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TACKLING MATERIAL DEPRIVATION

Material deprivation – a direct indicator of living standards – forms part of the Government’s new long-term measure of child poverty. Helping parents into work, overcoming barriers to employment, making work pay and providing financial support to families will help reduce material deprivation. But tackling homelessness, improving housing decency and improving financial inclusion are also crucial.

To improve the availability of good quality, decent housing, the Government will therefore:

- **provide resources for a significant increase in new social housing to contribute to a significant reduction in the number of families with children who would otherwise have been homeless;**
- **continue to deliver more decent homes in the social sector in order to ensure that all social housing is decent by 2010; and**
- **ensure that 70 per cent of households in the private sector (one third of which are families with children) are living in a decent home by 2010, with a new Public Service Agreement (PSA) target that highlights the needs of children in this group.**

Financial exclusion and over-indebtedness reduce household income available to spend on children and increase material deprivation for low-income families. The Government intends to:

- **abolish the ‘double debt’ rule and lower the repayment rate for Social Fund Budgeting Loans; and**
- **work in partnership with the private and voluntary sectors to develop models which make more affordable loans available to those on low incomes.**

INTRODUCTION

4.1 Households are generally understood to be materially deprived if they cannot afford and therefore go without necessities that other households might take for granted. A measure of income does not always reflect living standards for a range of reasons including incorrect reporting of incomes in surveys, time lags between changes in incomes and living standards, and non-monetary factors such as priorities for access to social housing. This is why the Government’s new long-term measure of child poverty includes material deprivation combined with a measure of low-income. Taken together these indicators provide an indication of living standards, thus highlighting the practical effects of living on a low income.

4.2 The previous chapter outlined a number of policies that will impact on families’ living standards: helping parents into work, tackling barriers to employment, making work pay, and providing financial support to families with more for those who need it most, when they need it most. But the inclusion of an indicator of material deprivation in the long-term measure of child poverty highlights the potential impact on poor children of two other policy areas, housing and financial inclusion, both considered in this chapter.

HOUSING AND HOMELESSNESS

Relevance to tackling child poverty

4.3 There is a strong link between poverty and homelessness or poor quality of housing. Poor families are more likely to be homeless or live in poor quality accommodation. New questions on whether families can keep their homes in a decent state of repair and keep their home adequately warm are now included in the survey that will be used to derive the material deprivation tier of the new child poverty measure (explained in Chapter 2).

4.4 In addition, housing availability and housing conditions are important for children's outcomes, both in terms of quality of childhood and long-term development and life chances. Non-decent homes lead to worse health for inhabitants. The stress and bad health caused by poor housing affects learning and behaviour, with lower educational attainment more likely, contributing to cycles of deprivation.¹ Research has identified links between overcrowding and poor physical health: however, there are difficulties in separating out health impacts of overcrowding from compounding factors such as poor housing conditions and financial deprivation.²

Temporary accommodation

4.5 Children living in bed and breakfast hotels as a form of temporary accommodation are twice as likely to be admitted to hospital,³ and 29 per cent of homeless children demonstrate mental health problems, rising to 39 per cent after a year in temporary accommodation, compared to 11 per cent of all children.⁴

4.6 The placement of children in temporary accommodation can be particularly disruptive to children's education. A study in Birmingham found that only 29 per cent of homeless children were attending mainstream school. Around 73 per cent had been attending before they became homeless.⁵ Loss of networks of family and friends and reduced access to services will have further impacts on children's well-being, increasing isolation of both the parent and child, and reducing play and interaction opportunities. Box 4.1 sets out the experiences of two mothers in temporary accommodation.

