



Equalities Committee
20 February 2017

**Report from the Head of Benefits
& Customer Services**

For Information

Wards affected:
ALL

Impact and mitigation of the Overall Benefit Cap

1.0 Summary

- 1.1. This report provides details of the expected impacts on residents of the reduced welfare benefits cap, and the steps taken to offer support and services to residents affected.

2.0 Recommendations

- 2.1 The committee is asked to note the contents of the report, in particular the impact of the reduced benefit cap on single claimants living in the private sector.

3.0 Detail

3.1 Context

- 3.2 The Overall Benefit Cap (OBC) was first introduced nationally in 2013 and in Brent during August 2013 and refers to the maximum amount of specified Government welfare benefits that can be received by a household on a weekly basis unless they are exempt. It originally equated to £500 per week for working age couples and single parents and £350 per week for single persons. Where a household receives more in weekly benefits than the current cap permits, their Housing Benefit is reduced by the excess.

- 3.3 From 7 November 2016 these limits were reduced to £442.31 per week for working age couples and single parents and £296.35 per week for single persons resident in the London area. Unlike previously, there is now a separate, lower Benefit Cap limit for residents of properties outside of the London area.

- 3.4 Residents already subject to the benefit cap immediately prior to 7 November 2016, experienced a further reduction in their Housing Benefit entitlement from that date. Residents who were subject to the benefit cap for the first time due to the reduced limits, experienced a reduction in their Housing Benefit entitlement from 23 January 2017.
- 3.5 Details of the welfare benefits which are included in the cap, and those which provide exemptions from it, are provided in Appendix A.
- 3.6 The original cap in 2013 affected 1320 households, predominantly single parents. Through a combination of factors, including extensive mitigation activities carried out by various Council departments and partner organisations; the incentivising or penalising policy intention of the cap; and – arguably – a generally improving economic situation, the number of capped household in Brent had reduced to 631 affected by the existing cap immediately prior to 7 November 2016.
- 3.7 It should also be noted that the cap also applies to claimants of Universal Credit, of whom there are currently 2,175 in Brent. Full detail of these households is not available to the Council although it is understood from the DWP that there are currently 61 capped UC claimants in Brent.
- 3.8 It will also be appreciated that many households impacted by the Cap may also be affected by other welfare reforms including restrictions to Local Housing Allowance rates in private sector housing, the Bedroom Tax in the social sector, the local Council Tax Support scheme and the general four-year freeze in benefit allowances and premiums introduced from 2016.

4.0 Impact of the Cap

- 4.1 At the time of writing, not all of the expected instructions to cap claimants from 23 January 2017 had been received from DWP. Therefore, this report refers to the previous file of expected capped cases provided by the DWP in September 2016 for pro-active mitigation purposes.
- 4.2 The original cap in 2013 initially affected 1320 households and over the following 12 months, a total of 2322 cases were capped.
- 4.3 Lone parents represented over half (53%) of the cases capped and households with dependants accounted for over 77% of all cases. Single claimants were less likely to be capped as they were likely to be living in smaller properties and so entitled to less benefit. In terms of ethnicity, claimants from the black ethnic group were disproportionately impacted by the OBC, relative to their proportion of the overall HB caseload.
- 4.4 The new, reduced cap will affect approximately three times the existing number of cases capped (as at the start of November 2016). The following tables indicate the impacts of the reduced cap across a range of criteria.
- 4.5 Whereas the original cap largely affected lone parents and couples with dependants (85%), the reduced cap will affect a far greater proportion of single claimants. (See Table 1)

Table 1: Household Summary			
Type	Number	%	Average Cap
Single People	808	43%	£40.17
Single Parents	753	40%	£76.15
Couple with dependents	314	17%	£101.94
Total	1875		

- 4.6 Although there are increases of households capped across all tenancy types, by far the most significant increase is in the private sector, and predominantly affects single claimants, aged over 35. (Single claimants aged under 35 are already restricted within the HB scheme to the cost of a room in a shared house.) (See Table 2)

Table 3: Age Range	Number	%	Average Cap
18-24	96	5%	£ 52.39
25-34	480	26%	£ 69.00
35-44	629	33%	£ 71.27
45-54	474	25%	£ 60.10
55-64	194	10%	£ 48.93
65-74	5	0%	£ 180.73
Total	1878		

- 4.7 This group are unlikely to be in priority need if made homeless, presenting a potential risk of increased rough sleeping, sofa surfing or overcrowding if forced to leave their accommodation. However, this group will also be the focus of the Council's Single Homeless Prevention project which will commence shortly. (See Table 3)

Table 3: Tenancy Type	Number	%	Average Cap
Council Tenant (BHP)	39	2%	£51.72
Housing Association	393	21%	£66.04
Private Tenant	1301	69%	£57.67
Temporary Accommodation	145	8%	£125.75
Total	1878		

- 4.8 It is also worthwhile considering the types of claimant affected based on their main income type, as demonstrated in the tables 4 and 5 below.

