

3 The benefits cap

What is the benefits cap?

The government has introduced a cap on the total amount of benefit that working-age people can receive. From the 15 April 2013, the benefit cap is being applied in four London boroughs: Bromley, Croydon, Enfield and Haringey. The government then intends to introduce the cap in all other council areas between 15 July and 30 September 2013.

The cap so far applies to England, Scotland and Wales. It is not law yet in Northern Ireland but is expected to be introduced in August 2013 <http://www.nidirect.gov.uk/benefit-cap>

Cap amounts

The benefit cap will mean that working age people can't receive more than a set amount in benefits, even if their full entitlement would otherwise be higher.

The government says that the benefits cap will make sure that households getting benefits will not normally get more in benefit than the average working household receives in pay – £26,000 for working families and £18,000 for single people.

The cap will be set at the average net earned income of working households:

£350 per week for a single adult with no children

£500 per week for a couple or lone parent, regardless of the number of children they have.

Which benefits are included in the cap?

To work out if you are within the benefit cap the Department for Work and Pensions (DWP) will add together your income from the following benefits:

- Bereavement Allowance
- Carer's Allowance
- Child Benefit
- Child Tax Credit
- Employment and Support Allowance (except when in the support group)

- Guardian's Allowance
- Housing Benefit
- Income Support
- Jobseeker's Allowance
- Maternity Allowance
- Reduced Earnings Allowance
- Severe Disablement Allowance
- Widowed Parent's Allowance.

The cap will not apply, regardless of the amount of benefits you receive, if you, your partner or a dependent child qualify for any of the following benefits:

- Working Tax Credit
- Disability Living Allowance
- Personal Independence Payment (from autumn 2013)
- Attendance Allowance
- Industrial Injuries Benefits
- Employment and Support Allowance, if paid with the support component
- War Widow's or War Widower's Pension

If you have been in work for at least 12 consecutive months and lose your job through no fault of your own you will have a nine month grace period where the cap will not apply.

Carer's exemption and the benefit cap

Carers are not exempt from the benefit cap unless the person they care for is their partner (spouse, civil partner or person they are living with as a partner) or dependent child that they are receiving Child Benefit for. This means that if you are caring for a disabled young person who has reached adulthood and claims benefit in their own name, you will be not be protected from the benefit cap just because you are a carer

How will the cap be applied?

The cap firstly will be applied through deductions from Housing Benefit payments. If your total weekly income from the benefits included in the cap is more than your cap level, and you are not exempt from the cap, your Housing Benefit payment will be reduced to bring you down to your cap level.

Your other benefits cannot be reduced so if you are still over the cap level when your Housing Benefit has been reduced down to the minimum payment of 50p per week, or you don't get Housing Benefit, you will still be able to receive more than the Benefit Cap.

Once Universal Credit is brought in, the benefit cap will be applied by restricting the Universal Credit payment. This will allow for all households affected to be capped in full.

Individuals are expected to deal with any shortfall and pay the difference themselves – they may or may not get any help from the council to do this. Shelter England has provided advice here to help those with affected by housing benefit cuts and shortfalls in rent: http://england.shelter.org.uk/get_advice/housing_benefit_and_local_housing_allowance/housing_benefit_problems_delays_and_appeals/dealing_with_a_housing_benefit_shortfall

In numbers: the total household benefit cap

- DWP research estimates 40,000 households
- 69% of households affected will have three or more children
- 27% will have five plus children
- DWP estimates 80,000 children will be members of households affected by the benefit cap in London
- Regionally 54% of those affected will be in Greater

London boroughs; 8% in Scotland and Wales, and 38% spread across the other English regions

- Northern Ireland has recently estimated 620 households

The costs to individual boroughs will far outweigh savings to the Treasury

£110 million is 2013/14 estimated Treasury saving.

£185 million is the Treasury's savings estimate in subsequent years.

£155 million is the current annual amount the DWP has made available in Discretionary Housing Payments (DHP).

£40.9 million was the estimated cost of just 7,000 evictions from housing associations properties in 2010-11.

£350 million is the total sum of rental arrears estimated to be currently owed to UK housing associations.

£2 billion is the amount that the UK has spent housing vulnerable homeless families in short-term accommodation in 2012.