Box 4.1: Living in temporary accommodation

At the child poverty review's housing, homelessness and public space seminar, two families listed the problems with some of the worst types of temporary accommodation. These include:

- **deteriorating health, for instance from asthma;**
- **unsuitability of other tenants, including drug abusers;**
- **sharing a bed with family members resulting in sleep deprivation;**
- **hazards to children such as rat poison and malfunctioning electricity sockets;**
- **sharing washing facilities with forty others;**
- **sharing cooking facilities away from the main accommodation, creating difficulties supervising children;**
- **washing clothing by hand every day;**
- **nowhere decent for the children to play and anxiety about letting children play with older children in the corridor;**
- **living with a high level of fear at the menace presented by other tenants;**
- **frequent fire alarms, to which no one responded and a threat of a £300 fine for improper use;**
- **inability to hold a family meal; and**
- **general lack of information or choice.**

¹ *No place to Learn: homelessness and education*, S. Power, G. Whitty and D. Youdall. London Shelter, 1996.

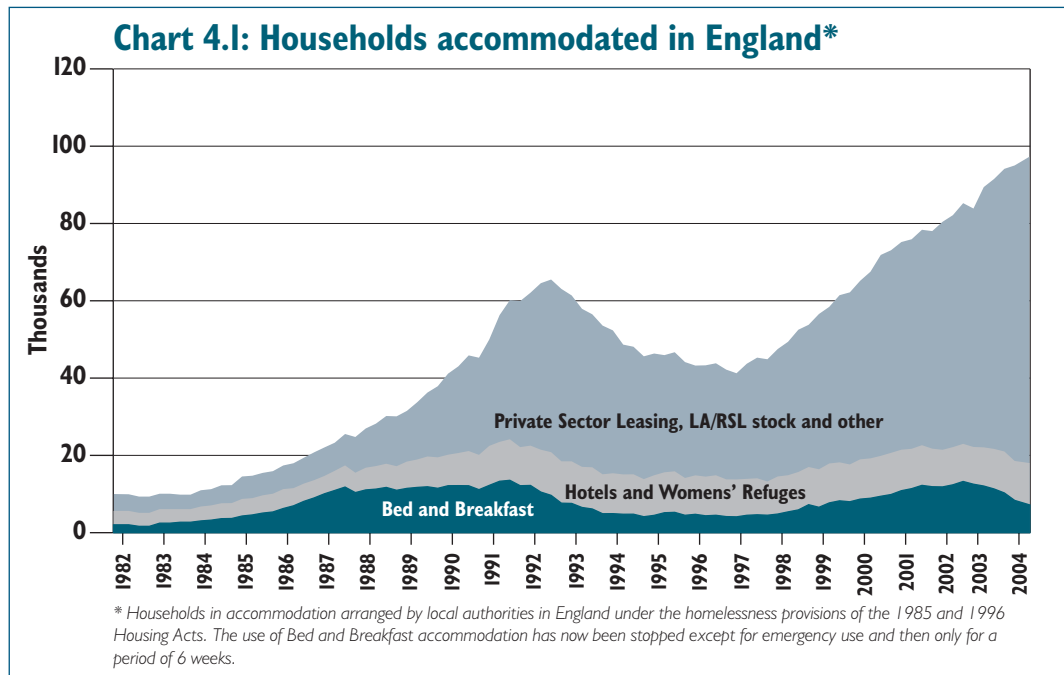
² *The Impact of Overcrowding on Health and Education: A review of the Evidence and Literature*, ODPM, May 2004.

³ *Measuring Child Poverty: Shelter's response*.

⁴ *Housing and Health: building for the future*, British Medical Association, 2003.

⁵ *Homeless children: Problems and Needs*, P. Vostanis, et al., 1999.

4.7 As Chart 4.1 illustrates, the number of households placed in temporary accommodation under the homelessness legislation in England has grown from 11,600 twenty years ago to 97,290 at the end of March 2004. Around 60 per cent of these households include dependent children or a pregnant woman. About 42 per cent of households leaving temporary accommodation across England had spent more than six months waiting for a settled housing solution. Significantly higher concentrations of families in temporary accommodation and longer waiting times exist in areas of higher housing demand.⁶



Housing decency 4.8 Poor families are more likely to live in poorer quality accommodation, with nearly 400,000 vulnerable families with children living in non-decent homes in the private sector and a similar number (380,000) in the social sector.⁷ A decent home meets the current minimum standards for housing if it is in a reasonable state of repair, provides a reasonable degree of thermal comfort and has reasonably modern facilities.

