

# ▶ Revised benefit cap rollout

## Information and guidance

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This extended briefing paper details the changes being brought forward by the government to the benefit cap from early November 2016, which will further limit total benefit entitlements for many London households. Greater London is likely to be disproportionately affected by the changes, with further increases in temporary accommodation use expected across the capital. This paper outlines the likely impacts of these changes in the capital and measures boroughs can take to manage some of these impacts.

### Key points

- The Summer Budget 2015 announced plans to reduce the benefit cap during the 2016/17 financial year to £23,000 for a family or single parent in Greater London (£20,000 elsewhere in the country) and £15,410 for single childless claimants (£13,400 elsewhere).
- Claimants already affected by the current cap of £26,000 per year will automatically have their payments capped at the new lower rate on 7 November 2016. Households brought under the cap for the first time will transition onto the cap over a twelve-week period beginning 7 November 2016.
- A London Councils survey of the London boroughs estimates that between 24,600 and 24,900 households in Greater London are likely to lose at least some amount from their benefit payments.
- Individual London boroughs are already making plans to work with affected residents and are providing advice to help manage impacts.

## 1. Background to the benefit cap

- 1.1 The benefit cap was first announced in the 2010 Autumn Statement and introduced from April 2013. It set a limit on the total amount of welfare payments that a single claimant or household of working age can receive. The cap currently stands at £26,000 a year (£500 a week) for families and single parents, and £18,200 a year (£350 a week) for single claimants without children.<sup>1</sup>
- 1.2 Following the last general election, the new Government announced in the 2015 Summer Budget that the cap would be reduced to £23,000 a year (£442 a week) in Greater London for families and single parents and £15,410 a year (£296 a week) for single childless claimants.<sup>2</sup> The caps will be lower outside of Greater London (defined as the 32 London boroughs plus the City of London) and were legislated for as part of the Welfare Reform and Work Act 2016.
- 1.3 Households are exempt from the benefit cap if they meet one of the following criteria:
  - **Employment:** Where a household is entitled to Working Tax Credits or where they meet or exceed the earnings threshold within Universal Credit.
  - **Disability:** Households with a claimant in receipt of Disability Living Allowance, Personal Independence Payment, Attendance Allowance and Industrial Injuries Benefits (and equivalent payments made as part of a war disablement pension or the Armed Forces Compensation).
  - **Unfit to work:** Households including claimants in receipt of the Employment and Support Allowance support component or the Universal Credit Limited Capability for Work Related Activity element.
  - **War Widows and Widowers:** Those receiving a pension paid under the relevant parts of the War Pension Scheme, Armed Forces Compensation Scheme or analogous schemes.
  - **Guardians:** Ahead of the roll-out of the revised cap, households containing a member who is entitled to Guardian's Allowance will be exempted.
  - **Carers:** Similarly, households including a member entitled to Carer's Allowance will now also be exempt from the cap.

- 1.4 Further to the exemptions listed above, a grace period of 39 weeks (or 9 months under Universal Credit) can be applied to households with a consistent work history whose employment has ended, or for those who have been forced to leave work due to a change in their circumstances.
- 1.5 The decision to reduce the cap on total benefit entitlements is in part driven by the perceived success that the cap has had in incentivising households into employment. The impact assessment for the revised benefit cap highlights evidence from the review of the first year of the benefit cap, published in December 2014. This found that “after controlling for a range of observable differences between the groups (for example number of children) capped households were 4.7 percentage points (41 per cent) more likely to enter employment compared to similar uncapped households”.<sup>3</sup>
- 1.6 The same study referenced in the impact assessment found that those with the biggest reductions (by more than £200 a week) in their benefit entitlements were more likely to move into work after a year,<sup>4</sup> and that affected households in Greater London were 70 per cent more likely to move into work.<sup>5</sup>
- 1.7 The decision also represents part of a plan to reduce government spending on the welfare system, with the Conservative Party’s 2015 general election manifesto pledging to deliver £12 billion in welfare savings between 2015 and 2020, in addition to the £21 billion saved over the course of the last Parliament (2010-2015).<sup>6</sup> The government’s impact assessment forecasts that the reduced benefit cap will save £65 million in 2015/16, £150 million in 2017/18, £105 million in 2018/19, £90 million in 2019/20 and £100 million in 2020/21 (all 2015/16 prices).<sup>7</sup>
- 1.8 The impact assessment argues that lowering the benefit cap will “promote even greater fairness between those who are out of work and tax payers in employment”.<sup>8</sup>