What we have learnt from the pilots

Four London boroughs started the pilots for the Benefits Cap in April 2013: <http://www.dwp.gov.uk/docs/touchbase-ezine-february-2013.pdf>

- The DWP provided £2 million to help the four councils to identify who is eligible for the cap, cover implementation costs – extra staff, administration, IT work and meet any shortfall in housing benefit in the short term
- Each borough has been allocated a senior Jobcentre manager to help people find work who are affected by the cap but one pilot has reported there is no evidence this has had increased employment for this benefit group
- The four councils have each said the money is not enough to cover their costs – in one case, less than half the amount needed
- No further DWP funding is available to help other councils implement the new system
- It's difficult to know the scale of rent arrears, homelessness or evictions it may cause, in which case it might cost a lot more

- There is currently no data monitoring the amount or what priority criteria are being used in the allocation of DHPs and the effectiveness of these allocations to reduce harmful impacts on families and vulnerable individuals. This would have provided useful guidance for the rest of local authorities implementing the cap within the next six months and making DHPs to those affected by the cap
- People in London and the southeast are moving more to avoid both caps and housing benefit statistics show that claims in outer London are rising much faster than those in inner London
- Councils with large numbers of capped families have limited options. They can use DHPs but these will only last for a limited time. They face costs for housing newly homeless families and caps on the rents of those they have already placed in temporary accommodation
- Exporting their homeless families elsewhere due to the lack of accommodation affordable within the cap in many areas will see an increase in the out-of-area placements that are already happening and are likely to create so called community social cleansing in some areas and social dumping in other areas
- Overcrowding and sharing is likely to increase as capped families try anything to avoid moving miles from friends, families and children's schools.
- There will also likely be another increase in unorthodox housing: beds in sheds, garages, retail units and offices.

Figures from Haringey illustrate the scale of the problem. The council has pledged not to move anyone out of London during the pilot. Some 294 of the 993 households currently affected (30%) are living in temporary accommodation. The council has £2.4 million of DHPs for 2013/14 of which £1.4 million is specifically to cover the costs of the cap. However, it estimates that its extra liabilities because of the cap will be £8.2 million over 2013/14, leaving it with a shortfall of around £7 million. That's roughly £7,000 for each capped family.

"Putting the cap on it" INSIDE HOUSING Jules Birch 18/4/13

Rather than introduce rent controls, promote affordable renting schemes and provide affordable social housing schemes, the government's introduction of the benefits

cap is likely to end up costing more money than it saves. This will mean even less money for local public services as local authorities attempt to find money from their own budgets to meet the impact of the new housing cap limits set in a climate of lack of affordable or appropriate supply of housing. The benefits cap combined with the new LHA rules will now likely increase evictions in the private sector.

DWP commissioned research shows that landlords in London are more than three times more likely to evict tenants or not renew tenancy agreements (37%) than they were to lower rents (11%) as a result of changes to Local Housing Allowance (LHA) – the housing benefit paid to most tenants who rent from private landlords. <http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep798.pdf>

The pilots meanwhile have shown that in the social housing sector both housing associations and local authorities so far have been very keen to avoid evictions and have been working closely with both temporary housing tenants and permanent tenants who are at risk of benefit reductions as identified by the DWP and subsequently by the local authority.

"We will not move anyone out of Haringey during the pilot. The council will cover the initial rent shortfall. However at an annual cost of £7m this will be unsustainable given the many other vital public services already squeezed. When the cap is rolled out nationally, local authorities will face invidious choices about where to house families. We have started to have honest conversations with those affected to help them understand the scale of the changes, and their options." <http://www.guardian.co.uk/commentisfree/2013/apr/15/benefits-cap-not-address-affordable-housing-crisis>

Learning from Newham Council

In response to the growth of the private rented sector, and now with an estimated 1,000 households affected by the benefits cap, Newham has recently introduced the first ever compulsory licensing for all landlords. In a list of recommendations to the Communities and Local Government Select Committee on the private rented sector they state that if rent controls cannot be placed on private landlords then the benefits cap must be higher in areas like London.

They also request that out-of-work benefit claimants and vulnerable workers – on zero hour contracts, short term contracts and temporary and other

unpredictable employment contracts must have the nine month grace rule extended to them.

“While in theory Universal Credit should work well for these residents, the overall benefits cap will disadvantage them because they will not be eligible for the nine month grace period. Instead they will immediately be subject to the cap because they cannot meet the requirement to have worked 52 weeks out of the previous 52. In addition many local people work a series of short term and temporary jobs with frequent gaps in their employment. They will also find themselves immediately subject to the cap when a contract ends.”