4.9 Seven million dwellings do not constitute decent homes: the most common cause is lack of thermal efficiency.⁸ Non-decent homes lead to worse health for inhabitants, including diminished resistance to respiratory infection, hypothermia and asthma.⁹ Overcrowding is also more prevalent in low-income households, especially for ethnic minority groups. Nine per cent of children (around one million) under age 16 currently live in overcrowded conditions.¹⁰

Housing supply 4.10 Kate Barker's Review of Housing Supply¹¹ outlines the extent to which supply for housing fails to meet demand, impacting on affordability of housing in the private sector and contributing to unmet demand for social housing resulting in rising numbers in temporary accommodation. Housing is not only an issue in high demand areas. In areas of low housing demand, if an area becomes unattractive and housing no longer meets the needs and aspirations of residents, the area can slip into a cycle of decline and abandonment. Those who can afford to move away leaving those who remain, particularly families with children, with little choice, suffering the consequent problems of increased concentrations of deprivation and social exclusion.

⁶ PIE quarterly homelessness data, ODPM 1984 and 2004.

⁷ English House Condition Survey, ODPM, 2001.

⁸ English House Condition Survey, ODPM, 2001.

⁹ *Housing and Health: building for the future*, British Medical Association, 2003.

¹⁰ Survey of English Housing Provisional Results, 2002-03.

¹¹ *Review of Housing Supply: Securing our Future Housing Needs*, Kate Barker, 2004.

4.11 Children's outcomes are not only affected by shortages of housing, low demand and abandonment and the decency of homes, but also the local environment surrounding the house, the mix of tenures in the community and the public services available to the community.

The Government's aim

4.12 The Government's aim is to give everyone the opportunity of a decent home, and so promote social cohesion, well-being and self-dependence. The Government has also committed to a better balance of housing demand and supply by delivering sustainable communities. The Government is also committed to tackling the serious and growing problem of homelessness. *More than a roof* set out new approaches underpinning this aim.¹² In addition to ensuring the opportunity of a decent home for all, these included: strengthening the help available to people who are homeless; developing more strategic approaches and new responses to prevent homelessness; and tackling the most extreme problems associated with rough sleeping.

Progress and next steps

4.13 In 1997 the Government inherited a £19 billion backlog of repairs to social housing and low levels of new housing development. Forty years ago around 400,000 homes a year were built in the UK by the mid 1990s it had fallen to just 200,000. The Government has put in place policies and resources to turn this situation around, most recently through the 2002 Spending Review that ensured that housing capital investment by 2005-06 will have trebled compared to 1997. Further to this, the 2004 Spending Review announces a range of new measures that will contribute to tackling homelessness and to improving housing for poor families.

4.14 Kate Barker's review set recommendations to redress unresponsiveness of housing supply to demand. In response the Government committed to implement a programme of reform to increase supply and improve affordability in Budget 2004, including increased investment for social housing.

Homelessness 4.15 An increase in the supply of affordable houses and housing for vulnerable groups is fundamental to tackling homelessness and reducing the number of families with children in temporary accommodation. The 2004 Spending Review therefore provides **resources for a significant increase in new social housing funded by an increase in direct investment**, an expanded PFI programme and significant efficiencies, to address the growth in homelessness.

4.16 Tackling the causes of homelessness more effectively is also fundamental to reducing the number of families with children who lose their homes and have to be placed in temporary accommodation, so reducing the growth in numbers of homeless families with children.