## 2. Implementation schedule

- 2.1 Implementation of the revised benefit cap will be undertaken in two phases.
- 2.2 For households that are already capped under the current rate, the Department for Work and Pensions (DWP) will automatically reduce their payments when the legislation comes into force on 7 November 2016.
- 2.3 Households that will be brought under the cap for the first time will be transitioned over a twelve-week period beginning on 7 November 2016. Local authorities have been allocated a slot in a twelve-week schedule by the DWP during which the local authority will process newly affected households onto the lower cap. The schedule (see table one) has been determined on a broadly ascending basis, with local authorities with the lowest anticipated number of affected claimants beginning the process at the beginning of the schedule, and local authorities with the highest caseloads transitioning cases towards the end.
- 2.4 Because the London boroughs typically have the highest numbers of capped households nationally, the benefit cap will mostly be introduced for new claimants in Greater London nearer the end of the twelve week roll out period.
- 2.5 Local authorities had asked for a two week break to be introduced into the roll-out process to avoid households having their payments cut over the Christmas period. This was rejected by the DWP on the basis that (a) it would jeopardise the timetable and risk running into Council Tax billing operations being undertaken by local authorities, and (b) the DWP has no facility in its systems to hold cases.
- 2.6 Between May and June 2016 the DWP shared an initial scan with local authorities highlighting those who might be subject to the lower cap and sent notification letters to claimants. The DWP arranged a further scan to be run to identify non-Universal Credit claimants who may be impacted by the benefit cap changes – details from this scan were shared with local authorities.

- 2.7 From 19 September 2016, the DWP began sending further letters to claimants in receipt of current benefits (Jobseekers Allowance, Income Support and Employment Support Allowance), providing claimants with more details than in May/June. These letters included details of the date from which activity to apply the cap will commence and a 'bandwidth' figure to indicate how much the claimant's benefit may be reduced by per week.

Date of roll out for newly capped households	London Boroughs
Week 1 (w/c 7 November 2016)	City of London
Week 2 (w/c 14 November 2016)	Sutton
Week 3 (w/c 21 November 2016)	Merton Richmond upon Thames
Week 4 (w/c 28 November 2016)	Bexley Bromley Kingston upon Thames
Week 5 (w/c 5 December 2016)	Harrow Havering
Week 6 (w/c 12 December 2016)	Greenwich* Redbridge Waltham Forest
Week 7 (w/c 19 December 2016)	Barking and Dagenham* Hammersmith and Fulham Hillingdon Kensington and Chelsea* Southwark
Week 8 (w/c 26 December 2016)	Camden Croydon Islington Lewisham Wandsworth
Week 9 (w/c 2 January 2017)	Lambeth*
Week 10 (w/c 9 January 2017)	Haringey Newham* Westminster
Week 11 (w/c 16 January 2017)	Barnet* Enfield Tower Hamlets*
Week 12: (w/c 23 January 2017)	Brent* Ealing* Hackney* Hounslow*

**Table 1: Roll out schedule for newly capped households (Greater London boroughs)<sup>1</sup>**

- 2.8 From 3 October 2016, Carer's Allowance and Guardian's Allowance claimants should have received notifications explaining that they will be exempt from the benefit cap from 7 November 2016.
- 2.9 Universal Credit claimants were notified of the changes in September 2016. The Universal Credit notifications asked claimants to speak to their Job Centre Plus work coach if they have a managed payment to the landlord (MPTL) in place so that the work coach can explain how the benefit cap interacts with the MPTL. In some cases this could lead to the claimant asking for the MPTL to be stopped by the DWP, so that they can apply for a Discretionary Housing Payment (DHP). If the claimant chooses to do so, the direct payment to their landlord can be reinstated at a later point, although the landlord cannot ask for the MPTL to be reinstated unless the benefit cap no longer applies.

<sup>1</sup> Boroughs marked with an (\*) were moved in the schedule

### 3. Impact of the lower benefit cap in Greater London

- 3.1 Greater London will be disproportionately affected by the revised benefit cap. The government's impact assessment, published in July 2015, suggested that 22 per cent of affected households live in Greater London (equivalent to 19,000 households – see table two below).<sup>9</sup>

Region	Estimated number of households	Proportion of total households
North East	4,000	4%
North West	9,000	10%
Yorkshire and the Humber	7,000	8%
East Midlands	5,000	6%
West Midlands	10,000	11%
East of England	8,000	9%
Greater London	19,000	22%
South East	11,000	13%
South West	5,000	6%
Scotland	5,000	6%
Wales	4,000	5%
<b>Total</b>	<b>88,000</b>	<b>100%</b>

**Table 2: Estimated number of capped households by region without behavioural responses (2016/17)**

- 3.2 The figure outlined in the DWP impact assessment for Greater London is likely to be out-of-date or an underestimate. The 27 London Boroughs that responded to a survey conducted by London Councils in October 2016 reported that 20,757 households are likely to be affected in those boroughs. The data provided by the boroughs suggests an indicative figure of between 24,600 and 24,900 households that will be affected by the lower benefit cap across Greater London. A summary of the numbers likely to be capped is included in table three (below).

