



Equalities Committee
7 February 2018

**Report from
the Strategic Director of Resources**

Impact and Equality Analysis of the Overall Benefit Cap

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Three: <ul style="list-style-type: none"> • Welfare benefits included in the Benefit Cap and exemptions • Overall Benefit Cap (OBC) Analysis • Detailed Ethnicity Breakdown
Background Papers:	None
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1.0 Purpose of the Report

1.1 In February 2017, officers reported on the expected impacts of the government's reduced welfare benefits cap, based on data provided by the DWP of the Housing Benefit claimants expected to be affected by the new limit. This report provides details of the **actual** impacts on residents of the reduced cap, and briefly outlines the steps taken to offer support and services to residents affected.

2.0 Recommendation

2.1 The Committee is asked to note the contents of the report, and the impacts on specific claimant cohorts within the Borough.

3.0 Detail

3.1 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 received more in weekly benefits than the current cap permits, their Housing Benefit (HB) was reduced by the excess.

- 3.2 Since 7 November 2016 these limits had been 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.
- 3.3 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 in the weeks following 23 January 2017.
- 3.4 Details of the welfare benefits which are included in the cap, and those which provide exemptions from it, are provided in Appendix A. Primarily, exemptions relate to claimants who are in receipt of certain disability benefits, and thus a large number of disabled people completely avoid the impact of the cap. Those claimants with less severe disabilities (ie receiving Employment & Support Allowance (unless this includes the care component)) are still subject to the cap, and the impact on this group is shown in paragraph 4.10 below.
- 3.5 The original cap in 2013 affected 1320 households in Brent, 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.
- 3.6 It should also be noted that the cap also applies to claimants of Universal Credit, of whom there are approximately 2,200 in Brent. Full details of these households is not available to the Council, although it is understood that approximately 60 of these households are capped.
- 3.7 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 Financial Implications

- 4.1 At the time of the previous report, in February 2017, not all of the expected instructions to cap claimants from 23 January 2017 had been received from DWP, and that report therefore was based on a file of predicted capped cases provided by the DWP in September 2016 for pro-active mitigation purposes. This file identified 1875 cases potentially liable for the cap, three times the 631 still impacted by the original cap immediately prior to 7 November 2016.
- 4.2 The new, lower cap was introduced over a number of weeks from 23 January 2017, and by the end of February 2017, a total of 1290 cases were capped, which was significantly less than originally predicted but still double the previous capped caseload. In almost all cases, however, when broken down into amount

of cap, household or tenure type, age, ethnicity, etc., the relative proportion of the capped caseload falling into each category mirrored the proportions in the advance data file. Comparisons of the predictive and actual data (as at January 2018) are provided in more detail in Appendix B, which also contains details of cap levels, length of cap and ward-level analysis.

- 4.3 Over the ensuing 10 months the capped caseload rose to a maximum of 1340 cases in June but had decreased to 1168 by December. On average 99 new cases are capped each month with 109 cases becoming uncapped.
- 4.4 Despite the regular movement on and off the cap indicated above, a large number of claimants remain capped for significant periods. For example, 44% of claimants capped in January 2017 remained in receipt of capped HB for the whole of 2017. (See Appendix B, page 4.)
- 4.5 A total of 299 households (26%) are capped by up to £24.99 per week; 405 (36%) by £25.00 to £49.99 per week; and 207 (18%) by £50.00 to £74.99 per week. A complete breakdown by amount of cap is provided in Appendix B, page 6.
- 4.6 Whereas the original cap largely affected lone parents and couples with dependants (85%), the reduced cap affects a far greater proportion of single claimants. (See Table 1)

Type	Number	%	Average Cap
Single People	535	47%	£40.00
Single Parents	439	39%	£61.98
Couple with dependents	152	13%	£70.66
Couple no dependents	3	0%	
Total	1129		

- 4.7 The singles group is less likely 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 is also the focus of the Council's Single Homeless Prevention project which commenced during 2017, which should help to mitigate some of this impact.
- 4.8 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 Tables 2 and 3)

Table 2: Age Range	Number	%	Average Cap
18-24	46	4%	£30.95
25-34	274	24%	£57.62
35-44	343	30%	£57.13
45-54	305	27%	£51.19
55-64	161	14%	£43.60
Total	1129		

Table 3: Tenancy Type	Number	%	Average Cap
Council Tenant (BHP)	23	2%	£41.64
Housing Association	198	18%	£51.10
Private Tenant	830	74%	£48.56
Temporary Accommodation	78	7%	£123.08
Total	1129		

4.9 Table 3 also shows that although the most significantly affected tenancy type is private tenants, a significant minority of Housing Association tenants are also impacted.