4.17 Over the two years to March 2004 working with local authorities and other agencies to end the use of Bed and Breakfast hotels for homeless families with children, except in emergencies and for no longer than six weeks, has led to the first sustained reduction in total B&B use for more than a decade. The Homelessness Act 2002 introduced a new requirement for all local authorities to have a strategy in place in 2003 for preventing homelessness and ensuring that accommodation and support are available for anyone who is homeless or at risk of becoming homeless. In addition, in July 2002 the groups given priority need for accommodation under homelessness legislation were extended to include young people aged 16-17 in addition to existing groups such as families with children or a pregnant woman.

¹² *More than a roof – A report into tackling homelessness*, ODPM, March 2002.

4.18 Looking ahead, the Office of the Deputy Prime Minister (ODPM) will: **increase investment in prevention measures piloted between 2002-03 and 2004-05, including support services to help families sustain tenancies and other forms of settled residence; mediation services to prevent family breakdown; security measures to enable victims of domestic violence to stay in their own homes (where it is safe to do so); and rent deposit and other schemes to promote a greater use of the private sector.** Chapter 5 covers domestic violence in more detail.

4.19 The Government will also deliver 200,000 additional homes identified by the **Communities Plan in the Thames Gateway and other growth areas, and respond to new proposals for growth, increasing responsiveness of housing supply.** As recommended by Kate Barker, this will be assisted by a new **Community Transport Infrastructure Fund.**

Reducing harm caused by homelessness

4.20 In April 2004 ODPM and the Department of Health produced joint advice for local authorities, Primary Care Trusts and other partners on Achieving Positive Shared Outcomes in Health and Homelessness. The advice includes good practice examples which these agencies are being encouraged to adopt in order to improve the health of homeless people and reduce the incidence of homelessness caused by poor health. In reflection of the link between homelessness, inadequate accommodation and poor health outcomes, and to support an overview of progress on the Department of Health PSA Health Inequalities (2010) target, an indicator on the number of homeless families with children living in temporary accommodation sits alongside the national target.

4.21 ODPM will continue to work with local authorities and other agencies to identify and reduce the negative effects that homelessness and life in temporary accommodation can have on children. In particular, it will continue to encourage local authorities to reduce inappropriate practices as far as possible, such as frequent moves between different temporary accommodation, or placement of families away from relatives, friends, schools or other support networks and to improve service delivery and co-operation between relevant statutory and voluntary sector agencies.

Housing decency

4.22 Since 1997 there has been a reduction of one million in non-decent homes. The Government has a commitment that by 2010, all social housing is brought into a decent condition with most of this improvement taking place in deprived areas. In addition, since 1997 around 120,000 households in the private sector have been helped in making their homes decent as part of a commitment to increase the proportion of private sector tenants who live in homes that are in a decent condition, particularly for vulnerable households.

4.23 The Government recognises that more needs to be done to improve the quality of life and future life chances of the approximately 780,000 households with children living in non-decent housing across social and private sectors. The Government will continue to provide resources to ensure that all social housing is decent by 2010. In addition, the Government will continue to make progress on delivering more decent homes in the private sector to ensure that 70 per cent of households in the private sector are living in a decent home by 2010. This will include assisting around 11,000 vulnerable households to make homes decent each year through private sector renewal work. ODPM has updated their decent homes PSA target to highlight the needs of families with children within this group:

- *by 2010, bring all social housing into a decent condition with most of this improvement taking place in deprived areas, and for vulnerable households in the private sector, including families with children, increase the proportion who live in homes that are in a decent condition.*

4.24 The Housing Bill, currently before Parliament, contains measures aimed at helping those most at risk from irresponsible landlords and poor conditions, including vulnerable families with children. The Bill contains provisions for a new Housing Health and Safety Rating System to replace the current housing fitness standard (one of the criteria for a decent home). This will help local authorities to tackle the worst properties, and to assess health risks to the most vulnerable potential occupants, such as young children.