Table 4: Main Income Type (“Passported” benefits)	Number	% of Passported	Average Cap
Income Support	526	35%	£ 72.98
Job Seekers Allowance	607	40%	£ 47.20
Employment Support Allowance	372	25%	£ 63.99
Total Passported Incomes:	1505	100%	£ 60.82

4.9 It is significant that only 40% of capped cases are in receipt of Jobseeker’s Allowance (ie are actively required to seek work and are arguably the most “job ready” of claimants). 35% (largely single parents) are on Income Support, with 450 of these being lone parents with children aged under 5, and technically not required to be available for work; the cap, however, makes working near mandatory if the claimant wishes to remain in their present accommodation.

Table 5: Income from working		
Main income Type	Number	Average Cap
Earned Income	229	£ 86.30
Self Employed	51	£ 85.67

4.10 It is also significant to note that merely being in work does not in itself enable the claimant to escape the cap; the work must be of sufficient hours to enable them to qualify for Working Tax Credit (16 hours per week for a single claimant; 24 hours for a couple; 30 hours for a single claimant). Table 5 above shows that there are a significant number of working Brent residents who do not meet this threshold and who will therefore be capped.

4.11 The ethnicity breakdown shown in Table 6 below corresponds broadly with that of the overall caseload ethnicity profile, which is: Asian (17%), Black (31%) and White (28%). When compared to the wider Borough ethnicity profile, it is notable that Black claimants are over-represented. Given the high degree of potential variance due to the claims where ethnic monitoring data has not been provided, this data should be treated with caution. However, a more detailed analysis of ethnic identify will be conducted when all the reduced caps have been implemented in the live system.

Table 6: Ethnicity	Capped	%	Average Cap
Asian	222	11%	£74.10
Black	520	27%	£66.36
White	372	19%	£57.03
Mixed	86	4%	£75.23
Other	83	4%	£71.56
Not Held	595	31%	£62.66
Total	1878	100%	

5.0 Mitigation

5.1 The options most likely to be available to a resident affected by the Benefit Cap are as follows:

- Apply for one of the benefits that will exempt them from the cap (see Appendix A);
- Make up any shortfall in rent from other money received or negotiate a rent reduction with their landlord
- Find somewhere more affordable to live (which may need to be outside Brent);
- Find work sufficient to qualify for Working Tax Credit;

5.2 In most cases the first two options above will not be viable leaving only the latter two options available.. However as seen above, merely finding work may not be sufficient in itself to avoid the cap, and even those in work in the borough are subject to the high rents and scarcity of affordable accommodation due to the Housing Benefit Local Housing Allowance rates.

5.3 A new welfare reform mitigation strategy was developed in February 2016 via a coordinated cross-Council approach, and with external partners, to provide a joined-up response in response to the challenge of the reduced cap (and other welfare reforms, notably Universal Credit).

5.4 The new welfare reform strategy reflects a greater need for the Council to work together with partners, with the Council fulfilling more of a strategic and co-ordinating role than the previous interventionist approach, although there will be still be intervention on a targeted basis towards the most vulnerable residents. Welfare reform mitigation will also be delivered far more within mainstream service delivery than the previous specialised approach which involved a large, co-located multi-disciplinary team, which is not now viable given current resourcing constraints.

5.5 The priorities of the strategy are:

- To target assistance for those potentially affected by the Overall Benefit Cap who are most vulnerable and / or likely to present a future statutory duty (priority need) on the Council
- To promote employment as the preferred route out of poverty and welfare dependency, and where this is not possible, to take a preventative approach to potential homelessness to minimise a statutory duty later
- To ensure a smooth handover from claiming HB to UC (with specific assistance for certain aspects of UC or for vulnerable cohorts)
- To make general information and advice available to all affected claimants (with appropriate signposting to partner agencies).

- 5.6 With regard to OBC, the strategy has specifically targeted vulnerable residents for assistance, including those residents in the following cohorts:-
- Working With Families
 - Mental health
 - Substance abuse
 - Children with disabilities
 - Children with a child protection plan
 - Families in Temporary Accommodation or at risk of statutory homelessness
 - Claimants with learning difficulties or physical disabilities
- 5.7 In some cases, of course, these claimants' personable circumstances may make them exempt from the cap.
- 5.8 General and specific advice is now available to all claimants via a central information hub (on the Council's website) and there has been an associated publicity and engagement campaign across various media.
- 5.9 More specifically, those claimants vulnerable through Mental Health, Troubled Families, addiction issues etc and / or likely to present a future statutory demand on the Council are prioritised for more dedicated support. The greatest impacts of the Cap also coincide broadly with the Council's priority neighbourhoods and officers have targeted support through place-based initiatives such as the Living Room and the Harlesden Hub. The Benefit Service has provided relevant data and information to Council colleagues and external partners (eg Registered Social Landlords) to enable them to deliver both the central messages and to add and interpret this through the prism of their own service provision, thus providing tailored specialist support for claimants.
- 5.10 The strategy places employment and skills at the heart of the Council's approach and seeks to integrate the employment and skills offer with its overall customer service offer. This will apply to resident interactions generally but will be most evident in an integrated "triage" approach between Employment & Skills, Housing Needs and Customer Services, with partner provision from Citizens Advice Bureau and DWP, in the Customer Service Centre at the Civic Centre.
- 5.11 In addition, an electronic Partner Toolkit has been developed and is located on the Council's website containing all relevant information regarding the cap, referral pathways and other mitigation, and a Benefit calculator which provides claimants and caseworkers with a tool for calculating potential entitlement to welfare benefits (including Universal Credit), a "better off" calculation showing the financial impact of claimants starting work or increasing their hours, and a household budgeting tool.
- 5.12 Links to the Partner Toolkit and the Benefit calculator are provided in Appendix B.