Full list of Newham recommendations:

- private renting should be based on a set of clear and transparent rights and responsibilities between all parties mostly enforceable by the local authority
- current legislation should be simplified and strengthened to enable easier and more effective enforcement
- landlords should be incentivised to provide stability through longer term tenancies
- local authorities should be more involved in the PRS offer, including management of properties
- lettings agents should be bound by the same kind of regulation as estate agents
- there should be a higher overall benefit cap and housing benefit cap for London to take into account the higher costs of living in the capital
- where out-of-work benefit claimants are doing all that they can to find work, and are recognised as such by benefit requirements, they should be exempt from the cap
- all households placed in temporary accommodation should continue to be exempted from the cap
- allow people employed on zero hour, short term or temporary contracts to avail of the grace period before the benefit cap is implemented – full report here <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmcomloc/writev/953/prs107.htm>

Getting ready for the benefit cap change

Are you personally affected?

The government has written to all claimants they believe might be affected based on information they have, but this is not up to date.

- It is important to check your situation and if your circumstances are likely to change.
- Add up your total weekly income from your benefits included in the cap to see if it's over your benefit cap level (£350 or £500).
- You can use the Turn2us Benefits Calculator which will indicate on the results page if you are likely to be affected. Turn2Us benefits calculator: http://www.turn2us.org.uk/benefits_search.aspx
- Find out what support you may be entitled to help with financial budgeting skills.
- You should contact your local authority to apply for a Discretionary Housing Payment (DHP) – this is a payment you may receive at the discretion of your local authority to provide extra help with housing costs on top of your Housing Benefit (England, Wales, Scotland)
- Contact your UNISON welfare officer or go to the UNISON Welfare website there for you if you need financial advice <http://www.unison.org.uk/welfare/index.asp>

Join UNISON's campaign against the benefits cap

1. Write to your MP <http://www.theyworkforyou.com/mps/> **and local councillors** <http://www.writetothem.com/> to raise concerns about the:

- Impact of the benefits cap on families and children uprooted from their communities and schools
- vulnerable workers having the cap imposed on them immediately with no grace period
- lack of affordable or appropriate housing to adequately meet the requirements of the new welfare reforms
- the costs to implement and meet the impacts of the housing benefit cap being placed on local authorities with no additional and limited resources

due to austerity budget cuts

- the lack of clear efficacy Discretionary Housing Payment (DHP) criteria or sufficient DHP funds being made available to local authorities.

2. Use your local media and social media (Twitter and Facebook) to raise awareness around the unfairness of the benefits cap

- write a letter to your local newspaper about the impact of the cap on the community
- promote local community housing and tenant campaign groups linking the unfair benefits cap campaign to the wider campaign against unfair housing benefit changes and the ‘bedroom tax’
- promote the need to discuss rent controls and licences on what private landlords can charge and the lack of affordable housing as the root problem
- promote good practice models of local authorities working together with housing authorities and private landlords to prevent and avoid eviction practices
- promote good practice models of local authorities implementing alternative housing solutions to meet the requirements of the benefits cap and changes such as the ‘bedroom tax’
- let people know that the benefits cap will adversely affect people who have unpredictable employment contracts as they will not be given any grace.

3. Join your local community campaign groups

For details of your local campaign group and activities see:

False Economy – <http://falseeconomy.org.uk/>

Campaign for benefit justice – <http://benefitjustice.wordpress.com/>

Further information

DWP estimates of those affected by the cap

http://statistics.dwp.gov.uk/asd/asd1/adhoc_analysis/2013/Ben_Cap_Updated_Estimate.pdf

Northern Ireland benefits Cap information booklet

<http://www.dsdni.gov.uk/impact-of-benefit-cap.pdf>

Carers UK website – information on carers and the benefit cap <http://www.carersuk.org/help-and-advice/focus-on/item/2479-welfare-reform-your-questions-answered/2479-welfare-reform-your-questions-answered?start=5>

Discretionary Housing Payments – http://www.turn2us.org.uk/information__resources/benefits/housing_costs/discretionary_housing_payment.aspx

National Housing Federation advice <http://www.housing.org.uk/policy/welfare-reform/>

DWP Helpline – 0845 608 3557 Text phone – 0845 608 3557

Citizens Advice Bureau – 0844 411 144 / 0300 3300 650

Housing and Council Tax benefit and DHP – contact your local council

UNISON There for you service – <http://www.unison.org.uk/welfare/index.asp>

This is one of a series of briefings on welfare reform that contain useful information about government changes to welfare and benefits. These can be found at http://www.unison.org.uk/WELFARE/news_view.asp?did=8544