	Total number capped	Number already capped	Number newly capped
Inner-London	8,636	2,292	6,249
Outer-London	12,121	3,706	8,415
Greater London	20,757	5,998	14,664

**Table 3: Number of households affected by the benefit cap (survey data from 26 boroughs)**

- 3.3 The survey data shows that the majority of those affected by the lower cap are likely to be single parents (see table four). Those affected can avoid the cap by moving into employment, but the high proportions of single parents will present particular difficulties for local authorities given that this group typically finds it more difficult to secure work due to additional challenges such as childcare. Overall, the data collected during the survey suggested that three-quarters of affected households have children.

	Single person, no children	Couple, no children	Couple with children	Single person with children
Survey data from 25 borough responses	5,074 25.4%	29 0.1%	3,992 20.0%	10,843 54.4%
Estimate for 32 boroughs	6,495	37	5,110	13,879

**Table 4: Household type affected by the revised benefit cap**

- 3.4 The government's impact assessment highlights that families, particularly larger families, are most likely to be affected by the reduction in the benefit cap. This has a number of implications for the types of households that are likely to be affected by the change. For instance, the typical age range of those affected is between 25 and 44 years of age (the assessment forecasts that around 79 per cent of affected cases will fall within this age bracket).<sup>10</sup>

- 3.5 The 2015 impact assessment also notes that “those from cultural backgrounds with a high prevalence of large families and households from certain ethnic minorities that tend to have a higher proportion of large families are more likely to be affected”.<sup>11</sup> The assessment points to a survey conducted by Ipsos MORI, which found that 37 per cent of surveyed households affected by the current benefit cap of £26,000 per year were from black of minority ethnic (BAME) backgrounds.<sup>12</sup> However, because the lowering of the cap will capture more households from outside Greater London, the disproportionate impact on BAME communities may be diluted as losses are spread more widely (although precise forecasting has not been undertaken by the DWP of this impact).
- 3.6 Women are disproportionately likely to be affected by the lower benefit cap. The government’s impact assessment estimated that, nationally, “around 66 per cent of claimants who are likely to have their benefit reduced by the cap will be single females but only around 13 per cent will be single men”.<sup>13</sup> The assessment also commented that “most of the single women affected are likely to be lone parents: this is because we expect the majority of households affected by the policy to have children”.<sup>14</sup>
- 3.7 The survey conducted by London Councils found that the majority of those affected by the cap are likely to lose less than £50 a week in benefit payments, although a sizeable minority (43.5 per cent) will lose more than £50 a week (£216 a month). A distributional analysis of losses under the benefit cap is shown in figure one. This shows figures provided by the 26 boroughs that responded to this question.



**Figure 1: Distribution of losses resulting from the revised benefit cap**

- 3.8 Greater London is the region most affected by the current cap of £26,000 per annum since it was introduced from April 2013. As of May 2016, more households were currently capped in Greater London than had been capped cumulatively in any other region since the policy was introduced.<sup>15</sup> Indeed, 45 per cent of all households capped nationally since its introduction live in Greater London,<sup>16</sup> while more capped households live in the London Borough of Brent alone than in the entire North East of England region.<sup>17</sup> Greater London households have also had their benefit payments cut by more than elsewhere in the country, with 4,463 households in Greater London seeing a reduction of £150 or more a week.<sup>18</sup> Not a single household in the north-east has lost this amount as a result of the cap. The more significant impact in Greater London can broadly be attributed to the higher cost of rented accommodation.