6.0 Discretionary spending

6.1 The Benefits Service administers two discretionary funds which are for the alleviation of hardship for benefit claimants, not exclusively aimed at those affected by welfare reforms, but heavily utilised by those claimants:-

- The **Local Welfare Assistance (LWA) scheme** has no base budget or ongoing government funding (there was a government allocation for 2013/14 and 2014/15) but is currently being administered from reserves accumulated from underspends in the previous two years. LWA provides emergency payments to vulnerable residents in crisis situations or for large one-off costs (eg white goods). The future of the scheme is currently under review given that the current financial arrangements are not sustainable indefinitely.
- The **Discretionary Housing Payment (DHP)** fund has an annual government grant (which authorities may supplement with their own funds) to assist Benefit claimants (on HB or UC) who are experiencing hardship through housing-related costs. Priority areas are reviewed at least annually, with Lead Member oversight, and are aimed at encouraging desired claimant behaviour (eg seeking work) or as a safety net for the most vulnerable. Payments may be one-off (eg costs associated with moving to a more affordable property) or ongoing for prescribed periods (eg paying the shortfall in rent while the claimant undertakes a job brokerage course; or assisting a particularly vulnerable claimant to avoid homelessness).

6.2 Government funding has reduced since a high point in 2013/14 (£4.8M) when the original caps were introduced, save a small 10% increase in 2016/17. However provisional indications from DWP indicate a further 8% decrease in 2017/18 (to £2.6M), despite the tripling of the capped caseload in Brent, and despite an additional £35M being made available nationally for the impact of the reduced cap.

6.3 The reason for Brent's proposed reduction next year is that the impact of the reduced cap is now spread much more across the country (although Brent is still second most affected, behind Birmingham), and because the funding formula no longer takes account of the impacts of the Local Housing Allowance changes (again, very significant in Brent) which occurred during the previous Parliament.

6.4 The reduced DHP budget and increased demand in 2017/18 will clearly put additional strain on the scheme, mainly resulting in fewer, lower or shorter periods of awards and a corresponding increase in the expectations on claimants to resolve their situation quicker or through their own means.

7.0 Financial Implications

7.1 Covered in main body of report.

8.0 Legal Implications

8.1 Covered in main body of report.

9.0 Equality Implications

9.1 Covered in main body of report.

Additional Papers

Appendix A - Welfare benefits included in the Benefit Cap and exemptions
Appendix B – Links to the Overall Benefit Cap Toolkit and Benefit Calculator

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Appendix A

Welfare benefits included in the Benefit Cap and exemptions

Benefits included in the Benefit Cap calculation:-

- Housing Benefit;
- Income Support;
- Job Seeker's Allowance;
- Employment and Support Allowance (except where it is paid with the support component);
- Child Benefit;
- Child Tax Credit;
- Maternity Allowance;
- Incapacity Benefit;
- Severe Disablement Allowance;
- Widowed Parent's and Widowed Mother's Allowance;
- Widow's Pension;
- Bereavement Allowance

Exemptions

Exemptions from the benefit cap will apply if the Housing Benefit claimant or their partner receive any of the following:

- Attendance allowance
- Disability living allowance
- Personal independence payment
- Employment and support allowance (support component)
- Industrial injuries benefits
- War widow or war widower's pension
- Guardian's Allowance and Carer's Allowance (subject to Government changes to be made later this year).

Additionally, an exemption from the benefit cap will apply if:

- The Housing Benefit claimant qualifies for Working Tax Credit because they work for at least 16 hours per week if they are a single parent, 24 hours per week between them if they are a couple with one of them working at least 16 hours per week or 30 hours if they are a single person.
- They are responsible for a child or young person getting Disability Living Allowance, Personal Independence Payment, or an Armed Forces Injuries Payment

The cap will also not apply for a period of 39 weeks if the claimant or their partner, if appropriate, has ceased paid work that lasted for at least 50 of the 52 weeks immediately prior to their leaving and in the final week, they worked at least 16 hours.

The Benefit Cap applies solely to working age claimants and therefore persons of pension credit age are exempt provided that both members of a couple are of pension credit age.

Appendix B

Links referred to in the report

Overall Benefit Cap (OBC) - <https://www.brent.gov.uk/services-for-residents/benefits-and-money-advice/important-benefit-changes/>

OBC Toolkit - <https://www.brent.gov.uk/media/16406131/benefit-cap-toolkit-040117.pdf>

Benefit Calculator - <https://brent.entitledto.co.uk/>

Money Advice (including Budget Planner) - <https://www.brent.gov.uk/services-for-residents/benefits-and-money-advice/money-advice/>