4.25 Measures in the Bill will also improve controls on houses in multiple occupation, which house many of the most vulnerable households, using a mandatory national licensing scheme to tackle inadequate basic facilities and management problems. Local authorities will also be able to license other private landlords in areas where there is a particular problem.

4.26 The Government recognises that current statutory overcrowding standards, which date back to 1935, are outdated. Many households currently living in overcrowded conditions will not be identified as such under these standards. A new measure has been added to the Housing Bill that will enable the overcrowding standard to be amended through secondary legislation at a future date. ODPM will be consulting this year on potential changes to the standard.

Fuel poverty **4.27** The number of vulnerable, fuel poor households has been reduced from 3 million in 1996 to 1.2 million by 2002, as progress has been made on the Department for Environment, Food and Rural Affairs (DEFRA) target to take all fuel vulnerable families out of fuel poverty by 2010 through grants for homes not reaching thermal efficiency standards.

4.28 In order to ensure further progress towards the Government's fuel poverty strategy objective, **this Spending Review will provide £95 million per year by 2007-08 in new capital grants for the Warm Front programme**, overseen by DEFRA, to improve the energy efficiency of homes.

Housing Benefit **4.29** Housing Benefit reform has already commenced, streamlining administration and introducing pilots of new flat rate local housing allowance for tenants in the private sector; alongside rent-restructuring and increased choice-based letting. In addition the first £11.90 of earnings for all tenants entitled to the Working Tax Credit is now disregarded as part of a series of measures to improve the interface between Housing Benefit and other benefits and tax credits.

Vulnerable people **4.30** The Supporting People programme provides housing related support services to over 1.2 million vulnerable people, including homeless families with support needs, teenage parents, those at risk of domestic violence and vulnerable young people. This support enables people and families to live more independently than they would otherwise be able to do – for example by easing the transition out of hospital or prison or helping prevent homelessness, rough sleeping or a return to an institutionalised environment.

4.31 Certain groups of families with children are particularly vulnerable to adverse outcomes, including families with disabled children and adults, certain ethnic minority groups, and gypsies and travellers. The Government will be looking to improve prospects for gypsies and travellers over the 2004 Spending Review. The Disabled Facilities Grant is a means tested grant which provides resources for families with disabled children to carry out adaptations to their homes. The Government provides around 30,000 Disabled Facilities Grants each year, with average provision around £6,000.

Low demand **4.32** The Government is addressing low demand for housing and abandonment through nine housing market renewal pathfinder schemes with investment of £500 million over three years to 2005-06 to regenerate these areas and turn around the cycle of decline. **The 2004 Spending Review provides for an increase in investment, enabling an expanded programme for the North and Midlands.**

FINANCIAL INCLUSION

Relevance to tackling child poverty

4.33 Regardless of how well low-income families manage their finances, their efforts can be thwarted by a lack of access to affordable credit and debt advice, and exclusion from mainstream financial services leading to over-indebtedness. In 2002, 57 per cent of over-indebted households had annual incomes of less than £7,500, and families with children are disproportionately affected.¹³ One study found that two thirds of children in severe poverty had parents who had experienced debt in the past year.¹⁴

4.34 Low-income households are constrained in the sources of credit they can access, frequently having to turn to high-cost alternatives such as weekly home-collected credit.¹⁵ Approximately 3 million people per year use these lenders, who may, for example, charge an Annual Percentage Rate (APR) of 177 per cent for a loan of £300 repayable over 55 weeks.¹⁶

4.35 Debt and financial exclusion have several direct impacts upon families' lives, for example:

- the cost of making repayments can reduce the amount of household income available for other needs. Children in over-indebted households may miss out on necessities as parents' income is diverted into debt repayments;¹⁷
- debt can play a part in relationship breakdowns, leading to instability and greater risk of child poverty;¹⁸
- parents can end up paying more for certain services, such as utilities, due to lack of access to a bank account;¹⁹
- for working families, the accumulation of debts may cause parents to leave the labour market due to ill health and stress;²⁰ and
- for workless households, debts may act as a barrier to returning to work for fear of triggering (higher) repayments.²¹

The Government's aim

4.36 The Government is committed to tackling the problems of financial exclusion and Budget 2004 set out three key remaining challenges. The Government will work in partnership with the financial services sector and with voluntary and community bodies to achieve:

¹³ *Over-indebtedness in Britain: a report to the Department of Trade and Industry*, E. Kempson, Personal Finance Research Centre, September 2002. Over-indebted households are defined as those whose repayments amount to more than 25 per cent of their income.