- 3.9 A particular impact of the current benefit cap has been to increase local authorities' reliance on temporary accommodation. In total, 52,820 households are currently housed in temporary accommodation across Greater London.<sup>19</sup> The DWP review of the first year of the benefit cap noted that "(London) boroughs (were) experiencing difficulties in moving households on from temporary accommodation because they could not find permanent housing in the private rented sector affordable within the cap... putting a strain on emergency accommodation budgets".<sup>20</sup>

## 4. Mitigation measures

- 4.1 The benefit cap presents a number of challenges for local authorities across Greater London, particularly in securing accommodation for homeless households that is affordable within the cap as well as ongoing support services for affected local residents. In general, it is reasonable to conclude that the lowering of the cap will result in further increases in homelessness and temporary accommodation usage – trends attributed to the introduction of the current cap. While these pressures are likely to increase with the lower cap, a limited number of measures are available to local authorities to help mitigate some impacts on residents.
- 4.2 **Discretionary Housing Payments:** London boroughs have increasingly relied on DHP to help minimise the short-to-medium term pressures placed on households in Greater London as a result of the benefit cap and to help manage pressure on already stretched local authority housing services. In 2015/16, 41 per cent of DHP awards made in Greater London were linked to the benefit cap.<sup>21</sup>

### Case study: Ealing

Many boroughs use DHP to encourage and help capped households to exempt themselves by moving into employment. One explicit aim of Ealing's DHP scheme is to help those taking steps to help themselves through moving into employment, increasing the numbers of hours they work or undertaking education or training. Ealing's DHP scheme is targeted at the following groups:

- Vulnerable groups where moving is not a realistic option,
- Those needing short-term assistance,
- Those in work and looking for work (including help with childcare and travel costs),
- Those who need support to stay in education and training, and
- Those who need assistance with securing new sustainable tenancies.

It is explicit that DHP is to be used to support sustainable tenancies. This means DHP awards are not intended to subsidise inappropriate housing or keep people in homes where they will not be able to maintain rent payments. Nevertheless, the scheme can cover reductions in Housing Benefit or the housing element of Universal Credit caused by welfare reforms such as the benefit cap, Spare Room Subsidy or LHA restrictions. Conditionality may be attached to the award of a DHP and this could take the form of:

- An obligation to attend a work related activity such as a work club, one-to-one session with an employment adviser or work coach,
- A commitment to seek assistance to manage debts, and
- Registering for housing and bidding for suitable properties in each cycle.

Failure to undertake the required activity or provide a good reason why not could lead to a DHP award being cancelled or not being renewed.

- 4.3 As part of Summer Budget 2015, the former Chancellor pledged that £800 million would be available nationally to local authorities in DHP over the period 2015/16 to 2020/21 "to help ensure local authorities are able to protect the most vulnerable housing benefit claimants".<sup>22</sup> While increasing for 2016/17, Greater London's share of DHP funding is still £17.4 million lower in nominal terms than it was at its peak in 2013/14 (see table five).<sup>23</sup>

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
National DHP funding	£30m	£60m	£155m	£165m	£125m	£150m
London share of DHP funding	£8.18m	£20.3m	£56.55m	£51.6m	£33.28m	£39.2m

**Table 5: Discretionary Housing Payments allocations, 2011/12-2016/17**

- 4.4 Furthermore, for many London Boroughs, their ability to allocate DHP funding is being undermined by the reduction in funding for Housing Benefit administration, which has been cut disproportionately compared to the fall in Housing Benefit caseloads. (Households are increasingly likely to be claiming Universal Credit as it is phased in rather than Housing Benefit. While Housing Benefit is administered by local authorities, Universal Credit is administered directly by the DWP). Between 2014/15 and 2016/17, the London boroughs experienced a 24 per cent cut in Housing Benefit Administration Funding<sup>24</sup> compared to a fall in the Housing Benefit caseload of just 5 per cent as the numbers transitioning onto Universal Credit are not as high as previously anticipated due to delays in its roll-out.<sup>25</sup>
- 4.5 **Employment support:** For most households, moving into employment is their only means of avoiding the cap. However many capped households face a range of barriers to finding work, such as childcare responsibilities, a lack of confidence or qualifications, or inexperience at looking for work.
- 4.6 The London boroughs have been proactive in providing employment support for capped households and have performed well in helping households to secure work. As of May 2016, nearly 35 per cent of all London households capped since the introduction of the policy had moved into employment (see table six), the highest proportion of any region in the United Kingdom.<sup>26</sup>

	Cumulative caseload	Percentage of London caseload
Currently capped	8,846	26.0%
Opened a Working Tax Credit claim	11,757	34.5%
Receives other exempt benefit	4,223	12.4%
No longer claiming HB	2,753	8.1%
Reduction in HB claim	3,172	9.3%
Benefit income below cap level	1,882	5.5%
Change in original household structure	233	0.7%
Change in local authority	143	0.4%
Other	1,030	3.0%
<b>Total</b>	<b>34,040</b>	<b>100%</b>