4.10 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	282	32%	£60.79
Job Seekers Allowance	367	42%	£42.21
Employment & Support Allowance	223	26%	£58.37
Total "Passported" Incomes:	872		

Table 5: Income from working		
Main income Type	Number	Average Cap
Earned Income	137	£59.18
Self Employed	31	£55.73

4.11 It is significant that only 42% of capped cases on "passported" benefits are in receipt of Jobseeker's Allowance (ie are actively required to seek work and are arguably the most "job ready" of claimants). 32% are on Income Support, largely single parents, many 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.

4.12 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

with children; 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 are, therefore, capped.

- 4.13 Table 6 below shows the ethnicity breakdown of the capped cohort, which broadly mirrors the proportions of the same ethnic groups in the overall HB caseload. The Black group would appear to be more highly represented amongst the capped cohort, but this data should be treated with caution, given the high degree of potential variance due to the claims where ethnic monitoring data has not been provided.

Table 6: Ethnicity	HB caseload	%	Capped cases	%	Average Cap
Asian	4026	12%	113	10%	£60.30
Black	6269	18%	269	24%	£52.15
White	6700	19%	217	19%	£51.80
Mixed	946	3%	51	5%	£44.66
Other	1188	3%	52	5%	£50.68
Not Held	15630	45%	427	38%	£52.56
Total	34579		1129	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 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 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

5.5 General and specific advice is available to all claimants via a central information hub (on the Council's website) and in 2016/17 there was an associated publicity and engagement campaign across various media. An electronic Partner Toolkit is also located on the Council's website, with a Benefit calculator which provides claimants and caseworkers with a tool for calculating potential entitlement to welfare benefits (including Universal Credit), "better off" calculations and a household budgeting tool.

5.6 More specifically, those claimants vulnerable through Mental Health, Troubled Families, and 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.

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** provides emergency payments to vulnerable residents in crisis situations or for large one-off costs (e.g. white goods).
- 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. Payments may be one-off (e.g. costs associated with moving to a more affordable property) or ongoing for prescribed periods (e.g. paying the shortfall in rent while the claimant undertakes a job brokerage course).

7.0 Implications of further reductions in the OBC

7.1 Although there is no indication from central government of there being a further future reduction in the level of the cap, this cannot be ruled out entirely, despite growing evidence of links between welfare reforms and homelessness.

7.2 Unfortunately, the impacts of such a reduction are not easily predicted, as these depend partially on the level of the cut, and also on claimant and landlord behaviour. For example, the impacts of the current cap are evident from the data presented in this report, but despite this, and the fact that only 10% of currently capped claimants receive a DHP to cover their rent shortfall, a large number of claimants remain in their property while receiving their capped benefit (the majority capped by more than £25 per week). This suggests that activity is going on beneath the radar, whether this be claimants choosing to pay their rent rather than other household expenses, landlords accepting less than the contractual rent, or even potential fraud.

7.3 A further reduction in the cap level would undoubtedly exacerbate the current impacts, increase evictions and homelessness, and potentially increase the level of “under the radar” activity. It also raises the potential that claimants who have already had to move to cheaper accommodation to avoid the cap, may be required to do so again. Since the introduction of the current cap in November 2016 there has been the added factor that moving outside London is less likely to provide a solution to capped households, given that a (lower) cap is now in force outside the capital.

8.0 Legal Implications

8.1 Covered in the main body of the report.

9.0 Equality Implications

9.1 Covered in the main body of the report.

10.0 Consultation with Ward Members and Stakeholders

10.1 Consultation and liaison with a wide variety of internal and external stakeholders occurs on a bi-monthly basis via the Welfare Reform Partners’ Network Group meetings, particularly focusing on information sharing and co-ordination of mitigation activities. Internally, there is a monthly meeting of all relevant Heads of Service concerning welfare reform activities. The Welfare Reform Strategy went to CMT and PCG in 2016. There has been no specific consultation with Ward members over the implementation of the benefit cap, partly because this is a government initiative, but there are regular (at least annual) member development sessions held on the various aspects of welfare reform.

Report sign off:

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