¹⁴ *Britain's Poorest Children: severe and persistent poverty and social exclusion*, L. Adelman, S. Middleton and K. Ashworth, Save the Children, September 2003.

¹⁵ *In or Out? Financial Exclusion: a literature and research review*, Financial Services Authority, July 2000.

¹⁶ Given as a typical example of weekly payments for a cash loan from Provident Financial, one of the UK's leading home collected credit companies. <http://www.providentpersonalcredit.co.uk/fulldetails>.

¹⁷ *Small Fortunes: spending on children, childhood poverty and parental sacrifice*, S. Middleton, K. Ashworth and I. Braithwaite, Joseph Rowntree Foundation, July 1997.

¹⁸ Relate, the relationship counselling service, has cited money worries as the prime cause of relationship breakdown in over 70 per cent of cases http://www.rafc.com.co.uk/financial/money_page06.cfm.

¹⁹ For example, consumers using pre-payment meters can pay up to £182 more a year for their gas than direct debit customers with the same supplier. *Life Lines: The NCC's agenda for affordable energy, water and telephone services*, National Consumer Council, September 2003.

²⁰ *In too deep: CAB clients' experience of debt*, S. Edwards, Citizen's Advice, May 2003.

²¹ *Action on Debt: Why it matters and what you can do*, Social Exclusion Unit, March 2004.

- dramatic reductions in the 3 million households without a current account and the 1.5 million households without an account of any kind;
- a significant increase in the availability of affordable credit for those on the lowest incomes; and
- a step change in the availability of free debt advice for those who need it.

The Government is committed to strengthening the saving habit of future generations and ensuring that all children have a stake in the wealth of the nation.

Progress and next steps

4.37 In 1999, the Government published the Policy Action Team report *Access to Financial Services*.²² This report recommended a series of measures to tackle financial exclusion. Since then, the Government has implemented deregulatory measures to allow credit unions to grow and develop, to expand their range of services and make them more attractive to depositors. It has increased protection and confidence of credit union members through Financial Services Authority (FSA) regulation.²³

Basic bank accounts 4.38 In 1999, the Government challenged banks to introduce basic bank accounts, and to make them widely available and accessible. All the major high street banks now offer a basic bank account and there are now over 5 million basic bank accounts. From April 2003, the Government has also been paying benefits and tax credits direct to bank accounts, Post Office Card Accounts (POCAs) and basic bank accounts available through the Post Office.

Financial education 4.39 The Financial Services and Markets Act 2000 gave the FSA an ongoing statutory objective to promote public understanding of the financial system. The FSA has produced a range of consumer material and the DfES has published financial education guidance for schools. The FSA is now developing a national strategy for financial capability involving Government, industry and the voluntary sector. The capability strategy will focus on financial education, information and advice needs, and better co-ordination of how these needs should be met.

Child Trust Fund 4.40 Budget 2003 announced the introduction of the Child Trust Fund (CTF), a universal investment and savings account for children born from September 2002. The CTF will provide an endowment for every child at birth and at age seven, with those from poorest families receiving the largest amounts. It will be underpinned by increased financial information and education for parents and children. Further progress has been made on the introduction of the CTF. In May 2004 the Child Trust Fund Act received Royal Assent and the final regulations were laid, setting out the detail of how the CTF scheme will work. Accounts are expected to be available in April 2005. The CTF will be evaluated against its policy objectives, and a detailed evaluation plan is in the process of being developed.