**Table 6: Outcome of benefit cap since its introduction (May 2016)**

- 4.7 **Budgeting support:** The DWP's first year review of the benefit cap highlighted that budgeting support could have a less significant impact in Greater London given the disproportionately larger levels of cuts in personal finances in the capital compared to elsewhere in the country. The study noted that: "In London paying the shortfall was not considered viable for those who were capped by the larger amounts and they were instead reliant on DHP whilst they sought a more permanent solution."<sup>27</sup>
- 4.8 Nevertheless, budgeting support has provided an option for London boroughs in helping some of those affected less severely by the cap to manage the situation. Sometimes this involves referring to existing services, such as money advice services, those provided by social landlords or the Citizens Advice Bureau (CAB). The DWP's first year review noted that this work usually focusses on "ensuring that households had claimed all the benefits to which they were entitled and negotiating arrears repayment agreements with landlords".<sup>28</sup>
- 4.9 However, the boroughs have frequently been more active in providing budgetary assistance to affected households, as highlighted by the below case study from the London Borough of Enfield.

### Case study: Enfield

Enfield was one of four London boroughs to pilot the introduction of the original cap of £26,000 per year and had the highest number of capped households of any of the pilot areas. With four months to prepare for the introduction of the cap, Enfield worked with partners in the CAB and Jobcentre Plus to develop a multi-disciplinary team to work with affected households. The co-located team (which included two dedicated posts from Jobcentre Plus) used the DWP and council data to identify all the capped households and then proactively target the 1,000 that stood to lose the most as a result of the cap. These households were supported to develop their own solutions and action plans, including offers of help with debt- and money-management and assistance with moving to alternative accommodation if viable. More importantly, people were helped into work wherever possible by tackling the three main identified barriers: childcare; low skills and literacy, and a lack of recent employment history. Of the 1,049 households supported by the taskforce, 564 were helped into work – a rate of 53.7%, compared to a national average of 36%.

Since the pilot, Enfield continues to work in partnership with the CAB and Job Centre Plus. As of September 2016, of all the households that have been capped in the borough, 1,135 have been recorded as finding work. Those currently affected by the cap have been reduced to 572. However 1,579 have been identified as being affected by the new cap, representing an additional 1,000 new cases.

## References

- <sup>1</sup> 'The Benefit Cap', Briefing Paper Number 06294, House of Commons Library, 14 March 2016, p.3
- <sup>2</sup> Ibid
- <sup>3</sup> 'The Benefit Cap: a review of the first year', The Department for Work and Pensions, December 2014, p.19
- <sup>4</sup> Ibid
- <sup>5</sup> Ibid
- <sup>6</sup> Conservative Party Manifesto 2015, p.8
- <sup>7</sup> 'Welfare Reform and Work Bill: Impact Assessment for the benefit cap', Department for Work and Pensions, July 2015, p.9
- <sup>8</sup> Op cit, p.1
- <sup>9</sup> Op cit, p.10
- <sup>10</sup> Op cit, p.12
- <sup>11</sup> Ibid
- <sup>12</sup> Ibid,
- <sup>13</sup> Op cit, p.11
- <sup>14</sup> Ibid
- <sup>15</sup> Stat-xplore
- <sup>16</sup> Ibid
- <sup>17</sup> Ibid
- <sup>18</sup> Ibid
- <sup>19</sup> Live Table 775, published by the Department for Communities and Local Government
- <sup>20</sup> 'Supporting households affected by the Benefit Cap: Impact on Local Authorities, local services and social landlords', Department for Work & Pensions and Government Social Research, December 2014, p.11
- <sup>21</sup> Discretionary Housing Payments awards data, published by the Department for Work and Pensions
- <sup>22</sup> Summer Budget 2015, HM Treasury, 8 July 2015, p.40
- <sup>23</sup> Data taken from government housing benefit circulars issued by the Department for Work and Pensions
- <sup>24</sup> Housing Benefit Circular S7/2013 (October 2013) and Housing Benefit Circular S9/2015 (December 2015), both issued by the Department for Work and Pensions
- <sup>25</sup> Stat-xplore
- <sup>26</sup> Ibid
- <sup>27</sup> 'Supporting households affected by the Benefit Cap: Impact on Local Authorities, local services and social landlords', Department for Work & Pensions and Government Social Research, December 2014, p.22
- <sup>28</sup> Ibid,