credit in Harrow via the welfare reform board.

- Formally state our objection to cuts to the future Tax Credits and freezing Local Housing Allowances that will leave our residents poorer by thousands of pounds.

**Proposer: Cllr Pamela Fitzpatrick**

**Secunder: Cllr Adam Swersky**