Debt advice 4.41 The Government has taken action to raise awareness of the issues of debt and provide support for disadvantaged groups experiencing debt problems. Budget 2003 announced the introduction of a flexible fund for Jobcentre Plus managers to improve access to debt advisory services in areas where provision is limited. This fund has been available since April 2004. The DWP has produced a leaflet which signposts its customers towards relevant sources of debt advice, and is now available in Jobcentre Plus offices. In addition, in March 2004, the Social Exclusion Unit published a debt advice fact pack for use by organisations that experience the impact of debt.²⁴

²² *Access to Financial Services: Report of Policy Action Team 14*, HM Treasury, November 1999.

²³ This was achieved through the Regulatory Reform (Credit Unions) Order 2003 (SI2003/256), which came into force in February 2003.

²⁴ *Action on Debt: Why it matters and what you can do*, Social Exclusion Unit, March 2004.

4.42 The Department for Constitutional Affairs (DCA), with the DTI and the DWP, will work to assess how debt advice can be provided most effectively and assess the value of targeted advice in preventing future hardship, with a view to establishing pilots working within the local community to provide face-to-face outreach services to those who are most excluded from current sources of help. In addition, DTI will extend existing provision of telephone debt advice.

Social Fund 4.43 The Social Fund provides a safety net of grants and interest free loans for the most vulnerable in times of crisis. The Government has introduced several changes to the Social Fund since 1997, including a simpler and more transparent Budgeting Loans applications process. The Government announced in the 2002 Pre-Budget Report that £90 million would be added to the Discretionary Social Fund over the three years to 2005-06.

4.44 The Social Fund is successfully targeting those families who are most in need. Recent research found that Social Fund customers were more likely to be lone parents, younger people and tenants, and more likely to have a young child, a longstanding illness, health problem or disability, as well as caring responsibilities. They were also more likely than others to have debts and less likely to have a bank account.²⁵

4.45 As the next step in the reform of the Social Fund, **the Government intends to abolish the 'double debt' rule in the Budgeting Loans scheme**, and lower the repayment rate to a maximum of 12 per cent of a claimant's benefits. Abolishing the double debt rule will give greater consistency and transparency in access to Budgeting Loans. Together these measures will enable the Social Fund to play a more effective role in helping those families most vulnerable to over-indebtedness. Further details will be announced in the 2004 Pre-Budget Report.

4.46 The Government will continue to take steps to ensure that the Social Fund operates efficiently to provide the most appropriate support to the most vulnerable. Jobcentre Plus has issued guidance to both benefit and Social Fund staff to remind them of the roles of Social Fund loans and other income-related payments, such as Interim Payments, and their appropriateness to the different circumstances of claimants. Jobcentre Plus will keep this under review and consider further action where appropriate.

Affordable credit 4.47 The Consumer Credit White Paper, published in December 2003, included proposals for reform of the consumer credit market, to create a more transparent regime so consumers can make informed decisions and get a fairer deal. There were also proposals for a more modern legislative framework that encourages and rewards competition, innovation, choice and enterprise, while stamping out irresponsible and unfair lending practices.

4.48 The White Paper also outlined a strategy for tackling over-indebtedness, to minimise the number of consumers who become over-indebted and to improve the support and processes for those who have fallen into debt. A cross departmental Ministerial group has been established to oversee the development, co-ordination and implementation of a programme of action to tackle over-indebtedness.

4.49 The Government wants to explore mechanisms that allow profitable loans to be made available to those on low incomes at a much lower rate of interest. **The Government therefore intends to work in partnership with the private and voluntary sectors to develop models which make more affordable loans available.** Any pilots will be evaluated to ensure that the loans enhance people's ability to manage their finances responsibly.

²⁵ *The Use of the Social Fund by Families with Children*, N. Finch and P. Kemp, University of York, July 2004.